

THE BUSINESS CASE FOR SOCIAL PROTECTION IN SUB-SHARAN AFRICA

Concept Note on the Research Agenda

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The objective of this concept note is to clarify a set of outstanding issues related to the overarching research question of the forthcoming WOTRO call on social protection:

How do formal and informal social protection programs and initiatives in Sub-Saharan Africa affect strategic dimensions of Inclusive Growth and how (cost-) effective are they in comparison to other interventions that aim to achieve the same objective? How does the design of formal programs interact and enhance effective complementarity with existing informal systems? In which cases do social protection programs have added value over or complement alternative policies in contributing so specific Inclusive Growth objectives?

1. Objectives of the research: what do we want to understand?

The main objective of the research as identified by the Platform members and the Platform's Steering Group is to investigate where and when social protection packages have complementarity to or subsidiarity over alternative policies to achieve the objective of Inclusive Growth. The research should focus on a comparison of different interventions aimed at the same objective. Furthermore, the research should be relevant for Africa and inform policies and ongoing policy debates.

The objective of the research in itself is clear. In other words, the objective of the research is to understand to what extent and under what conditions social protection interventions are cost-effective investments to achieve inclusive growth. **It is important to emphasize that the research should not only consider direct and short-run effects, but also analyze indirect and long-term effects.** There is already a lot of evidence on the former stemming from impact evaluations. This evidence should be used for the analysis of cost-effectiveness of different interventions and contribute to a better understanding of the more indirect and long-term effects that ultimately contribute to inclusive growth. The key point here is that the focus of the envisaged research should go beyond pure impact evaluations.

The focus on inclusive growth for the purpose of this research call may be too broad. Inclusive growth can be considered as the ultimate policy goal. Given that social protection affects growth through various transmission channels (see also section 5 on pathways), the objective of the research should be to understand how social protection impacts intermediate objectives such as the accumulation of human capital, investment in, protection and accumulation of productive assets, labor market participation and the generation of local multipliers and spillover effects. Social protection is a powerful tool to alleviate

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monetary poverty in the short-run. In the longer run, we expect that it also enables social mobility. In this vein, a good measure of inclusive growth is the change in status from poor to non-poor (immediate effect), and the probability that a poor child becomes a non-poor adult.

From a cost-effectiveness perspective, the analysis ideally compares the effects of i) no social protection interventions, ii) social protection intervention, and iii) social protection interventions combined with other (complementary) policies. It is important to include the option of 'not doing anything' as this may entail considerable long-term costs for a society. In countries without social protection, this option also reflects the baseline against which new interventions can be compared. Within the domain of social protection, it is possible to compare different types of interventions (within-sector comparison) and think about the optimal design of social protection programs for inclusive growth. Research will provide insight into the cost-effectiveness of different social protection instruments given a certain objective. The third aspect considers the effect of combining social protection interventions with other (complimentary) activities. For example, education, health or active labor market policies may be more effective if supplemented with social protection policies.

It is most likely beyond the scope of the proposed call to include a comparison with alternative policies beyond the realm of social policies, though it would be interesting to compare rates of returns for different types of investments (e.g. comparing social protection with infrastructure or agriculture policies). Complementarity and subsidiarity may be analyzed across a set of social policies, presuming that they aim at achieving the same goal. For example, in order to increase the human capital of the society (which is a pre-requisite for inclusive growth, see the discussion on the pathways below), a government can increase the supply of education (e.g. by building schools) or they can increase the demand by removing credit constraints through the provision of social transfers. Combining the two policies may even lead to outcomes that are in sum more than what could be achieved apart.

An additional objective of the research should refer to the analysis on how inclusive growth objectives can be included in the design, implementation and evaluation of social protection interventions.

2. What do we mean by strategic dimensions of inclusive growth?

The Steering Committee wishes to clearly define the strategic dimensions of inclusive growth that would be at the center of the research. The recently published Call Strategic Actors uses the concept 'inclusive development'. For the forthcoming call on social protection, framing the research with respect to inclusive development is appropriate as well. Although (inclusive) economic growth remains at the top of the development agenda for SSA, the link with human development is particularly valid when analyzing the costs and benefits of social protection. Inclusive human development is about achievements in income and non-income dimensions of well-being (cf. Call Strategic Actors, p.3). It includes both the reduction of poverty (both in monetary and non-monetary dimensions) and inequality. Given that there is no commonly agreed definition of inclusive growth or development, the formulation as used in the Call Strategic Actors is sufficient for the purpose of this new Call.

Questions can be raised regarding the definition of strategic dimensions of inclusive development. The six policy domains outlined in the Call Strategic Actors represent a mix of policy outcomes (economic growth, territorial development and spatial differentiation, and quality of governance) and instruments

(employment policies, social protection, basic services). Strictly speaking, the latter three domains can be understood as necessary ingredients to achieve improvements in the first three domains.

Social protection plays a multiple role for the achievement of inclusive development. It affects the proximate, intermediate and ultimate factors of economic growth (Szirmai, 2012). The main objectives of social protection are to guarantee human rights (social, political and economic), promote human development and encourage economic growth. It contributes to economic growth and territorial development (see e.g. the frameworks in World Bank (2012), which is based on Alderman & Yemtsov (2012); Cherrier, Gassmann, Mideros & Mohnen (2013); Barrientos (2012)), reduces poverty and inequality across and between groups and contributes to the quality of governance by strengthening institutions. Social protection also plays a role in the domains of employment policies and basic services. It contributes to the protection and accumulation of human and physical capital and acts as stabilizer for effective demand. It provides means and resources to solve poverty traps by easing credit constraints and covering transaction costs. These features are essential for the successful implementation of effective employment policies and the achievement of universal access to basic services, such as education and health, pointing at the complementarity of social protection and other social policies.

Social protection has both short and long run effects. In the short run, it contributes to the immediate reduction of (income) poverty and inequality and enables access to the labor market and basic services. In the long run, it strengthens economic growth and the quality of governance (through various multiplier effects) and reduces the likelihood of intergenerational transmission of poverty. The key point is that social protection serves as an instrument for social mobility, fostering and sustaining economic performance at the micro (household) and meso (community, region) level, thereby promoting inclusive development.

Considering the strategic dimensions of inclusive development from a social protection lens and how social protection can contribute to inclusive growth and development, the three strategic dimensions as outlined in the Call Strategic Actors serve as suitable framework for the general contextualization of social protection with respect to inclusive development outcomes. However, from a research perspective, it is recommended to further limit the dimensions, c.q. delineate specific aspects of inclusive development that could be considered when analyzing the business case of social protection. Therefore, the focus of the research should be on the role of social protection with respect to the reduction of poverty and inequality, labor supply, productive assets protection and accumulation, human capital development and (local) economic multiplier effects. These aspects can be understood as transmission channels through which social protection interventions contribute to inclusive development (see also section 5).

3. Scope of social protection interventions

Given that there is no commonly agreed single definition of social protection, defining its scope for the purpose of this research might be tedious and not a priori necessary. However, setting certain boundaries would ensure that there is some common ground for the interventions analyzed under this call.

Social protection programs indeed have many different functions. Depending on the specific intervention, it can be protective, preventive, promotive and/or transformative. This grouping into functions was initially framed by the Devereux and Sabates-Wheeler from the Institute of Development Studies (IDS) (2004). A more recent framework considers the objectives and functions of social protection in terms of equity (protecting against destitution), resilience (insuring against impacts of different risks) and opportunity (promoting human capital and access to productive work) (World Bank, 2012), whereby 'opportunity' reflects the promotive and transformative functions of the IDS framework.

A single intervention can cover one or more of these functions. A direct cash-transfer to a poor household is protective, but if it is regular and provided over a longer term, it also increases the resilience of this household against certain risks. If the transfer is conditional to certain behavioral requirements, it also functions as a promotive instrument with potential long term effects. The transformative function is achieved when the right to the transfer is, for example, enshrined in national legislation. There is no need to limit the research to any of these functions as each contributes to inclusive development in its own way. Moreover, given that a certain intervention can be designed to cover several functions simultaneously, it would be interesting to see studies that compare the cost-effectiveness of different program designs and how they contribute to the overall strategic objective of inclusive development.

Given that the focus of the call is on countries in Sub-Saharan Africa, social protection interventions that are supporting the poor and vulnerable should be at the core of the research. Boundaries should relate to the formality of the intervention (i.e. focus on formal social protection interventions), and to programs that are regular and (to be) implemented at a national scale (i.e. one-off interventions, emergency support and/or pilot projects are of lesser interest). These boundaries can be justified with reference to the Social Protection Floor Initiative (ILO Recommendation 202), which argues in favor of universal basic social protection schemes. Preference should be given to the analysis of non-contributory social protection interventions, which are financed from general government revenues (with or without official development assistance). Although most SSA countries have formal contributory social protection schemes, these programs cover only a small fraction of the population. They are targeted at civil servants and other formal sector workers, population groups that generally do not belong to the poorest. However, it might be interesting to see the difference in cost-effectiveness between extending contributory social protection schemes and investments in non-contributory interventions. This could also be part of a dynamic long-term analysis whereby non-contributory social protection interventions are replaced by contributory schemes over time, assuming that social mobility would pick up and informal workers enter the formal labor market.

4. Scope of alternative interventions

The Platform members discussed the definition and scope of 'alternative' interventions in the context of the overarching research question. The choice of alternative interventions has to be considered in light of the specific outcome to be achieved through social protection intervention. If we agree that social protection contributes to inclusive growth, though indirectly and through various transmission channels, the question is whether alternative interventions would achieve the same.

The definition of alternative policies is linked to the definition of social protection (see section 3) and the objectives of the research (see section 1). A narrow definition of social protection confined to formal contributory and non-contributory transfers in cash and in kind would allow seeking for alternatives within the broader social policy context. Education, health and labor market policies, for example, would then serve as alternatives, which can be considered as complements or substitutes of social protection interventions. This would also open research into the cost-effectiveness of demand and supply side measures and to the extent both demand and supply side interventions are needed in order to achieve inclusive development, given a specific country context.

As already indicated in section 1, comparing the costs and benefits of social protection interventions with other sector policies is methodologically very challenging and most probably beyond the scope of the envisaged terms of research in the forthcoming call. Still, studies that aim at comparing rates of returns for investments in different policy sectors would greatly contribute to the business case of social protection.

In line with the research objective, the most important policy alternatives to be investigated are i) no social protection at all, ii) 'pure' social protection interventions, and iii) social protection supported with complimentary policies.

5. The 3 pathways through which social protection can impact positively on inclusive growth

In addition to the overarching research question, three pathways are identified through which social protection can positively impact inclusive growth. It is envisaged that research projects would cover one or more of these three pathways. The (four) pathways, as originally proposed by Alderman and Yemtsov (2013), refer to social protection as i) enabling households to invest in their future, ii) assisting households in managing risks, iii) creating community assets, and iv) relaxing political constraints. While these pathways undeniably play a role for the way in which social protection interventions impact economic growth, an alternative approach would consider the transmission channels that link social protection with inclusive growth (see World Bank, 2012; and Alderman & Yemtsov, 2012). Transmission channels work at three different levels: at i) households, ii) communities, and iii) at national level. Social protection enables households to manage risks. Households invest in human capital and productive assets. At the community level, social protection interventions have the potential to create local multiplier effects and may contribute to asset development (e.g. through public work programs). At the national level, social protection interventions can stimulate aggregate demand, contribute to social cohesion and enable policy reforms. The pathways as defined by Alderman & Yemtsov (2013) are implicitly included.

Any research trying to measure the cost-effectiveness of social protection for inclusive growth needs to consider the different transmission channels (or pathways) as there is no direct link between social protection and economic growth. The frameworks in World Bank (2012), Alderman and Yemtsov (2012), Barrientos (2012) and Cherrier et al. (2013) are better suited to guide the envisaged research output, as it allows the distinction between household level, community level and macro-level. Note that the latter is the most difficult to assess and most probably beyond the scope of the forthcoming call.

Given the scope of the envisaged research and the potential data constraints, studies should primarily (but not only) focus on the household level. Social protection serves as a measure to prevent and mitigate risks. If the risk is manageable, households make the necessary investments, and that is what eventually contributes to economic growth and inclusive development. Household-level analysis also allows for the analysis of distributional impacts of policy interventions, which is much more challenging at the macro-level and therefore often neglected. However, researchers should be given freedom as to which level (micro, meso, macro) they would like to cover.

The policy space is relevant from a macro perspective and is important to be analyzed as it is linked to political economy arguments of social protection. Political economy is important when analyzing the willingness to reform policies and invest in social protection. As such it is a precondition for social protection investments. It is also important for the specific design of interventions, e.g. whether or not to target, whether or not to attach conditions, whether or not to decentralize etc. So, the policy space argument plays a role in the analysis of institutional conditions, determines the feasibility of social protection interventions, and the willingness of governments to allocate resources.

Policy space as defined by Alderman and Yemtsov (2013) may indeed play a role in the decision whether or not to invest in social protection. Social protection policies have the potential to enable policy reforms in other areas, as shown by Alderman and Yemtsov (2013). From a research perspective, social protection should be studied in its own right. The fact that it may allow governments to introduce painful reforms in other policy areas could be considered as a positive side-effect. But the benefits of the reform should then be attributed to the other policy in order to avoid double-counting.

6. Interaction of formal and informal social protection mechanisms

Undeniably, formal and informal social protection mechanisms are closely linked. So far, there is not a lot of evidence whether formal social protection crowds out informal support mechanisms, and, if so, it is debatable whether this is a negative development. Many argue that formal mechanisms can relieve the pressure on the informal support systems. As argued above (section 3), the research should focus primarily on formal social protection interventions. But, research proposals that include Informal support mechanisms as alternative policy (c.q. lack of formal policy) or as complimentary to formal social protection interventions should not be a priori rejected. Finally, the complementarity with or substitution of informal systems could even be considered as a separate research question.

7. Politics of social protection

The political economy dimension is crucial for social protection. First and foremost, it is the underlying rationale for the envisaged research. While there is a common agreement in the donor community on the potential of social protection in the fight against poverty and inequality, many low-income governments are still reluctant to invest in nationally-owned social protection systems. The usual arguments based on human rights, impact studies, and affordability assessments have not been successful (see for an overview Cherrier et al., 2013). It also remains to be seen whether the ILO Recommendation 202 on national social protection floors will induce low-income countries to invest in social protection. More arguments are needed in order to create political (and fiscal) space at the national level.

The questions raised by the Platform (how do different political regimes support the concept of inclusive growth and social protection and how do they design and implement social protection programs once they come into power? What are the institutional conditions?) are key for a better understanding of why certain governments invest in social protection and others not, what triggered their commitment, and what institutional factors are decisive. It is most probably beyond the scope of the forthcoming call as it requires a different type of analysis. In order to understand the institutional determinants of social protection engagements, both quantitative (cross country comparison) and qualitative studies (in-depth case studies) could shed light on the topic.

8. Methodological questions

Given the nature of the research question and the preference for short-term smaller research projects, studies should be encouraged that use existing data which permit the analysis of direct and indirect effects of social protection on factors contributing to inclusive growth. It is expected that most analyses would use a quantitative approach based on micro-level data such as household surveys and/or administrative data. The preferred time-frame of one year hardly allows for the collection of new primary data. This also means that studies will have to focus on countries for which micro-level data and other statistics are available.

Qualitative research methods are especially suitable for the analysis of non-economic factors that influence the pathways through which social protection impacts inclusive development. It could also be used for more explorative studies to understand the barriers (and opportunities) inhibiting households to invest in human capital and productive asset accumulation and/or participate in the labor market. Furthermore, a more qualitative approach could provide insights into the institutional barriers that inhibit governments from investing in social protection, thereby focusing on political economy aspects of social protection. Finally, qualitative studies may also be used to analyze the role of cultural differences impacting the effectiveness of social protection interventions.

Country case studies have the advantage (and disadvantage) of being highly context-specific. They can be tailored to ongoing national policy debates, which guide the selection of social protection interventions and alternative policies given a certain objective. Based on a set of country case studies, a number of overarching factors that determine the cost-effectiveness of different social protection interventions may be identified at the end of the project. This could then guide follow-up research that would test the generalization of these factors across countries.

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