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Social Protection in West Africa

The Status Quo, Lessons from Other Regions, Implications for Research

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Demand for social protection programs within more empowered segments of the poor population in African societies will be on the rise due to the historically high levels of poverty, faster economic growth, rapid urbanization, and increasingly open, pluralistic political systems. Resources required to meet this future demand will be substantial and are bound to compete with investments required to accelerate and broaden the current economic recovery process. But countries that fail to address the demand are likely to face social as well as political unrest.

African governments are spending substantial and increasing amounts of resources on health and education, and efforts will have to be made to markedly improve access to these public services for the poor and vulnerable. The impact of recurrent climate and weather shocks reminds us that functional safety nets barely exist in African countries. These countries can and must make substantial progress in developing functional social protection schemes in the coming decade as stability and growth of their economies will depend on the extent to which such progress is achieved.

This Thematic Research Note sets out potential strategies to maximize synergies between the provision of social services and investments to accelerate economic growth in order to improve future social and growth outcomes of public expenditures in African countries. The Note also reviews the different types of social safety programs that are being implemented and examines their cost, effectiveness, and adaptability to the African context.

Ousmane Badiane, Director for Africa, IFPRI

SOCIAL PROTECTION, AGRICULTURAL DEVELOPMENT, AND ECONOMIC GROWTH

John Hoddinott

Social safety nets or social assistance programs are ubiquitous in developed countries and are becoming more common in developing countries. Social safety nets can take many forms: transfers of cash through welfare payments, child allowances, or pensions; in-kind transfers such as food aid or school feeding programs; subsidies to goods purchased by the poor; or unemployment insurance and public works or workfare schemes. Social assistance programs are targeted toward the poor or those individuals who may become poor as a result of adverse shocks. This, together with their noncontributory dimension, distinguishes them from programs such as occupational pension schemes. Recent innovations in social safety nets include ways to improve targeting through proxy-means testing or a method that generates a score for applicant households based on easy-to-observe household characteristics, and means to increase the impact of transfers on capital creation among the poor. The latter category includes conditional cash transfer (CCT) schemes and interventions that link recipients of cash or food payments to other government services and public works.

The provision of safety nets is motivated by both equity and efficiency concerns. In part, safety net programs arise from a desire to assist the least well-off members of society. Additionally, such programs seek to offset credit and insurance market failures, which leave poor households unable to make investments that would raise their future incomes or protect them from adverse events. Thus, in addition to the intrinsic value of such transfers in creating a fairer society, social protection programs have an instrumental function in promoting agricultural development and, more broadly, economic growth. This works through four channels.

1. First, social safety nets help create individual, household, and community assets. Social assistance provides liquidity to poor households, giving them additional resources that can be used to make investments to raise their asset levels. There is considerable evidence, for example, that conditional cash transfer programs raise education levels. In addition to directing resources to the poor, certain forms of social protection can create assets of value to the local economy. Many African countries have public works programs that rehabilitate roads, refurbish canal and irrigation facilities, or build structures such as schools and health clinics, which are of value to the community and local economy.
2. Second, social safety nets help households protect assets when shocks occur. In the context of poverty traps—defined loosely as an asset threshold below which it is impossible, or at best enormously difficult, for households to accumulate assets—safety nets like emergency assistance in the aftermath of droughts or floods can protect some households from falling into poverty traps and can assist those households already in a poverty trap to take advantage of the agricultural innovations on offer.
3. Third, they help households cope with risk. By allowing for households to recover more quickly from adverse events social safety nets reduce the likelihood that shocks have permanent consequences and, by providing a form of insurance, they can encourage households to adopt new innovations;
4. Fourth, by reducing inequality, social safety nets directly raise growth rates. High levels of inequality are thought to be growth-retarding because marked income or wealth inequalities can create circumstances where political or institutional power is more likely to be captured by elites who then make policy choices that generate rents to themselves rather than those that encourage broader based growth. High levels of inequality are also often accompanied by low levels of social cohesion, which can reduce growth either because levels of trust are lower or because lowered social cohesion is itself often accompanied by high rates of crime that reduce growth.

Generally, there are two common criticisms of safety nets. First, they are said to create disincentive effects. For example, it is argued that the receipt of public funds discourages work effort because beneficiaries choose to engage in more leisure instead. Additionally, in cases where strict means testing—a targeting method based on income—is used, individuals may worry that if they work too much, they will lose access to their benefits. In addition to the effect on labor incentives, public safety net programs may change incentives of private individuals to assist family and friends; social safety nets might crowd out informal safety nets such as private transfers. The second and perhaps more potent criticism of safety nets focuses on their affordability in highly resource-constrained environments. Such concerns are often couched in terms of trade-offs between different forms of pro-poor expenditures. However, this concern exaggerates the costs of many well targeted programs. Frequently social protection programs are less than 1 percent of gross national product (GNP), an amount that can often be financed by reallocating from unproductive expenditures that offer little tangible benefit for the poor.

In summary, safety net interventions can contribute to agricultural and economic growth through their impact on asset creation, asset protection, resource allocation, and redistribution. Well-designed and properly implemented social safety nets interventions can complement pro-poor agricultural investments and thus contribute to longer-term poverty reduction in addition to short-term direct impacts.

SOCIAL PROTECTION POLICY PROCESSES IN AFRICA

Stephen Devereux and Philip White

Social protection initiatives in Africa increasingly aim to institutionalize systems that guarantee assistance for the poor and protect the vulnerable against livelihood risks. Much of the impetus has come from international development actors, with some notable exceptions. Three overlapping agendas shape these developments.

1. Technocratic: "What works?"

Numerous social transfer projects have been implemented in Africa in recent years, often through a partnership between a bilateral or multilateral donor and an international NGO, which together provide the driving force in terms of project initiation and design, funding, technical assistance, monitoring, and evaluation. The degree of involvement by national and local government varies. Traditional authorities and community structures may also play a part, particularly in terms of beneficiary selection. In many cases, however, the perception remains that these are donor-driven projects that fall outside normal government programming. One objective shared by all these interventions is to convince skeptical governments that social protection can generate positive impacts at several levels and that concerns about negative impacts are unfounded or exaggerated. On the other hand, even well-resourced donors are in no position to finance national social protection systems across Africa indefinitely, so substantial investments have been made in monitoring and evaluating these projects and in advocating that governments move toward mainstream social protection in their national poverty reduction strategies.

2. Ideological: "What's right?"

In contrast to discretionary interventions that are implemented by locally unaccountable actors, such as donors and nongovernmental organizations (NGOs), other programs are based on an implicit social contract between governments and citizens and embody a notion of rights, claims, or entitlements. Government-run social welfare schemes are a prime example. Social pensions represent recognition by society as a whole that many older people need and deserve financial support. Once underpinned by legislation, pensions assume the status of a legally enforceable citizenship right. In other arenas, African governments have often been reluctant to commit to legal and constitutional entrenchment of rights to social protection, despite signing up to such rights in international charters. Recent years have seen a series of declarations of intent led by the African Union— culminating in a Social Policy Framework (2008) to move toward recognition of a minimum social package. However, practical realization of this minimum level of provision remains a distant prospect in most African countries. Other initiatives that embody elements of a rights-based approach to social protection are the product of domestic civil society activism. Africa has limited experience to date with the mobilization of civil society around social protection agendas. A constructive role for donors is to help strengthen and extend such political and social contracts where they exist and to support their establishment where they do not.

3. Political: "What's popular?"

Political agendas underpinning social protection are context specific, but a number of salient common features emerge from these analyses.

- Social protection is inevitably politicized, but not necessarily adversely. In the formal institutional sphere, democratization has forced poverty and social protection concerns onto domestic policy agendas, even where there are significant democratic deficits and sporadic progress to a situation in which policymakers are accountable to informed citizens.
- Significant challenges exist in coordinating social protection among a multiplicity of state agencies, parastatals, local councils, traditional authorities, NGOs, and aid partners, marked by complex patterns of allegiance, duplication, and competition, and amplified by patronage hierarchies.

- Informal political processes, especially systematic patterns of patronage politics, are likely to shape social protection as much as formal institutions, with control over the distribution of resources and over implementation mechanisms often proceeding along sectarian lines based on kinship, regionalism, and partisanship.
- Donors have shifted to an emphasis on reducing poverty through growth and "good governance," by means of poverty reduction strategies and direct budgetary support. Social protection has recently moved up the donor policy agenda, but commitment remains relatively weak and short-term.
- There is little to be gained from attempts to either bypass or work with entrenched patronage systems, but hope lies in the fact that political contexts are not immutable, and social protection can be an agent of change.

Perhaps the most important lesson to draw from protection policy processes in Africa is that initiatives that evolve out of (or are adapted to) domestic political agendas and respond to local conceptualizations and prioritizations of need are more likely to succeed—in terms of their coverage, fiscal sustainability, political institutionalization, and impacts—than those that are based on imported "projectized" models. Even if government systems are under-resourced, and even if national priorities differ from those of external actors, international donors and NGOs should support home-grown responses to poverty and vulnerability led by national governments and local civil society movements. For one thing, mobilization to claim rights or entitlements from the state is an essential complement to technocratic approaches to social protection, given that donors (like governments) are understandably wary of the irreversibility, heavy financial commitment, and accountability that are inevitably associated with implementation at scale. For another thing, while numerous evaluation reports and commissioned research studies have been generated in an effort to build the evidence base for cash transfers, much less research has been invested in cash transfer programs that are operated and financed by national governments *without* donor support.

AFFORDABILITY OF SOCIAL PROTECTION IN AFRICA

Stephan Klasen

There has been a great impetus for revisiting social protection in Africa, demonstrated especially by the African Union's recent declaration on social protection and the June 2012 adoption of a recommendation for national floors for social protection by the International Labor Organization (ILO). The fiscal affordability of expanding social protection schemes in Africa has long been seen as a major impediment to implementing them. Recent experiences with cash transfers, free health care, and other programs in other parts of the developing world as well as some places in Africa, however, suggest that the affordability of social protection needs a fresh look. An expansion of social protection in middle-income African countries is feasible, as the examples of southern African countries demonstrate. It might be the case that a package of social protection initiatives might also be affordable in low-income African countries.

Affordability depends on the costs of the package, existing spending available for social protection, and the ability to mobilize additional domestic and foreign resources. There is great heterogeneity in each of these parameters. Given the limited experience to date with the costs of a basic social protection benefits package in low-income countries, the ILO undertook simulation studies for 12 low-income countries to estimate its cost. The package includes free basic health care (estimated on a cost basis), a child benefit (15 percent of per capita gross domestic product up to US$0.50 a day (purchasing power parity, or PPP), targeted income support to the poor and unemployed, and pensions for disabled and elderly people at 30 percent of GDP per capita up to US$1.00 (PPP) paid to a maximum of 1 percent of the population and to all people 65 and older, respectively. These items are also the key items covered by the recent ILO recommendation on the social protection floor, which does not, however, specify spending levels or benefit amounts, leaving that to the discretion and possibilities of member countries. Aspects of this package have been implemented in some African countries, though no country has implemented the complete package. In South Africa, for example, grants—at a level much higher than envisaged in the ILO social security floor—for children, the elderly, and the disabled have been implemented, but there is no general unemployment and poverty support, nor is there a free essential health care provision. The elements of the social protection package are priced for a range of countries, including Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal, and Tanzania.

But some of the assumptions of the costing exercise should be challenged. In particular, the employment/poverty support to be provided via an employment scheme is budgeted to cover only 10 percent of the working-age population, which may be too little to cover all unemployed and poor people at an active age. Also, if only 1 percent of the population can claim disability, what will the screening process be for inclusion in such a small program? The cost of the basic health package is much lower than estimated by the World Health Organization Commission on Macroeconomics and Health for an essential package in low-income countries. Finally, the assumption of administrative costs that are purely proportional to the payout in the case of cash transfer programs appears problematic. Clearly, there will be fixed costs for setting up cash transfer programs, and the variable costs are likely to be lower than the assumed 15 percent. As a result, poor countries with smaller payouts will face higher administrative costs per beneficiary than richer countries with larger programs. In a sensitivity analysis we consider two alternatives on administrative costs. One assumes that these costs amount to a fixed $5 (at exchange rates) per capita per year plus 10 percent of cash transfer payouts; the second assumes they are US$10 (PPP) per capita per year, a considerably lower amount than the first assumption (particularly in very poor countries) that reflects the fact that much of the fixed administrative costs are wage costs, which are lower in poorer countries.

Table 1 lists the basic package costs per element plus administrative costs (using the ILO and our alternative assumptions) and shows that our alternative assumptions on administrative costs makes a significant difference in low-income countries. In total, the costs of the package are between 5 and 12 percent of GDP in the countries listed; this is a sizable sum and requires a considerable increase of existing social security spending, which is currently estimated to be around 0.5 to 2 percent in the countries concerned.

Table 1. Estimated costs of basic social security as percentage of GDP (2008)

	Universal pensions	Basic health care	Child benefit	Social assistance	Admin. costs, cash transfers (ILO)	Admin. costs per capita, US$ (ILO)	Alt. #1	Alt. #2	GNI per capita, US$	Total	ODA 2006	Tax 2006	Basic social prote ction expen diture 2010	Social protection + health spending, latest year
Burkina Faso	1.1	5.5	2.8	0.6	0.7	2.6	6.8	5.1	440	**10.6–12.1**	14.1	11.1	**1.1**	**4.9**
Cameroon	0.8	2.6	1.8	0.4	0.4	4.0	7.6	6.5	990	**6.0–6.8**	9.2	11.1*	**0.6**	**2.0**
Ethiopia	1.0	3.6	2.8	0.6	0.4	1.0	5.7	2.3	170	**8.8–12.1**	14.6	10.7*	**1.3**	**9.6**
Guinea	0.6	1.5	1.5	0.3	0.4	1.2	5.8	2.0	400	**4.4–5.9**	4.9	n.a.	**0.4**	**0.8**
Kenya	0.9	3.0	3.0	0.6	0.7	3.5	7.3	5.9	580	**8.2–9.5**	4.1	18.3	**1.6**	**1.6**
Senegal	1.1	2.5	2.0	0.5	0.5	3.8	7.5	6.8	760	**6.6–7.6**	9	16.1*	**0.6**	**3.6**
Tanzania	1.1	1.4	3.1	0.6	0.7	2.1	6.4	5.5	350	**7.9–9.7**	14.2	n.a.	**2.1**	**4.5**

Source: ILO 2008; WDI 2009; IMF international financial statistics 2010.

Notes: * = based on data from 2000. Alternative 1 is based on $5 (exchange rates) fixed delivery costs per capita plus 10 percent of cash transfer; alternative 2 is $10 (PPP) fixed administrative costs per capita, while the ILO assumption is 15 percent of cash transfer (with no fixed costs). In the total column, the range is based on the three administrative cost assumptions. ILO analyzes the costs of a basic social security scheme consisting of universal primary health care, basic old-age and disability pension, basic child benefits for the first two children, and basic social assistance providing a 100-day employment guaranty to the poorest 10 percent of the working-age population. Universal primary health care costs are estimates based on a ratio of 300 medical staff to 1,000,000 population, and medical staff wages are indexed in line with GDP per capita growth. Where no separate data on wages in the health sector were available, it was assumed that the average wage of health workers is equal to that of teachers. The health staff wages were assumed at a minimum of three times GDP per capita indexed in line with per capita GDP growth. The basic pension scheme is assumed at a level of 30 percent of the GDP per capita (maximum $1 per day). Child benefits are assumed at a level of 15 percent of GDP per capita (maximum $0.50 per day). Basic social assistance to targeted poor and unemployed people is assumed at a level of 30 percent of GDP per capita (maximum $1 per day). Benefits are assumed to be provided to 10 percent of the working-age population for 100 days per year.

The difficulty of implementing the full package is also apparent if it is set against domestic resource mobilization and aid flows. The tax/GDP ratio in the countries listed is between 10 and 18 percent. From this resource envelope, an introduction of all elements of the social protection package is not feasible in the short-term. A gradual implementation of the package based on national needs, priorities, and affordability, as also suggested by the recently passed ILO recommendation, is, however, an option.

On the other hand, these tax/GDP ratios are clearly very low and need to be increased in the medium term to address many government spending needs, including an expansion of social protection. Likewise, as shown in Table 1, donor resources are at a similar order of magnitude as tax revenues and could thus supplement insufficient tax revenues in the short term and medium term. Currently, an expansion of social protection to the level envisaged by the ILO could therefore rely on this donor support to increase or, alternatively, the donor support (as well as domestic expenditures) could be reallocated from other spending priorities. For example, if all public health spending is added to the spending on social security, the actual spending in these countries approaches the level of some developed countries. Considering other social sectors and nonsocial sectors (for example, spending on education, defense, or administration), reallocations might allow further expansions of social security spending. There clearly is some scope for reallocation but this would require careful country-specific assessments of the social sector (and nonsocial sector) spending priorities and needs.

A roll-out of the full basic social security floor may not be fiscally feasible for low-income African countries at this time. However, a progressive introduction of the elements of the social protection floor is still possible. In particular, the following options merit careful country-specific analysis and discussion.

1. To the extent that donor support for social protection can be substantially and sustainably increased, a phase-in of the full package is feasible in the medium term in many countries. But the caveats about weak country ownership of existing donor-supported pilot programs needs to be addressed (EUI 2010)
2. To the extent that countries with unsustainably low tax/GDP ratios can raise their tax revenue levels in the medium term, phasing in the full package might be feasible in the medium term from domestic resources.
3. To the extent that existing (domestic and donor-financed) social sector spending can be partly reallocated toward the social security floor, a phase-in of the full package can also be feasible in the medium term.
4. Elements of the package are easily affordable for almost all African countries. In particular, universal noncontributory pensions are affordable in virtually all contexts. Also, in many contexts, a core package of interventions including some public works programs and some basic free health care is likely to be affordable. Introducing such programs is likely to be more sustainable if they are driven by national governments and funded by their own resources, where donors play only a small role providing additional support (EUI 2010).

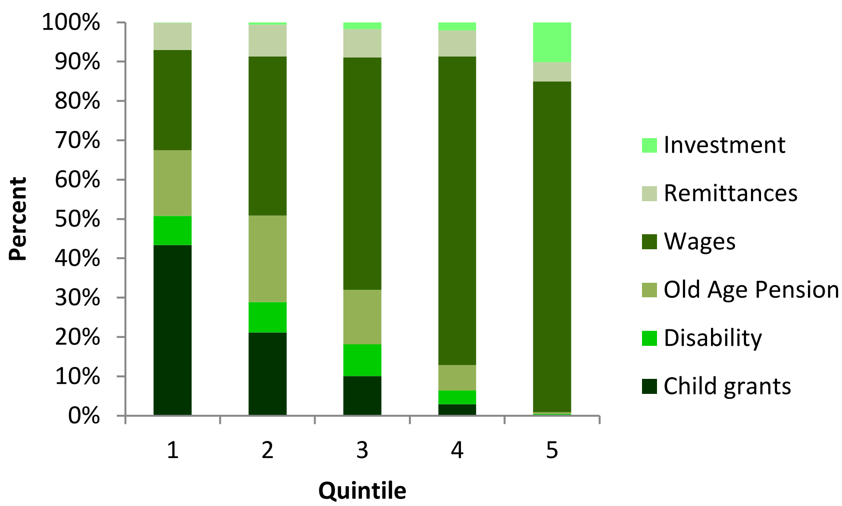
SOCIAL ASSISTANCE PROGRAMS IN SOUTH AFRICA: WHAT LESSONS FOR OTHER AFRICAN COUNTRIES?

Ingrid Woolard

South Africa's experience with social assistance is exceptional for a developing country for three reasons. First, at 3.5 percent of GDP, spending on cash transfers is more than twice the median spending (1.4 percent of GDP) across developing and transition economies (World Bank 2009). Second, South Africa is a middle-income country with little public debt, and cash transfer programs are financed from tax revenue rather than from donor funding or borrowing. Third, the country's government is firmly committed to reducing inequality and redistribution through progressive taxes, and pro-poor cash transfers are considered an efficient way to accomplish this. Notwithstanding the three aspects outlined above that set South Africa apart, there are lessons for other countries.

Social assistance grants in South Africa play an important role in reducing money-metric poverty determined on the basis of income. More than half of households receive at least one cash transfer, and the grants are relatively generous. For example, the Old Age Pension (which goes to about four-fifths of individuals over the age of 60) is worth $230 (PPP) per month. This is 1.75 times the median per capita monthly income. The Child Support Grant (which goes to about two-thirds of all children) is worth $53 (PPP) per child per month. Not surprisingly, therefore, cash transfers have far-reaching implications for alleviating poverty, particularly for households that have little connection to the labor market.

Figure 1. Sources of household income in South Africa, by quintile (2008)



Source: Author's calculations based on NIDS (2008).

Figure 1 disaggregates household income sources by income quintile in order to highlight the role of social assistance grants in providing income support, especially to lower-income households. It is striking that fully two-thirds of income to the bottom quintile comes from social assistance grants, with most of this income coming from child grants (the Child Support Grant, the Foster Care Grant, and the Care Dependency Grant combined). As households move up the income distribution, labor-market income becomes increasingly important, and reliance on social assistance is commensurately reduced.

The inability of poorer households to invest in the productive capacity of their members, especially the education and health of children, has implications for the persistence of poverty. Cash transfer programs provide a predictable and reliable source of income, which significantly affects the capacity of households to invest in human and physical capital and thus break the intergenerational transmission of poverty. First, there is considerable evidence that cash transfers in South Africa have positive effects on the accumulation of human capital despite the unconditional nature of these transfers. Access to either a pension or a child grant can improve the health status of beneficiaries and other household members by improving their nutrition and access to health care. Second, there is some evidence that older people, particularly women, are inclined to allocate grant income in ways that directly benefit more vulnerable household members, such as young children. Evidence on the labor supply effects of the grants is more mixed, however.

Grants seem to loosen credit constraints and promote migration in search of employment, but there is also some evidence that the grants may be a disincentive for working age household members to look for work.

Despite the (largely) positive impacts of the grants, there are also some concerns over possible interactions between public and private social protection systems. The first concern is that the availability of public transfers reduces the willingness of households to provide private transfers (Maitra and Ray 2003). A second concern relates to the question that the existence of noncontributory pensions might provide a disincentive to employers and employees to pay into private provident funds or may encourage employees to cash in these pensions as lump sum payments so as to be eligible for the (means-tested) social pensions. Thirdly, it is plausible that the expansion of the social assistance system has been at the cost of the extension of social insurance. Because employment did not absorb the previously disadvantaged Africans into the formal sector, the expansion of social assistance built up a lifeline to reduce their deepest poverty. This in turn might have displaced the expansion of social insurance, especially health insurance, from the policy agenda, where there has been little progress.

South Africa's experience with social security provides important lessons for other African countries concerning the practical implementation of social security schemes with regard to poverty reduction, reduction of gender inequalities, incentive effects, and improvements in education and health and also in terms of financing and fiscal sustainability. Mozambique, Namibia, Tanzania, and Zambia have recently begun to take the necessary steps toward a basic social security scheme, and Botswana, Lesotho, and Namibia have introduced an old-age pension scheme similar to South Africa's although less generous in terms of age eligibility and payouts (EUI 2010).

There are different lessons for two distinct groups of countries. For low-income African countries, the South African case demonstrates the potential and limitations of an extensive system of social assistance. In particular, it shows that such a system is, in principle, feasible and fiscally affordable; it generates great benefits in terms of poverty reduction. For most low-income countries, emulating the South African system in its entirety is not feasible or affordable. But elements of it, such as the social pension system, could well be a fiscally affordable and administratively feasible option to extend social protection even in rather low-income settings (EUI 2010). But even one such program will require the combination of firm political will, stable fiscal resources, and basic administrative capacity that have proved instrumental in the South African case.

For middle-income countries in Africa (and elsewhere), other lessons emerge. One is that an extensive system of cash transfers is feasible and sustainable. Another lesson is that an exclusive focus on social assistance might carry the risks of problematic interactions with social insurance systems and incentives for private provision of social security. It might also displace the expansion of social insurance from the policy agenda, which is particularly problematic for middle-income countries that will eventually need to graduate toward a system where social insurance plays an increasing role. In this sense, the complete reliance on social assistance to address social protection in South Africa is more of a cautionary tale.

ECONOMIC BENEFITS FROM IMPROVED NUTRITION

Harold Alderman

A primary challenge for nutrition policy in low-income settings is to position nutrition as an investment rather than simply as a form of social spending that governments grant poor people. Economic benefits from improved nutrition can be identified in at least six distinct categories:

1. Reduced infant and child mortality
2. Reduced costs of health care for children, infants, and neonates (newborns less than one month old)
3. Productivity gain from improved physical capacity
4. Productivity gain from increased cognitive ability
5. Reduction in costs of chronic diseases
6. Intergenerational benefits through improved health of mothers

Placing precise numbers on the economic value of such benefits, however, involves overcoming a number of difficulties. For example, it remains challenging to determine the causal impact of malnutrition on productivity due to difficulties in separating causes of malnutrition from other causes of poor schooling that also affect lifetime productivity. Analyses of school-aged populations are often unable to examine long-term adult outcomes. Conversely, adult attainments usually have limited data on childhood conditions. Furthermore, even when data are adequate to distinguish the impact of severe deprivation, it is not clear that the outcome attributed to one cause has the same economic consequences as a similar outcome that is primarily due to a different cause.

Despite these issues with precise measurement, malnutrition is commonly thought to affect future earnings by leading to a delay in school initiation. Such a delay leads to reduced overall years of schooling and/or later entry into the labor force. In the former case, the expected loss of lifetime earning is straightforward; there is a large body of evidence that verifies that each additional year of schooling completed leads to increased earnings on average. For example, a review of 63 datasets from 42 developing countries found the average return to be 8.3 percent and 7.5 percent in urban and rural areas, respectively, for each year of schooling completed. In the latter case, the delayed entry into the labor force may influence overall years of earning, and, even if it doesn't, it has a cost in terms of delaying earnings and thus the delay reduces the discounted future stream of earnings. A growing body of longitudinal studies confirms the hypothesis that such delays are common consequences of nutritional shocks.

Investment priorities, however, seem not to have shifted substantially on the basis of such studies. It is not immediately clear why economic investments often fail to follow from such evidence. Quite possibly, economists believe that economic growth will, by itself, eliminate undernutrition. If so, they are mistaken in that belief. Data from household surveys as well as from cross-country comparisons regularly confirm that income growth, even when evenly distributed throughout a population, has only a modest impact on undernutrition rates. Overall anemia rates are even less responsive to income growth.

Conversely, evidence suggests that nutrition investments are as good a means to achieve such balanced growth as any other tool economists may want to employ. Thus, good nutrition programs may themselves help reduce the need to invest in future nutrition programs. Apart from its contribution to equity, however, nutrition is largely a private good. Therefore, in addition to the question of why public investment in nutrition is low, economists need to understand why private investment is also low. Possible reasons include the fact that credit markets are imperfect so that a cash-constrained household cannot borrow on the future earnings of their child. Moreover, households may have incomplete information or misperceptions on the returns to human capital investments. Another reason why nutrition may receive insufficient household resources is that the adults who make the household investments do not have perfect altruism. Men and women may differ in their preferences for investments in nutrition of their children or stepchildren. To the degree that these conditions hold, they provide a rationale for public investment in nutrition in terms of economic efficiency beyond any equity motive.

In summary, while the evidence on the average benefits from improved nutrition in terms of subsequent productivity can always be improved, it is fairly robust. Nevertheless, there is a need to understand the heterogeneity in both the returns to investments in nutrition and in the costs of service delivery. Finally, any means to lower the artificial barrier between investments in social welfare and investments in economic growth will assist in the application of such research to public policy.

SHORT-TERM SOCIAL NEEDS AND LONG-TERM GROWTH: THE PRODUCTIVITY IMPACT OF SOCIAL EXPENDITURES

Ousmane Badiane and John Ulimwengu

African governments face considerable pressure to focus on short-term solutions to poverty because of the large number of poor and vulnerable people in their countries, which comes at the expense of attacking poverty and food and nutrition insecurity at their roots by raising productivity and incomes in the long term. As long as countries have to operate under extremely tight budget constraints, strategies need to be devised that maximize the contribution of social services to labor productivity in agriculture and the rural economy, such as helping to meet both equity and efficiency goals. The real issue here is not one of reallocating expenditures on social services to agriculture; rather it is a shift away from thinking that resources spent on education, health, and safety nets are lost to agriculture. This could be achieved by identifying and prioritizing the types of social expenditures that have the highest impact on productivity among the poor and vulnerable.

To illustrate the scope for maximizing productivity effects through an optimal mix of social services, we analyzed the impact of health expenditures on disease prevalence and thereby on labor productivity among rural Ugandan households using the 2006 Uganda National Household Survey. The categories considered in the study include household health expenditures on consultation fees, medicines, and hospitalization.

Figure 2. Efficiency effects of a 10 percent change in different types of health expenditures for all diseases

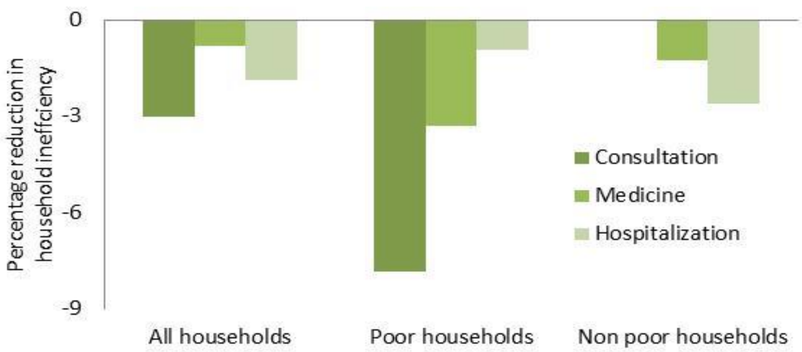
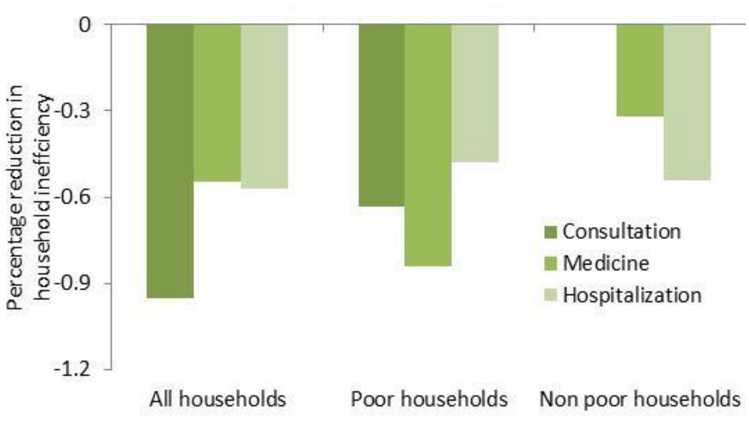


Figure 3. Efficiency effects of a 10 percent change in different types of health expenditures for malaria



Source: Authors' calculations.

Figures 2 and 3 summarize the efficiency impact of health service spending changes by poor and nonpoor households. Because illness reduces efficiency, we modeled the impact of health expenditures in terms of an induced reduction in inefficiency related to morbidity. Across all households, expenditures on consultation services for all diseases have by far the largest impact in reducing morbidity-related inefficiency. The effect is four times more effective than the reduction achieved with medicine-related spending changes and twice as effective as changing hospitalization spending. The same is observed for expenditures to control malaria. Here too, the efficiency impact of expenditures on consultation services is significantly larger. The relative importance of health services expenditures varies significantly between poor and nonpoor households. Among poor households, however, consultation services continue to dominate. In the case of malaria, the impact of expenditures on medicines exceeds that of consultation expenditures, but both are still relatively important.

Among nonpoor households, expenditures on hospitalization have the highest efficiency impact, in both scenarios. Strikingly, though, expenditures on consultation services appear to have no significant impact on efficiency among these households.

Our findings suggest that there is indeed scope to raise the morbidity and efficiency impact of health programs to control diseases in general and malaria in particular by better targeting. Health programs could become more effective through better targeting to more adequately meet the divergent needs of poor as compared to nonpoor segments of the population. For instance, programs could emphasize greater access to consultation services. In the case of malaria, greater access to consultation services, in addition to the traditional focus on treatment, would also significantly improve morbidity control among poor households. Global and county level health programs to control malaria as well as other diseases often emphasize treatment, human resource development, and program management. To the extent that these programs underinvest in improving access to consultation services relative to investments in construction and management of hospitals and subsidization of the cost of medicine, they tend to favor nonpoor over poor households. Though it is true that the latter also benefit both from more and better managed hospitals as well as cheaper drugs, the poor seem to benefit far more from greater access to consultation services. This could be achieved through subsidies and other interventions to reduce or eliminate consultation fees, as well as through education and other outreach programs.

This example illustrates the scope for stretching funding for social services to achieve greater and more immediate impact on productivity among the poor and vulnerable and thereby reduce future demand for social protection while raising the capacity of economies to meet such needs. What has been shown here for health would also apply to nutrition and education services.

FUTURE RESEARCH ON SOCIAL PROTECTION IN AFRICA

Ousmane Badiane and Fleur Wouterse

Two major developments will determine the future demand for social protection in African countries. The first is a result of decades of economic decline and stagnation that preceded the recent economic recovery and kept poverty at high levels for a long time. Recent projections indicate that most African countries would need to sustain an agricultural sector growth rate of at least 6 percent per year in order to achieve the first Millennium Development Goal of halving poverty by 2015. Such a performance would require double digit rates of growth in public spending in the sector. Yet, this would still leave the average rate of poverty in African countries at around 30 percent (Fan et al. 2008; Badiane et al. 2011). The second development involves the transition to more democratic, pluralistic political systems combined with faster economic growth and a more vocal urban segment of the poor and vulnerable population. This combination is bound to lead to growing demand for social protection and increasing pressure on governments to respond or face certain social upheaval.

These two developments imply that African countries will be confronted with a challenge that is twofold (see the previous section by Badiane and Ulimwengu): finding sufficient resources to invest in both accelerating growth and meeting the cost of providing social services to large numbers of poor and vulnerable people. Meeting this challenge is further complicated because most African countries operate under tight budget constraints and have so far had limited experience with social protection programs. Unlike their Latin American and Asian counterparts, countries in Africa (with the exception of South Africa and Ethiopia) largely rely on traditional, family-based safety nets and formal pension schemes. The latter cover only a small fraction of employees in the formal sector while the former have come under pressure due to rapid urbanization and are disintegrating rapidly.

The developments set out above raise at least two major strategic research questions. First, how can scarce public sector resources be stretched to achieve the highest possible economic growth while facilitating access to social services for the largest number of poor and vulnerable people? This requires a better understanding of the synergies between public expenditures, access to social services and related outcomes, productivity growth in agriculture, and poverty reduction. Greater empirical evidence regarding the manner in which different categories of public expenditure on education, health and even nutrition can enhance agricultural productivity would help countries reduce competition and duplication of efforts by aligning interventions of different government bodies. The second strategic research question asks how social protection programs can be designed and targeted to allow countries to effectively and efficiently meet their growing needs. A host of safety programs is currently being implemented with different rates of success, costs, and implications for sustainability (see sections by Hoddinott, Klasen, and Woolard). The social protection agenda is driven by several considerations, which are not always compatible (see the section by Devereux and White) while the agenda itself needs to be adapted to the individual country context.

To find out “what works” in social protection, donors and implementers are increasingly calling upon researchers to empirically demonstrate the effectiveness of programs. However, it needs to be recognized that changes in social outcomes can only be attributed to the interventions of a particular social protection program if the impact evaluation meets certain conditions (for example, the evaluation needs to be conceived of at the onset of the program so that control and target groups can be properly identified and pre-intervention baseline data collected). Second, successful scaling up and replicability of programs crucially relies on the ability of researchers to accumulate evidence beyond the impact and cost-effectiveness of such programs. In other words, in addition to simply demonstrating impact, assessments need to tell us what factors contributed to that impact by uncovering the so-called impact pathways, which is only possible if learning aspects are allowed to be an integral part of any assessment. Evaluations designed in such a way can provide the necessary evidence for rational decisions concerning social protection program designs that adapt to country-specific contexts and motivate governments to integrate these programs into broader growth and poverty-reduction policies.

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