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Literature Review: Social Protection of the Rural Population

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List of Abbreviations

CDO	Chief District Officer
CPP	Comprehensive Package Programme
FHPL	Family Health Plan Lieutenant
GDP	Gross Domestic Product
HYV	High Yield Varieties
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
IRD	Integrated Rural Development
MHSS	Ministry of Health and Social Services
NGO	Non-Governmental Organisation
NPS	National Pension Scheme
NRCMI	New Rural Cooperative Medical Insurance
OPM	Office of the Prime Minister
PRSPs	Poverty Reduction Strategy Papers
RMCI	Rural Cooperative Medical Insurance
SAP	Structural Adjustment Programmes
SIDA	Swedish International Development Authority
SL	Sustainable Livelihood
TDA	Third Party Administrator
UN	United Nations
UNC	Universal Non-Contributory
UNCED	United Nations Conference on Environment and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UPM	United Cash Pay Masters
USAID	United States Agency for International Development
VDC	Village Development Committees
WCED	World Commission on Environment and Development

Introduction

Poverty reduction is now at the core of development policy-making and a key commitment of the international community. Poverty in developing countries is predominantly a rural phenomenon. The 2001 IFAD Rural Poverty Report states that of the 1.2 billion human beings who live in extreme poverty about three quarters live in rural areas. It is also estimated that for the next two decades, the majority of the population living in developing countries will continue to be rural. Consequently, achieving the targets of poverty reduction set by the international community for the year 2015 will require particular emphasis on rural areas. Despite their importance, rural people in developing countries still tend to be neglected in the fight against poverty.

One important emerging component of development policy to address poverty in developing countries is social protection. Social protection of the rural population in developing countries as a tool for poverty reduction is still scarce. There is only a small amount of literature that deals with this specific and crucial subject.

This paper aims to overview some of the existing literature on social protection mechanisms for the rural poor in the field of old-age protection and health protection as well as their possible effects on poverty reduction. It examines shortcomings and difficulties in the provision of social protection mechanisms for the rural poor as well as possible ways of how to overcome some of these obstacles.

In order to examine rural social protection mechanisms, it is indispensible to understand what "rural" is, who the "rural poor" are and consequently which difficulties arise in rural social protection. Therefore, the first section of this paper elaborates on these issues. The second chapter aims to examine dominant rural development schemes in development history. Old-age protection and health protection schemes benefiting the rural poor are presented in the third section. The paper closes with some concluding remarks on social protection of the rural poor.

1. Social Protection and the Rural Poor

1.1. What is "Rural"?

The definition of rural as opposed to urban is important in the measurement and fight against rural poverty. Even though it seems easy to think of what rural is, a universal definition does not exist, since different countries have different perceptions and definitions of rurality. Hence, what "rural" is may already be politically or administratively defined making meaningful international comparison difficult.

According to Anríquez and Stamoulis there are two main methods to define rural in practice. One methodology is to use a geopolitical definition that defines all of the state, region, and district capitals as urban and by exclusion defines all of the rest as rural. Countries like Colombia, El Salvador, Dominican Republic and Paraguay are using this methodology. However with this definition populations that live outside the geopolitical limit of a city (especially in a growing city) are miscounted as rural, while populations living in small municipalities in sparsely populated regions are miscounted as urban (Anríquez/ Stamoulis 2007: 4).

The second methodology uses population agglomerations to define rural. Populations that live within an area where populations are larger than for example 2500 inhabitants are considered urban, while by exclusion the rest is defined as rural. Since it establishes a clear threshold, this method seems more feasible. Although, this threshold varies around the world, which makes international comparison difficult (Anríquez/ Stamoulis 2007: 4). In Mexico for example the borderline is 2500 persons or fewer, in Nigeria 10 000 or more (IFAD 2001: 17). Borderline problems lead to overestimates of the urban population. Since annual population growth in most developing countries has been around 2-3%, many places may exceed the rural-urban borderline, even though they hardly change their lifestyle (IFAD 2001: 18). This indicates that rural populations could be larger than what official figures indicate. The lower the rural-urban threshold is set, the fewer people are classified as rural and consequently the lower is the share of public expenditure allocated to rural areas.

There is another less often used methodology which is nonetheless worth mentioning in view of its relevance for social protection and rural poverty analysis. This method considers the availability of services to define rural/urban. For example in Honduras, an area is considered

to be urban if, (in addition to having a population of 2000 inhabitants), it possesses services of education and health infrastructure (Anríquez/ Stamoulis 2007: 4). This definition is especially useful for a comparative perspective on rural poverty and social protection.

Atchoarena and Gasperini suggest the following multi-criteria approach for defining rural areas:

1. settlements of low density;
2. a place where activities are affected by a high transaction cost, associated with long distance from cities and poor infrastructures;
3. a space where human settlement and infrastructure occupy only a small share of the landscape;
4. places where most people work on farms;
5. natural environment dominated by pastures, forests, mountains and deserts;
6. the availability of land at a relatively low cost (Atchoarena/Gasperini 2003: 21).

1.2 Who are the "Rural Poor"?

After having clarified the term "rural", it is indispensable to also understand who the people living in rural areas, often called the "rural poor", are. Frequently, rural dwellers in developing countries are treated as a homogeneous group despite their diverse entities and different determinants of their poverty status. According to Okidegbe, the "rural poor" can be broadly divided into five categories (Okidegbe 2001):

1. the landless (those without any crop land);
2. those with a low asset base, or smallholders (farmers with up to two hectares of cropland);
3. pastoralists (those who are not settled in any specific area and who derive most of their income from pastoral livestock);
4. rural women (especially women-headed households) and
5. ethnic minorities and indigenous populations.

Generally, the rural poor are characterized by their weak access to social, economic, financial and political assets. Furthermore, their high levels of vulnerability to risk and uncertainty, and exclusion by social, administrative and political processes are typical characteristics (Farrington/Gill 2002: 2). The majority of rural poor are located in "difficult areas", which can be de-

fined by having 1) a low agricultural potential (owing to combinations of climatic, soils and disease problems), 2) a fragile ecology, 3) a weak infrastructure, 4) a highly fragmented and weakly functioning markets as well as 5) a poor connectivity to national, regional and global markets (ebd.).

1.3. Social Protection and Rural Poverty

The Universal Declaration of Human Rights, 1948, claims that "everyone, as a member of society, has the right to social security [...]" (article 22), and further refers to the right to necessary social services, to security in the case of sickness, disability, old age and unemployment (article 25). The International Covenant on Economic, Social and Cultural Rights, 1966, recognizes "the right of everyone to social security, including social insurance" (article 9).

The rural population in developing countries are usually exposed to a variety of risks.[1] Rural dwellers have little or no security of employment or income. Their earnings fluctuate and tend to be very low. A brief period of incapacity can leave the worker and her or his family without enough income to live on. The sickness of a family member can result in costs which destroy the delicate balance of the household budget. Work in the informal economy is often intrinsically hazardous. Women face additional disadvantages such as dismissal when pregnant. The following table shows the specific vulnerability of rural populations in developing countries.

[1] Using the term "risks" in the table below does not imply that the author adopts the World Bank approach on social protection.

Table: Risks facing the rural poor

Nature of risk	People at risk
Crop production risks (drought etc.)	Smallholders with little income diversification and limited access to improved technology (HYVs) Landless farm labourers
Agricultural trade risks (disruption of exports or imports)	Smallholders who specialise in an export crop Small-scale pastoralists Poor households that depend on imported food
Food price risks (sudden price rises)	Poor, net food-purchasing households, including deficit food producers in rural areas
Employment risks	Wage-earning households and informal sector employees (in peri-urban areas and, when there is a sudden crop production failure, in rural areas)
Health risks (infectious diseases resulting in labour-productivity decline)	Entire communities, but especially households that cannot afford preventive or curative care, and vulnerable members of theses households
Political and policy failure risks	Households in war zones and areas of civil unrest Households in low-potential areas not connected to growth centres via infrastructures
Demographical risks (individual risks affecting large groups)	Women, especially those without education Female-headed households Children at weaning age The aged

Source: von Braun et.al. (1992: 17).

Even though especially rural dwellers are facing multiple risks, a very large proportion of the rural population in developing countries still does not enjoy social protection.

In this paper, social protection is defined as "public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society" (Norton et al. 2002: 543). Social protection encompasses the two main policy fields social insurance and social assistance. Social insurance protects people against drops in living standards caused by idiosyncratic risk (illness, unemployment) or covariate risk (drought, epidemics). Social assistance programmes aim to raise the living standards of the poor by investing in their human capital (free or subsidized health or education) or by transferring free food or cash (income transfers or food aid) (Devereux 2002: 16).

Rural people are not at all or only partially covered for a variety of reasons. The spatial dispersion of rural populations usually increases the difficulty and cost of providing rural social protection effectively. It is more expensive on a per capita basis for central governments to provide rural populations with public infrastructure, social services, and safety nets equivalent to those provided to urban residents. There is the extreme difficulty of collecting contributions from rural people since they are usually dispersed in very remote areas. The economic conditions in rural areas result in fewer opportunities than in non-rural locations. Rural dwellers are mostly unable to contribute a relatively high percentage of their income to financing social security benefits. The tax base is limited, so rural areas are rarely able to mobilise sufficient resources for social protection schemes. Furthermore, rural areas are often politically marginalised, leaving little opportunity for the rural poor to influence government policies. Consequently many of the social services in rural areas are provided outside of the "normal" public channels such as services of religious groups or NGOs (Holzmann 2004: 5).

2. Historical Background of Development Policies in the Rural Sector

This chapter seeks to identify dominant phases of rural development schemes in low income countries since the 1960s. Thereby, this section aims to identify which approaches were promoted by different donors or governments and reasons why certain policies came up at a given time. The illustration is simplified and chronologically structured in decades in order to better illustrate the sometimes overlapping approaches.

2.1 Green Revolution

In the 1960's and early 1970's it was believed that industrialization was the main vehicle of development. In this context rural development was defined as "a part of structural transformation characterized by diversification of the economy away from agriculture. This process is facilitated by rapid agricultural growth, (…) but leads ultimately to a significant decline in the share of agriculture to total employment and output and in the proportion of rural population to total population" (Johnston 1970. Quoted in: Anríquez/Stamoulis 2007: 3). At that time, the Green Revolution seemed to be a promising tool for the aimed rapid agricultural growth. The Green Revolution, a package of high yield varieties (HYV) seeds, fertilizers and pesticides, was a planned intervention to increase the production of basic grains and cereals in developing countries in order to make them self-sufficient in food production. It was associated with large-scale state investment in research, infrastructure and support of the adoption of new

technologies. The research on HYVs suitable for the production in tropical climates began in 1941 as a Rockefeller Foundation project to invent a high-yield hybrid wheat in northern Mexico. Similar research centres were established in other countries as the Philippines, Nigeria, Peru and India (Sisaye; Stommes 1985: 44).

Development Agencies such as the World Bank or government aid agencies such as the United States Agency for International Development (USAID) and the Swedish International Development Authority (SIDA) used the 'comprehensive package programme' (CPP) as a vehicle for the introduction of HYVs (Sisaye; Stommes 1985: 44). The CPP provided services including HYV packages of seeds, fertilizers and pesticides along with education on the use of seeds, low interest credits and the establishment of improved market facilities. The CPP was led by the idea that it was economically advantageous for a developing country to concentrate its limited resources in selected areas with a high potential for agricultural development. Although the projects showed an increased production within the project areas, they turned out to be exceedingly expensive since they consumed 25 per cent of the total agricultural development budget and at the same time reached only a small portion of the rural population (Sisaye; Stommes 1985: 44).

Overall, there have been unforeseen and undesirable social and economic consequences of the Green Revolution strategy. The most immediate impact was the differential use of Green Revolution technology according to farm size. Governments and foundation officials turned first to the larger, commercial farms for increasing food production rapidly. Smallholder or tenants adopted the new technology more slowly if even (Burke 1979; Feder; O'Mara 1981; Hayami 1981. Referred to in: Sisaye; Stommes 1985: 47). Consequently, large landowners were able to increase their income, while increased demand of land, driving its price up and forced smallholders, unable to use HYVs, to sell their land as their income fell. The displaced tenants and smallholders migrated to urban areas where they formed a large unemployed urban class or they stayed in rural areas where they formed a growing landless population. Small farmers could not compete with large farmers who could risk part of their income to purchase higher cost inputs. Although the Green Revolution strategy was successful in increasing cereal grain production, it resulted in rural income equality (Sisaye; Stommes 1985: 47).

2.2 Basic Needs Strategy and Integrated Rural Development Projects

The persistence of poverty despite economic growth as well as growing disparities between rich and poor in the last two decades called for a major shift in development strategy.
The speech of former World Bank president McNamara in 1973 and the ILO Employment Conference in 1976 called for a 'basic needs strategy', which states that it is only through the fulfilment of human needs that economic growth is favourable. The World Bank and the UN agencies, specifically the ILO and UNESCO as the main proponents of the basic needs approach, agreed that at its most fundamental level it should satisfy consumption of food, shelter, as well as access to public and social services such as health, sanitation, public transport and education.

In this context, the instrument of integrated rural development (IRD) was pushed by the World Bank and adopted by other international agencies and many countries.
The focus of attention shifted from earlier functional projects, such as national agricultural credits, to more vertical projects that involved promotion of agricultural production and social services (Mkandawire 2006: 3). The IRD approach lasted only one decade and was considered by the World Bank as failure (Mkandawire 2006: 4). Mkandawire highlights some reasons given for the failure of IDR by studies of the World Bank. For instance it is argued that insufficient attention has been paid to establishing political coalitions in support of a long-term commitment to rural development (De Janvry, Sadoulet 1999. Referred to in: Mkandawire 2006: 4). The institutional arrangements put in place were technocratically driven and frequently, millions of dollars were spent on flawed projects in order to ensure their success (Mkandawire 2006: 6). Another reason for the failure of IDR is seen in the "one-size-fits-all" institutional model that does not take the specific context of the respective country into consideration and reduces the role of national agriculture ministries. Existing institutions were considered too specialized and too slow to act fast and flexible. Consequently, new institutions were set up which were not sufficiently interlinked with local politics and bureaucratic traditions (Van De Laar 1980. Referred to in: Mkandawire 2006: 8). This was problematic since it was ignored "(…) that weaker domestic capacity would make it difficult to deal with 'imported' complex arrangements, which, in some cases, simply drowned all national initiatives." (Mkadanwire 2006: 9). Another problem was the overburdening of national institutions and the tying up of national resources to project services by demanding expensive services from the local government (such as reporting and oversight), by attracting local skilled per-

sonnel from the government to the new IDR projects and by compounding coordination problems between national and external institutions (Mkandawire 2006: 12).

Carney criticises that the economic condition for the rural population remained adverse. In general, rural producers received less than half the world market value for their export crops. While they were, theoretically, 'compensated' through subsidies on fertiliser and credit, the value of these was mostly captured by richer farmers as poorer farmers had less access to subsidised services. According to Carney, this was one of the reasons why IRD projects underperformed. They were driven top-down, often with little regard to local conditions and few links to local government structures. Moreover, they were over ambitious and too complex (Carney 1999).

The 1970s were also the era of state-led development. Since agriculture and rural development sectors dominated national economies and employment, governments needed to take over strategic and economic activities in this area.. The private sector was weak, since the poor market development in rural areas presented risky and unattractive investment opportunities. State intervention on the other hand could access official finance sources and could coordinate with farmers, reduce and take on systemic investment risks in ways that the private sector could not and it could invest in human resource development necessary to develop working systems. State involvement in agricultural marketing activities was a convenient tool for taxation. Agricultural parastatals were engaged in input supply, seasonal credit disbursement and crop purchases. They were often supported by donor funds and promoted pan-territorial pricing and were also often linked in with integrated rural development programmes (Kydd/Dorward 2004: 952).

2.3 Era of Structural Adjustment

Since the early 1980s the International Monetary Fund (IMF) and the World Bank initiated structural adjustment programs (SAPs) by the provision of loans conditional on the adoption of such policies. SAPs policies include privatization, increased free trade, removal of price controls, currency devaluation, lower tariffs on imports and tighter monetary policy, wage suppression and the reduction of government services through public spending cuts.

Structural adjustment policies led to the withdrawal of governments in the delivery of rural services. Public sector institutions were trimmed, agricultural budgets cut and subsidies for

domestic agriculture were eliminated. Higher interests rates for local farmers and the uplifting of tariffs and other barriers to penetration of local markets by international capital limited the functions of the state to provision of 'public goods' narrowly defined as goods and services that are non-excludable and non-subtractable (Kydd/Dorward 2004: 953). This state withdrawal led to a rise of NGOs (non-governmental organizations) as agents for rural development, rather than government or international organizations.

With structural adjustment policies, millions of the rural poor were excluded from the development process. Credit, extension, subsidies, and technical education all fell by the wayside as budgets were cut. The lifting of tariffs flooded local economies with imported foodstuffs mostly available at prices below the local production costs. Poor farmers were caught in a squeeze between high production costs and low crop prices. Tariff protection and subsidies were withdrawn and which squeezed small farmers out of the food-producing sector. The promotion of export cropping for large producers provided only seasonal employment to the displaced, insufficient to replace a farming livelihood (Rosset 1997).

One central criticism of SAPs, which emerged shortly after they were first adopted, concerns their negative impact on social capacities of societies by dramatically reducing social investment. In many countries, compensatory measures have been introduced to give adjustment policies a "Human Face". Critics merely view these measures as "social safety net approach" in which social services are not regarded as part of the primary functions of a state, but rather as institutions that respond to market failure and the "social consequences of adjustment". Mkandawire criticises such programmes as "palliatives that would minimize the more glaring inequalities that their policies had perpetuated" (Mkandawire 2005: 3).
The neoliberal ideology on which SAPs are based entailed preferences for "user fees", means-testing, and a market delivery of social services. Previous ideologies which pushed for equality, redistribution and universalistic policies were on the decrease (Mkandawire 2005: 2). Integrated rural development projects began to be crowded out by donors and governments.

2.4 Sustainable Livelihood Approach

In the 1990s, a strong emphasis has been put on the environment and the protection of natural resources, which also influenced the rural development agenda of that time. In 1987 the

World Commission on Environment and Development (WCED) published its report „Our Common Future“, which undermined that “Environment and development are not separate challenges; they are inexorably linked” (WCED 1987: 37). When the 1992 United Nations Conference on Environment and Development (UNCED) officially introduced the concept of “sustainable development” additional attention was refocused on rural poverty eradication, since most of the natural resources are located in impoverished rural areas of developing countries. It has been realized that the conventional definitions and approaches to poverty eradication had focused too narrowly on certain aspects of poverty, such as low income, and did not consider vulnerability and social exclusion aspects.

In the rural sector, inadequate attention has been paid to the complexity of rural livelihoods and the multiple dimensions of rural poverty (Carney 1999). The concept of Sustainable Livelihood (SL) is an attempt to go beyond the conventional definitions and approaches by offering a more coherent and integrated approach to poverty reduction. The sustainable livelihoods idea was first introduced by the Brundtland Commission on Environment and Development, and the 1992 UNCED expanded the concept, advocating for the achievement of sustainable livelihoods as a broad goal for poverty eradication.

In 1992 Robert Chambers and Gordon Conway proposed a composite definition of a sustainable rural livelihood: “A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.” (Krantz 2001: 1).

The Sustainable Livelihood (SL) approach underlines that the poor themselves often know their needs best and that they must therefore be involved in the design of policies. The SL approach also delinked the concepts ‘rural’ and ‘agricultural’ thereby widening the scope of rural development activity.

In many aspects the SL approach is similar to the Integrated Rural Development approach. The essential difference of the two approaches is that the SL approach does not necessarily aim to address all aspects of the livelihoods of the poor. It rather intends to employ a holistic

perspective in the analysis of livelihoods in order to identify those issues where an intervention could be strategically important for effective poverty reduction, either at the local level or at the policy level (Krantz 2001: 2).

2.5 Marginal Mainstreaming of Rural Development in Poverty Reduction Strategies

In the light of the shortcomings of SAPs mentioned above, the Bretton Woods institutions initiated a re-examination of development policies, debt strategies and poverty related issues. In September 1999, it was determined that concessional lending, that so far has taken the form of structural adjustment loans, would now be negotiated under nationally-owned participatory poverty reduction strategies, called Poverty Reduction Strategy Papers (PRSPs). PRSPs set out a national strategy to promote growth and reduce poverty, detailing policies, programmes, sources of financing and external financing needs. They are intended to be prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF).

Many civil society representatives see PRSPs as "an attempt by the financial institutions to place formal responsibility for structural adjustment on the shoulders of developing countries without relinquishing control over the preparation of national development concepts" (Schneider 2003).

Studies focusing on the rural dimensions of poverty identify four types of problems of PRSPs:

1. deficient poverty diagnoses,
2. lack of correspondence of diagnosis to policy recommendations,
3. bias to activities that concern public spending and
4. failure to explore the links between growth and poverty reduction (Cabral 2006:2).

The implicit pro-poor growth model of PRSPs is one of 'trickle-down', which tends to overlook the connections between growth and poverty reduction by treating them as one and the same thing (Cromwell et al. 2005. Referred to in: Cabral 2006: 2). Additionally, the rural poor are often treated as a homogeneous group with little discussion of specific determinants of their poverty status (World Bank 2005). Moreover, they suffer from weak links between poverty assessments and policy formulation. Dynamic aspects of poverty such as opportunities for the poor to participate in economic growth have not been considered adequately (Shepherd and Fritz 2005. Referred to in: Cabral 2006:2).

Cabral argues, that PRSPs obviously failed to explore the rural dimension of poverty and consequently do not give sufficient attention to the poverty reduction potential of the rural productive sectors (Cabral 2006: 2). The strong public expenditure focus of PRSPs as well as of the MDGs has created a bias against the productive sectors (Shepherd/Fritz, 2005; Cromwell et al. 2005. Referred to in: Cabral 2006: 2). Furthermore, even though participation is one of the main principles of PRSPs implementation, especially the integration of rural stakeholders has been very limited (Shepherd and Fritz, 2005; World Bank, 2005. Referred to in: Cabral 2006: 2). Since it has been difficult to agree on detailed priorities for rural poverty reduction, large shares of donor funds to the rural productive sector are still made available through off-budget programmes undermining both transparency and coordination (Carbal 2006: 2). The World Bank review (2005) denotes the lack of coherence between PRSP priorities in rural development and those adopted in Poverty Reduction Strategy Credits (PRSCs), other instruments and by other donors. This incoherence is particularly the case in rural private sector development, livestock and vulnerabilities (Carbal 2006: 3).

Schneider criticizes that the majority of PRSPs "propagate an increase in social spending" but do not say where the money is supposed to come from. In particular, they "cite no specific programmes designed to help the poor participate in growth processes" or define measures which could increase the "productivity of the poor".

In general, rural poverty reduction plays only a marginalized role in PRSPs and has to receive much greater attention than is currently the case.

3. Social Protection Schemes for the Rural Population

3.1 Old-Age Protection

This section examines old-age protection schemes for the rural population. It outlines the growing need for old-age security of the rural population in developing countries, discusses reasons why universal non-contributory (UNC) pensions make sense for old-age protection of the rural poor and shortly sketches two examples of UNC pension in Nepal and Namibia.

3.1.1 The Growing Need for Old-Age Security of the Elderly Rural Poor

The need for old-age security schemes for rural people in developing countries is increasing for different reasons. For instance, in the next decades there is going to be a dramatic increase

in the size of the elder population in developing countries. Estimates suggest that developing countries will be making a far greater contribution to the increase in the global elder population than the industrialized countries (Holzmann; Hinz et al., 2005; Kakwani; Subbarao 2005 Referred to in: Johnson;Williamson 2006: 47). Additionally, older people in rural areas have traditionally relied on family ties for financial support. Nowadays, factors such as migration, urbanization, industrialization and HIV/AIDS have contributed to the weaker role of the multi-generational support systems in the provision of old-age security (Kakwani; Subbarao 2005; Kumar 2003; Overbye 2005. Referred to in: Johnson;Williamson 2006: 49).

Despite the growing need for old-age security, in developing countries, especially in rural areas, the old age pension coverage is very low. In India, less than 10 per cent of older people in rural areas are eligible for public old-age security support (Gillion et al. 2000. Referred to in: Johnson/Williamson 2006: 48). Also in several African countries coverage rates fall below 10 per cent (Bailey, 2004. Referred to in: Johnson/Williamson 2006: 49).

3.1.2 Criticism of UNC Pensions and Targeted Schemes

Many critics argue that it is not feasible to provide UNC pensions in developing countries. They argue that most of these countries do not have sufficient resources to finance them and those that do typically have other more pressing needs (James 2000; Kakwani; Subbarao 2005. Referred to in: Johnson/Williamson 2006: 50). Another frequent argument is that UNC pensions would undermine already existing intrafamily or community support networks (Jensen 2003. Referred to in: Johnson/Williamson 2006: 50). Moreover, other critics claim that most governments will find it difficult to gather political support in order to successfully introduce UNC programmes (James 2000; Gillion et al. 2000. Referred to in: Johnson/Williamson 2006: 50). This is especially the case since rural older people usually have little political influence (Jütting 2000. Referred to in: Johnson/Williamson 2006: 50). It is also argued that UNC pensions distribute too much money to those who do not need it. They are viewed as being less efficient because means-tested targeting would enable governments to provide larger benefits to those most in need (World Bank 1994. Referred to in Johnson; Williamson 2006: 54).

Nonetheless, means-tested pensions are granted after an assessment of an individual's financial need. Therefore, they require access to reliable and accurate income documentation, which is mostly unavailable in rural areas of many developing countries (Johnson; William-

son 2006: 53). Thus, means-tested schemes make more sense in the context of a formal economy with accurate income documentation. Furthermore, means-tested schemes can promote dependency by reducing incentives to work and to participate in contributory social security programmes (Barrientos and Lloyd-Sherlock, 2003; Gorman, 2004; Overbye, 2005; Willmore, 2001. Referred to in Johnson; Williamson 2006: 54). Mauritius for example has abandoned its non-contributory pension means test since it was prone to corruption (Willmore 2003).

3.1.3 Why do UNC Pensions Make Sense for Rural Old-Age Protection

Providing UNC pensions makes sense for rural populations in many poor countries, since they are administratively simpler. Administrators of UNC pensions need only verify beneficiaries' age and residency status before providing pensions to recipients (Johnson; Williamson 2006: 54).

Additionally, UNC pensions are known for their indirect political, economic and social benefits. Politically, UNC pension schemes promote political transparency and are less vulnerable to corruption and fraud. Therefore, they increase the extent to which benefits actually reach the intended recipients (Gorman, 2004; Holzmann, Hinz et al., 2005; Willmore, 2001. Referred to in: Johnson/Williamson 2006: 54). Governments become motivated to install administrative structures designed to keep accurate birth and death records which, in turn, may facilitate the implementation of other programmes and policies (Johnson; Williamson 2006: 52).

UNC pensions also promote economic development. Older people who receive non-contributory pensions are offered credit-based accounts by trusting local stores anticipating future pension income, which enables the older to purchase goods to meet immediate needs (Devereux, 2001; Schwarzer; Querino, 2002. Referred to in Johnsonn; Williamson 2006: 52). Rural beneficiaries and their families are able to take more risks and invest in capital for their businesses (Gorman 2004 Referred to in: Johnson/Williamson: 52).

Social development is promoted since recipients are able to share their pensions with family members, allowing the next generation to obtain training and education to further their economic potential (Barrientos/Lloyd-Sherlock 2003. Referred to in: Williamson 2006: 52). They also facilitate inter-generational care, since older people are able to help finance the health

and educational needs of younger generations (Barrientos and Lloyd-Sherlock 2003; Gorman 2004; Lund 2002. Referred to in: Johnson/Williamson 2006: 52).

3.1.4 Financing of UNC Pensions

Most developing countries with universal non-contributory pensions are able to support their schemes with less than 3 per cent of their GDP (Barrientos, Lloyd-Sherlock 2003; Mc Kinnon 2005; McKinnon, Sigg 2003; Willmore 2001. Referred to in: Johnson; Williamson 2006: 59). Nepal, a country with an approximately US$ 233 GDP per capita, is able to fund a universal non-contributory pension programme. Nepal's pensions are the main source of income for many recipients (Gorman 2004; Rajan 2003. Referred to in Johnson; Williamson 2006: 59). The case of Nepal shows that even small benefits can make an important difference. Also the case Mauritius demonstrates that universal pensions are feasible in low income countries. Even though Mauritius is now a prosperous middle-income country, it was an impoverished colony of Great Britain when it introduced universal age pensions in the 1950s. The non-contributory age pensions became universal in 1958 (Willmore 2006: 67).

The ILO is pre-piloting a Global Social Trust project that might be used in the future to funnel donations from people in high-income countries to older people in developing countries through national social security systems (ILO 2006. Referred to in: Johnson; Williamson 2006: 61). Others suggest that existing international donations available for low-income countries have to be used more efficiently and that dedicating them to universal pension systems might be one way to do so (Charlton; McKinnon 2001. Referred to in: Johnson/Williamson 2006: 61).

3.1.5 Overcoming Administration and Extension Issues

In order to implement a universal non-contributory scheme a country will need a way to verify the age, residency status and possibly some other information for prospective recipients. Initially, many older people in Nepal were disqualified because they lacked adequate birth records. Now they are able to use election identity cards to proof their age (Gorman 2004. Referred to in: Johnson; Williamson 2006: 57). Since many older people living in rural parts of Bolivia lacked birth certificates as well, it was agreed on an alternative documentation system: as long as people were able to provide witnesses to verify their age, they were eligible (Gorman, 2004. Referred to in: Johnson, Williamson 2006: 57).

It is important to keep fraud, corruption, and administrative costs to a minimum. One reason for overcoverage in Mauritius is that many families do not report deaths in a timely way in order to continue to collect the deceased persons' pensions (Willmore, 2003. Referred to in: Johnson; Williamson 2006: 57). The introduction of fingerprinting identification technology in Namibia has helped to reduce such fraud (Devereux, 2001; Willmore, 2003. Referred to in: Johnson/Williamson 2006: 57).

Countries with limited administrative capacities may have to start out small and then gradually expand the pension scheme as the resource base improves and the necessary infrastructure is set up. One possibility is to start with the poorest regions of the country and to expand the scheme to other areas later. Another possibility would be to begin with geographic locations that have the most developed administration and then expand over time when the administrative capacity increases in other areas. Also, countries could start with a dispersed set of different areas around the country and then gradually expand each of these into the surrounding regions (Johnson/Williamson 2006: 59).

3.1.6 Namibia's Universal Pension Scheme

The National Pension Scheme (NPS) in Namibia provides a flat-rate benefit, is non-contributory and payable regardless of income. The scheme provides for cash assistance in respect of old age, disability, child maintenance and foster-parent care (Schleberger 2002: 5). This overview focuses on the old age aspect of the scheme. Everybody who is a Namibian citizen residing in Namibia (who is not outside the country for a period of more than six months) and is above the age of sixty years, is entitled to the old-age pension (Schleberger 2002: 5).

The NPS is financed entirely through government budget allocations raised from general taxes. With grant-based transfer programmes the ratio of these expenditures to GDP are at approximately 2.6 per cent. The most important formal transfer is to the OAP with lies just under 2 per cent of GDP (Schleberger 2002: 10).

The administrative costs and salaries absorbed almost 15 per cent of the budget allocated to social pensions when the system was outsourced in 1996. The overall responsibility for the scheme lies with the Ministry of Health and Social Services (MHSS). Every district determined by the Minister has an officer in the public service appointed as 'District Pension Offi-

cer'. They have the responsibility for receiving, registering, and submitting applications for national pensions to the Permanent Secretary of the MHSS. This information on eligibility is passed on to the Office of the Prime Minister (OPM) for in order to be included in a central database. The beneficiary determines in the application if he/she would like to receive the pension paid by United Cash Pay Masters (UPM), collected at a designated post office or paid into an account at a commercial bank (Schleberger 2002: 11). The OPM maintains a central database and issues, through the Ministry of Finance, monthly beneficiary lists per region for cash payments or transfers to banks and post offices.

In 1996, the cash payments were outsourced by the MHSS to the private sector.
In 2000, the service was awarded to the company, United Africa Pay Masters (UPM). UPM introduced a totally new system using ATM machines for the payouts. Every pensioner is issued with an electronic identification card with PIN number and fingerprint as identification. Mobile teams are designated to areas where cash pay points are set up by the MHSS (Schleberger 2002: 12).

With the transfer of payouts to the private sector, the quality of service has greatly improved. Beneficiaries used to be exposed to delays in payment when payments were carried out by the MHSS. Especially remote rural areas suffered from poor service provision. The rural population in particular enjoys the more efficient service, since the location of pay points was decided upon in close consultation with traditional leaders in rural areas. The MHSS, the UPM and the communities, have set up permanent structures at pay points in some remote areas for the convenience of pensioners who have to travel longer distances to reach them.
There are plans to establish fixed ATM points in certain areas to give pensioners flexibility in withdrawing their pensions and additional pay points will be set up to further reduce the travelling distance. Additionally, an on-line application system for new pensioners will be introduced (Schleberger 2002: 13). It has been found that the cash payout system is more efficient in terms of control than payments through post offices, since at post offices relatives of the pensioner may collect the pension if they are in possession of the national ID card of the pensioner. It was common for pensions to be collected by grandchildren up to ten years after a pensioner was actually deceased (Schleberger 2002: 14).

3.1.7 Nepal's Universal Pension Scheme

Nepal, where approximately 81 per cent of the working population works in the rural informal economy (Manandhar, n.d. Referred to in: Johnson/Williamson 2006: 49), provides a universal non-contributory pension to individuals aged 75 and above.

The old age pension was first announced in 1994. Since 1996-97, the Ministry of Local Development administrates the UNC pension scheme through urban municipalities and rural Village Development Committees. For the purpose of socio-economic development, Nepal is divided into 5 development regions: eastern (16 districts), central (19 districts) western (16 districts), mid-western (15) and far-eastern (9 districts) regions. The districts are further divided into a number of Village Development Committees (VDCs) and Municipalities as local units. The VDCs and municipalities are sub-divided into smaller units called the Ward. There are nine wards in each VDC. Each district is headed by a Chief District Officer (CDO). The CDO is responsible for the maintenance of law and order and for the construction of developmental works conducted by different ministries and local agencies at the district level (Rajan 2003: 1). The allowances are distributed by the ward offices in the urban areas and Village Development Committees in the rural areas. Rural candidates submit application forms to the Village Development Committees. Benefits are paid in cash.

The programme has been successful, with coverage rates reaching 86 percent (Rajan, 2003). Elderly aged 60 and above account for only 7 per cent of the population, those above 75 above for only 1.3 per cent (Rajan 2003: 2). Problematic issues include some fraudulent collection of deceased persons' pensions, lack of access to very remote areas, and irregular payments (Rajan 2003).

3.2. Health Protection

This section will first look at examples of universal health coverage as the ultimate goal of health protection. The New Rural Cooperative Medical Insurance (NRCMI) in China is briefly outlined as an attempt towards universality and as an example for the inclusion of the rural population in health protection. Then general problems of designing other health insurance schemes will be outlined and self-financed health insurance schemes and community financed schemes will be discussed and illustrated by an example.

Health is central to overall human development and poverty reduction since illness is one of the major causes why people fall into or stay in poverty. Ill health impacts on income genera-

tion and might result in unemployment and disability. Health insurance is a way to protect households against impoverishment as a consequence of health expenditure (Kawabata et al. 2002). It reduces indirect costs of disease and disability, such as lost years of income due to death or disability, care of family members, lower productivity, and hampered education and social development of children due to sickness (ILO 2007: 1).
However, for most people living in developing countries "health insurance" is an unknown word. Especially the rural poor in developing countries are disproportionately excluded from health services.

3.2.1 Universal Health Coverage

Universal health coverage should be seen as the ultimately goal in health protection. However, unlike in industrialized countries, universal schemes are scarce in development countries. It is generally assumed that developing countries cannot afford such type of social protection, although universal health-care systems are able to achieve much more effective cost control than other types of health-care systems and do not need to spend money on administering systems of insurance and patient billing (ILO 2001: 65).

There have been some countries who introduced universal health care coverage.
Singapore's health insurance for example consists of three-tier benefit packages. The first tier, the basic acute care is partly covered by the government and partly financed by the compulsory 'Medisave scheme'. The second tier, a long term care is financed by the voluntary 'Medishield scheme'. The third tier, the health care consumed by the poor is covered by the government welfare system called the 'Medifund' (Pannarunothai 2004: 18). Some countries established a universal coverage programme with very limited basic package such as Mexico and Columbia, whereas in some countries a high co-payment rate was conditional like it is the case in South Korea (Pannarunothai 2004: 19).

Japan achieved universal health coverage by legislation in 1961. After Japan has successfully broadened the health insurance coverage to cover all formal employees, it was decided to expand the programme to cover the informal sector as well, especially rural farmers, although this could only be achieved by means of taxation. Consequently, the financing structure is mixed and the programme is being operated and managed by different funders.

In Taiwan, who achieved universal coverage 1995, the financial sources of support are mixed as well but they could be combined into a single fund since 1995. South Korea, who achieved universal coverage in 1987, also combined hundreds health insurance programmes towards a single fund model in 2001 (Pannarunothai 2004: 19).

3.2.2 The New Rural Cooperative Medical Insurance (NRCMI) in China

The New Rural Cooperative Medical Insurance (NRCMI) in China is an example for the inclusion of the rural population in old-age protection. The scheme was set up in 2003 to protect the rural population from illness-related poverty and exclusion. The NRCMI is based on the old Rural Cooperative Medical Insurance (RCMI) invented 50 years ago. Through the NRCMI the Chinese government plans to achieve universal coverage by 2010. Benefits are focused on catastrophic-illness and impatient-treatment (Hu 2006: 125).

The participation of the rural population is voluntary in spite of the high government subsidy. But unlike many other voluntary schemes, the voluntary nature of the NRCMI has not resulted in low coverage due to high subsidies and strong government leadership (Hu 2006: 129). The government assumed a central leadership in the policy development, financing and implementation of the schemes. The schemes are managed by a public NRCMI office under the supervision of the County Bureau of Public Health. More than half the overall revenue the NRCMI has so far (2006) generated comes from the government. Financial resources and risks are pooled at the county level with a potential targeted population between 100.000 and 1.000.000. The capacity of the NRCMI for risk prevention and redistribution has been improved by such an extended pooling compared to the old RCMI pooled at the village level (Hu 2006: 145).

However, there are several aspects that give reason for concern (Hu 2006: 145-147):

1) Adequacy of benefit provision: The reimbursement rate for catastrophic illness and inpatient treatment related costs is in average only around 20 per cent. This means that the insured has to pay the remaining 80 per cent. In this context, the poorest households might be reluctant to seek treatment and those who have been treated might fall deeper into the poverty trap. Additionally, the emphasis on catastrophic illness and impatient treatment results in as few as 5 per cent benefiting significantly from this coverage.
2) Financing sustainability: There is also reason for concern about the participation rate,

adverse selection and the financing sustainability of the scheme due to its voluntary nature. Moreover, since the scheme is defined to a county, the different socio-economic development levels in different counties will result in a different financial capacity of the NRCMI schemes. There is no redistributive mechanism in place yet.

3) Monitoring: The monitoring structure seems to be weak. No systematic quality control is due to untrained staff in the NRCMI.
4) Design of the scheme: The central government has implemented only a few broad guidelines for the design of the scheme and left many important issues to the county governments to determine. Even though this could lead to increased ownership it could also lead to a loss of control by the central government of fundamental design aspects. The emergence of different models may also become an obstacle for standardizing the provisions.

3.2.3 General Difficulties in Designing Health Insurance Schemes for the Rural Population

Health insurance schemes are difficult to design since they cover not one but a multiplicity of possible risks. Both the probability of risk occurrence and its possible impact vary much more from one person to another than is the case for example for weather risks.
Kuruvilla and Liu reviewed several health schemes for rural populations in developing countries and identified some main obstacles in the provision of health coverage (Kuruvilla/Liu 2007: 5, Table 1):

1) Restricted-scope problem: Most health insurance programmes for the rural poor are restricted to people living in a single, small, defined geographic area, or to a defined population.
2) Restricted-benefits problem: The restricted-benefits problem is a consequence of low premiums. Most schemes focus heavily on primary healthcare or have strict ceilings on hospitalization costs, covering members for minor illnesses but not major healthcare interventions or hospital costs.
3) Administrative problem: The administrative establishment underlying various schemes is generally weak, resulting in a variety of problems with regard to claims administration, escalating costs, poor healthcare quality and inefficient delivery of healthcare services. A recent review of 83 NGOs providing health insurance schemes for the informal sector suggests that poor management affects their sustainability (Bennett, Creese, Monasch 1998. Referred to in: Kuruvilla/Liu 2007: 6).
4) Access problem: Rural populations are geographically dispersed. Most schemes are

unable to provide access to large groups because they are not accompanied by an effective healthcare infrastructure of a hospital network, which is a necessary condition to provide healthcare for dispersed rural populations.

3.2.4 The Yeshasvini Health Insurance Scheme for Rural Farmers in India

The Yeshasvini Health Insurance Scheme for rural farmers and peasants in Karnataka, India is an example for a self-financed health insurance scheme. Commencing in 2003, the scheme covered about 2.2 million widely dispersed peasant farmers for surgical and outpatient care for an annual premium of approximately US$ 2 by the year 2005 (Kuruvilla/Liu 2007: 3).

In order to overcome the restricted-scope problem in its initial phase, existing administrative structures that already connect rural people have been used for the health insurance scheme rather than to establish a separate new administrative system. In Karnataka, cooperative societies registered with the Department of Cooperatives of Karnataka State connect rural farmers. They encompass sectors like animal husbandry, agricultural credit and marketing. The Department of Cooperatives helped to communicate the scheme to rural farmers. The role of the government was important in getting the scheme launched. Additionally, since it was popularized by government agencies it came to be known as a "government" scheme, obtaining credibility. The mobilization of large numbers of people would not have been possible without government involvement (Kuruvilla/Liu 2007: 7).

In order to solve the access problem, a health care infrastructure through a network of private hospitals was created. About 30 hospitals agreed to participate once the scheme commenced. By June 2004, 118 hospitals were part of the network. User data shows that the average distance travelled by patients is about 40 km (Kuruvilla/Liu 2007: 11).

The insurance scheme is administered by a public/private mix. It is governed by the Yeshasvini Trust, which is composed of 11 board members, drawn both from the medical community and the Department of Cooperatives. The trust appointed a private firm, the FHPL (Family Health Plan Ltd.), as a Third Party Administrator (TPA), who will handle the schemes process and claims but will not be a part of the organization providing medical services. While FHPL devises procedures and systems for managing the scheme, a representative of the Yeshasvini Trust sits at FHPL offices to provide general oversight (Kuruvilla/Liu 2007: 12).

The scheme is financed as follows: Each subscriber paid Rs 60 while the government subsidized the scheme with Rs 30 per subscriber. On average each rural farmer went for out-patient services about three times a year. In Mandya district, for example, the average outpatient consultation fee was Rs 20 a visit. Thus, the cost of the subscribers' premium (Rs 60) would easily be recovered with three out -patient visits alone, apart from having free surgery and related costs (Kuruvilla/Liu 2007: 10).

According to Kuruvilla and Liu, some necessary conditions for the creation of similar self-financed health-insurance schemes for the rural sector can be drawn for other developing countries (Kuruvilla/Liu 2007):

1) The existing organizations that connect people must be drafted in as a means through which health security can be introduced.
2) The role of the government is important in getting the scheme launched.
3) The existence or development of a healthcare infrastructure and a system for the mobilization of the widely dispersed poor population.
4) The design of an administrative vehicle to register subscribers, collect premiums and issue identity cards.
5) The existence of an adequate healthcare delivery infrastructure.

3.2.5 Community Based Health Insurance Schemes

Even though universal health coverage should be seen as the ultimately goal in the protection of the rural population, community-based health insurance schemes can be useful as a first step to enlarge access to health care for the rural poor (Jutting 2001: 18). Community health insurance schemes have evolved in the context of severe economic constraints, political instability and lack of good governance. They are an option to improve access to health care and reduce vulnerability of households that get their income in the informal economy, especially subsistence farmers that have no links with formal sector employers.

Community health insurance schemes are characterized by five principles (Fonteneau, 2003. Referred to in: Waelkens et al. 2005: 30):

1) Social protection through sharing of health risks: health care needs of members are paid for from a common fund funded by members' regular contributions;
2) A community-based dynamic: organized by or for persons who share common characteristics within a community;

3) Participatory decision-making and a management system controlled by the members;
4) Voluntary participation: contrary to formal sector workers, for whom employers have the legal obligation to organise health care protection, the decision to subscribe is taken on a voluntary basis;
5) Not-for-profit character of the schemes.

According to several authors, there is increasing evidence that members of community health insurance schemes have better access to health care than non-members do. In the large majority of schemes, higher utilisation by members compared to non-members can be interpreted as an indicator of better access to necessary health care (Atim, 1998; Atim, 1999; Criel and Kegels, 1997; Massiot, 1998; Musau, 1999. Referred to in: Waelkens et al. 2005: 26).

However, there are also several weaknesses of community-based health insurance schemes:

1) Low volume of revenues that can be mobilized from poor communities,
2) Frequent exclusion of the poorest from participation in schemes without some form of subsidy,
3) Small size of the risk pool,
4) Limited management capacity that exists in rural contexts,
5) Lack of sustainability and their isolation from the more comprehensive benefits that are often available through more formal health financing mechanisms and provider networks (Jutting 2001).

3.2.6 Community-based Insurance Scheme in Senegal

Senegal has a relatively long tradition of mutual health insurance, starting in the village of Fandène in the Thiès region in 1990. The movement in Senegal has been supported by a local health care provider, the non-profit hospital St. Jean de Dieu. By 2001, 16 mutual health insurance schemes operated in the area of Thiès. Ninety percent of the schemes operate in rural areas. The mutuals have a contract with the hospital St. Jean de Dieu, where they get a reduction of up to 50 percent for treatment. In general, the household is a member of a mutual, which participates in decisions. The member has a membership card on which he can put all or selected members of his family (beneficiaries). The membership fee is per person insured (Jutting 2001: 5).

There are several a shortcomes of the scheme: There is a persistent problem of social exclusion. The scheme does not reach all population groups in a village. For the lowest income group the premium to insure the whole family reaches nearly 8 percent of the household's annual income. Poorest members have no opportunity to participate and not enough resources to pay the required premium. External financial support for this group such as government subsidies, donor funding, and reinsurance is needed (Jutting 2001: 18).

4. Concluding Remarks

Social protection mechanisms for the rural population of developing countries embody a great potential for poverty reduction and overall development. Despite its importance, social protection for the rural population does not receive adequate attention neither in research nor in rural development practice.

Undoubtedly, providing social protection to rural people poses a challenge due to a variety of factors outlined in this paper. However, the paper also showed existing ways to overcome some of the obstacles in the provision of social protection coverage in the field of old-age, health and agricultural hazards protection. Universal protection schemes for example provide a possibility to include otherwise excluded rural people in social protection mechanisms. Countries with limited administrative capacity can start out small and gradually expand the particular social security scheme in time as the resource base and necessary infrastructure improves. Despite several shortcomings of community insurance schemes, they can be useful as a first step in extending social protection coverage to rural people.

Further research is needed in order to gain deeper knowledge of social protection schemes benefiting the rural poor. Thereby it is important to consider the complexity of rural livelihoods and the interlinking effects on social protection mechanisms and poverty reduction.

After all, the battle to achieve the global objectives on poverty reduction will be won or lost in rural areas of developing countries. Rural social protection can greatly contribute to poverty reduction, if it is not seen as a residual but rather as a central component of development policy. The global goal of poverty reduction is possible, since "the world does not lack the resources to eradicate poverty, it lacks the right priorities." (Juan Somavia, Director General of the ILO).

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