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What can IBSA Offer to the **Global Community?**

GUEST **EDITORS**

Poverty in Focus is a regular publication of the ***International Policy Centre for Inclusive Growth*** *(IPC-IG). Its purpose is to present the results of research on poverty and inequality in the developing world.*

Guest Editors
Melissa Andrade, Fábio Veras Soares ***and*** **Radhika Lal**

Desktop Publisher
Roberto Astorino

Copy Editor
Andrew Crawley

Front page: The image depicts the IBSA logo as used in the Academic Forum facilitated by IPC-IG. It shows the flags of the three countries proportionately blending into a single image. Design by Rafael Braga.

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IPC-IG is a joint project between the United Nations Development Programme and Brazil to promote South-South Cooperation on applied poverty research. It specialises in analysing poverty and inequality and offering research-based policy recommendations on how to reduce them. IPC-IG is directly linked to the Poverty Group of the Bureau for Development Policy, UNDP and the Government of Brazil.

IPC-IG Director
Rathin Roy

International Policy Centre for Inclusive Growth (IPC-IG), Poverty Practice, Bureau for Development Policy, UNDP

Esplanada dos Ministérios, Bloco O, 7º andar
70052-900 Brasilia, DF Brazil

ipc@ipc-undp.org
www.ipc-undp.org

What can IBSA offer to the global community? It is with this provocative question that IPC-IG reports on the policy dialogue that took place in the Fourth IBSA Academic Forum, which was held on 12-13 April 2010 in Brasilia before the meeting of the heads of state. If IBSA reflects a new power structure in which the Global South has more voice, then it also can and should contribute to the global development debate. The three countries have been successfully experimenting with innovative policies in areas such as healthcare and social protection, as well as in development cooperation through IBSA's Fund for Alleviation of Poverty.

This issue of *Poverty in Focus* brings together articles by speakers on the four panels organized. They address the role of non-contributory cash transfers and employment programmes, the debates on healthcare innovation, intellectual property rights and access to essential drugs, and the discussions about IBSA's role and potential as a plurilateral arrangement.

Lyal White starts by taking stock of IBSA's progress in the seven years since it was launched in 2003. He argues that, given the economic crisis, IBSA's role can be more relevant than ever. It has made significant progress on political coordination and development cooperation, though the substance in the working groups remains a challenge.

Fábio Soares and Radhika Lal take an integrative approach to social development, linking cash transfers and employment programmes with a view to addressing vulnerability across the life cycle. The IBSA countries offer a good example of rights-based frameworks, and have a vision of moving beyond schemes to more comprehensive systems.

Amita Sharma describes the National Rural Employment Guarantee Act (NREGA) and emphasises the legal approach whereby NREGA is seen as a service provided by the government, an entitlement that involves public scrutiny and participation at a local level. NREGA has links to other policy areas, revealing the potential for integration that has been the great challenge of social policy in India.

Ingrid Woolard discusses how South Africa's Unemployment Insurance Fund is limited. She argues for greater integration between social assistance and labour-market policies. There is still no coherent system in place, and the fiscal sustainability of these policies will be a major concern as the country confronts a tougher growth environment.

Sergei Soares shows the differences between taking account of a transversal definition of income (income in a given month) and a longitudinal one (income during the next 24 months) when calculating the targets for Brazil's *Bolsa Família*. The longitudinal poverty rate is about twice the transversal poverty figure, thus explaining the mismatch between the targets and the eligible population.

Radhika Lal gives an overview of the discussions on healthcare and points to problems in the field of trade-related intellectual property rights. Potential areas for collaboration between the IBSA countries include sharing information on drug prices and on sources of low-cost drugs, as well as research and development for drugs that treat neglected diseases.

Biswajit Dhar and Reji Joseph express their concern for the weak legal distinction between substandard medicines and counterfeit drugs. Since laws on the matter apply to both branded and generic drugs, there is a risk of equating authorised generics with counterfeit products. This could disrupt the trade in generics and thus hamper access to crucial life-saving medicines in the Global South.

Kamal Mitra Chenoy argues that plurilateralism in arrangements like IBSA can add value to multilateralism only if it can connect the excluded countries of the South to the blocs of the North. He also argues that plurilateralism is valuable if it goes beyond the interests of capital and helps create a people-centred development paradigm.

Alcides Costa Vaz closes this *Poverty in Focus* with a discussion of the different approaches taken by each of the IBSA countries. As a flexible mechanism, however, IBSA should be able to accommodate the different perspectives.

There is a follow-up to this debate. For more information, visit www.ipc-undp.org.

Melissa Andrade

IBSA Seven Years On: Cooperation in a New Global Order[1]

by Lyal White,
University of Pretoria

Launched in Brasilia in June 2003, IBSA was hailed as an alliance of like-minded democracies from the developing South. Its member countries wanted a loose arrangement without a fixed secretariat but with an ambitious agenda focused on global governance and intersectoral cooperation.

Now, seven years later and after its fourth summit, IBSA is no longer in its infancy. With the global economy at a precipice and emerging powers playing an increasing part in agenda setting, its role can be more relevant than ever.

Officials from all three countries insist it has achieved much in a short time: encouraging active dialogue among members, promoting cooperation in key ministries and adding its collective weight in multilateral fora.

But critics argue that progress has been slow and that results fall far short of initial lofty ambitions. One observer describes IBSA as little more than a "gathering of friends".

Some suggest that the members themselves differ on their perceptions of its role. India and Brazil are emerging economic powers that wield enormous influence unilaterally, while South Africa benefits from being part of a heavyweight collective that bolsters its global influence. For Brazil, IBSA forms part of a Southern development strategy that cuts across government ministries. India maintains a low profile, using IBSA to drive its multilateral agenda and generate credibility on its nuclear aspirations.

Given global developments and the divergent views on IBSA, it is important to evaluate progress in the global arena and its future as a forum for dialogue and action.

Taking Stock Six Years On

IBSA has significantly improved relations among India, Brazil and South Africa. It is a platform for dialogue and exchange between ministries and nongovernmental entities. More importantly, it has created a common culture of constructive cooperation.

Its greatest achievement to date is in political coordination, something that previously was impulsive at best. One Brazilian academic describes Brazil's South-South agenda in earlier decades as non-committal. The country "talked-the-talk" but never really "signed up or paid the price". Today it is arguably the most active partner, with development projects across Africa and Latin America, and is a driving force for multilateral decision-making. Coordination is most evident at the United Nations, where there is a 96 per cent vote convergence among IBSA countries. The reform of global institutions, especially the Security Council, has always been a priority. While strategies for achieving permanent seats for IBSA members vary, demands for reform and representation do not.

Economic realities hamper market convergence. Trade among the three countries has increased impressively, from US$3.9 billion in 2003 to about US$12 billion in 2009. But compared to trade between China and Brazil (US$36 billion in 2009) it is still small.

Officials working on IBSA concede that market integration is a pipe dream. Insurmountable regional constraints predate the alliance. A trilateral agreement would have to include other regional partners, particularly the Southern African Customs Union and the Southern Common Market (Mercosur), which would ensure an endless negotiating battle. A more realistic goal might be an

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Development cooperation distinguishes IBSA from other emerging configurations like BRIC.

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1. A longer, original version of this article was published as Policy Briefing 8 by the South African Institute of International Affairs (SAIIA) in November 2009.

arrangement that simply declares existing agreements between the regional blocs to fall under an IBSA umbrella. But this would be more symbolic than coherent trade integration.[2]

Facilitating trade through improved connectivity and harmonised policies would be a more pertinent and achievable target.

IBSA has 17 government-to-government working groups that regularly exchange knowledge and experience—a practical approach to trilateral development cooperation. And there are seven people-to-people fora that meet at annual summits to encourage non-governmental relations.

The working groups have had mixed results. Science and technology seem to be leading the way; joint initiatives include a research trip to Antarctica. They also share technology on biofuels, a cross-cutting issue that affects other important working groups, such as those on climate change and energy.

In revenue services, Brazil has established a special unit, based on the South African model, to deal specifically with large taxpayers, while South Africa and India explore the information technology that has helped Brazil improve revenue collection and efficiency.

The business forums have yielded impressive results. Where there was little or no formal dialogue before, the business sector has now become an active and visible gathering on the sidelines at IBSA summits. The small business forum is creating a database of all small and medium businesses in all three countries.

Outside of government and even within certain ministries, however, criticism of IBSA and its working groups is unanimous: these groups have proved more complicated than expected. Results have been slow in coming, and there is a need for greater coherence and focus.

Development Fund Success

The IBSA development fund has become an unexpected success story. By applying a simple, effective approach to development assistance, it has delivered positive results relatively quickly.

With a small annual contribution of US$1 million per member, the fund is administered by the United Nations Development Programme and targets small, localised projects in some of the most impoverished parts of the world.

Three projects have been completed: a waste management project in Haiti, small-scale agricultural development in Guinea Bissau and a healthcare clinic in Cape Verde. Other projects are under way: an HIV/AIDS testing and counselling centre in Burundi and a sports centre in Palestine. Negotiations are also taking place with Laos, Cambodia and East Timor.

The development fund liaises with local government and partners with local operators, which is important to avoid any impression of a new wave of imperialism.

These projects could be the green shoots of a new core priority, driving the three countries toward greater development cooperation in their own regions. The development fund is an effective instrument that demonstrates IBSA's true potential.

Realising Development Priorities

IBSA has always maintained a strong focus on development. Shortly after its creation, it characterised itself as a forum for "economic development and social equity".[3] This description covered the many challenges facing each country while expressing a broader intention to improve development and integration in Africa, Asia and Latin America.

Brazil has been a particularly strong proponent of development, embracing cooperation as a foreign policy priority. As an "emerging provider" (not just an emerging power), it is eager to share knowledge with less developed countries. Paulo Sotero, Director of the Brazil Institute at the Woodrow Wilson Center in Washington, describes this as a "spirit of genuine solidarity ... a social and political—rather than economic—motivation in Brazilian international cooperation initiatives".[4] Brazilians have started calling this innovative blend of social assistance and technical support "social technology". Africa is clearly a priority for Brazil, which sees South Africa as an essential partner and IBSA as a potential forum to boost existing activities. Of its 318 technical cooperation projects abroad, 125 are in 19 African countries.

Building on existing linkages, Brazilian officials indicate that IBSA could be an effective vehicle to promote Brazil's development agenda. And India, Brazil and South Africa could collapse certain existing bilateral programmes (such as those mentioned above) and combine with the development fund to form a larger IBSA cooperation initiative with third countries. Thus the fund could be augmented and its overall impact enhanced.

IBSA and Emerging Groupings

The rise of Brazil–Russia–India–China (BRIC) as a formal grouping after its first summit in June 2009 is widely misunderstood. BRIC is little more than a collection of emerging economic powers, a term coined by Jim O'Neil of Goldman Sachs. While it is expected to dwarf the G7 economically within 20–30 years, the reality is that these countries have little in common.

The June summit yielded little consensus and most observers, including O'Neil himself, doubt BRIC will become an active grouping. It may, however, prompt certain broad economic reforms and push for a restructuring of the global financial architecture. It is, after all, a prominent grouping that has captured world attention.[5]

But its role is very different from that of IBSA. Certainly factions in Brazil see BRIC much as South Africa views IBSA—as a forum to bolster its power and influence on the global stage. This appeals to interests outside government (especially business), prompting some to question whether BRIC will replace or has replaced IBSA in the minds of Brazilians and Indians and, if so, where this leaves South Africa.

BRIC, however, satisfies only a small part of the international vision of India and Brazil. IBSA operates in a different dimension, one with a stronger development focus that may be more politically palatable. Africa features prominently in the foreign policy agenda of both Brazil and India for commercial and sentimental reasons. So IBSA and South Africa are needed.

Conclusion

Seven years on, IBSA has a mixed record. Critics believe outcomes have been slow and substance has been lacking. But this view is based on commercial expectations and the organisation's role in global agenda setting. The reality is that IBSA has improved constructive relations between India, Brazil and South Africa while raising the profile of South-South dialogue. Cooperation on development is clearly an area of success that can and should be exploited.

Development as a priority cuts across various IBSA working groups and is the rationale behind discussions in non-governmental fora. The development fund in particular has become a conduit for cooperation between IBSA members and recipient countries in the developing world. This could extend to improved technical cooperation and the transfer of social technology to underdeveloped countries, mostly in Africa.

Development cooperation distinguishes IBSA from other emerging configurations like BRIC. In the wake of international financial turmoil and a much talked-about "shift" to a multipolar world order from West to East, the hype around groupings of emerging powers is to be expected. But BRIC is founded on economic imperatives, not on a move to development and political cooperation, as is IBSA. That is why IBSA and BRIC can and should coexist. ■

2. A preferential trade agreement exists between the Southern African Customs Union and Mercosur.

3. This was reiterated in a statement by Brazilian Foreign Minister Celso Amorim at an IBSA gathering in August 2005.

4. See P. Sotero (2009). 'Brazil as an Emerging Donor: Huge Potential and Growing Pains', Development Outreach. Washington, DC, World Bank Institute: <http://www1.worldbank.org/devoutreach/articleid526.html>.

5. The BRIC countries released a joint statement in anticipation of the G20 summit in Pittsburgh in September 2009.

The Emerging Dialogue on Social Strategies in the IBSA Countries

by Radhika Lal and Fábio Veras Soares, International Policy Centre for Inclusive Growth

Social protection, particularly social assistance, can be viewed as a key pillar of inclusive growth in the IBSA countries. Emerging evidence suggests that the three countries have demonstrated the potential to adopt and implement large social assistance programmes effectively, and their own experience points to the potentially significant positive impacts of such policies on macroeconomic resilience, equity and poverty reduction. The first two panels of the IBSA Academic Forum 2010 sought to take stock of the different dimensions of social development strategies in each of them. The aim was to promote dialogue on complementarities in public employment and cash transfer-based approaches to social protection, as well as to identify issues for learning and exchange between the three countries.

As a result of their own institutional histories and political contexts, their approaches to social assistance have varied. India has focused closely on addressing the employment dimensions of social protection, for example by means of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Brazil is well known for its social transfers, especially *Bolsa Família*, a large-scale conditional cash transfer programme. South Africa has paid much attention to child support grants and old age pensions, as well as public works. Its Expanded Public Works Programme (EPWP) involves a focus on social and environmental services and conservation, and more recently a community-driven approach to public employment programmes.

While these various programmes have been effective, the three countries also seem interested in exploring how to go beyond their current achievements in order to better integrate or expand the employment and/or social transfer dimension of their social development

The IBSA countries could learn from each other regarding the right-based laws and entitlements to create and sustain a basic social protection framework.

Employment guarantee schemes and public works and cash transfers have conventionally been viewed as competing policy instruments, however complementarities exist between the programmes, especially when they are framed within the framework of a life-cycle approach.

Note: All the presentations mentioned are available at the webpage of the IBSA Academic Forum: <http://www.ipc-undp.org/ipc/PageIBSA.do?id=205>.

strategies. The goal would be to make them more comprehensive; address gaps (unemployed youth, for example); and identify ways of tackling fiscal constraints on the expansion of programmes as they are currently designed, by integrating them more fully and streamlining them. More specifically, the sessions of the IBSA Academic Forum covered the matters outlined below.

Non-Contributory Cash Transfers: Impacts and Issues

The initial set of speakers (Katherine Hall and Ingrid Wollard of South Africa and Luciana Jaccoud of Brazil) began by describing the framework and basic pillars of the social protection frameworks in their countries. Cash transfers are a relatively recent phenomenon in India, but the Brazilian and South African constitutions have enshrined social assistance as a right, and both countries have well established programmes that have been stepped up. In South Africa they include the old age pension, disability child support, foster care and care dependency grant programmes; and in Brazil the universal non-contributory rural pension, the old age and disability benefit (BPC) and *Bolsa Família*.

Brazil has a long tradition of social protection and a comprehensive benefits system that includes means-tested benefits for the elderly, the disabled, the extremely poor and poor families with children. The means-tested and unconditional BPC represents an income guarantee for those living in extreme poverty, and for those who cannot work and live an independent life. It is a constitutional right and the value of the benefit is equal to one minimum wage, since its rationale is to replace earned income. Spending on social transfers has increased in the past decade in line with a policy of real increases in the minimum wage, to which both BPC and the rural pension are linked.

The two main targeted social transfers (*Bolsa Família* and BPC) together accounted for a third of the recent fall in inequality while accounting for less than 1 per cent of total income. In South Africa, social assistance based on unconditional cash transfers covers 14 million individuals (about 30 per cent of the population) each month and accounts for 3.5 per cent of GDP. While cash transfers have had a significant impact on inequality in Brazil, the inequality effects in South Africa appear to be a more complex phenomenon to disentangle.

The presentations considered contrasting approaches to "conditionality" and the evolution of the discourse on the matter (see the presentations by Katherine Hall on South Africa and Luciana Jaccoud on Brazil at the webpage of the IBSA Academic Forum), as well as the implications of different measures of poverty for eligibility and coverage (Sergei Soares on Brazil). Unlike South Africa, Brazil chose to adopt conditionalities—or more appropriately, co-responsibilities—for the Bolsa Família programme, which otherwise resembles the child support grant in many respects.

It was discussed that policies that promote cash transfers for children should be enhanced in the three countries.

In South Africa, beneficiaries were initially expected to show proof that the children for whom they were applying were, for example, immunised. But this and other requirements, such as participation in development programmes, were discontinued after it became clear that these programmes did not exist in many areas and that in these conditions such requirements were "discriminating" against children who were already disadvantaged in their access to healthcare. Nonetheless, speakers also alluded to an emerging discourse on "soft conditionalities" in South Africa. They raised concerns about the potential for placing an additional burden on applicants and government officials, while added value in terms of enhanced development impacts was much less evident.

In India, social transfers are not as widespread as in the other two countries, though India recently expanded the eligibility criteria of its National Old Age Pension Scheme (NOAPS) to cover the elderly living below the poverty line, not only the destitute. But its largely decentralised nature (state-level programmes in addition to the central government programme) poses challenges to ensuring coverage and to providing adequate levels of payment, especially in the poorer states. The main innovative cash transfer-type programme discussed in the Academic Forum, *Ladli*, has an explicit gender dimension. *Ladli*, which in some states also includes a social security pension allowance scheme, aims to change parents' behaviour towards their daughters. Under the scheme, with the birth of a second daughter on or after 20 August 2005, both the mother and the newborn receive an annual transfer for five years; the amount is invested and matures when the second daughter reaches the age of 18.

This programme was initially launched by the governments of Delhi and Haryana, and is now being extended to several other states with some design variations. A point of interest in the discussions was the Indian government's "convergence" approach to different programmes. In particular, Mission Convergence has been set up in the Union Territory of Delhi to integrate different social protection programmes and perhaps to introduce a state-level cash transfer programme.

Rethinking Employment Programmes/Policies

Conventionally, public works programmes have been proposed as short-term measures and/or as safety nets. But the deployment of MGNREGA in India and EPWP in South Africa indicates the potential of locating these programmes within a longer-term development rationale. Amita Sharma pointed out that while India has a long history of public employment and public works programmes, MGNREGA is innovative in the way it leverages social protection as a developmental pillar for inclusive growth. In that connection, moreover, what is central for the policy innovations enabled by MGNREGA is that it has made social protection—in the form of access to 100 days of employment per rural household—a legal entitlement. South Africa has also introduced innovations into the traditional public works model by including social services such as care activities as one of its areas, rather than focusing solely on infrastructure projects.

In Brazil, public works programmes have not been on the agenda in recent decades. Much of the government's effort with regard to employment policies has revolved around the establishment of a Public Employment System encompassing an unemployment benefit (as a passive employment policy) and job-placement and training (as an active employment policy, mostly covering formal-sector workers). The inclusion of informal-sector workers into this system has happened at a slow pace and on a small scale through training, income generation and microcredit programmes (see the presentation by Roberto Gonzales on the webpage of the IBSA Academic Forum). In his presentation, Marcelo Neri pointed out that microcredit has yielded good results, particularly in the Northeast, the poorest region in the country.

According to some researchers, however, the predominant focus on the "supply side" has led to a suboptimal level of integration between the mechanisms available for the government to coordinate private-sector investment through credit and government-procurement mechanisms and a proactive employment policy. The success of such programmes also depends on having an economy that creates jobs and/or other mechanisms to enhance income-generating opportunities. Participants also discussed the effectiveness of current policies to address youth unemployment in the three countries. Recently a wage subsidy has been proposed in South Africa to tackle youth unemployment in particular, the rationale being that securing a first job is vital to an individual's future involvement in the labour market.

Morné Oosthuizen of South Africa mentioned the government's pledge to lower the unemployment rate from 26 per cent in 2004 to 13 per cent in 2014, as well as to narrow the coverage gap for 19–59 year olds, since the social security system focuses on children, the elderly, people with disabilities and ex formal-sector workers who are unemployed (up to six months only). He said that EPWP has had little impact on labour intensity. Only 14 per cent of the beneficiaries report having a sustainable job post-EPWP and the programme is still small: it reaches only 13.6 per cent of the unemployed. Current challenges include ensuring that the objectives and target groups are clear, enhancing training for longer-term impact, and developing synergy with other programmes.

Rudy Dicks, also from South Africa, argued that provinces and municipalities that require greater intervention do not have the capacity and/or structures to roll out EPWP. A new approach is the Community Work Programme, an area-based initiative tasked with identifying opportunities for "useful work" at the local level. The programme can thus target spatial poverty traps and provide a source of income security over time. It aims to increase the probability that people can earn sufficient incomes from multiple economic opportunities by supplementing existing livelihood strategies—without displacing them or the contribution they make to household income.

Social Development Strategy

The three IBSA countries put forward a joint paper on social development strategies on 15 April. The strategy centres on the following principles:

- *Moving from flagships to comprehensive social protection*. Increasingly, the three countries are moving towards providing social protection across the life cycle through a combination of social insurance, social assistance policies and access to social services.
- *Addressing vulnerabilities and fostering social and economic inclusion*. Social development does not simply involve quantitative advances but also includes critical normative elements. On the one hand, it involves a focus on addressing problems of poverty and expanding access to quality education and healthcare; on the other hand, it also involves addressing issues of social exclusion such as discrimination and lack of voice in social and economic processes.
- *Investing in human capital and ensuring access to basic services*. There is a need for a strong, state-led investment policy to guarantee supply, including access to and the quality of these services.
- *Ensuring food security*. The countries recognise that food security is a pre-requisite for social development, something that was brought home by recent trends involving dramatic food price rises and price variations.
- *Promoting civil society participation and deepening democracy*. The countries are conscious of the need to ensure effective partnerships with civil society in policy development, and to strengthen accountability in implementation for effective service delivery by institutionalising civil society forums.
- *Working towards sustainable development*. In recent years there has been growing awareness of the need to address issues at the intersection of poverty and the environment. Facilitating adaptation and mitigation through social protection, and identifying opportunities for strengthening livelihood diversification, are emerging as priorities in many areas.
- *Embracing local knowledge and culture*. The importance of incorporating local culture and knowledge into sector-specific programmes on education, health, agriculture practices and water management—both for the benefit of local communities and as a valuation of their contribution to continued global cultural diversity—is being explored in the three countries. This process is to benefit not only the IBSA partners but also third countries interacting with IBSA through development cooperation projects.

Moving Towards a More Integrated Portfolio of Pro-Poor Social Policies in the IBSA Countries?

It was noted during the discussions that, to date, many policymakers have viewed employment guarantee schemes and public works and cash transfers as competing policy instruments. This is despite the complementarities between the programmes, especially when they are placed in the framework of a life-cycle approach to social protection, and when the current fiscal constraints on the expansion of purely grant-based programmes are considered.

The policy dialogue identified two key areas for follow-up: knowledge sharing between the countries to inform programme design and reform, by drawing on the experience of other IBSA partners; and discussion of consolidation/integration and convergence of social protection policies' different components, as well as with regard to other development policies.

For example, it is taken for granted that education has a key role to play in reducing inequality. How can education strategy and social development programmes be better integrated to ensure that this outcome is realised over the long-term? Sharing evidence-based research on policies to tackle unemployment and promote decent work, particularly for youths, was identified as a priority.

It was acknowledged that policies that promote cash transfers for children should be improved in the three countries, and that the IBSA partners could learn from each other as regards rights-based laws and entitlements to create and sustain a basic social protection framework.

The discussion also underscored the need to explore approaches to programme design—approaches that would be empowering and effective in addressing social vulnerabilities and other barriers to access to social services, including education and healthcare, shelter (housing), and food, nutritional and income security. ■

by Amita Sharma, Ministry of Rural Development, India

Social Protection Policy Innovation in India

MGNREGA opens up development possibilities not only as a result of its provision of wage employment but also because of its transformational and empowerment role, as well as its support to continuous policy innovation.

One-third of MGNREGA work opportunities are to be earmarked for women.

India has a long history of wage employment and public works programmes. What is innovative about the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005 is the way it leverages social protection as a developmental pillar for inclusive growth. Related to that, moreover, what is central for the policy innovations made possible by MGNREGA is that it has made social protection—in the form of access to 100 days of employment per rural household—a legal entitlement.

In India this has had a number of transformative effects. Among other things, it has allowed for the timely scaling-up of public employment programmes, reduced leakages, and provided a participatory mechanism for local infrastructure needs to be identified and addressed. The MGNREGA platform opens up development possibilities and pathways out of poverty. This is not only as a result of its provision of wage employment to otherwise underemployed rural households and its impact on livelihoods through assets creation, but also because of its transformational and empowerment role, as well as its support to continuous policy innovation.

What actually underpins these developments?

The Difference a Rights-Based Framework Makes

By enacting a law, the government created a normative framework of obligations and made itself accountable for their realisation. This opens up space for engagement and criticism, as well as for active intervention by civil society organisations, citizens and the media. It also brings transparency to government processes, and in this case has helped prepare the ground for the adoption of structured transparency and public accountability provisions that are instrumental for the realisation of its rights-based framework.

A rights-based law also facilitates a transition from discretionary allocation by the state to the independent exercise of choice and rights by citizens, and compels the government to develop responsive systems.

The right to demand employment promotes a shift from a "delivery centre" approach to social programmes (managed by a bureaucracy that provides facilities according to predetermined norms and budgets, and thus excludes a fair number of needs that do not fall within these norms) to a "service" approach, whereby the services have to be structured flexibly in order to meet the rights demanded.

Workers' rights are safeguarded by a legal document in the form of a job card, which enables the registered household to demand employment and also bears information on entitlements accessed, a record of the days worked and wages paid. Those rights are also protected by mandated transparency measures such as social audits, and by an entitlement to compensation such as an unemployment allowance, if work is not provided within 15 days of being requested, and the payment of minimum wages.

MGNREGA promotes these innovations as non-negotiable mandates that are contained in the main body of the act and that can only be changed through Parliament. Two of its schedules, however, specify operational procedures that the Ministry of Rural Development can modify, making the programme's design flexible and allowing it to respond dynamically to circumstances.

The law's design also creates institutional space for flexibility and innovation through its focus on decentralisation, with a pivotal role being assigned to local bodies (*Panchayat Raj Institutions*) for planning, monitoring and implementation. Funds, functions, and functionaries are transferred to local bodies, especially the village body (*Gram Panchayat*), and districts have the authority to prepare context-specific plans within the overall legal norms. Planning at the local level allows local bodies to plan public works for their own development and to participate in decision-making, thus ensuring that there is a stronger sense of ownership and that the projects have greater relevance for the village economy.

To meet labour demand, new instruments for ascertaining budget requirements have been developed. Budgets estimating labour demand and the cost of works are formulated by districts on the basis of proposals from the village assembly (*Gram Sabha*) and the local bodies, especially at the village level. States can negotiate the scale of central assistance to meet their labour demand. The initial central budget provision may be increased if labour demand rises, and the best testimony to demand-based budgeting is that MGNREGA budget support rose during the global recession. Furthermore, an incentive–disincentive structure is created, with the centre funding 90 per cent of the employment cost and the local state providing the unemployment allowance.

MGNREGA's wage rate policy demonstrates how a social protection strategy can empower the wage-seeker to negotiate wages. The wage rate remains flexible: there is an attempt to balance a floor rate with other options (minimum agricultural wage, market wage) by linking the current MGNREGA wage rate of 100 rupees with the cost of living index, thus avoiding the need to artificially depress or inflate it below the minimum wages for agricultural labourers or the market wage. To enable workers to earn the minimum daily wage, the states conduct time and motion studies with a view to developing a schedule of rates for labour-intensive projects.

Linking wage rates with task outcomes and focusing on green jobs has created a bifocal strategy of employment and sustainable productivity. The works category permits both individual benefits and public assets. The typology of works facilitates the meeting of both short- and longer-term needs, since it lists desired outcomes rather than specific works per se in the classification: that is, water conservation, drought proofing, flood proofing, minor irrigation, land development.

This offers great flexibility in designing initiatives and makes it possible to leverage convergence between MGNREGA and other programmes, thereby allowing a wide variety of activities to be carried out as integrated projects, especially on the individual lands holdings of scheduled caste, scheduled tribe, below-the-poverty-line families, and small and marginal farmers. More specifically, convergence programming guidelines promote income generating activities related to agriculture, fisheries and horticulture on the basis of MGNREGA in works connected to land development, irrigation and plantation. The work list also has space for new initiatives projects to be proposed in order to respond to new needs.

By enacting a law, the government created a normative framework of obligations and made itself accountable for their realisation.

A Focus on Transparency, and on Financial and Social Inclusion

Grounding a social protection strategy in legal rights has led to the evolution of transparency instruments that challenge established relations and stimulate creative ways of ensuring transparency. The right to information (RTI) is integrated into MGNREGA: information is proactively placed in the public domain, especially through an online information system (www.nrega.nic.in). There it is possible to track work and payments relating to a job card number from the muster roll through to the bank/post office account into which wages were paid. Data can be entered online and the website automatically points to defaults, aberrations and delays in transactions related to the works.

Efforts are being made to deepen the provision of information and communications technology infrastructure down to the *Gram Panchayat* or village level. This is expected to trigger innovations at the grassroots level by helping workers to assert their rights more effectively and hold implementation agencies accountable. Moreover, in order to facilitate greater transparency, wages are paid through workers' institutional accounts. Ninety million such accounts have already been opened in banks and post offices. Through this process of financial inclusion, workers are expected to be able to avail themselves of the benefits of mainstream banking services such as loans, microcredit and so on.

Since branches of banks and post offices are often at a distance from the village, efforts are also being made to provide easy access by means of a "business correspondent model". As in Brazil, authorised "business correspondents" resident in the village would serve as "banking outposts" and would be authorised to make payments and deposits through points of service (including hand-held devices) connected to the banking system.

A partnership with the Unique Identification Authority of India is also underway to introduce the use of biometrics through hand-held devices, so as to enable the development of an "end-to-end" solution for workers ranging from marking their application to recording attendance and making payments. The search for solutions to ensure workers' rights and transparency is stimulating technological and financial service innovations in rural areas. It is also prompting innovative ways of ensuring public scrutiny, such as through social audits and the use of citizen information boards at worksites to provide details of muster rolls, ongoing work, allocated funds, the wage rate and so on.

MGNREGA's mandated use of social audits by the village assembly (*Gram Sabha*) goes beyond the right to information and serves to ensure accountability and corrective measures. Partnerships between government and civil society, the training of local resource persons, social mobilisations around the social audit forum and *Gram Sabhas*, and the use of community-based organisations such as self-help groups are just some ways in which social audits are sought to be made more effective.

The office of a district ombudsman is also being created in all states. Though they are not part of the formal judicial mechanism, the aim is to introduce independent mechanisms to redress grievances and enforce public accountability. Furthermore, in order to generate awareness and improve transparency and accountability, including in record maintenance at the level of the *Gram Panchayat*, village resource centres are being built.

These will provide a single window to provide information on the scheme, as well as space to conduct social audits, provide feedback on the quality of the programme's implementation, and to share and discuss ideas.

Intersection of MGNREGA with Other Policy Areas

MGNREGA goes far beyond an immediate concern for social protection and is emerging as a powerful policy platform that synergises multiple inputs and multi-layered processes towards basic development goals, including:

- *Enhancing economic security*: so far, 230 million person days have been generated. Reports from the field suggest that distress migration has been stemmed in certain parts of the country. The scheme has helped make local work more easily available in order to cushion the job crisis during the economic recession. As a national average, the wage rate has risen from 65 rupees in 2006 to 100 rupees in 2010.
- *Creating green jobs*: the scheme has created green jobs as a result of the use of local labour in works related to water conservation and afforestation, thus fostering economic and ecological security.
- *Augmenting water resources and efficiency in water use*: 50 per cent of 46 million works relate to water conservation.
- *Enabling planned convergence with other development programmes*, such as water resources, afforestation and agricultural productivity.
- *Strengthening food security* by promoting agricultural production.
- *Adapting to the adverse effects of climate change*.
- *Strengthening democratic processes* by means of greater autonomy among grassroots institutions.

Because of the large-scale, decentralised nature of programme implementation, coupled with its multidisciplinary nature, the strategy for monitoring and evaluating MGNREGA at the central level has involved setting up professional institutional networks. These comprise leading professional institutions such as the Indian Institutes of Management, the Indian Institutes of Technology, agricultural universities and important administrative and research institutions. They are expected to work as a resource support system by undertaking field appraisals and diagnoses, and by suggesting remedial action. This system has the advantage of relating problem analysis to possible solutions, assessing which factors work positively to promote the act's objectives, and documenting and sharing insights and practices for cross-learning.

The government is encouraging similar networks at each level of implementation—that is, at the state and district levels—in order to ensure concurrent monitoring and feedback from the field. A group of 100 eminent citizens is being formed to monitor the programme. Further, the act allows for statutory institutional mechanisms such as the Central Employment Guarantee Council (CEGC). The latter facilitates dialogue among different stakeholders: academics, activists, elected representatives, experts and bureaucrats.

The e-knowledge network is for dissemination and the sharing of local solutions among policy practitioners and policymakers.

To facilitate dialogue and enhance this framework for policy innovation, six working groups have been set up, involving representatives of civil society, professional institutions and state governments. The members are expected to recommend reform of various policy and operational aspects of the act.
The groups are:

- planning and work execution;
- transparency and accountability;
- wages;
- needs of special groups and equity;
- works on individual land holdings and convergence; and
- capacity building.

Promoting Equity and Access to Pathways Out of Poverty

The legal design promotes equity. One-third of the work opportunities are to be earmarked for women. Along with the provisions for local employment, equal wages and work flexibility, this has resulted in women's participation approximating more than 50 per cent. Independent studies indicate that women have gained in self esteem and are able to contribute to domestic income, that expenditure has diversified and that women have a greater role in private and public decision making. Scheduled tribes and castes comprise 65 per cent of the workforce, and work taken up on their individual land holdings is helping to diversify their livelihoods and increasing their income.

MGNREGA is also helping to "formalise" informal workers. It has given them legal rights, an identity through the job card and an account in the formal financial network. Workers' unique identity numbers and job cards also enable the "convergence" of multiple investments in the same person—for example, by facilitating access to skills development, education and health, and insurance. The proof of identity provided by the identity number and the job card is also encouraging MGNREGA workers to access the benefits of income generating programmes in order to find pathways out of poverty. The demand-side policy instruments and the design of works therefore create an "intersectorality" and open up development possibilities that go beyond the provision of a basic social safety net.

Conclusions: Gains to Date and Looking Forward

In India, the architecture of public policies for inclusive growth has been defined in major areas: infrastructure (rural roads, housing, electricity, water, sanitation); human-resource development by means of a focus on basic education and healthcare, as well as livelihoods through skill development; income generation and, in particular, the wage employment programme—that is, MGNREGA.

There has also been a greater concern to provide social security through measures such as old-age pensions, and life and health insurance. Also viewed as central to these efforts are the strengthening of democratic processes—for example, through decentralisation (for local self governance), the right to information (for transparency and public accountability), and the adoption of selected rights-based laws as development policy. ■

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Social Assistance & Labour Market Policies: The Case of South Africa

by Ingrid Woolard, University of Cape Town

Despite improvements, levels of poverty and inequality in South Africa remain very high. It is estimated that about one-quarter of the population live on less than PPP$1 per day. The Gini coefficient stands at 0.70 (Leibbrandt et al., 2010), putting South Africa among the countries that have the world's highest levels of income inequality.

At the time of the transition to democracy in 1994, the social assistance system in South Africa was already notably well developed for a middle-income country. Post-apartheid, the system has expanded markedly, with 14 million people (out of a population of 48 million) now receiving some form of cash transfer. At 3.5 per cent of GDP, South Africa's spending on cash transfers is more than twice the median spending of 1.4 per cent of GDP among developing and transition economies.

There are several kinds of cash transfers in South Africa, of which the most important are the state old-age pension, the disability grant and the child support grant. Of the 14 million people receiving social grants in April 2010, 2.5 million were receiving old-age pensions, 1.3 million were receiving disability grants and 9.4 million children (aged 0–14) were benefiting from child support grants. All these grants are means-tested and unconditional.

At the time of the transition to democracy in 1994, the social assistance system in South Africa was already notably well developed for a middle-income country.

A stronger focus on active labour market policies as complementary to the extensive system of cash transfers is required.

Many argue that the social grant system should be extended to focus directly on the unemployed who remain uncovered by other grants.

Such arguments are strengthened by the limitations of the Unemployment Insurance Fund (UIF).

The current economic downturn and this sharp increase in social assistance expenditures in recent years have highlighted the importance of the social security system in alleviating poverty in South Africa. Over the longer term, the government faces the challenge of placing South Africa on a higher growth path that will create jobs and provide the fiscal revenue required to sustain and enhance social programmes. This article summarises some of the strategies in place to mitigate household poverty in the short run, and considers whether these policies are consistent with the longer-term objective of reducing poverty and inequality through enhanced growth. In addition to the extensive system of cash transfers, the article considers the role of unemployment insurance and public works programmes.

Unemployment Insurance

The Unemployment Insurance Fund (UIF) provides short-term income support to individuals who are not currently working because they have lost their job, have become ill or have taken maternity leave. Workers who resign voluntarily are not eligible for unemployment benefits. Benefits are only paid in the period immediately following the cessation of work, and the person must have been contributing to the UIF at the time of the event related to the cessation of work. Benefits may be claimed for up to 238 days.

In the 2009/10 fiscal year, an average of 208,000 people claimed unemployment benefits each month. This figure is in stark contrast to the number of unemployed, which currently stands at 4.1 million. Thus, while the UIF clearly has an important role to play in providing replacement income to the short-term unemployed with work experience, the vast majority of the unemployed fall outside of this system. Unemployment insurance (in its current form) is a weak instrument to deal with the risks of unemployment, much less cover its longer-term consequences for poverty and destitution.

Public Works Programmes

In addition to the UIF, South Africa also has public works programmes to insure workers against income losses when they lose their job. These programmes have been important interventions in developing countries for many years, and are particularly effective at addressing vulnerability to poverty and in crises. They can significantly mitigate the effects of negative covariate and idiosyncratic shocks on poor households. Often, they provide unskilled manual workers with short-term employment on projects such as road building and maintenance, irrigation infrastructure, reforestation and soil conservation. Most of the jobs created are in government-funded infrastructure projects (for example, road building) or social projects (such as early childhood development programmes). The public works programme in South Africa, even in its extended version, is quite limited in coverage and thus plays a rather small role in the overall social protection system.

The "Expanded Public Works Programme" (EPWP) was implemented in 2004, and an enhanced "EPWP Phase 2" was launched in 2009. EPWP aims to create productive employment opportunities by increasing the labour intensity of all government programmes. Most EPWP jobs are in government-funded infrastructure projects (e.g. road building), but there are also work opportunities in public environmental programs (e.g. the removal of alien vegetation) and in public social programs (e.g.early childhood development and home-based care programs).

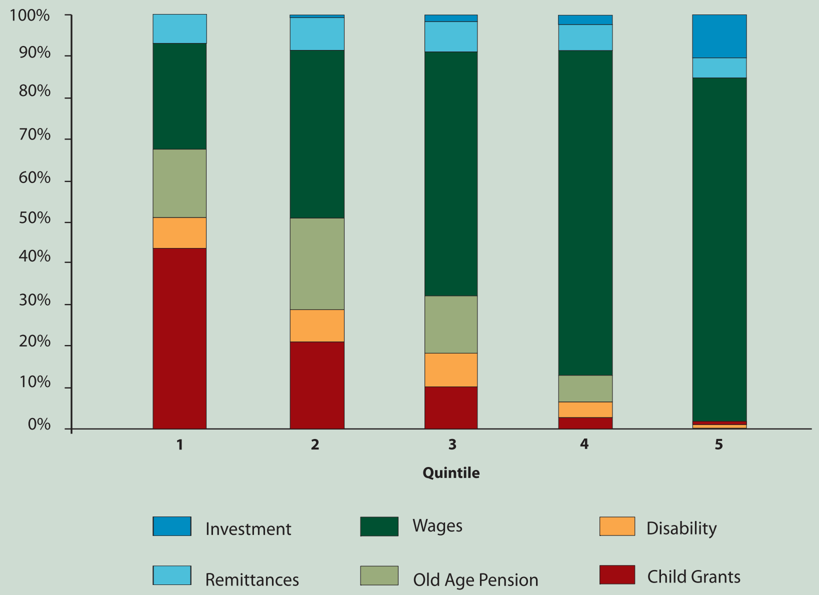
Under the aegis of EPWP, all government bodies and state corporations are required to make a concerted effort to increase the use of unskilled labour. Using public spending, temporary and generally unskilled employment is created for the jobless. This temporary employment is coupled with on-the-job skills development and training. The intention is that this will provide participants leaving the programme with a better chance of finding regular employment.

EPWP has grown steadily over the past five years and the aim is to expand it further in the second phase launched in 2009, with a view to providing 4.5 million jobs (with an average duration of 100 days) over a five-year period. EPWP currently transfers fairly modest amounts of income to a relatively small number of households, but the goal is to increase the scale of the project to provide the full-time equivalent of more than 400,000 jobs a year over the medium term. If the state can implement the programme at this level of intensity, it has the potential to make a significant contribution to poverty alleviation by providing short-term income support.

Cash Transfers

As mentioned earlier, about 14 million people in South Africa receive cash transfers. Household survey estimates suggest that more than half of households receive at least one cash transfer. The grants are relatively generous. For example, the old-age pension is worth PPP$230 per month, which is 1.75 times the median per capita income, and the child support grant is worth PPP$53 per month per child.

Figure
Sources of Household Income, by Quintile



Source: Author's calculations based on SALDRU, 2008.

Not surprisingly, therefore, cash transfers have far-reaching poverty alleviating implications, particularly for households that have little connection to the labour market. The figure disaggregates household income sources by income quintile in order to highlight the role of social assistance grants in providing income support, especially to lower-income households.

It is striking that fully two-thirds of the bottom quintile's income is from social assistance grants, and most of this is from child grants (the child support grant, the foster care grant and the care dependency grant combined). As households move up the income distribution, labour-market income becomes increasingly important and reliance on social assistance commensurately declines.

Behavioural Effects of the Grants

The inability of poorer households to invest in the productive capacity of their members, especially in the education and health of children, has implications for the persistence of poverty. Cash transfer programmes provide a predictable and reliable source of income that can have significant effects on the capacity of households to invest in human and physical capital, and thus break the intergenerational transmission of poverty. There is considerable evidence (reviewed in Budlender and Woolard, 2006) that cash transfers in South Africa have positive effects on the accumulation of human capital, despite the unconditional nature of the transfers.

Access to either a pension or a child grant can enhance the health status of beneficiaries and other household members by improving their nutrition and access to healthcare. Second, there is some evidence that older people, particularly women, are inclined to allocate this income in ways that directly benefit more vulnerable household members, such as young children.

Evidence for the impact of cash transfers on the labour supply of beneficiaries and their household members, however, is mixed. Basic economic theory suggests that cash transfers are an injection of non-labour income into the households and should therefore have an income effect on direct and indirect beneficiaries in the household. Empirical analysis by Ranchhod (2010) supports the hypothesis that cash transfers reduce incentives to work in South Africa. On the other hand, a cash transfer might assist in overcoming a liquidity constraint if migrant labourers initially need to draw resources from the original sending household. There also seems to be some empirical support for this theory (Ardington et al., 2009).

Conclusion

There is no doubt that the social assistance system in South Africa is channelling cash transfers into low-income households and that this income can and does change the behaviour of the members of those households. But the current system, which focuses on children, the elderly and the disabled, is something of an artefact of history rather than a particularly coherent system. In the absence of comprehensive social insurance, prime-age adults can only benefit from social assistance grants if they are co-resident with a child or an elderly or disabled person. Many argue that the social grant system should be extended to focus directly on the unemployed who remain uncovered by other grants. Such arguments are strengthened by the limitations of the UIF.

It is important to recall, however, that the contemporary context is one of a massive post-apartheid expansion of cash transfers. Further future expansion has to confront the

issue of fiscal sustainability. Economic growth has supported the enlargement of the grants system, and the high returns in terms of social well-being have justified this expenditure.
But South Africa confronts a tougher growth environment over the medium term and it is unlikely that the country has the fiscal space to expand cash transfers dramatically. Clearly, the overriding goal of economic and social policy has to be to assimilate many more of the unemployed into the labour market, and thus a stronger focus on active labour market policies as complementary to the extensive system of cash transfers is required.

■

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by Sergei Soares, Institute for Applied Economic Research (IPEA), Brazil

What you Measure is Important:

The Case of *Bolsa Família*

How does *Bolsa Família* select its beneficiaries?

The Ministry of Social Development is responsible for preparing a standardised form, from which information will be fed into a computerised single registry called the *Cadastro Único* (CadÚnico).

Bolsa Família, like other means-tested cash transfer programmes, has been much in the limelight since its creation in 2003. One issue that has not received much attention, however, is why so many families remain uncovered even though the programme's coverage comfortably exceeds its target population. This apparent contradiction holds an important lesson for many similar programmes: the importance of how income is measured and how targets are defined. Before discussing that, we need a brief digression on how *Bolsa Família* is implemented.

How does *Bolsa Família* select its beneficiaries? The process is not particularly complicated, but it is one in which partnership between the federal government and municipal governments is crucial. The federal government's Ministry of Social Development is responsible for preparing a standardised form, from which information will be fed into a computerised single registry called the *Cadastro Único* (CadÚnico).

These forms are given to more than 5,000 municipal governments, which then go looking for the poor.

The municipalities identify the poor by various means: from self-declarations of poverty to detailed scrutiny, from active to passive. Some (not many) municipalities base their efforts on pre-existing structures, such as the family health programme. Others have created new and lively structures to identify and register the poor. Most small municipalities leave the task to their social workers, who for the most part have taken up the challenge with vigour.

Many large municipalities have taken a more passive approach, relying on the poor to register in social service centres. Some municipalities take care to verify the information that the poor provide about themselves, particularly regarding their income, but many do not.

Whichever approach is used, the municipal governments then register the poor and send the forms online to the *Caixa Econômica Federal*, a state-owned bank. This applies the eligibility and priority criteria defined by the ministry, including the calculation of family per capita income, and then selects the beneficiary families and calculates the value of their benefit.

The CadÚnico information is checked against other administrative records, such as formal-sector mandatory registries, and income inconsistencies are identified and passed on to the municipalities, which must verify them before benefits are suspended or cancelled. Since the vast bulk of the poor's income is informal, however, only a minority of registries show income inconsistencies.

In theory, the benefits are paid for two years and then re-evaluated. Of course, many municipalities take much longer than two years to reassess their poor, something that has been addressed recently with a new form for the *Cadastro Único* and a pre-defined flow of mandatory updates based on a beneficiary's card number.

Since *Bolsa Família* is not an entitlement, some kind of quota or target is necessary. In other words, since the scheme is a defined budget and not a defined benefit programme, the amount of resources available has to be determined at the beginning of the year. Since municipalities have such an important role in *Bolsa Família*, municipal targets must also be set.

In practice, the municipal targets are somewhat flexible and municipalities that exceed their targets can be assigned benefits taken from those that did not meet them. This is important, because the municipal targets are set by means of a poverty map based on small area estimates using data from the 2000 census to calculate poverty numbers by municipality. The census information is likely to be relatively out of date by now.

The number of families in Brazil whose per capita income falls short of the *Bolsa Família* cut-off point was estimated using the 2001 and 2002 household survey (the *Pesquisa Nacional por Amostra de Domicílios*, PNAD) and this number was set as the national target. The 2001–2003 period was characterised by low economic growth, and the decline in inequality was still quite incipient. The number of families under the *Bolsa Família* poverty line was estimated at 11 million, and thus the first coverage target was set.

Because of budgetary and administrative restrictions, the target was only achieved at the end of 2006. Between 2004 and 2008 (the date of the latest available PNAD), as a result of economic growth and the fall in inequality, the incomes of the poorest quintile grew by an impressive 40 per cent. Although some of this growth was due to *Bolsa Família* itself, incomes net of the programme's benefits grew by about 30 per cent. One would expect the coverage targets to fall accordingly. The table shows that the number of poor (eligible) families fell to 6.2 million in 2008. Such a favourable evolution of the income distribution should have led to full coverage of all eligible families long before the national target of 11 million beneficiaries was met in 2006. The Ministry of Social Development should have been returning money to the federal budget and cancelling benefits.

But this is not what happened. At the end of 2008, the coverage situation was somewhat paradoxical. There were 11.2 million families receiving benefits, but there were another 2.5 million registered as eligible in the *Cadastro Único* that were not receiving the benefit. This was in a year in which, according to the PNAD, only 6.2 million families were poor (eligible). Why did this happen?

The first hypotheses that come to mind are widespread fraud or poor targeting. The National Audit Office's report is quite

At the end of 2008, 11.2 million families were receiving transfers from Bolsa Família*; another 2.5 million were registered as eligible in the* Cadastro Único *but were not receiving the benefit.*

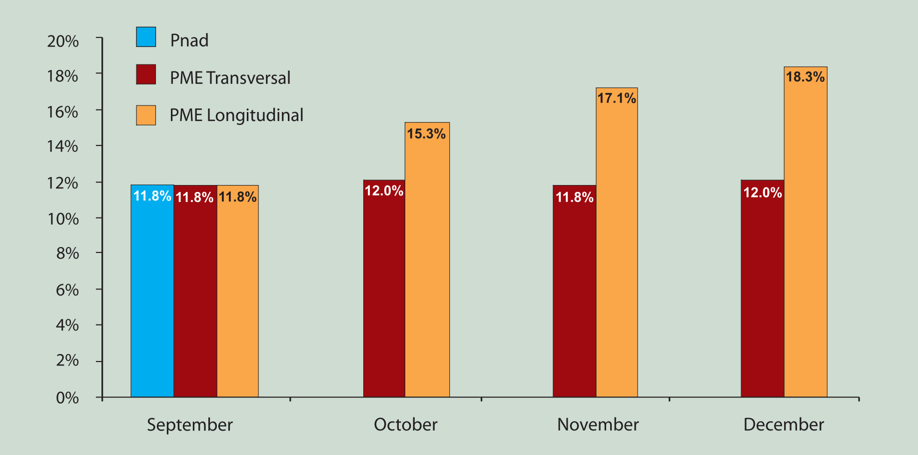
This was in a year in which, according to the PNAD, only 6.2 million families were poor (eligible). Why did this happen?

Table
Poverty According to PBF Eligibility Criteria

		Households				People			
		Income Net of PBF		Gross Income		Income Net of PBF		Gross Income	
Year	Line	No. (1000)	Per cent	No. (1000)	Per cent	No. (1000)	Per cent	No. (1000)	Per cent
2004	100	8,730	17.2%	8,362	16.5%	41,029	23.1%	39,432	22.2%
2005	100	7,094	13.6%	6,791	13.0%	33,990	18.8%	32,605	18.0%
2006	120	8,643	16.1%	7,974	14.9%	39,382	21.5%	36,606	20.0%
2007	120	7,456	13.6%	6,998	12.7%	33,620	18.2%	31,561	17.1%
2008	120	6,195	11.1%	5,706	10.2%	27,403	14.9%	25,095	13.6%

Source: PNAD.

Figure
Transversal and Longitudinal Poverty (Bolsa Família Definition)



Source: PME.

clear that fraud affects, at most, a few thousand of the 11 million benefits, so widespread fraud is not a real possibility. Various academic contributions, such as Soares et al. (2010), show that *Bolsa Família* targeting is excellent, with concentration coefficients close to -0.52. The remaining possibility is that the relevant income definition for *Bolsa Família* is not compatible with how the coverage targets were set.

According to a decree of 12 March 2008, the *Bolsa Família* benefit shall be paid for a minimum of two years regardless of any income variation during that period. If the incomes of the poor are subject to wide volatility, then a household whose income falls below the *Bolsa Família* threshold in a given month can receive a benefit and not lose it when its per capita income rises above the limit for a few months.

This means that the number of households eligible for *Bolsa Família* benefits—the number whose income fell beneath the poverty line in at least one of the previous 24 months—will be larger than the number of households whose income falls beneath the poverty line in a given month. If coverage targets are calculated using a transversal definition of income (income in a given month) but benefits are granted using a longitudinal definition (income during the next 24 months), the targets will always underestimate coverage needs.

This, of course, depends on the volatility of the poor's incomes. To measure this volatility, a panel survey is necessary. Given the lack of a national panel, we can use the monthly employment survey (*Pesquisa Mensal de Emprego*, PME), which interviews households in metropolitan areas for four consecutive months.

Using this survey, we calculated both transversal and longitudinal poverty and compared the two. The figure shows our results for 2007.

The message is clear. While transversal poverty remains more or less constant at 11.8–12 per cent of the metropolitan population, four-month longitudinal poverty rises to 18.3 per cent, almost 50 per cent higher than the transversal estimates.

While transversal poverty remains more or less constant at 11.8–12 per cent of the metropolitan population, four-month longitudinal poverty rises to 18.3 per cent, almost 50 per cent higher than the transversal estimates.

The monthly marginal increase is decreasing: 3.5 percentage points from the first to the second month, 1.8 points from the second to the third, and 1.2 points from the third to the fourth.

If the same pattern holds for the remaining months, we estimate that two-year longitudinal poverty is about twice the transversal poverty figure. If this is the case, then any coverage target estimated using a cross-sectional household survey will be a gross underestimate of real coverage needs.

In this context, the government's decision to increase the number of beneficiaries during the crisis, when the transversal poverty indicator had actually decreased relative to the initial 2003 estimates, is in line with the conceptual shift triggered by the 2008 decree. *Bolsa Família*'s potential beneficiaries should be those who are likely to fall into poverty within a two-year period.

This is likely to decrease undercoverage of *Bolsa Família* while at the same time redefining leakage indicators based on transversal indicators. ■

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Health Innovation, IPR and Access to Essential Drugs in IBSA countries

by Radhika Lal,
International Policy Centre for Inclusive Growth

The IBSA Delhi Summit Declaration of 15 October 2008 points to the IBSA leaders' agreement on the need to establish trilateral cooperation in the field of Intellectual Property Rights (IPR).

The aim is to promote a balanced international intellectual property regime and to make a meaningful contribution to the economic and social progress of developing countries by ensuring access to knowledge and healthcare. The IBSA Academic Forum, held in Brasilia on 12–13 April 2010, included a session on this theme.

It sought to facilitate knowledge-sharing among the three countries on strategies to promote universal and affordable access to essential drugs (particularly for HIV/AIDS). It also aimed to consider IPR issues in the context of access to essential medicines and with regard to the development of innovation capabilities in the pharmaceutical sector.

Another goal was to develop a work programme for the periods between summits, so as to help inform IBSA's contribution to global policy debates on these issues and to facilitate further exchange among the three countries on priority issues as they emerge. This article provides a brief review of the proceedings.

Work on this theme is grounded in the understanding that although there are a number of barriers to achieving universal and affordable access to the essential drugs in the three countries, one of the most critical is the IPR regime.

This has significant implications for the nature of domestic intellectual property laws and licensing agreements, and for the terms on which countries can undertake the manufacture and/or import and export of essential medications.

The session on health innovation at the IBSA Academic Forum began by looking at the current state of access to essential drugs for HIV/AIDS. Several presenters highlighted the negative impact of the World Trade Organisation (WTO) Agreement on Trade-Related Intellectual Property Rights (TRIPS) as it relates to access to essential drugs in IBSA countries. Juliana Vallini of Brazil's Ministry of Health pointed out that Brazil's adoption of TRIPS had led to a significant rise in the prices of antiretroviral drugs (ARVs).

That in turn had increased the financial burden for the government-led HIV/AIDS programme, which focuses on providing universal and free access to drugs for all those infected with HIV.

Jonathan Berger highlighted the implications of TRIPS for South Africa, particularly as regards ensuring affordable access to the newest generation of HIV/AIDS drugs and to some previous-generation ARVs such as lopinavir/r. Affordable access to the latest generation of drugs is essential because of their lower toxicity, and because patients develop resistance to previous treatment combinations/regimes.
He pointed out that South Africa is also being affected indirectly by the impact of TRIPS in other IBSA countries.

Most importantly, South Africa secures essential drugs from India but the pipeline of generic ARVs in India seems to be narrowing because of TRIPs. Also significant are pressures on individual countries to adopt additional TRIPs plus provisions in free trade agreements.

These can have implications for the other IBSA countries if they affect the terms on which essential medicines can be exported from or imported into the country signing the agreement.

Brazil's approach to prioritising access to healthcare in its patent process holds valuable lessons for India and South Africa.

On the other hand, India's success in building a competitive and, to some extent, vertically integrated pharmaceutical industry are of interest to the other IBSA countries.

South Africa has valuable experience in regulatory tools to ensure a transparent pricing mechanism.

South Africa's experience shows that civil society, using a competition law, can be very effective in promoting flexibility arrangements for patents through the granting of "non-voluntary" licenses.

Making Use of TRIPS Flexibilities: Effective Practices and Challenges in the IBSA Countries

The presenters explored some national experiences of using TRIPS flexibilities granted by the Doha Declaration on the TRIPS Agreement and Public Health. Juliana Vallini outlined Brazil's policy framework and pointed to a number of important institutional innovations that seek to align property rights and public health concerns more effectively.

These include the role of the Health Ministry in analysing patent applications for pharmaceutical products and processes, and the need to secure prior consent from Brazil's National Health Surveillance Agency (ANVISA) before a patent can be granted, as well as Brazil's innovative institutional coordination mechanism, the Interministerial Group for Intellectual Property in Brazil (GIPI).[1]

In a complementary presentation on Brazil, Zich Moysés Junior pointed out that the focus on "health" is multifaceted and interlined—it includes attention to citizenship rights as well as to investments, innovations, income and employment. He described the structure of and the approach taken to the "Health Industrial Complex", in light of the priority that Brazil accords to improving its innovative capacity in order to increase public access to healthcare.

The panellists identified current challenges and opportunities for collaboration in the pricing of essential medicines in the three countries. Juliana Vallini detailed how the prices of several critical medicines had been negotiated, and highlighted the cost savings involved. She pointed out, however, that prices in some other countries are still lower than those Brazil has been able to negotiate, suggesting that the countries could benefit from information sharing and collaboration in several areas.

Anban Pillay described the several interventions undertaken through the adoption of a comprehensive approach to pricing regulation, which seeks to lower medicine prices and arrive at a transparent pricing system in South Africa. He highlighted a number of areas of common concern and potential interest for the three IBSA countries. These included sharing information on drug prices, sources of low-cost drugs and co-effectiveness analysis of new drugs. He stressed the importance of training programmes to develop capacity in local production, and the need to foster linkages between universities in IBSA countries. Both Juliana Vallini and Jonathan Berger emphasised the vital role of civil society in the IBSA countries in advocating the use of TRIPS flexibilities.[2]

The final presentations looked at the impact of TRIPS on the production side and explored the implications for access to drugs, as well as innovation capabilities and possibilities.

The presenters pointed to a number of emerging challenges, such as the matter of counterfeit products, as well as possibilities for collaboration between the IBSA countries to identify a new approach to innovation in the post-TRIPS context.

Biswajit Dhar of India indicated that the issue of counterfeiting applies to both branded and generic products in principle, but that some of the approaches to defining "counterfeit" at the intergovernmental, organisational and, in some cases, bilateral level pose particular challenges for generic drug producers from countries such as India, as well for patients in the IBSA countries.

He indicated that "counterfeiting" should be defined clearly, keeping in mind the flexibilities available under TRIPS, and that attempts made by the "pharma majors" to equate "counterfeit" and "substandard" medicines should be challenged. For more details see Biswajit Dhar's article in this issue of *Poverty in Focus*.

A New South-South Model for the Development of Drugs for Neglected Diseases?

Sudip Chaudhuri pointed out that there are few or no drugs for neglected diseases, especially "very neglected diseases" such as African trypanosomiasis, leishmaniasis and Chagas disease.

There has been an increase in support to research and development (R&D) for drugs to tackle neglected diseases on the part of some not-for-profit organisations

1. See GTPI/REBRIP (2010), 'Written Comment on the 2010 USTR Special 301'.

2. For example, civil society sectors of India and Brazil joined forces to make full use of available provisions in national laws to oppose the granting of patents to key AIDS drugs such as Tenofovir.

In India, civil society groups joined by counterparts from Brazil (who were also opposing the granting of patents in Brazil) worked together on a pre-grant opposition, a provision available under the Indian patent law, on the grounds that Tenovofir was a previously known compound and therefore not a 'new' drug. As a result of this initiative, the drug is not under patent protection in either of these two countries.

3. For example, Hunter et al. (2009).

and some multinational corporations (MNCs), but it was widely believed that more should be done, particularly by developing countries themselves.

In the post-TRIPS phase of developing new drugs, pharmaceutical companies from the South, including India, face difficulties in promoting drugs that they have developed independently.

He indicated that there was not a single instance of a drug being developed elsewhere but successfully marketed in developed countries, particularly in the United States and Western Europe, without the involvement of MNCs, since the companies basically develop new molecules up to a certain stage and then license them out to partners from developed countries, mainly MNCs.

He also pointed out that there was a real opportunity here for the IBSA countries to focus on neglected diseases and to develop a new innovation model that could facilitate a fuller development of their production and marketing capabilities. Given India's elaborate public R&D infrastructure, for example, one approach might be to connect the country's existing public-private partnerships with organisations in Brazil and South Africa, so as to conduct clinical trials and secure regulatory approvals, and to focus marketing on these and other developing countries with a view to expanding the focus to developed countries in the future.

The six presentations highlighted a number of complementary good practices in the three countries. These included the Brazilian government's role in promoting universal access to antiretroviral drugs, as well as in compulsory licensing[3] and negotiations with firms to lower drugs prices. Brazil's approach to prioritising access to healthcare in its patent process holds valuable lessons for India and South Africa.

On the other hand, India's success in building a competitive and, to some extent, vertically integrated pharmaceutical industry highlights important production and innovation capacities that are of interest to the other IBSA countries.

Its R&D infrastructure in the public sector and its use of private-public partnerships to transform public R&D activities into products provide a basis on which to devise a new product-development model.

South Africa has valuable experience in regulatory tools to ensure a transparent pricing mechanism. Moreover, South Africa's experience shows that civil society, using a competition law, can be very effective in promoting flexibility arrangements for patents through the granting of "non-voluntary" licenses.

Conclusions and Issues for Follow-Up

Several issues were identified for follow-up:

- sharing strategies to make better use of health-related TRIPS flexibilities, including compulsory licensing and Bolar provisions;
- information sharing in selected critical areas, particularly with regard to drug prices, sources of low-cost drugs, co-effectiveness analysis of new drugs, and training programmes that develop capacity in local production;
- identifying potential joint R&D and product development, starting with a focus on drugs for neglected diseases; this could enhance the availability of alternatives on the market in all developing countries by building on and strengthening R&D and production capabilities, and by leveraging the large internal markets in the IBSA countries;
- mechanisms to strengthen collaboration on policy issues at the global level: strengthen global collaboration, including in the WHO-led Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property, as well as with regard to critical emerging issues such as the definition and regulation of "counterfeit" drugs; and
- collaboration with civil society in the three countries: build on earlier collaboration to oppose the granting of patents to key AIDS drugs such as Tenofovir. ■

In the post-TRIPS phase of developing new drugs, pharmaceutical companies from the South, including India, face difficulties in promoting drugs that they have developed independently.

Working Group on Intellectual Property of the Brazilian Network for the Integration of Peoples (GTPI/REBRIP) (2010). 'Written Comment on the 2010 USTR Special 301', Abiaids website, <http://www.abiaids.org.br/_img/media/Brazilian%20Civil%20Society%20written%20comments%20on%20USTR%20Special%20301.pdf>.

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by Biswajit Dhar and Reji Joseph, Research and Information System for Developing Countries, India

Anti-Counterfeiting Initiatives and Trade in Generic Medicines

While the laws apply to both branded and generic drugs, there appear to be significant attempts to equate authorised generics with counterfeit products.

When it was first introduced in the trade lexicon, the term "counterfeit" was used to encompass all products to which spurious trademarks or trade names were affixed or applied "without the consent of the person having the right to the protection of the trademark or trade name under the legislation of the country of importation".

Generic drugs have been critical to reducing the cost of and increasing access to a variety of essential medicines in developing countries. A number of related initiatives under the umbrella of anti-counterfeiting pose challenges in this regard. The emerging regime weakens the distinction between substandard medicines (which is essentially an issue of product quality and is of critical concern to health authorities and patients alike) and counterfeit medicines (which is essentially a trademark issue).

While the laws apply to both branded and generic drugs, there appear to be significant attempts to equate authorised generics with counterfeit products. To some, "counterfeit" may seem to be a fairly technical issue best left to lawyers, but it has rightly attracted widespread interest in public health discussions and is of particular concern to the IBSA countries, given India's production of generics and the importance of such generics in ensuring more affordable and equitable access to these drugs in Brazil and South Africa. The issue is also important because of concerns that the European Union (EU) and other partners are negotiating or planning to negotiate the inclusion of such anti-counterfeiting measures in free trade agreements that are due to be concluded with a number of countries of interest.

Trade in Counterfeit Goods and its Relationship to Intellectual Property Rights

The trade in so-called counterfeit goods has assumed controversial proportions in recent years, particularly after authorised generic pharmaceutical products exported by Indian firms to Latin America and Africa were seized by EU customs authorities when they were being transhipped through European ports. There were more than 20 seizures as customs authorities enforced a 2003 European Commission directive that allows the seizure of goods suspected of infringing the rights of intellectual property holders, even when the drugs are unpatented or off-patent in the countries of origin and destination, and when the goods are merely in transit—that is, they have not entered the customs territory of any EU member state (EU Council, 2003).

The EU has clarified that the seized shipments were released later, but inordinate delays in transporting the products to their final destinations not only acted as a strong deterrent to trade (thus affecting the commercial interests of the exporting firms), but also denied patients in the importing countries access to crucial lifesaving medicines. These seizures attracted further attention because they came at a time when efforts are underway in several global fora to strengthen the protection and enforcement of intellectual property rights (IPRs), ostensibly to prevent a proliferation of trade in counterfeit goods. Perhaps the most important aspect of these initiatives, however, is that they appear to be a continuation of discussions on trade in counterfeit goods and its relationship to IPRs that first took place under the aegis of the General Agreement on Tariffs and Trade (GATT) during the Tokyo Round of multilateral trade negotiations.

The issue of trade in counterfeit goods was introduced into the GATT negotiations in 1978, when the United States proposed an agreement to deal with "commercial counterfeiting". When it was first introduced in the trade lexicon, the term "counterfeit" was used to encompass all products to which spurious trademarks or trade names were affixed or applied "without the consent of the person having the right to the protection of the trademark or trade name under the legislation of the country of importation". The intent of the United States was to develop a multilaterally agreed set of disciplines to prevent counterfeit goods "from entering or re-entering commerce". It was clarified that "parallel imports" were not to be considered as "counterfeit".

The United States, however, could not persuade the GATT members to address this matter during the Tokyo Round, mainly because it came at the very end of the six-year multilateral trade talks. The issue of counterfeit goods trade was eventually included in the work programme of the GATT at the end of the ministerial meeting in 1982. The ministers agreed to examine the justification of using the GATT framework to address the trade aspects of commercial counterfeiting.

The problem of counterfeit medicines was first addressed at the international level in 1985, at the Conference of Experts on the Rational Use of Drugs, in Nairobi. The meeting recommended that the World Health Organisation (WHO), together with other international and intergovernmental organisations, study the feasibility of setting up a clearing house to collect data and to inform governments about the nature and extent of counterfeiting. The World Health Assembly took note of this recommendation, and in 1988 adopted a resolution (WHA41.16) which requested the Director General of the WHO to initiate programmes to prevent and detect the export, import and smuggling of falsely labelled, counterfeited or substandard pharmaceutical preparations. This resolution was substantially problematical inasmuch as it used the terms "counterfeit" and "substandard" interchangeably, which in our view is rather erroneous.

In 1999, Resolution WHA52.19 on the revised drug strategy requested the WHO's Director General to support member states in their efforts to combat the manufacture, trade and use of counterfeit medical products. Despite the above initiatives, it was not until 1992 that the WHO developed a definition of counterfeit medicines. A joint meeting of the WHO and the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) provided a definition of counterfeit medicines.

According to this definition, "counterfeit medicine is one which is deliberately and fraudulently mislabelled with respect to identity and/or source". It also added that counterfeiting can apply to both branded and generic products, and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging.

Efforts by the WHO to address the problem of counterfeiting received a boost in 2006 through the WHO conference on "Combating Counterfeit Drugs: Building Effective International Collaboration". The Declaration of Rome, which was adopted at the end of that conference, recommended that the WHO should lead the establishment of an International Medical Products Anti-Counterfeiting Taskforce (IMPACT) of governmental, non-governmental and international institutions, which would seek to improve cooperation between various stakeholders so as to take measures against counterfeit medical products.

It should be mentioned here that the international conference that was convened to address the problem of "counterfeit drugs" adopted a resolution that also included "medical products". According to the definition proposed by the taskforce, a medical product is counterfeit when "there is a false representation in relation to its identity, history or source". The proposed definition marked a notable shift from the WHO definition of counterfeit medicines dating from 1992, in that "history" has been added.

In its Sixty-First Session, the World Health Assembly took the discussion on counterfeit medical products further. A report by the WHO Secretariat underlined the initiatives taken by IMPACT, including the taskforce's future plans. One of IMPACT's major tasks was reported as "creating initiatives that focus on the specific needs and problems related to counterfeit medical products in sub-Saharan Africa" (WHO, 2008a). A notable follow-up to this report was the presentation of a draft

The issue of "counterfeit" products is of particular concern to the IBSA countries, given India's production of generics and the importance of such generics in ensuring more affordable and equitable access to these drugs in Brazil and South Africa.

WHO and the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) define "counterfeit medicine" as "one which is deliberately and fraudulently mislabelled with respect to identity and/or source".

resolution on counterfeit medical products by Gambia, Ghana, Nigeria, Tunisia and the United Arab Emirates, the focus of which was to strengthen the work of IMPACT (WHO, 2008b).

These initiatives have had spillover effects on the laws of a few countries whose legislation virtually eliminates the distinction between an authorised generic and a counterfeit medicine. Kenya's Anti-Counterfeit Act of 2008 defines counterfeiting in a very broad manner, which in all likelihood could include genuine generics within the purview of counterfeiting. The latter has been defined as "actions" such as manufacturing, production, labelling, packing and so on "without the authority of the owner of any intellectual property right subsisting in Kenya or elsewhere in respect of protected goods".

The proposal mentioned above is significant in light of counterfeit goods-trade developments in several international fora, including the World Customs Organisation, the World Intellectual Property Organisation and the G8. The most significant of the recent initiatives, however, is the Anti-Counterfeiting Trade Agreement (ACTA), a plurilateral accord proposed by the United States and two other proponents of a stronger intellectual property rights regime, the EU and Japan.

Proposals for an Anti-Counterfeiting Trade Agreement (ACTA)

The first steps towards the development of ACTA were taken during the 2005 G8 Summit in Gleneagles, where Japan suggested stricter regulations and enforcement provisions to combat "piracy and counterfeiting". Commentators have pointed out that the G8 statement "Reducing IPR Piracy and Counterfeiting through More Effective Enforcement" was, in effect, the first official step towards what would become ACTA (Shaw, 2008). The latter, as proposed, builds on the recommendations made at the Global Congress on Combating Counterfeiting and the G8, and focuses on international cooperation, enforcement and legislation (Dordi, 2008).

The legislative and enforcement issues being raised in context of ACTA cover several areas, including border measures as well as intellectual property protection and enforcement. Some of the proposals tabled so far are considerably more stringent than the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and include the civil-judicial proceedings proposed in ACTA to compensate for damages arising from infringements.

There is no denying that the efforts in the ACTA negotiations to strengthen IPR standards under the guise of anti-counterfeit trade could have far-reaching implications for trade in authorised generic products. The proposed enforcement mechanisms under ACTA can easily stifle trade in these products, ostensibly to protect the "legitimate interests" of intellectual property owners, thus grievously affecting access to affordable medicines in large parts of the developing world. The emerging regime not only weakens the distinction between substandard medicines (which is essentially an issue of product quality) and counterfeit medicines (which is essentially a trademark issue), but also tries to equate authorised generics to counterfeit products. ■

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IBSA, Plurilateralism and the Global South

by Kamal Mitra Chenoy, Jawaharlal Nehru University, India

Countries with common interests have traditionally come together in subgroups to formulate and negotiate policies. Historically, plurilateralism has been used outside the multilateral framework for linkages beyond regional alliances. It is criticised as a disruptive process. (Oelgemoller, 2007; Hettne, 2004) but also supported as a safeguard against hegemony. (Polanyi, 1945: 87). The multiple crises (climate, financial, ecological, food, security) arising from neoliberal globalisation offer reason for plurilateral formations such as IBSA and the Brazil-Russia-India-China (BRIC) grouping.

Emerging countries are marked by their high growth rates, influence on international economics, stable political systems, high military expenditure, strategic partnerships and impact on the geopolitics of their regions. This makes them attractive to countries in the North and to least developed countries in the South.

The North would like the emerging countries to converge with their agenda. This would maintain the asymmetrical international power system.

The global South would like emerging countries to join their platforms, such as the G77, so as to further their interests, which differ from those of the North. In the Doha Round, for example, they leaned on India and China against Northern protectionism in the areas of agricultural subsidies and labour standards.

The emerging countries thus have to choose from a menu of policy options and strategies. The interest of IBSA will be served if they:

- use their collective voice in international decision making;
- bring the voices of the global South to the North;
- build a bridge between the excluded and the powerful for the joint resolution of common problems; and
- link plurilateralism with multilateralism.

IBSA's task should include the following:

- pose a sustained challenge to asymmetrical power relations and legitimise a pro-people paradigm;
- promote the democratisation of international institutions;
- forge links with regional institutions of the South;
- widen discussions on the climate, financial, food and security crises;
- include grassroots communities and civil society movements, and form alliances with them.

Foreign Policies and Development Strategies

IBSA is committed to a multipolar world, independent foreign policies and support for the South (Brasilia Declaration, June 2003). The members argue for a negotiated settlement on Iran, and for working together on climate change, reform of the United Nations, terrorism, building democracy and world trade talks. The normative value of IBSA as a "strong moral force in today's unsettled world", in the words of Indian Prime Minister Manmohan Singh (16 April 2010), reinforces the idea of building a more equitable international order.

IBSA has high growth rates and common problems, including: inequity and poverty, internal displacement and migration, resource conflicts, insurgencies and so on. The neoliberal paradigm of privatisation and corporatisation reinforces these problems. Civil society is dynamic in the IBSA countries and mobilises for environmental

The political leverage and normative legitimacy of IBSA and the new plurilateralism will lie in the countries' collective understanding, if they use this power for the greater common interest of as many people and countries as possible.

The plurilateralism used by groups like IBSA could add value to multilateralism if it can connect the largely excluded countries of the South to the blocs of the North, if it goes beyond the interests of capital, and if it helps create a people-centred development paradigm.

IBSA and this form of plurilateral network can help form a bridge between the G20 and the G77.

and ecological concerns, opposing displacement caused by large dams, special economic zones and mining, and being regarded as a threat to established power dynamics (Oelgemoller, 2007).

IBSA leaders recognise the need to share development initiatives and alternative paradigms that help the global South (IBSA Forum, 16 April 2010).

The IBSA countries and those of the South share common anticolonial memories and have the experience of collective negotiation. The IBSA countries' status as middle powers gives them the capacity to intervene in regional and global processes.

Clearly, then, the political leverage and normative legitimacy of IBSA and the new plurilateralism will lie in their collective understanding, if they use this power for the greater common interest of as many people and countries as possible. This form of plurilateral network can help build a bridge between the G20 and the G77.

IBSA, Plurilateralism and the Multiple Crises

The multiple crises have offered an opportunity to re-examine both globalisation and development models. They have shown the need for an ecological, equitable and sustainable development based on inclusion, rights and human security.

The IBSA foreign ministers accept that large parts of the world have not benefited from globalisation and want policies that are inclusive, integrative, humane and equitable (Brasilia Declaration, June 2003). A common position on food, climate and security will help save resources and resolve problems. In order to succeed, plurilateral fora need to work in synch with regional formations.

The collective weight of the South still remains more than groupings like the G20, and IBSA should not lose this principle of inclusive decision making. There are many examples of states making changes in response to civil society/peoples' movements: India has made the right to information, work and basic education a constitutional right; China is investing heavily in renewable energy systems; Brazil has made progress on land reform. IBSA should ensure as a benchmark that each country's civil societies provide an input into domestic and external policies, and that they are consulted on governance and development models.

Avoiding the Pitfalls

Many smaller countries fear that on issues such as climate change, which seriously affect their future, countries like India, Brazil and China in a group like BASIC (Brazil, South Africa, India and China) will accede to the interests of countries in the North. IBSA and BASIC will have to find a new and pragmatic style of negotiation, one that continues to offer protection to the smaller countries but that is connected to the larger process.

The Priority of Sustainable Development

The influence and strength of plurilateral alliances depend largely on their adopting of sustainable development approaches that are people-centred, devising egalitarian policies in which the emphasis is not only on the autonomous power of capital but on how it can address the needs of labour and the mass of the poor. Policies that include official funding should prioritise job creation, social protection and rights. Capital should be regulated to strengthen the welfare state. Developing domestic industry, including small and medium industries, would generate employment and thus deepen urban and rural markets, increase consumption and production, and create even more jobs.

Such sustainable development would have a "demonstration effect" and influence other countries. A vibrant egalitarian economy would insulate the IBSA countries from external pressure or economic shocks, and increase their political leverage in international relations.

Possibilities and Benchmarks for IBSA

The IBSA countries should aim to ensure that:

- their collective voice is heard in the most senior decision making bodies and in multilateral fora;

- the voices of the South inform the IBSA forum and are part of the agenda;
- they encourage the countries of the South to promote their common agendas, including coordination on climate change, deeper democratisation, pluralism, regional solidarity, disarmament, and gender equity-based development;
- IBSA is part of the solution in eliminating developing-world debt, transforming North-South relations, introducing a genuinely fair trading system, helping the poorest communities with gender-equitable and inclusive development;
- they devise a paradigm of development that is pro-people at its core;
- IBSA foreign policies are geared to strengthening links with the South on matters such as globalisation, security and restructuring multilateral institutions such as the World Bank, the International Monetary Fund and the UN Security Council;
- they work for the reform of the United Nations as a whole in a way that gives more powers to the General Assembly, rather than solely reform of the Security Council, in which a few have veto powers.

Conclusions

Globalisation has led to the re-arrangement of the international system and the rise of new emerging powers. These powers still do not have adequate voice to match their capacity, but if they come together in plurilateral fora they can acquire more leverage and voice. The multiple crises in the areas of economics, ecology and security cannot be addressed by liberal triumphalism and exclusive groupings.

Despite its unwieldiness, multilateralism is the only way forward. If IBSA is to gain credibility, its voice has to be based on inclusive agendas of the global South.

This would reflect what analysts have regarded as a new multilateralism (Cox, 1997,1999) in which domestic and foreign policies arise from the inputs of social movements. Plurilateralism does not fragment multilateralism.

The IBSA countries can be members of bilateral and multilateral frameworks simultaneously.

As far as the future is concerned, a mixture of regional, multilateral and other such blocs is the likely scenario (Hettne, 2004). The plurilateralism used by groups like IBSA could add value to multilateralism if it can connect the largely excluded countries of the South to the blocs of the North, if it goes beyond the interests of capital, and if it helps create a people-centred development paradigm. ■

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IBSA is committed to a multipolar world, independent foreign policies and support for the South (Brasilia Declaration, June 2003).

*by Alcides Costa Vaz,
Institute of International Relations,
University of Brasilia*

IBSA: The Prospects of a Plurilateral Arrangement

IBSA provides a very good picture of the potential and limitations of plurilateral arrangements.

It neither denies the relevance of multilateralism nor intends to replace it.

IBSA's relevance and international credibility must derive from the capacity of the three countries to translate the opportunities of working together into practical outcomes.

Only a mechanism that is flexible and attractive enough to accommodate differing views and evaluations can meet the challenge of jointly pursuing convergent interests and objectives, amplifying voices in the international system, and framing new forms and processes of global governance.

The growth of interdependence and the cross-linkages between different areas observed in recent decades have spurred an increasing demand for new forms of governance at different levels. Internationally, this demand has also become a central feature of contemporary politics. Given that circumstance, multilateralism is now at stake because of its own limitations in addressing the demand.

The high degree of politicisation of what are usually long and painstaking multilateral negotiations makes decision making and the forging of basic convergences a very costly and difficult endeavour. This hampers the achievement of policy compromises among states and prevents the building of the political and institutional framework needed for effective international coordination.

There is also the ever growing inadequacy of state action to respond to problems that prompt interest and activity on the part of various non-state actors, domestically and internationally. As Ruggie has pointed out (Ruggie, 1993), multilateralism still matters, given the mounting changes and challenges brought about by globalisation, but it must adapt to new circumstances in which the search for innovative and flexible forms of governance has become compelling.

In that context, plurilateralism has emerged as a novel feature of contemporary international politics, one through which great powers seek to maximise political synergies among themselves and with their followers in tackling regional and global problems. Plurilateralism also arises from emerging powers' awareness of their actual and potential roles and responsibilities in a changing global order. Hence plurilateralism has brought pragmatism and flexibility to international politics, and has reinvigorated a normative appeal for a more inclusive and symmetrical world order in both political and economic terms.

In that respect, plurilateral arrangements are not meant to replace multilateralism or simply to provide an alternative to it. Both ideas are misleading. Plurilateralism provides flexibility, and flexibility facilitates convergence, which in turn fosters political initiatives and makes them viable. As simple as this statement might seem, it conveys the sense of opportunity that plurilateralism seeks to exploit.

IBSA provides a very good picture of the potential and limitations of plurilateral arrangements as described above. It neither denies the relevance of multilateralism nor seeks to replace it. On the contrary, it sets up a political framework in which India, Brazil and South Africa envisage not only fostering trilateral cooperation in different issue areas, but also sustaining a regular political dialogue geared to coordinating positions and developing, to the extent possible, joint approaches to key global issues and to the development challenges they face.

Initially, IBSA was heralded by the three member countries, as well as by many scholars, as an innovative political arrangement that sought to foster South-South cooperation. India, Brazil and South Africa came together mindful of the need to frame a new paradigm for the international insertion of middle-income countries. Through IBSA, they embraced an ambitious agenda of trilateral cooperation and raised high expectations of their acting together in multilateral bodies such as the United Nations and the World Trade Organisation, giving the global South an effective voice on issues such as reform of UN Security Council and the multilateral trading system. IBSA also raised expectations among some key international actors, such as the European Union, that it would become an important international player and thus a potential partner in the consolidation of multipolarity and the strengthening of multilateralism (Gratius, 2008).

In reality, however, IBSA is rather different and more complex. Seven years after its launch, most of the assessments of its performance still generally reflect some of the positive hopes raised when it was created. Most of them are very positive in evaluating IBSA's novelty and its potential as a plurilateral arrangement. At the same time, its lack of substantial content has been pointed out as its main liability. In addition, some of the differences among the three countries have nourished misgivings about IBSA's prospects of consolidating itself as a relevant point of reference in international politics.

It is certainly remarkable that three emerging democratic countries from somewhat different regional contexts, with different cultural backgrounds and lacking meaningful precedents in their mutual relations but sharing a willingness to change their international status, could set up a framework for a regular political dialogue on issues that are central to the international agenda. IBSA's relevance and effectiveness, however, cannot be assessed solely in relation to a formal trilateral agenda that gives the group a programmatic sense; nor can it be evaluated only in terms of the three countries' ability to carry out a common political strategy in response to some of the most pressing issues on the global agenda. IBSA's relevance and international credibility must derive from the capacity of the three countries to translate the opportunities of working together into practical outcomes.

Before it can become an important point of reference in international politics, IBSA has to consolidate itself as a significant player in the foreign policies of each of its members on issues that might be relevant for them individually and collectively. In that regard, it is hard to avoid the idea that each of the three members still places a different value on IBSA. Brazil seems to be the country that is willing to make the greatest political investment in IBSA, though many observers believe that the emergence of the BRIC grouping (Brazil, Russia, India and China) seems to have cast a shadow on it.

Nonetheless, IBSA is still an important initiative that serves as an instrument of Brazil´s quest for a more assertive international profile and an enhanced status on the global stage. It is practical for Brazil to convey a sense of compromise with the ideals, concerns and objectives of the global South in the realm of international cooperation. Unlike IBSA, BRIC is more suited to helping forge new parameters and mechanisms of global economic and political governance, and to bringing Brazil closer to the world of high international politics. From Brazil's perspective, IBSA and BRIC should not be regarded as competing or mutually exclusive. Rather, the two initiatives should be viewed as complementary dimensions of the effort to assert Brazil's willingness to change its international status from that of a widely accepted regional power to that of an independent, proactive and influential global actor.

South Africa, in turn, shows signs of concern that it might be left behind by its two IBSA partners, given that the greater international visibility and interest that BRIC has garnered has somewhat overshadowed IBSA itself. In this sense, IBSA seems to be the most immediate viable bet for South Africa to remain in or (in the view of some) join the club of leading emerging countries. South Africa is therefore genuinely committed to IBSA's consolidation. Like its two partners, however, South Africa presently lacks enough leverage to give IBSA the political strength it needs.

India, for its part, seems to regard IBSA as an important initiative for particular purposes, but it is clear that IBSA does not and perhaps cannot address issues that are among India's priority strategic and political concerns. Since India has a realist bias in pursuing its international interests, there are no major incentives for it to accord IBSA the same priority and the same level of political support that Brazil and South Africa could be willing to offer.

IBSA sets up a political framework in which India, Brazil and South Africa envisage not only fostering trilateral cooperation in different issue areas, but also sustaining a regular political dialogue geared to coordinating positions and developing joint approaches to key global issues and to the development challenges they face.

More than any other formal aspect of IBSA, these differences among the three countries as to what they expect from the group are precisely the ones that convey its plurilateral character. Only a mechanism that is flexible and attractive enough to accommodate these differing views and evaluations can meet the challenge of jointly pursuing convergent interests and objectives, amplifying voices in the international system, and framing new forms and processes of global governance.

Despite its liabilities and the rise of other appealing initiatives, IBSA is suited to the attainment of those aims. Hence it certainly deserves the political energy that each of its three members is willing to give to it. ■

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International Policy Centre for Inclusive Growth (IPC - IG)
Poverty Practice, Bureau for Development Policy, UNDP
Esplanada dos Ministérios, Bloco O, 7º andar
70052-900   Brasilia, DF - Brazil
Telephone: +55 61 2105 5000

E-mail: ipc@ipc-undp.org ▪ URL: www.ipc-undp.org

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