STRENGTHENING THE ECONOMIC IMPERATIVE FOR SOCIAL PROTECTION

Background paper for the Sixth International Policy Conference on the African Child (Sixth IPC)

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THE AFRICAN CHILD POLICY FORUM (ACPf)

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PREFACE

The International Policy Conference on the African Child (IPC) provides a platform for policy dialogue on subjects affecting children in Africa. The Sixth International Policy Conference is on the theme of *Social protection in Africa: Making it work for children.*

Social protection is gaining recognition among African governments as an effective strategy to address deprivation and vulnerability among marginalised groups, including children. Many African governments have national social protection frameworks and policies in place and have begun to create institutional arrangements that facilitate programme design and implementation. Yet progress across African countries has been inconsistent, particularly since the endorsement of the AU Social Protection Framework in 2009. Many questions and gaps remain with respect to — among other things — how social protection contributes to economic growth, how it can incrementally grow and become institutionalised within national processes, and how it can be sustainable, financed from domestic sources and nationally owned.

In the 6th IPC, ACPF, together with the African Union (AU), governments, civil society organisations (CSOs), pan-African and regional treaty bodies, academics and UN agencies, aims to address some of these questions. To inform the policy dialogue, ACPF has prepared four background papers. This paper, entitled *Strengthening the economic imperative of child-sensitive social protection,* is one of them.

It is insufficiently understood that early childhood interventions during crucial developmental stages of children’s physical growth and cognitive development generate the highest returns on investment. Social protection programmes, particularly those targeting children, represent powerful investments in generating a range of human capital impacts that can contribute to inclusive economic growth and provide governments with a tool to tackle both poverty and vulnerability. This paper analyses the evidence of positive economic impacts of child-sensitive social protection in Africa and around the world, and makes the case that social protection programmes benefiting children have far-reaching economic significance, contributing to inclusive growth and development.

We trust that the findings of this paper will contribute to the body of knowledge on the economic benefits of social protection programmes targeting children, and inform further actions by governments, development partners and CSOs to ensure that the design and implementation of social protection policies and programmes pay particular attention to early childhood development. We also hope that it contributes to policy dialogue on the rationale for child-sensitive social protection, and its strategic importance in tackling intergenerational poverty and inequality.

-Théophane Niyëma
Executive Director
EXECUTIVE SUMMARY

Policy-makers in Africa today are at an important crossroads on the highway to future prosperity. While conventional thinking sometimes posits a trade-off between equity and growth, African nations are increasingly consolidating a strong foundation for economic progress by investing in their most productive asset—their human resources. Across the continent the number of core social protection programmes has increased ten-fold, from 25 in 2000 (in nine countries) to 245 in 2012 (in 41 countries).¹ The OECD’s most recent Development Co-operation Report presents evidence identifying the role of social protection in reducing poverty and achieving progress towards the Millennium Development Goals while accelerating pro-poor and inclusive economic growth². The report cites successful African examples — including Ghana, Kenya, Mozambique, Rwanda, South Africa, Uganda and Zambia — of the potential economic gains from child-sensitive social protection.

Several African countries are ranked as having among the worst income distributions in the world. Income inequality not only compromises social rights, but it also leads to political and socio-economic instability. The adverse conditions created by inequality depress the economic activity needed for growth. In this context, social protection programmes can shift resources from the rich to the poor in a highly efficient manner, promoting more equitable distribution of income. This in turn promotes a more conducive environment for growth-enhancing activities. In particular, the cost of not investing in child-sensitive social protection includes lost opportunities to build pro-poor and inclusive economic growth through the most promising investment opportunity currently existing in Africa: the continent’s human resources. The economic cost of not tackling inequality has important repercussions for children’s nutrition, health and education. The economic consequences of failure to invest in these three human capital assets include significant short-term socio-economic costs and substantially hinder prospects for long-term economic growth.

Social protection interventions delivered to children have the potential to tackle inequity in a meaningful and sustainable manner. Early interventions during crucial developmental stages generate the highest returns on this investment, increasing adult productivity and earning potential and contributing to the competitiveness of Africa’s workforce.

Social protection represents a powerful investment in the cognitive development of Africa’s children, generating a range of human capital impacts that can contribute to inclusive economic growth. In particular, by investing in one of society’s most vulnerable groups (children), social protection tackles inequity and reinforces impacts that strengthen inclusive growth. There is already impressive evidence for social protection as a means to improve child outcomes in nutrition, health and education.

Social protection goes even further. Policymakers do not necessarily face a trade-off putting social protection against growth objectives, but rather have the opportunity to build a virtuous circle of increased equity-based growth. Social protection can provide documented impacts on employment, livelihoods

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development, local economic development and social cohesion. Social protection can support pro-poor economic reforms that accelerate growth and development; and sharing the gains of economic growth in this manner also impacts positively on investor confidence.

Social protection provides governments with a powerful tool to tackle both poverty and vulnerability, while strengthening pro-poor and inclusive economic growth and development. Nevertheless, governments must coordinate investment and maximise intra- and inter-sectoral linkages in order to maximise its human capital impact. The interlinked nature of education, health and nutrition objectives means that policy changes in any one of these areas can impact the others; coordinated investments ensure that governments utilise and benefit from the complementarity of mutually reinforcing interventions, maximising value for money. Comprehensive, integrated approaches, institutionalised within national developmental frameworks, maximise the equity and developmental impacts of social protection.
“Well managed and sustained investments in people, especially in children and the most disadvantaged, yield the greatest returns for poverty reduction. They can also be made very cost-effective. Countries cannot achieve sustained growth and shared prosperity without investing effectively in their people, above all their children. Inclusive economic growth and the development of human capacities depend upon each other.”


INTRODUCTION

Policy-makers in Africa are at an important crossroads on the highway to future prosperity. While conventional thinking sometimes poses a trade-off between equity and growth, African nations are increasingly consolidating a strong foundation for economic progress by investing in their most productive asset—their human resources. Across the continent the number of core social protection programmes has increased ten-fold, from 25 in 2000 (in nine countries) to 245 in 2012 (in 41 countries).³

The OECD’s most recent Development Co-operation Report presents evidence identifying the role of social protection in reducing poverty and achieving progress towards the Millennium Development Goals (MDGs) while accelerating pro-poor and inclusive economic growth.⁴ The report cites successful African examples — including Ghana, Kenya, Mozambique, Rwanda, South Africa, Uganda and Zambia — of the potential economic gains from child-sensitive social protection.

Rising inequality threatens serious consequences for human progress, including expensive economic costs. More unequal societies perform worse on a range of social measures in terms of education, nutrition and health, with negative impacts on long-term labour productivity and economic growth. Child-sensitive social protection represents a long-term high-return economic investment that offers immediate social dividends in terms of reducing inequality and promoting equity. The mechanisms by which it achieves economic and social gains also increase the likelihood that families can break the cycle that traps generation after generation in poverty.

This paper analyses evidence of the positive economic impacts of child-sensitive social protection from across Africa and around the world. The analysis employs a framework for social protection that identifies impacts at four levels: provision, prevention, promotion and transformation. Core social protection programmes provide direct benefits supporting basic needs, while insurance-based mechanisms aim to prevent households from further declining into poverty. Both of these kinds of instruments, as well as more focused interventions, can also promote livelihoods and economic wellbeing. Social protection can strengthen the realisation of people’s rights, tackle discrimination and exclusion, and contribute more broadly to social transformation. The promotive and transformative levels of social protection are mutually reinforcing: economic empowerment enables people to secure their rights and entitlements, and social transformation enables them to access and develop economic opportunities.


This paper is structured as follows:

- The next section of this paper assesses the state of growing inequality, both across Africa and around the world, and its significant economic costs. While rigorous quantified evidence for African countries is scarce, a recent report estimates the overall cost of inequality in the UK, for example, to be 39 billion pounds a year due to increased illnesses, reduced life expectancies and more widespread crime.\(^5\)

- The subsequent section focuses on the costs of inaction in terms of child-sensitive social protection — an important driver of growing inequality.

- The fourth section of the paper marshals evidence from Africa and the rest of the developing world that documents the socio-economic impact of child-sensitive social protection. The evidence consistently documents its effectiveness in building human capital in terms of education, health and nutrition; investment in effective social protection programmes improves children’s outcomes while contributing to long-term economic growth.

- The fifth section broadens the economic analysis beyond direct impacts on children, assessing impacts on employment, livelihoods development, social cohesion and local economic development (including spill-overs into local economies from social protection programmes and impacts on macroeconomic resilience); and the role of social protection in supporting pro-poor economic reforms that accelerate growth and development. The example of Mauritius is explored; in the middle of the last century, its vulnerable mono-crop economy generated the same high poverty rates as seen elsewhere in Africa; today, Mauritius has the lowest poverty rate in Africa. The International Monetary Fund’s report on the country’s “economic growth miracle” highlights the role of social protection in building the social cohesion necessary to restructure the economy onto a high growth path.\(^6\)

- The sixth section identifies an emerging policy innovation across Africa that embeds social protection policy within a larger development planning approach. The national planning function within government (often a National Planning Commission, a Planning Ministry or a planning function within the Presidency’s Office or the Finance Ministry) is well positioned both to appreciate social protection’s pro-poor growth role, and to co-ordinate the building of a child-sensitive social protection system.

- The final section concludes with policy-relevant findings summarising the key results, drawing out the most important conclusions and linking these results to main policy implications for government, researchers and non-state actors.

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\(^6\) International Social Security Association, ISSA, Dynamic Social Security for Africa: An Agenda for Development.
2. THE STATE OF GROWING INEQUALITY AND ITS ECONOMIC COST

Almost half of the world’s wealth is now owned by just one per cent of the global population. The past quarter of a century has witnessed a growing concentration of wealth in the hands of fewer people, with the bottom half of the world’s population together owning less than the richest 85 people in the world. Rising levels of inequality are an important and staggering feature of middle-income countries, where most of the world’s poor now live.

Africa is no exception. Despite rapid economic growth on the continent with real gross domestic product (GDP) doubling in the last decade, rampant inequality persists. This inequality, especially in Africa’s fastest growing economies, is driven by new natural resource discoveries. GDP in oil-rich countries like Equatorial Guinea and Angola has grown at average annual rates of more than 10 per cent since 2000. An Oxfam paper published earlier this year finds a positive correlation between the level of resources African countries export and their levels of inequality as measured by the Gini coefficient. The same report points to the prevalence of extractive industries in Africa serving the interests of a wealthy minority denying the rightful distribution of resources to benefit the majority. In 2011, Zambia’s copper exports generated $10 billion USD, while government revenues from copper were only $240 million. The flow of untaxed revenue is an important source of lost wealth that could have been used for social spending for a deserving majority. These cases illustrate how harnessing gains from resource exploitation for the benefit of the broader population has been a central challenge, and hindrance, to the conversion of Africa’s economic growth to poverty reduction.

The economic cost of not addressing inequality is clear with respect to economic growth: the statistical evidence supports the view that inequality is associated with slower and less durable growth. In a landmark study by the International Monetary Fund examining the growth of nations between 1950 and 2006, it was reported that a 10 percent decrease in inequality increases the expected length of a growth spell by 50 per cent. Nations with relatively low inequality achieve sustained economic growth as opposed to “spurts.” This view is further supported by Standard & Poor’s 2014 report, which states that high inequality dampened 10-year US growth forecasts from 2.8% to 2.5%. More importantly, inequality has important repercussions for child wellbeing. As Pickett and Wilkinson (2007) find, improvements in child wellbeing (across 23 rich countries) depend more on reductions in inequality than on further economic growth. The same study finds that among the components of the UNICEF child wellbeing index, higher

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12 Ibid: 5.
14 Punam Chuan-Pole et al, Africa’s Pulse: 15.
levels of inequality measures were significantly associated with worse outcomes for infant mortality, low birth weight, polio immunisation, average maths scores, the proportion of teenagers in further education, fewer children saying their peers are kind, teenage birth rates, experience of bullying, and children being overweight. More unequal societies perform lower in a number of social indicators, costing the economy through reduced life expectancies, poorer mental health and increased imprisonment, crime and murder.

This is not a stand-alone feature of developed countries. More pertinently, the World Bank (2013) finds that Africa’s high initial inequality substantially dampens the poverty-reducing effects of economic growth, highlighting the need for more inclusive growth practices. In comparing Zambia and Nigeria, two resource-rich countries with similar levels of poverty, the authors find different rates of poverty reduction due to differing levels of initial inequality. Per capita income growth is held constant in both country scenarios, but the poverty headcount is estimated to decline by 32.4 percentage points in Zambia and 39.1 percentage points in Nigeria, owing to Nigeria’s lower Gini coefficient. The results of these simulations demonstrate the pernicious effects of inequality on the poverty-reducing powers of economic growth.

Why does inequality matter? Rising inequality can have serious economic and social consequences. Inequality of wealth and income can lead to large (and often permanent) disparities in human capital. Those with low education and skills are trapped in low-income generating occupations and remain poor. An Asian Development Bank (2014) study finds that had inequality not increased, the poverty rate in Indonesia would have been 6.1% in 2011 instead of the actual 16.3%. Similarly, with no rise in inequality the poverty rate in China would have been 4.9% in 2008 instead of the actual 13.1%.

The case for child-sensitive social protection

In 2000, the world articulated eight Millennium Development Goals (MDGs) addressing dimensions in which inequality can exist. These include poverty, hunger, education, health, gender and environmental sustainability. While many countries may be reaching their planned targets with relation to the MDGs, significant segments of the world’s population remain left behind.

More alarming is the persistence of inequality in Africa in spite of the continent’s unprecedented economic growth. Sabates-Wheeler characterizes most sub-Saharan African countries by their “top inequity,” whereby a small minority is much better off than a broad mass. This inequality remains even as progress is made, with benefits of that progress being captured by the top few. In all but two countries in sub-Saharan Africa, while the average number of years spent in school increased across the whole population, the richest urban young men increased the number of years in school faster than the poorest rural young women.

In addition to this uneven progress, the extent of deprivation is pervasive. Tibouti (2008) finds that the ratio of under-five mortality rates in sub-Saharan Africa is almost as high in the second and third quintiles as in the lowest quintile. That is to say, deprivations only diminish gradually, reflecting small differences in income and wellbeing across quintiles. The policy implication here is that it is not enough to target only

19 Punam Chuhan-Pole et al, Africa’s Pulse: 25.
20 Zhuang Juzhong et al, Rising Inequality in Asia and Policy Implications: 5.
21 Sabates-Wheeler and Devereux, Taking the Long View: 114.
22 UNESCO: 103.
the lowest quintile; in order to have a significant impact on child mortality, interventions must address the first three or even four quintiles. While the MDGs have been effective in increasing awareness of the extent of such disparities, it is clear that a more effective, equity-based instrument is needed to address inequality in all of its dimensions.

Recent evidence points to the fact that income inequality and inequality of opportunity are highly correlated, with a child’s earnings potential being strongly determined by their parents’ socio-economic status. The persistence of inequality is largely owed to the fact that children growing up in poor households are likely to receive poorer health care, to have lower educational outcomes and to reach lower levels of attainment in the labour market.

The inequalities underlying patterns of child poverty and vulnerability are complex and context-specific across countries in Africa. In particular, conflict and fragility continue to define the lives of three in 10 African children: of the 34 countries classified by the World Bank in 2014 as having fragile and conflict-affected contexts, 20 are African.

Children displaced by conflicts and separated from their carers are exposed to a range of health and nutritional risks. While a child born today in Africa has a higher chance of reaching his or her fifth birthday compared to a decade ago, the continent still accounts for more than half of the world’s deaths among children under 18. Nearly half of all child deaths in Africa are related to under-nutrition. The HIV/AIDS epidemic in Africa also exposes children to an additional set of vulnerabilities.

It is important to take a broad approach to child-sensitive social protection, as policies should aim to target not only children, but also those who are not in conventional family arrangements and thus are highly vulnerable to deprivation and exploitation. This is especially relevant in the African context, as the rising HIV/AIDS pandemic has increased the prevalence of child-headed households.

This paper presents evidence for interventions that effectively reduce poverty and inequality while strengthening child-sensitive social protection. Child-sensitive social protection programmes address the economic and social barriers that prevent early access to services. This approach acknowledges that children have different needs to adults and are harder hit when these needs are not met. Temin (2008) defines this as:

“...the range of economic and non-economic social protection interventions that need to be strengthened if the most vulnerable children and [their] families are to benefit. These include (but are not limited to) cash transfers, social work, early childhood development centres and alternative care.”

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23 Ibid: 114.
28 ODI, Child-sensitive social protection in Africa: 8.
29 Defined as households where all members are under the age of 18 years.
31 Temin, Expanding social protection for vulnerable children and families: 3.
Child-sensitive social protection therefore aims to level the playing field by alleviating binding credit constraints, enabling households to invest in their children’s wellbeing and development, and preventing the self-perpetuation of poverty. Interventions that deliver children’s rights in a developmental manner are key to breaking the intergenerational transmission of poverty.

A child-sensitive approach to social protection is critically important as it acknowledges that all people deserve an equal opportunity to reach their utmost potential. An emphasis on human development in early childhood ensures that children develop adequately, both cognitively and physically. When such results are combined with increased access to education and health services, children are given the opportunity to gain intellectual capital and be more productive workers, giving their own children a chance to succeed. Child-sensitive social protection is inherently a basic human right, providing an exit from a cycle of poverty that is otherwise difficult to escape. This places an obligation on governments to take the necessary policy, institutional and budgetary measures to protect the most vulnerable groups from wide-ranging causes of deprivation and poverty.32

Overall, investment in children through effective social protection programmes will increase their potential contribution to national economic growth. Better nutrition will have a positive impact on health and education, which in the long-term enables improved and sustained economic growth through more sustainable livelihoods and direct spill-over benefits to local economies.

It is important, however, to remember that social protection is not pursued only for its economic payoffs and cost effectiveness, but also because it is most clearly a human right.

**An Intergenerational approach**

Child-sensitive social protection is not child-exclusive social protection. Interventions do not have to focus only on children in order to be child-sensitive. Child-sensitive social protection is simply an approach that recognises the manner in which risks facing children differ from those facing adults. Roelen and Sabates-Wheeler (2011) outline three child-specific areas of vulnerability:

1. Physical and biological vulnerabilities: for example, those facing malnutrition or those with disabilities are especially vulnerable to long term repercussions.
2. Dependence-related vulnerabilities: the fact that children must depend on adults for their wellbeing further reinforces their vulnerability.
3. Institutionalised disadvantage: children are often voiceless and increasingly invisible in the policy context, and many countries lack an institutionalised response to child-poverty. Where responses do exist, the relevant institutions are often the least influential and under-resourced. 33

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32 ACPf and ODI, *Child-sensitive Social Protection in Africa: Challenges and Opportunities*: i.
While child-targeted programmes are important, addressing the wellbeing of care-givers can also significantly reduce the risks that children face. An intergenerational approach, one that recognises the importance of roles and relationships and the unique needs of caregivers, is an important component of child-sensitive social protection programming.\textsuperscript{34} For instance, gender roles are likely to mediate the economic impacts of conditional cash transfer schemes; Kabeer (2012) finds a gender-specific effect in that mothers’ preferences are more closely aligned with children’s welfare than those of their fathers.\textsuperscript{35}

As previously established, social protection programmes that are not directly targeted at children can still have positive impacts on children’s welfare. Old age pensions, for example, have important potential to help the poorest children; as Kakwani et al (2006) found, proportions of children living in poverty are much higher among children living in households headed by elderly people.\textsuperscript{36} A study on pensions in South Africa found that children in households receiving a pension grew on average 5 centimetres more than those in households without a pension.\textsuperscript{37}

However, while these cases demonstrate the important role that social protection programmes can play in addressing children’s practical needs, positive outcomes for children are not automatic in social protection programmes. Zibagwe (2013) demonstrates the negative and unintended outcomes of failing to incorporate child sensitivity into the design and implementation of social protection programmes.\textsuperscript{38} A close scrutiny of Ethiopia’s Productive Safety Net Programme (PSNP) reveals that the absence of a child focus led in some cases to unintentional support of child labour. While the programme aimed to address food insecurity by smoothing consumption patterns (either through food or cash for work), PSNP entitlements were too low to support household consumption adequately. Households supplemented these entitlements with income from their children, often by withdrawing them from school. Woldehanna (2010) found that in rural areas the Public Work Programmes (PWPs) — the larger component of PSNP — increased paid child labour “due to direct involvement of children in public work or substitution of children for adults when adults go to public work.”\textsuperscript{39} Child labour represents a dangerous economic cost to society.

Roelen (2014) also stresses the importance of making social protection programmes child-sensitive, acknowledging the possible perverse incentives or negative side effects that can accompany poorly designed programmes. She focuses particularly on the dangers of conditional cash transfers and how they can lead to the abuse of children by their parents — such as by under- or over-feeding— in order to maintain beneficiary status. Roelen also warns that well-intentioned labour programmes in which parents are given opportunities to work can cause an increased burden of domestic work placed on children, leading at times to lowered school attendance. In order to avoid this, safeguards should be put in place in order to ensure that social protection programmes are not responsible, directly or indirectly, for the abuse or neglect of children. Roelen cites examples of such safeguards, including a mandate for foster parents to sign a code of conduct that helps prevent the exploitation of children in foster carer support programmes (such programmes provide monetary assistance to foster parents willing to take in orphans). In situations where such an agreement was not required, “children were far more likely to become the victim of abuse

\textsuperscript{34} Winder and Yablonski, UNICEF Social Protection Strategic Framework: 19.
\textsuperscript{36} Kakwani et al, Poverty, Old Age and Social Pensions in Kenya: 18.
\textsuperscript{37} Winder and Yablonski, UNICEF Social Protection Strategic Framework: 20.
\textsuperscript{38} Zibagwe et al, Are social protection programmes child-sensitive?
\textsuperscript{39} Woldehanna, Productive safety net programme and children’s time use between work in schooling: 183.
and exploitation,” possibly because foster parents were “motivated by monetary incentives only and [had] no intrinsic or actual interest in caring for a child.”40 Supply side interventions are also necessary in many cases in order to achieve the best possible results: for example, increased attendance in school does little good if teachers are not properly trained or classes are too large. In designing social protection programmes, policy-makers must be aware of the potential adverse consequences of conditionalities that could adversely affect children and their development.

It is impossible to recover from developmental losses during sensitive periods in a child’s early life; and they then decrease adult productivity, and contribute to the intergenerational transmission of poverty. In the absence of child-sensitive social protection, levels of poverty and inequality in a country are likely to persist, and perhaps even worsen. The country also loses the opportunity to strengthen pro-poor economic growth, as discussed in the next section of this paper.

3. THE COST OF NOT INVESTING IN CHILD-SENSITIVE SOCIAL PROTECTION

Gaps in the financing of social protection limit the ability of programmes to reach the poor.\textsuperscript{41} Government expenditure on social protection programmes benefiting children is lower in Sub-Saharan Africa than anywhere else in the world, with expenditure estimated at 0.2% of GDP.\textsuperscript{42} Western African states exhibit even lower levels of social spending: for example, in 2006 Sierra Leone spent an estimated 0.1% of GDP on social protection programmes.\textsuperscript{43} As demonstrated in Figure 1, since 2009 OECD countries on average spent more than 20% of national income on social protection.

Figure 1: Public social spending as percentage of GDP (National aggregates for 1980-2010 and estimates for 2013).\textsuperscript{44}

One of the reasons that rich countries spend more on social assistance is because they can afford it. Research into the financing of social protection programmes reveals, however, that affordability is multi-dimensional. Most differences across countries are explained by non-economic and largely political factors.\textsuperscript{45} An unwillingness to sacrifice economic growth through redistribution is an additional factor. While the mainstream view sees a trade-off between equality and growth, Lindert (2005) suggests that the experiences of rich countries seem to show that Europe’s welfare states “have equalised incomes and reduced life expectancy at zero cost in terms of national product.”\textsuperscript{46} Redistribution can occur without sacrificing growth.

\textsuperscript{41} Kaseke (2004).
\textsuperscript{43} Holmes and Jackson (2007).
\textsuperscript{44} OECD Social Expenditure Database, SOEX, www.oecd.org/els/social/expenditure
\textsuperscript{45} Tanzi (1992); Nelwyn (1985); Van Niekerk (2002).
\textsuperscript{46} Lindert, Growing Public: Is the Welfare State Mortal or Exportable?: 2.
While some developing countries face real fiscal constraints, other analysts argue that the most basic social transfer programmes can be provided at 1.5% to 2.0% of GDP, suggesting affordability.47 The ILO estimates that universal social assistance can be funded by approximately 3% of a country’s GDP, while 1% is necessary for a social pension, 1-2% for child-related transfers, and roughly 3-4% for basic health insurance.48 The dynamic impact of social protection programmes on the economy can also increase the affordability and sustainability of those programmes in the long run.

Investment in human capital development is one way in which countries can maximise the economic productivity of social transfer programmes, increasing the resource base available to a country.49 In a study on the rates of return of social protection instruments in Cambodia, Gassmann (2012) finds that the estimated cost of investment decreases from 1.6% of GDP to 0.8% of GDP over 20 years.50 The results of this simulation demonstrate the recovery of the cost of investment in the long term. Differences in overall financing trends can be attributed to GDP growth rates and demographic changes, with some populations aging faster than their economies are growing.

One of the most consistent findings from evaluations of social protection programmes globally is the important impact these programmes have on human capital development — important because human capital drives the wealth of nations. In particular, interventions that reach children in the first two years of life yield important dividends in terms of nutrition, long-term health and cognitive development. Human capital is the long-term catalyst to prosperity. Although long-term accumulation of human capital provides a few short-term benefits, its key benefits require patience as a part of a long-term proposition for growth.

Africa has much to gain by prioritising its future citizens. Investing in children now is paramount in order for the continent to reap the benefits of its projected demographic transition, which will be one of the most dramatic in history.51 Almost 2 billion children will be born in Africa between 2015 and 2035, and almost 1 billion children (40 per cent of the world’s total) will live in Africa by mid-century. If investments are made in child-sensitive social protection now, these 1 billion children “have the potential to transform the continent, breaking centuries-old cycles of poverty and inequity.”52

Likewise, Sub-Saharan Africa stands at a critical juncture, with 40 per cent of the total population under 15 years of age.53 By 2015, 75% of its population will be below the age of 30, with the number of young people projected to double by 2045.54 This young group represents Africa’s future consumers, producers, employees, and entrepreneurs.55 Maximising the productive capacity of Africa’s growing population will require urgent investment in its children now. During this critical window of child development, foregone investment in nutrition, health and education outcomes represents an irreversible loss in human capital development on the continent. Africa would lose an important opportunity to capitalise on its unique

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47 Hodges (2009).
48 Pal et al. (2005).
50 Gassmann: ix.
51 The Economist, “Africa’s population: can it survive such speedy growth?”.
54 UNDP, Africa Realizing Africa’s Wealth: 15.
55 UNDP, Africa Realising Africa’s potential: 15.
demographic context. Without equitable investment in children and the reversal of widening disparities, the negative implications for human rights, employment, sustained growth and political stability will impose a staggering economic cost to society.\textsuperscript{56}

### Malnutrition and health costs

Despite doubling in GDP growth over the last decade, Africa has some of the highest rates of child undernutrition in the world.\textsuperscript{57} Chronic malnutrition, or stunting, is when a child appears to be normally proportioned but is actually shorter than normal for his or her age; and the number of children under five who are low weight-for-age or low height-for-age in sub-Saharan Africa has been steadily increasing.\textsuperscript{58} In 1990, 80 out of every 100 underweight children lived in Asia and 16 out of every 100 lived in Africa, but by 2015 these numbers are projected to be 60 and 38 respectively.\textsuperscript{60} In a panel study from Zimbabwe studying the effects of stunting on human capital outcomes later in life, Alderman et al. (2006) show that lost growth velocity as a pre-schooler is only partially recovered in later years. Grantham-McGregor et al. find that children who suffer from stunting are more likely to have lowered cognitive ability and be poor as adults.\textsuperscript{61}

Malnutrition is extremely costly for low-income countries. Failure to invest in proper nutrition has important aggregate consequences for adult productivity. For instance, malnutrition in pre-school children leads to an estimated loss of lifetime earnings of approximately 12 per cent.\textsuperscript{62} Wage losses in India due to child malnutrition have been estimated at $2.3 billion, or 0.4 per cent of gross domestic product (GDP) annually; a recent study showed that preventing one child from being born with a low birth weight is worth $580.\textsuperscript{64} The lack of adequate policies in Sierra Leone to address rising anaemia among women will result in agricultural productivity losses among the female labour force exceeding $94.5 million USD over the next five years.\textsuperscript{65}

A recent study led by the African Union Commission, supported by the Economic Commission for Africa, the New Partnership for African Development and the UN World Food Programme, highlights the cost of child malnutrition in monetary terms for four African countries. Overall, the costs of child under-nutrition quantified across Egypt, Ethiopia, Uganda and Swaziland range between 1.9% and 16.5% of respective GDP. The report estimates that Ethiopia will incur the highest losses due to malnutrition, with 4.7 billion USD (or 16.5% of GDP) accumulated in annual losses.

Inadequate nutrition has clear economic implications for health and labour productivity. Malnutrition is costly to the health system, as undernourished children are at a higher risk of experiencing health problems such as anaemia, diarrhoea, fever and respiratory infections.\textsuperscript{66} The African Union Commission (2014)

\textsuperscript{56} You et al, Generation 2030: Africa: 10.
\textsuperscript{57} African Union Commission et al., The Cost of Hunger in Africa: 3.
\textsuperscript{58} UNICEF, Nutrition in Emergencies.
\textsuperscript{59} Sabates-Wheeler and Devereux, Taking the Long View: 112.
\textsuperscript{60} Onis et al, The World Health Organisation Global Database.
\textsuperscript{61} McGregor et al, Child Development in Developing Countries: 1.
\textsuperscript{62} World Bank, Children and Youth. Early Childhood Development (ECD).
\textsuperscript{63} World Bank, Repositioning Nutrition as Central to Development: A strategy for large-scale action: 26.
\textsuperscript{64} Ibid: 26.
\textsuperscript{65} Darton-Hill et al., Micronutrient deficiencies and gender: social and economic costs.
estimates that child under-nutrition generates health costs equivalent to between 1 and 11 per cent of the annual public budget allocated to health.67 The same report estimates working hours lost due to under-nutrition-related mortalities to be between 0.7 and 8.3 per cent of the current workforce.68

**Education costs**

The economic consequences of inadequate healthcare are linked to foregone years of education; a sick child is less likely to attend school. Recurrent infections and internal parasites are additional causes of stunting that affect early childhood development and school attendance. Substantive research shows that children who were stunted before the age of five are more likely to under-perform in school and repeat grades.69 This is supported by research showing that individuals who were stunted at 24 and/or 36 months score lower on tests of cognitive ability in adulthood.70 In turn, uneducated and unhealthy children are considerably more likely to be uneducated and unhealthy parents later in life, transmitting poverty to the next generation.71

A lack of education is one of the primary reasons that children are trapped in poverty. Disadvantaged children are prevented from realising their productive potential as adults via two pathways: fewer years of schooling, and less learning each year in school.72 The economic cost of one less year of schooling can be quantified in wages lost: a study across 51 countries finds that each year of schooling increases wages (on average) by 9.7%.73 Losses from fewer years of schooling accumulate as a total cost to society. Not only does a lack of access to education lead to a less productive workforce, but it also limits social mobility. It is well documented that education is a strong determinant of a person’s life earnings: the level of one’s educational attainment is positively correlated to the level of one’s parents’ education.74 The total cost to society of poor childhood education thus amplifies across generations. These long-term costs have to be taken into consideration against the cost of interventions.75

Undernourished and uneducated children diminish their capacity to earn a decent living and care for their own offspring later on. This leads to a cycle that is dangerous not only to families affected by poverty, but also to the economy as a whole, as there is generally less productivity among those who are poor, malnourished, unhealthy, or any combination of these factors.76

Failing to educate girls in particular has a direct quantifiable cost on the wider economy. Some countries lose more than $1 billion a year by failing to invest in girls’ education.77 As cited in Dollar and Gatti’s study for the World Bank (1999), “societies that prefer not to invest in girls pay a high price for it in terms of

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70 Hoddinott, *Enhancing health and nutrition outcomes*, Slide 2.
74 Sabates-Wheeler and Devereux, *Taking the Long View*: 111.
75 Grantham-McGregor et al, *Child Development in Developing Countries* 1: 67.
77 http://www.ungei.org/index_5162.html
slower growth and reduced income.”\textsuperscript{78} Investment in education is strongly linked to health. Data show a striking correlation between the under-five mortality rate and the educational level attained by a child’s mother. In some countries, under-five mortality is highest among children whose mother had no education.\textsuperscript{79} Investing in girls can thus perpetuate a virtuous cycle, as educated mothers are more likely to have healthier children. Further research reveals that the failure to educate girls to secondary level amounts to a total of $5.3 billion lost in annual regional growth in Sub-Saharan Africa.\textsuperscript{80} A failure to invest equates to foregone increased lifetime earnings. The case study presented below summarizes the rate of return on the investment of girls’ education through a social cash transfer programme in Nigeria.

**Girls’ education case study: value for money analysis**

Girls’ education is among the best long term development investments a country can make to promote political stability and economic growth. There is a causal link between the level of completed education and a girl’s higher future income, lower prevalence of child exploitation, higher median age of partnership and subsequent first pregnancies, and lower rates of disease incidence. Therefore, in light of the long-term developmental effect, and supported by a rights-based perspective on education, eliminating gender disparity in education is a key component of Millennium Development Goals 2 and 3 of the United Nations Millennium Development Goals (MDG): to Achieve Universal Primary Education, and to Promote Gender Equality and Empower Women.

In EPRI’s Value for Money analysis (VFM) of a DFID-funded Cash Transfer Programme geared towards enhancing girls’ participation in basic education in Niger and Sokoto States, Nigeria, the report finds that the initial investment to be made by DFID is expected to yield substantial positive quantifiable returns in both direct impacts and learning potential. UNICEF, DFID, and the governments of Niger State and Sokoto State are currently in the process of implementing this cash transfer programme.

When choosing among policy options, however, one needs to be able to frame these benefits within a unit that is comparable to alternatives as well as the costs of implementing the policy. This is where cost-benefit analysis (CBA) serves an important role. Through the monetization of total social benefit, one can subtract programme costs to derive net social benefit.

This study engaged in an ex ante CBA and modelled expected individual income gains from additional years of education resulting from the programme. The benefit model assigned recipient observations across income and maximum educational attainment distributions as reported for each state, derived from Nigeria Living Standard Survey 2004 (NLSS2004). The model simulates the reach of the benefit among 6-15 year-old girls over two years, accounting for drop out and partially completed years, and assigned an educational take-up rate based on the findings of previous studies. For the latter variable, the model assigned an elasticity function that simulated previous study findings on the percentage of girls’ completion of additional years.

The intervention impact being calculated with this benefit model is the expected increased lifetime earnings if a girl were to receive an additional year of education, which, based on Colombia’s Familias en Acción programme, is modeled to be 8 percent. This marginal impact is simulated by replicating the impact curves of previous studies. As the impact of these studies varied, the model calculates the impact, given different

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\textsuperscript{80} http://www.planusa.org/docs/PayingthePrice.pdf
assumptions, on expected increases in enrolment. The impact on income is calculated by the value of each additional year of education in order to derive expected lifetime earnings per observation, and aggregates to determine discounted lifetime benefit.

Applying the average individual social benefit across two years (15,190.9 Naira in Sokoto and 51,121.3 Naira in Niger) to a social benefit calculation, a two-year scaled up transfer can expect to increase girls’ lifetime earnings by 325,084,905 Naira in Sokoto and 1,093,995,501 Naira in Niger, yielding a total social benefit of 1,419,080,406 Naira. Meanwhile, the total discounted transfer cost is 1,198,400,000 Naira, calculated by totalling and discounting quarterly benefits of 5,000 Naira given to 10,700 girls per state in the first year and 21,400 girls per state in the second year. The resulting Net Social Benefit, calculated by deducting the discounted programme cost from the discounted social benefit, is 220,680,406 Naira. The resulting cost-benefit ratio of 1.18 indicates that for every Naira (or Pound) invested into the programme, the programme is expected to yield a return of 1.18 Naira (or Pounds). Table 1 summarizes these figures and calculations.

Table 1: Net social benefit of intervention (Naira)$^{61}$

<table>
<thead>
<tr>
<th>Social benefit (Naira)</th>
<th>Programme cost (Naira)</th>
<th>Net Social Benefit (B-C=NSB)</th>
<th>Cost-benefit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,419,080,406</td>
<td>1,198,400,000</td>
<td>220,680,406</td>
<td>1.18</td>
</tr>
</tbody>
</table>

The benefit model also simulates impacts on key educational outcomes. While these measures are not direct components of the CBA (the primary measure for benefit was only expected average additional lifetime earnings), the impact on educational outcomes can provide valuable context to the impact of the proposed intervention. In Sokoto, the average highest achieved grade for girls aged 6-15 is expected to rise to 2.62 years after two years of the intervention, a 21.6% increase. In Niger, it is expected to rise to 4.84 years, a 10.7% increase.

In view of these aggregate costs to national development, inaction only serves to enhance existing inequalities. Social protection can reverse these inequities by intervening early to disrupt harmful social environments. Intervention at formative stages of growth generates important economic benefits for adult productivity and the productivity of society on the whole.

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$^{61}$ EPRI-Armitage Consultants, *Value for Money Analysis.*
4. ECONOMIC BENEFITS OF CHILD-SENSITIVE SOCIAL PROTECTION

The evidence on social protection consistently documents its effectiveness in building human capital in terms of education, health and nutrition. With more than half of the population in Africa projected to live in cities by 2035, it is essential that Africa prepares its workforce for a shift towards more skilled labour. By 2035, Africa will surpass China in having the world’s largest workforce. With the highest child dependency ratio in the world, at 73 children per 100 persons of working age in 2015 (double the global average), Africa is uniquely positioned to invest in this growing demographic: children represent Africa’s untapped economic potential. By reducing child mortality, a larger proportion of the cohorts who are children can now survive to adulthood and contribute productively to the wider economy.

Evidence suggests that while social protection programmes use human capital pathways in the short term and in the long term to increase labour productivity, the major benefits of human capital accumulation will not be seen until the long-term, when higher educational attainment interacts with nutritional and health gains to generate large increases in lifetime productivity.

Investing in children now

James Heckman and Flavio Cunha (2007) identify the economic benefits of investing early in a person’s life. Children face heightened “sensitive” periods early in their development, when they are exposed to a unique set of vulnerabilities. Sabates-Wheeler et al (2009) confirm that intervention at particular points is crucial in the reduction of long term deprivations.

Heckman and Cunha (2007) simulate three different types of policies designed to reduce inequality. They found that interventions aimed at preschool aged children reduced the risk that the children will be poor later in life. Interventions aimed at adolescents achieved similar results, but cost 35% more than preschool interventions. As Figure 2 depicts, the marginal productivity of investment is highest in the first few years of a child’s life.

This is evidenced and supported by current programmes. The impact of a child in South Africa receiving the Child Support Grant (CSG) during the “critical development window” translates into gains in monthly wages of 5-7 per cent. Similarly, an evaluation of Mexico’s Oportunidades programme estimates a potential increase in earnings of 8 per cent from additional years of schooling as a result of the programme. Early investments made within this “critical window” can be further maximised with follow-

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82 UN-DESA, World Urbanisation Prospects: 1.
83 African Union Commission et al., The Cost of Hunger in Africa: 164
84 http://hbr.org/2013/10/seven-reasons-why-africas-time-is-now/ar/1
86 Sabates-Wheeler and Devereux, Taking the Long View: 112.
87 Cunha and Heckman, The Technology of Skill Formation: 35.
89 Skoufias, Progreso and its impacts on the human capital and welfare of households in rural Mexico: 51.
up investments. Heckman and Cunha contrast pre-school and adolescent interventions with a third policy involving different interventions across the life cycle; this “balanced” policy is most efficient compared to policies tailored to just one segment of the life-cycle. Complementarity implies that an intergenerational approach is crucial to tackling inequality in the most optimal way.

**Figure 2: Childhood development and rates of return**

![Graph showing childhood development and rates of return.](image)

Human capital accumulation refers to gains in three core areas: nutrition, health and education. Social protection programmes provide households with a consistent source of income, enabling poor households to invest more in human capital over time. Investments in nutrition, health and education build upon and complement each other, increasing human capital accumulation and labour productivity both directly and indirectly in the long run. Gains in nutrition lead to improved cognitive development in children. The following analysis discusses the evidence of social protection’s impact on nutrition, health and education, as well as the role of all three in breaking the intergenerational transmission of poverty.

**Nutrition**

Efficiency grounds for social protection largely emphasise economic gain due to investment in nutrition. Investing in nutrition has high returns: every dollar spent on reducing under-nutrition generates $15 USD in future income in Ethiopia and $24 in Bangladesh.

While the precise impact of nutrition on children is difficult to quantify, height-for-age and weight-for-height measures remain important anthropometric indicators for health. This connection is important because a child’s height and weight are in turn important indicators for adult height, which has been linked to adult productivity and lifetime earnings. The Child Support Grant (CSG) in South Africa bolstered childhood

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93 Hoddinott, Enhancing health and nutrition outcomes, UNICEF Social Protection Strategic Framework Launch.
95 World Bank, Repositioning Nutrition as Central to Development.
nutrition, as indicated by height-for-age scores among programme recipients. Strong correlations have been found between these scores and school performance and future earnings, suggesting that improved nutrition in treated populations can have a powerful and long-lasting effect. Alderman and Behrman (2006) estimate an economic gain of $510 for each infant that is moved out of the low birth weight status. Nutritional gains reduce health costs in the short term and increase labour productivity in the long term. The World Bank (2006) estimates that improved nutrition and elimination of anaemia in working adults result in a 5 to 17 per cent increase in adult productivity, increasing national income growth by up to 2 per cent (as measured by GDP) for some countries.

Studies in other countries and contexts have found similar effects of social transfers on child development. In Malawi, Miller et al. (2011) found that participants in the Mchinji Social Cash Transfer scheme exhibited a fall in the proportion of children who experience stunted growth from 55% to 46%, while non-recipients maintained a constant proportion of individuals with stunted growth (55%) during the pilot. In Brazil, a systematic review of the Bolsa Família cash transfer programme found that all studies they identified on programme participation and nutrition indicated that beneficiary families had greater food intake than non-beneficiary families, and that nutritional gains were particularly high for children.

In addition to aforementioned evidence supporting the links between social protection programmes and child development, evidence also supports the link between social protection programmes and a reduction in food insecurity more broadly. A qualitative report of Kenya’s Hunger Safety Net Programme finds that the programme succeeded in reducing food insecurity (though the insufficient size of the transfer, 2,150 Kenyan Shillings delivered every two months, limited its impact). Gains in nutrition due to increased food security make both direct and indirect contributions to labour productivity. Directly, proper caloric intake enables workers to endure physically demanding labour; indirectly, nutritional gains support children’s cognitive development and school attendance, increasing educational attainment.

Numerous studies have found that social protection programmes have a positive effect on food security and nutrition. Samson et al. (2007) identify this result as a consequence of poor households using the majority of their social grant to purchase food. For example, Kenya’s Cash Transfer for Orphans and Vulnerable children (CT-OVC) programme led to increased consumption of five food groups (meat, fish, milk, sugar, and fats) at household level. This increase in dietary diversity was not an isolated result, with household food expenditures rising in treated families in Ecuador and Nicaragua. The increased intake of micronutrients, particularly iron, is positively linked to children’s cognitive development.

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96 Aguëro et al, The Impact of Unconditional Cash Transfers on Nutrition
97 Grantham-McGregor et al, Child Development in Developing Countries: 61.
98 Alderman, Reducing Child Malnutrition in Tanzania
99 World Bank, Repositioning Nutrition as Central to Development: 24.
100 Martins 2014, pg. 1.
101 Samson et al. (2007).
105 Paxon, Does Money Matter? The Effects of Cash Transfers on Child Health and Development in Rural Ecuador.
Furthermore, Samson et al. (2007) cite evidence that social transfers “encourage food production,” probably resulting from the augmented stability in market demand for food in areas where social protection programmes have been implemented. While food security increases a household’s ability to absorb shocks, food security for families with children is particularly significant for the children’s cognitive development—an important transmission and pathway for long-term human capital accumulation. Due to the connections between proper nutrition and early childhood development, food security is an important prerequisite to ensuring that productivity gains are captured in the long term.106

Finally, prioritising gender can have far-reaching impacts for child-specific nutritional outcomes. A study across 63 countries by the International Food Policy Research Institute (IFPRI) revealed that more productive farming as a result of female education led to a 43% decline in malnutrition between 1970 and 1995.107 Blumberg (1988), Thakur et al. (2009) and Samson et al. (2006) found that when resources were controlled by women, children were more likely to benefit. In the case of a randomized social cash transfer programme in Nicaragua in which cash transfers were directed at women, Macours et al. point to the possibility that the gender-specific nature of the transfer had an impact on observed improvements in children’s nutrition and cognitive development. In Ecuador, a programme that targeted transfers to poor rural mothers led to substantial improvements in child outcomes, particularly among the poorest children.108

Health

Evidence documents the links between social protection programmes and positive health outcomes, which in turn contribute to promoting economic growth. In many situations social protection programmes have been observed to increase access to healthcare. Social transfers can finance not only healthcare costs but external costs including transport to healthcare facilities.109 In Lesotho, since the implementation of a social pension programme in 2005, 50 per cent of pension recipients increased their healthcare spending.110 A review of studies in six countries implementing cash transfer programmes found that there was an increased use of health services in participating areas. Peru’s Juntos programme, which targeted areas with high maternal mortality, saw a 65 per cent increase in pre- and post-natal visits in addition to a 30 per cent increase in immunisations of children under one year of age in the first year of implementation.111 In a cash transfer programme in Nicaragua, Macours et al. found that children in beneficiary families were “more likely to have had a growth check-up, and to have received vitamins, iron, and deworming drugs.” A programme in rural Ecuador similarly found an increase in the use of deworming drugs.112

There is also evidence that social protection improves health outcomes. The Progresa programme in Mexico provided conditional cash transfers that required recipients to receive several forms of healthcare and health education. There were several statistically significant results in the health of children in families treated by the programme. New-borns in the beneficiary group were reported to be 25.3 per cent less

106 World Bank, Repositioning Nutrition as Central to Development.
107 Smith and Haddad (1999). Explaining Child Malnutrition in Developing Countries: a cross-country analysis, IFPRI Food Consumption.
109 Arnold et al., Cash Transfers Evidence Paper: 28.
110 Arnold et al., Cash Transfers Evidence Paper: 29.
111 Arnold et al., Cash Transfers Evidence Paper: 29.
112 Ibid: 29.
likely to have been ill in the previous month than new-borns that were not in households receiving benefits. Among children aged zero to three, children were 39.5 per cent less likely to be ill over the course of the 24 months during which the programme’s effects were being measured.\textsuperscript{113} Children enrolled in the programme were also 25.5 per cent less likely to be anaemic, and grew 0.96cm more than untreated children over the course of the programme’s first year.\textsuperscript{114} In Nicaragua, treated children were also less likely to be sick in bed and more likely to be taken to a doctor if they were sick.\textsuperscript{115} In Ecuador, children in the previously mentioned programme (whose mothers received “modest cash transfers”) exhibited increases in haemoglobin levels.\textsuperscript{116} An unconditional social transfer programme in Malawi led to a reduction of illness of 23 per cent in treated children, while illness in children outside the programme decreased only 12.5 per cent.\textsuperscript{117} In South Africa, 10-year-old children who were recipients of the CSG at birth were less likely to have been ill in the 15 days prior to the survey than those who had been enrolled at the age of six. This was especially true for boy children, since boys enrolled at birth were about nine per cent less likely to have been ill than those enrolled at the age of six.\textsuperscript{118}

**Education**

Of the three elements of human capital accumulation, education is consistently the most responsive to social protection programmes.\textsuperscript{119} Nearly a decade ago, Psacharopoulous (1994) concluded that investment in primary education yields one of the highest social rates of return, averaging 24 per cent in Sub-Saharan Africa.\textsuperscript{120} The logic is simple: children who attend and perform well in school are far more likely to participate in the economy successfully at later stages in their life. Education not only improves labour productivity, but also capital productivity, as a more educated workforce is more likely to innovate.\textsuperscript{121} According to UNICEF (2013), Sub-Saharan Africa still accounts for more than half of all out-of-school children of primary school age in the world.

Child-sensitive social protection also affects educational outcomes in more direct ways. A critical factor in early cognitive development is mental stimulation in early childhood development. This is less common in poor households with less-educated parents. Social protection programmes have the power to change this. A case study in Nicaragua, for example, finds that children in families treated with the cash transfer were more likely to have books, pencils, and paper in their house, and their parents were more likely to read to them and tell stories.\textsuperscript{122} CCT programmes can also reduce households’ negative coping mechanisms in response to external shocks, decreasing the risk of child marriage or child labour.\textsuperscript{123}

\begin{itemize}
\item \textsuperscript{113} Gertler, Do Conditional Cash Transfers Improve Child Health: 339.
\item \textsuperscript{114} Gertler, Do Conditional Cash Transfers Improve Child Health: 340.
\item \textsuperscript{115} Macours et al., Cash Transfers, Behavioral Changes, and Cognitive Development in Early Childhood.
\item \textsuperscript{116} Ibid: 29.
\item \textsuperscript{118} DSD, SASSA, and UNICEF (2012). The South African Child Support Grant Impact Assessment.
\item \textsuperscript{119} Samson et al, The Social and Economic Impact of South Africa’s Social Security System: 5.
\item \textsuperscript{120} Psacharopoulos, “Returns to investment in education: a global update”, World Development, 22(9), pp. 1325-1343.
\item \textsuperscript{121} Samson: 130.
\item \textsuperscript{122} Marcours and Vakis, Cash Transfers, Behavioral Changes and Cognitive Development in Early Childhood.
\item \textsuperscript{123} Thakur et al, Gender and Social Protection.
\end{itemize}
Baird (2014) found that there is no statistically significant difference between conditional and unconditional programmes in terms of enrolment and attendance, although effect sizes tend to be larger for conditional programmes. Results demonstrate that social protection programmes have a positive impact on school enrolment, with CCTs increasing the probability of a child being enrolled in school by 41 per cent, and UCTs by 23 per cent.

Fiszbein and Schady found that CCTs had significant effects in several studies, especially in Latin America. Chile’s Chile Solidario programme saw a jump of 7.5 percentage points in school enrolment for children ages 6-15, from a baseline enrolment of 60.7 per cent. Mexico’s Oportunidades programme, which faced an enrolment drop-off of 49 per cent between the enrolment for grades 1-5 and that for grade 6, saw an improvement of 8.7 per cent for grade 6. The Familias en Acción programme in Colombia increased enrolment for children aged 8-13 by 2.1 per cent, and 5.6 per cent for children ages 14-17. In Ecuador the Bono de Desarrollo Humano programme increased school enrolment 10.3 per cent; Nicaragua’s Red de Protección Social increased it (for ages 7-13) 12.8 per cent; and the Programa de Asignación Familiar in Honduras saw an increase of 3.3 per cent.

Studies of conditional cash transfer programmes outside Latin America also saw significant impacts. In Cambodia, a programme aimed at girls in grades 7-9 saw a 31.3 per cent increase in enrolment, and when the programme was expanded to include boys of the same age, the improvement was 21.4 per cent overall. The conditional arm of an experimental cash transfer programme in Malawi aimed at girls led to improvements in school enrolment, attendance and test scores. This latter result is important, as test scores are associated with higher earnings later in life. Critics of conditionality point out, however, that these robust impacts could simply represent the impact of the cash transfer itself.

In a study of South Africa’s CSG, children receiving the grant attained (on average) 0.14 more years of schooling than children who were not recipients. In Kenya’s Cash Transfers for Orphans and Vulnerable Children (CT-OVC) programme, secondary school enrolment increased more than 6 per cent when compared to the control group.

In addition to these well-documented impacts of social protection on education-related outcomes, there is a strong empirical evidence base that demonstrates the positive relationship between education, skills and economic growth in low-income countries. Human capital development, particularly in education, spurs labour productivity, labour market participation and increased levels of product variety and innovation in the long run. Higher average years of education and enrolment rates provide a high rate of return on investment (as is discussed in greater detail in section four). The combination of nutrition, health and educational outcomes provides the basis for long-term pro-poor growth.

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127 Baird et al., Cash or Condition?
128 Blau and Kahn, Do Cognitive Test Scores Explain Higher US Wage Inequality?
129 Ward et al., 2010 Kenya: Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC).
Human capital spill-over effects

Child-sensitive social protection programmes can also create positive externalities for untreated beneficiaries. In Kenya, a de-worming programme for schoolchildren led to an average gain of 7.5 percentage points in primary school participation in treatment schools. The extent of this spill-over led Miguel and Kramer (2004) to suggest that “these spill-overs alone are enough to justify not only fully subsidizing deworming treatment, but perhaps even paying people to receive treatment.” An intervention in Uganda that focused on girls was found to have effects even on girls that were not enrolled. Bandiera et al. (2011) found “better reproductive health knowledge, attitudes, and practices for all girls living in intervention villages, regardless of their participation in the programme.” Results from Mexico’s Oportunidades programme indicated a 5 per cent increase in secondary school enrolment among children in households that were ineligible for the transfer, as compared to ineligible children in villages without Oportunidades. This result was concentrated among poor families. Bobonis and Finan (2008) suggest that these results are likely to be due to interaction between eligible and barely-ineligible children, leading barely-ineligible children to enrol in school when they might not have done so prior to the programme.

It is important to acknowledge that that these improved outcomes in nutrition, health and education can increase children’s potential to contribute to national economic growth, reducing and recovering costs of social protection programmes in the long run. Sustained investment can lead to sustained economic growth through spill-over and local economy effects. As explored further in the next section, the East Asian economic miracle is attributable to the region’s sustained levels of investment in human capital, with some even identifying an “education miracle” behind the economic one. Following this example, an investment in Africa’s people will yield significant returns for its economies: ultimately, Africa’s wealth lies in its people.
5. SOCIAL PROTECTION’S CONTRIBUTION TO THE LOCAL ECONOMY AND THE MACRO-ECONOMY

The economic benefits of social protection extend beyond its direct impacts on children. This section of the paper broadens the economic analysis and focuses on the larger implications for the local and macro-economy. A well-documented evidence base demonstrates that social protection supports multiple pathways that lead to pro-poor growth. These pathways can be grouped into:

- Employment and livelihoods development
- Local economic development through spill-over effects
- Macroeconomic resilience and social cohesion.

**Employment and livelihoods development**

Social protection benefits can improve employment and livelihoods engagement immediately. The “protective” function of social protection benefits provides households with resources, some of which are sometimes used to finance job searches and other livelihoods development activities. Social protection’s “preventive” function can avoid the further decline into poverty—even into “poverty traps”—that sometimes results when households sell their productive assets to deal with shocks. Job searches and livelihoods investments are often risky, with very high returns when livelihoods prosper and job searches result in decent employment, but often with unacceptably high costs when micro enterprises fail or an unsuccessful job search utterly depletes a household’s meagre resources. By providing income security in these worst-case scenarios, social protection makes these risky investments more acceptable and increases the likelihood that poor households can lift themselves onto a path out of poverty.

Evidence from around the world refutes the “dependency hypothesis”—the fear that social protection programmes will make recipient households more dependent on public benefits and less reliant on work effort. In South Africa, workers in households receiving social transfers put more effort into finding work than those in comparable households not receiving these grants—and they were more successful in finding employment as a result. A recent study on impacts of social pension on labour force participation in South Africa showed that the probability of an out-of-work adult finding employment over time is greater if the person is living in a household receiving a social pension. The impact of cash transfers on women’s labour market activity is about twice as great as that for men (Samson et al., 2004; Samson and Williams, 2007).

Another study in Zambia found a significant shift from agricultural wage labour to family agricultural and non-agricultural businesses associated with receipt of child grant transfers. This suggests that social cash transfer programmes can positively impact household labour supply decisions. Relatedly, international

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evidence suggests that social transfers not only have a positive effect on labour supply but also function to reduce child work.139 Arnold et al. (2011) reported that child work declined by 11% in Cambodia and 26% in Brazil, while Schady and Araujo (2006) estimated a reduction of child work of 17% in Ecuador.

The risk management function of social protection can also yield important impacts on the short- and medium-term employment decisions of households. Social protection provides hedging against risk by providing a more predictable income stream, which allows households to take risks and invest in higher return activities. These activities lead to higher income trajectories for the future.140 This is helpful in breaking intergenerational poverty traps. Evidence has shown that Mexico’s Progresa changed the labour decisions of beneficiaries through increased investment in productive assets and greater engagement in entrepreneurial activities. The study estimated that 12% of Progresa beneficiaries invested some of their cash into productive activities such as micro enterprises and agriculture. While the percentage of investors involved was only 12%, they reported 30 to 50% returns on these assets.141 Moreover, beneficiaries in Malawi’s cash transfer programme increased their investment in their own farms during planting season142; more reliable transfer flows also helped them fund the costs of job searches, and allowed them to accumulate productive assets.143 According to an evaluation of BRAC144, an initial asset transfer of US$100 per household in 2002 led to asset value of US$300 in 2005.145 A study on Ethiopia’s PSNP found that beneficiaries increased their livestock by about 9%.146 These transfers not only increase the number of small, incremental investments, but also reduce the likelihood of the distress sales among the beneficiaries.147

Increases in labour supply and employment enable households to increase consumption and to invest in nutrition, health and education services for their children. Higher disposable income and increased labour productivity create a “virtuous circle” contributing to economic growth and poverty reduction.

Local-economy spill-overs

Immediate economic benefits of social protection often span beyond the targeted beneficiaries by contributing to short-term growth outcomes. When poor households increase and stabilise their spending power, their purchases stimulate local economic activity, creating jobs, raising wages and improving the profits of local enterprises. Increased consumption in health, education, livelihoods and productive activities in turn raise labour productivity, increasing disposable income and creating a “virtuous circle.”148 This “multiplier” effect, documented for South Africa in the government’s impact assessment of social grants in 2004, expands the potential of social protection’s contribution to local economies as well as to the broader macro-economy.
Income multipliers resulting from social protection programmes are well-documented. In the Oportunidades programme, Barrientos and Sabates-Wheeler (2010) find that mean household consumption by families ineligible for the transfer was greater in treatment areas than in control areas, suggesting that there was likely spill-over from the programme into local economies. Non-eligible households in treatment areas were significantly more likely to own land and production animals than non-eligible households in non-treatment areas.149

The Dowa Emergency Cash Transfer (DECT) in Malawi revealed a regional multiplier effect in the local economy ranging between 2.02 and 2.79.150 This is to say that (on estimate) for every dollar spent, more than two were generated through increased production and added value.151 Interviews with local traders revealed a reported increase in demand for their products, especially on the days that beneficiaries received their grants; traders also reported that they would not have been working on the days the transfer was given in the absence of the programme. Local traders also indicated that Ethiopia’s Productive Safety Net Programme (PSNP) benefited the local economy by stimulating demand for their products; one maize trader indicated that beneficiaries made up 10-15 per cent of his client base.152

Transfers can, however, also have potential negative effects for local economies; for example, the Ethiopian PSNP had an inflationary effect on certain commodities.153 This upward pressure on prices can follow from binding supply-side constraints. Taylor et al. (2013) found that the potential total income multiplier of the Ghana’s LEAP programme is GHS 2.50; that is, each cedi transferred to poor households can potentially raise local income by GHS 2.50. However, if local production or supply of goods does not increase sufficiently to meet the increased demand brought on by the cash transfer, the real income multiplier could be as low as GHS 1.50.154

Increased income multipliers from social protection programmes in the local economy have the potential to affect broader economic growth. In South Africa the redistribution of spending power from upper to lower income groups shifted the composition of national expenditure from a focus on imports towards local goods, increasing savings (by improving the trade balance) and supporting economic growth.155

Macroeconomic resilience and social cohesion

Social protection programmes also have demonstrated impacts on macroeconomic resilience, especially in times of crises. Not only does human capital development enable innovation, it also strengthens resilience by helping families sustain food consumption levels and mitigate the effects of crisis. In South Africa, the percentage increase in poverty headcount in the country as a result of the international financial

149 Barrientos and Sabates-Wheeler, Local Economy Effects of Social Transfers: 7.
150 Davies, Making the Most of it: a Regional Multiplier Approach.
152 Sabates-Wheeler et al., Building Synergies Between Social Protection and Smallholder Agricultural Policies: 5.
153 Guenther 2007
crisis would have doubled without the presence of the CSG programme\textsuperscript{156}: estimates reveal that the increase would have been as high as 7.2 per cent as opposed to the actual 3.6 per cent.\textsuperscript{157} Evidence suggests that social protection enables programme participants to maintain demand during economic downturns.\textsuperscript{158}

**Social cohesion and nation-building**

Social protection can help create an effective, secure and socially cohesive state. Increases in human capital, productivity, and spending power brought on by social protection programmes can play an important role in economic growth. Growth helps create an effective and secure state, strengthening social cohesion and a sense of citizenship.\textsuperscript{159}

**Case study: the “East Asian Tigers” growth miracle**

The East Asian growth miracle has important lessons for African development, especially in the realm of shared growth and human capital investment. Rapid economic growth in East Asia was achieved while inequality was reduced. In Japan, Hong Kong, South Korea and Taiwan, growth rates soared in the 1960s and 1970s while income gaps shrank: Japan’s Gini coefficient fell from 0.45 in the early 1960s to 0.34 in 1982; Taiwan’s from 0.5 in 1961 to below 0.3 by the mid-1970s.\textsuperscript{160} This was achieved through a number of broad re-distributional initiatives, including land reform and sustained investments in education. These redistributive efforts helped to decrease inequality and win the support of non-elites, quelling social unrest. In Hong Kong for example, the government responded to the rapid increase in Hong Kong’s population from 600,000 in 1945 to 2.4 million in 1950 by launching a fast-track public housing programme, improving living standards. Nearly 80\% of the population lived in these public housing programmes by 1993.\textsuperscript{161} Land reform in Taiwan similarly helped the country achieve one of the world’s most equitable income distributions.\textsuperscript{162}

Tilak (2002) attributes East Asia’s economic “miracle” to its “human resource led development,” in particular its “obsession” with education.\textsuperscript{163} The expansion of education systems contributed significantly to East Asia’s reservoir of skilled labour, a group later utilised for the region’s economic development. The evidence of education’s impact on economic growth is not confined to increased earning potential: a more educated workforce is also associated with increased agricultural productivity, increased adoption of new technology,\textsuperscript{164} and healthier lives. While other factors were certainly important in East Asia’s economic growth, Tilak (2002) finds that investment in human capital may have been more conducive to growth than investment in physical capital.\textsuperscript{165} While Korea, for example, emphasised growth more than social

\footnotesize{\begin{itemize}
\item \textsuperscript{156} Winder, N. and J. Yablonski, UNICEF Social Protection Strategic Framework: 31.
\item \textsuperscript{158} Winder, N. and J. Yablonski, UNICEF Social Protection Strategic Framework: 21.
\item \textsuperscript{159} Samson, Social Protection, Poverty Reduction and Pro-poor Growth.
\item \textsuperscript{160} http://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf
\item \textsuperscript{161} World Bank (1993): 163.
\item \textsuperscript{162} Ibid: 161.
\item \textsuperscript{163} Tilak (2002).
\item \textsuperscript{164} Lin (1991).
\item \textsuperscript{165} Tilak, Building Human Capital in East Asia: 8.
\end{itemize}}
welfare, the country made education accessible to all citizens post-liberation, contributing significantly to an increase in skilled labour in the short run and equitable income distribution in the long run.\textsuperscript{166} The massive spread of education in Taiwan enabled a dramatic increase in labour productivity at an annual growth rate of 5.9% from 1953 to 1992.\textsuperscript{167}

All in all, the contribution of human and social capital to the total wealth of East Asia was estimated to be as high as 75%, compared to 31% in Sub-Saharan Africa.\textsuperscript{168} A 1993 World Bank report identifies education as the key factor in explaining the differences in growth between East Asia and Sub-Saharan Africa.\textsuperscript{169} Tilak (2002) further substantiates this claim, stating that “historical investments in primary and secondary education have been the two largest contributing factors to economic growth in Japan, Korea, Singapore, Taiwan, Hong Kong and other East Asian economies.”\textsuperscript{170} The prioritisation of education is reflected in government expenditure allocations to the sector. From 1980 to 1990, the annual rate of growth in education expenditure in East Asian economies, with the exception of Japan, was nearly the same as respective GDP growth rates.\textsuperscript{171}

**Case study: Brazil**

Once the global pinnacle of extreme inequality, Brazil has managed to combine robust economic growth with a simultaneous reduction in inequality.\textsuperscript{172} Social transfers in Brazil have played an important role in fostering inclusive economic growth. One of the key factors in Brazil’s success is the important programme focus on human capital development.\textsuperscript{173}

Barrientos et al. (2014) reviewed several studies of Brazil’s social protection programmes and their impacts on beneficiary families, communities, and the country as a whole. They studied the *Bolsa Família* programme, which provides conditional cash transfers to households in extreme poverty and households in moderate poverty with children, along with two programmes, *Benefício do Prestaçao Continuada* and *Previdencia Social Rural*, which provide pensions to older and disabled people and rural informal workers respectively. These programmes, especially *Bolsa Família*, have had positive effects on school enrolment, weight-for-height and body mass among children. Evidence also suggests a marked decrease in child labour, whereby children were observed to enter the labour market a year later.

Most importantly, *Bolsa Família* has made an important contribution to the reduction of household income inequality in Brazil. As cited in Soares, de Souza, Osorio et al. (2010), *Bolsa Família* accounted for 16% of the 10% decline in the Gini coefficient measure of inequality from 1999 to 2009,\textsuperscript{174} yet the programme’s costs amounts to a fraction of one per cent of Brazil’s GDP.\textsuperscript{175} As the report suggests, the programme began to “pay for itself” through improved productivity of its beneficiaries. Glewwe and Kassouf (2012) simulated the longer term effects of the programme on the productivity capacity of participant children.

\begin{itemize}
\item \textsuperscript{166} Ibid: 9.
\item \textsuperscript{167} Ibid: 11.
\item \textsuperscript{168} Haq and Haq: 25.
\item \textsuperscript{169} World Bank, The East Asian Miracle: 52-53.
\item \textsuperscript{170} Tilak, Building Human Capital in East Asia: 11.
\item \textsuperscript{171} Tilak, Building Human Capital in East Asia: 19.
\item \textsuperscript{172} http://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf
\item \textsuperscript{173} IRIBA.
\item \textsuperscript{174} Antipoverty Transfers and Inclusive Growth in Brazil: 20.
\item \textsuperscript{175} Ibid.
\end{itemize}
(through improvements in grade progression, reduction in dropout rates and raised enrolments), and found that an 11% rise in labour earnings associated with a predicted additional 1.5 years of schooling was greater than the costs of the programme.\textsuperscript{176} This suggests that \textit{Bolsa Familia} not only had a measurable impact on reduction of poverty and inequality, but also that it interacted with the strengthened productivity capacities of children, creating a “virtuous cycle” that enhanced the programme’s affordability. This is an important lesson that can be relevant for countries in Africa.

Following the lessons of the East Asian miracle and Brazil’s \textit{Bolsa Familia}, The economic success of Mauritius, discussed later in this section, represents Africa’s own growth miracle. Here, redistributive policies not only reduced inequality in the country, but also facilitated rapid economic growth.

\textbf{Case study: South Africa}

South Africa is one of the most studied examples of the impact of social protection on inequality. Early receipt of the country’s Child Support Grant (CSG) positively impacts nutritional, educational and health outcomes, reducing income inequality in the long run. Reductions in household poverty as a result of the CSG have led to substantial reductions in the stunting of young children, which is likely to increase their overall productivity and wages once they grow up.\textsuperscript{177} The CSG not only reduces the poverty headcount and the poverty gap, but also reduces inequality measures, as payments are funded from progressive taxation.\textsuperscript{178} While the rate of stunting in South Africa continues to be high in the provinces, where there are severe concentrations of poverty, rates overall have declined significantly since 1993.

The impact of social grants on income inequality in South Africa is illustrated in Figure 3 using a Lorenz curve. On the horizontal axis the population is sorted from the poorest to the richest, where 0.2 represents the poorest 20\% of the population. The vertical axis shows the associated income of the population, where 1 is the total income of everyone together. The graph shows, for example, that the poorest 50\% of the population collectively earns a small fraction of the total income (roughly 5\%). The further away the Lorenz curves lies from the diagonal line, the more severe the inequality.

In both 1993 and 2013 the orange line lies above the blue line, which indicates that grants cause a redistribution of income from the rich to the poor. The area between the blue and orange lines accounts the reduction in inequality, which is much higher in 2013. This shows that social protection made a greater positive impact on income inequality in 2013 than in 1993.

\textsuperscript{176} Glewwe and Kassouf.
\textsuperscript{177} Aguero, Carter et al. (2009).
The Child Support Grant (CSG) is a cornerstone of the innovative social protection framework introduced in the early 2000s. This study’s calculations confirm that, as suggested earlier, the reach of the CSG has expanded dramatically. The modelling of the Child Support Grant means test using Wave 1 and Wave 2 of the National Income Dynamics study data suggests that between 2008 and 2010, the take up rate of the grant among eligible children improved by 7 percentage points: in 2008, the take up rate among eligible children was 67%; in 2010, it was 74%. This significant improvement suggests that steps taken to improve reach are allowing a larger proportion of vulnerable households to benefit from the grant.

As the government of South Africa intensified its focus on social assistance, state spending on social assistance grants increased from R30.1 billion in 2000/01 to R120 billion in 2012/13. As the scale of cash transfer programmes increases, the resultant impacts will extend throughout the labour market, economy, development sector, and the rest of society.

A 2012 Social Development report described the far-reaching success of the CSG in changing children’s lives through impacting educational and health outcomes, time use and labour supply, and decreasing risky behaviours in adolescents. Closing the opportunity gap between boys and girls in access to education has been one of the most notable achievements of the CSG. Girls who enrolled in the CSG from an early age attained marks one-quarter of a grade higher than those who enrolled in the CSG at age six. The cash transfer has had significant impact on children’s educational opportunities because it can be used to cover school fees, or can substitute for the income the child could be earning if not in school.

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178 Samson et al. (2004).
179 EPRI’s calculations.
180 The take up rate for a grant is the number of grant recipients as a proportion of those who meet the eligibility criteria.
181 Leibbrandt (2010), Trends in South African Income Distribution and Poverty since the Fall of Apartheid.
182 Santana (2008), An Evaluation of the Impact of South Africa’s Child Support Grant on School Attendance, Universidad Catolica de Santo Domingo.
The unconditional nature of the CSG not only lowers the costs of attending school, but it also has had considerable impact on health. For boys who received the grant from an early age, likelihood of illness is 10% lower than for boys who were enrolled at a later age. Adolescents health is also positively affected, particularly in terms of reducing risky behaviours across both genders. Alcohol and drug use decreased among recipients, as the CSG provided protection against drug use, especially for females.

The CSG also increases the employability of South Africans, and has a positive bearing on economic growth in a number of ways. Providing a consistent monthly income allows poor households to manage social risks better, avoid risky economic behaviour, and lift themselves out of poverty. Statistics from the South African Labour Force Surveys and EPRI demonstrate that households that received the CSG were 2% more successful at finding employment in 2005. Female recipients of the grant reported a 3% higher probability of finding employment; women who did not receive the grant were 9% less likely to participate in the workforce. Cash transfers enable many poor households to participate in labour markets, and contribute to building human capital.

**Case study: Mauritius**

Mauritius is one of Africa’s best examples of a social protection “success story”. A half-century ago, the country had a poverty profile similar to those of the world’s poorest countries. Today, Mauritius boasts one of the lowest poverty rates in the developing world. Some of the highest economic growth rates over the past several decades have prompted the International Monetary Fund (IMF) to study this “economic miracle”. The IMF’s report identifies the important role of Mauritius’s large scale social protection programmes, which include a social pension, children and family welfare programmes and access to education from primary to tertiary levels.

These efforts to offer social services to Mauritian citizens have led to positive human development indicator trends across the board. The average life expectancy increased from 61 in 1965 to 69 for men and 76 for women in 2008. Positive health outcomes include the lowest under-five child mortality rate in sub-Saharan Africa, and in 2008, 98% of Mauritian children were immunized against measles; additionally, malaria has been eradicated. Mauritius has seen an increase in enrolment in all levels of education, and has maintained net primary enrolment of around 90% in the past several years, with a rate of 94% in 2009.

These efforts have had a substantial effect on social cohesion through the reduction of inequality. The country’s Gini coefficient measurement of inequality fell from 45.8 in 1980 to 38.9 in 2006, during the same period in which the country exhibited one of the highest growth rates in sub-Saharan Africa. While the rest of the subcontinent grew at a rate of 2.9 per cent in GDP between 1977 and 2008, Mauritius

187 Kasseeah and Ragoobur.
grew at 4.9 per cent.\textsuperscript{188} With a competitive, export-focused economy, Mauritius is considered one of the primary success stories of modern Sub-Saharan Africa. Many attribute the success of this export-oriented approach in part to an “educated, but unemployed and easily adaptable labour force.”\textsuperscript{189}

**Case study: Rwanda**

Governments in other parts of Africa have also noted the benefits of social protection policies with the potential to reduce poverty and inequality and create capable, educated workforces. In Rwanda, the Vision 2020 Umurenge programme has been designed with special focus on the social inclusion of particularly vulnerable groups. Direct transfers, credit packages, and cash-for-labour public works programmes have been targeted at the most vulnerable populations, including orphans and vulnerable children, child-headed households, the elderly, and victims of the 1994 Rwandan genocide.\textsuperscript{190}

Early results of the programme show its promise in alleviating poverty, impacting local economies and building social cohesion. In the public works programme component, the number of eligible households that participated each year increased greatly, with 77\% of eligible households participating within two years of the programme’s implementation. It was also reported that 49\% of participating households were female-headed.\textsuperscript{191} The project’s beneficiaries were paid to build anti-erosion ditches, roads, water infrastructure, classrooms, and health facilities.\textsuperscript{192} These projects have the potential to benefit entire communities, while simultaneously providing income to the most vulnerable and impoverished households.

**Case study: Sierra Leone**

Sierra Leone’s National Safety Net Programme provides another example of a social protection programme in West Africa. The programme gives cash transfers to older people and to the labour-constrained, in addition to those who have no regular source of income or support from family or community. The pilot programme currently covers about 17,000 people, distributing $68 USD to each person for six months, with most of the benefits going towards food and healthcare. Social protection also has the potential to redress long-standing tensions by targeting the most vulnerable groups as a measure to promote social inclusion following civil unrest. Public works programmes in Sierra Leone have targeted young-ex-combatants to greater consolidate the peace process.

*Source: Holmes, R. and Jackson, A. Cash Transfers in Sierra Leone: Are they appropriate, affordable, or feasible? (2008, January).*

\textsuperscript{188} Vandemoortele and Bird.
\textsuperscript{189} Vandemoortele and Bird: 3.
\textsuperscript{190} Ruberangayo: 338.
\textsuperscript{191} UNICEF: 28.
\textsuperscript{192} UNICEF: 32.
The unconditional cash transfer portion of the programme is also crucial in building social cohesion in Rwanda. Cash transfers were provided to households with no working-age adults, targeting the most vulnerable. These acted as modest income and provided subsequent protection against shocks. Case studies in the programme’s 2011 report profile several beneficiary households that were prevented from working due to the presence at home of adults with chronic health issues requiring care. Beneficiaries claimed to have spent funds from the programme to cover food, education, and healthcare costs; several also used the funds to purchase assets such as goats and “paraffin to start a small petty trading business.”

The participation of vulnerable populations in the local economy highlights its socially inclusive nature. In an outline of its objectives, the programme says it aims to cover the most vulnerable groups, including:

“...disabled persons, child headed households, marginalized persons, elders, lactating mothers in the first 10 months after birth, pregnant women in their last trimester, genocide survivors, persons living with HIV/AIDS, street children, widows headed households, refugees, and returnees.”

Social protection programmes can also address gender-specific risks and vulnerabilities by contributing to society’s inclusion of women. Lessened opportunities for education, cultural attitudes towards gender roles and customs such as child marriage prevent financial independence and expose women to greater risks of being shocked into poverty. Investing in girl’s education represents an important equalising measure not to be overlooked. As a UNICEF (2014) report on child demographics in Africa states,

“...the majority of the world’s countries that report high adolescent fertility and low school life expectancy (the number of years of schooling that a girl pupil can expect to spend from the beginning of primary through secondary school) are in Sub-Saharan Africa, where out-of-school rates are also the highest.”

Cash transfers aimed at women can increase women’s spending power in their communities and contribute to a more equitable power dynamic within their households. Such transfers have been shown to result in more sound and efficient household investments, aligned more directly to their children’s welfare. Many countries also report a disparity between primary school enrolment for male and female children, with lower priority on sending girl children to school. Several social protection programmes have sought to address this inequality. According to Thankur et al. (2009), social protection programmes have had positive gender-based education effects in Bangladesh from a school stipend programme, in Brazil from an old-age pension, and in South Africa from an unconditional cash transfer. Social protection programmes can also reduce the likelihood that women and girls will engage in transactional sex (Thakur et al. 2009). These impacts have major repercussions on expanding opportunities for girls.

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193 UNICEF: 27.

194 Draft programme proposal: 27.

The need for integrated and comprehensive interventions

This evidence base documents the role of social protection in building long-term human capital, with higher educational attainment interacting with nutritional and health gains to generate large increases in lifetime productivity. In the long run, this will help contribute to greater equality in society. Policy-makers, however, often face shorter horizons and require more immediate gains. In addition, social protection does not generate these human capital impacts independently—coordinated investment strengthening the supply of human capital services is often required. One of the main challenges to achieving the full potential of social protection is the need for comprehensive interventions. If the existing infrastructure is insufficient to meet the increased demand for human capital services, the impact will often be limited.

The example of Honduras’s Family Allowance Programme (PRAF), a conditional cash transfer delivered to families with children aged 6-12 attending school, demonstrates this risk. Evaluations of PRAF documented “weak impacts, particularly in terms of primary school and nutrition outcomes”. Although the programme successfully increased household demand for education, the original programme lacked a comprehensive strategy to build up capacity for schools in order to enable them to enrol the increased number of students. Eventually, Honduras implemented a supply side intervention involving a “payment made to Parent Teacher Associations in each primary school.” Integrated solutions addressing both demand-side and supply-side gaps are required to achieve meaningful impacts in terms of human capital development.

196 Samson, Michael et al. (2010). Designing and Implementing Social Transfer Programmes. EPRI Press. Cape Town, South Africa.
6. INSTITUTIONALISING SOCIAL PROTECTION INTO NATIONAL DEVELOPMENT PROCESSES

The potential of social protection (particularly child-focused programmes) to strengthen social and economic development objectives expands significantly when policy-makers integrate the interventions within comprehensive development systems. Increasingly, African government ministries managing socio-economic planning processes take responsibility for integrating comprehensive social protection responses into national development plans. This holistic approach to development planning recognises that policies that strengthen social protection’s natural tendency to promote livelihoods and foster pro-poor and inclusive economic growth and development yield the greatest impact when coordinated within a larger planning framework. A national coordinating mechanism that enhances an integrated and comprehensive approach to child-sensitive social protection improves impact and value for money. While human capital development forms the basis of the economic rationale for social protection, investment in children is an essential element of an integrated policy framework that aims to promote not only growth but also equitable distribution of this growth.

In Ghana, for instance, the Livelihoods Empowerment Against Poverty (LEAP) programme integrates social health insurance with cash transfers. LEAP beneficiaries are automatically granted free health insurance (as a result of coordination between Ghana’s Ministry of Health and the Ministry of Employment and Social Welfare). This enables poor and vulnerable households to avoid registration and administrative costs, which may act as a deterrent to securing health insurance for many of the poor. Mozambique’s new cash transfer instrument links diverse ministries to promote livelihoods by “considering broader macroeconomic areas for social investments [and] raising overall living standards (such as in agriculture, food security and employment-generating activities).” Figure 5 is a visual representation of the integration of social protection within a development planning process. The development planning approach strengthens multi-sectoral interventions and reinforces multi-dimensional impacts in Rwanda, South Africa, Tanzania and Uganda (as well as in countries outside Africa including Bangladesh, Cambodia, Indonesia and Nepal). The matrix below illustrates a stylised model of the planning process, drawn from the development planning process Uganda employed in 2010.

198 ACPF VIP report: 39
200 Samison (2013).
201 The figure is only illustrative—Uganda’s actual matrix, for example, had hundreds of columns and dozens of rows.
This framework defines “inputs” as government policies, programmes and instruments that enable the achievement of national policy objectives (“outputs”), emphasising the importance of linkages within and between sectors. The previously cited example of Ghana, which links cash transfers and social health insurance, provides an example of intra-sectoral linkages. Cash transfers are of limited use in protecting against catastrophic health shocks that can create the poverty traps which perpetuate inter-generational transmission of poverty; yet social health insurance often fails to benefit the poorest families because they cannot afford the premium-based costs. Integrating cash transfers with social insurance within the social protection sector (intra-sectoral linkage) strengthens both interventions: the cash transfer improves access to social health insurance benefits, and the health protection broadens the capacity of cash transfers to tackle poverty and vulnerability. This increases the likelihood that households can break out of inter-generational poverty traps.

The shaded box in Figure 4 depicts a potential area for inter-sectoral linkages. When cash transfers finance the contributions of otherwise destitute households towards their children’s nutrition, health or education, these three areas are mutually reinforcing, maximising the potential for human capital accumulation exceeding that which social cash transfers could achieve alone.

Social protection instruments strengthen human capital development, improve livelihoods engagement and broadly promote pro-poor economic growth. A multi-sectoral approach in which various policy sectors work together can more effectively strengthen the achievement of social protection objectives and the broader set of development objectives, including inclusive economic growth. For example, the causal links between education and health are mutually reinforcing: when social assistance enables children to satisfy their nutritional requirements during critical periods of development, the same children will perform better in school and concentrate and learn better, enhancing educational outcomes and maximising government return on education spending. Better health and schooling increases longevity, makes workers more productive and increases employment, and all of these improvements contribute to economic growth.
Most importantly, these impacts have intergenerational repercussions: the health and education of parents (particularly mothers) boost both health and education outcomes in their children.\textsuperscript{202} A multi-sectoral approach that combines cash transfers with social health interventions improves the effectiveness of both interventions.

Social protection must be placed in the overall national agenda of “economic growth.” Other countries have demonstrated the benefits of making social protection programming an integral part of the macro-economic package.

\textsuperscript{202} Vogl, \textit{Education and Health in Developing Countries}. 
7. POLICY IMPLICATIONS AND CONCLUSIONS

Social protection provides African governments with one of the most effective tools in existence for tackling poverty and inequality, and thereby strengthening prospects for inclusive and pro-poor economic growth and development. In the absence of these interventions, the lost opportunities represented by failure to invest in children’s nutrition, health and education incur significant short-term socio-economic costs and hinder prospects for long-term economic growth.

Social protection can help build a virtuous circle of increased equity-based growth by improving employment, livelihoods and local economic development, and as a result increasing the tax-based resources necessary to finance further expansion of these investments. Tackling poverty and inequality also shares the benefits of economic growth, improving social cohesion and strengthening investor confidence—further consolidating the foundations for long-term economic growth. This evidence enables governments to improve the integration of child-sensitive social protection policies and programmes into larger development plans aimed at achieving pro-poor and inclusive economic growth. In particular, by strengthening linkages between social protection and human capital investment, appropriately designed and effectively implemented programmes can help to break the cycle of the inter-generational transmission of poverty.

Other important links between social protection and pro-poor growth include the important positive impacts of social protection on labour market engagement, strengthened livelihoods, and enhanced ability to deal with social risk management. Social protection builds social cohesion by sharing the benefits of economic growth, and better enables governments to implement the economic reforms often required for sustained economic growth. Furthermore, investment in human capital is a key policy tool with which to reduce inequality by addressing rising skill premiums relative to low wages of unskilled workers, a key driver of rising inequality in developing economies. The Asian Development Outlook 2012 (ADB 2012) highlights the need for efficient fiscal policies that increase spending on education and health in order to build human capital. Interventions should also be targeted to lagging regions, improving transportation and strengthening communication networks between urban and rural areas in order to reduce disparities further.

Designers and implementers should ensure that social protection systems are child-sensitive, in order to maximise their economic benefit. Investing in children is one of the most effective strategies for achieving long term economic growth, with important impacts for social equity and the realisation of human rights. Optimising the design of programme features to ensure they reach children effectively is important in maximising both social and economic benefits.

Governments can further improve growth impact by coordinating social protection investments with other social and economic sectors in order to maximise intra-sectoral and inter-sectoral linkages. In particular, the interconnected nature of education, health and nutrition objectives creates opportunities to improve social policy efficiency by implementing mutually reinforcing interventions. Comprehensive and integrated approaches to social protection maximise equity and developmental impacts and strengthen the potential for pro-poor and inclusive economic growth.

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