

2018
**Social
Protection
Conference**
KENYA



Financing Social Protection

Subject Financing Social Protection
Presenter Dr. Michael Samson
 Economic Policy Research Institute
Date 21 March 2018

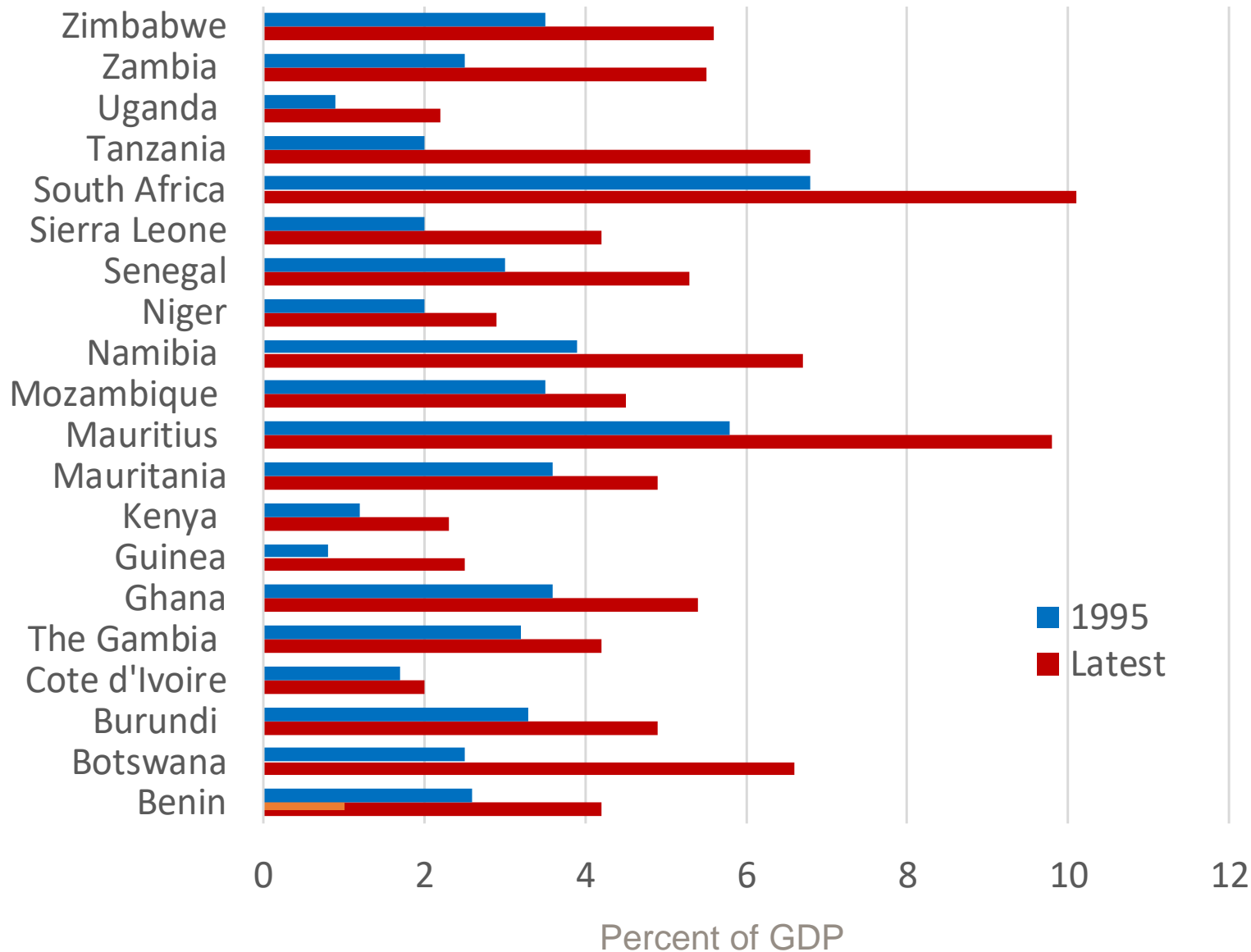
Overview



- Overview
- Social protection financing patterns and trends
- Social protection costing tools
 - Static tools and their pitfalls
 - The role of dynamic costing models
- Financing options
 - Traditional models for financing
 - Innovative options
- Financing inputs versus outcomes and the impact on the political economy of finance
- The role of comprehensive inter-sectoral approaches
- Conclusions



Public spending on social protection



Public spending on social protection



	% of GDP
North Africa	5.9
Sub-saharan Africa	2.7
Asia and the Pacific	4.6
Middle East	3.4
Western Europe	18.1
Central and Eastern Europe	13.7
Latin America and the Caribbean	5.8
North America	11.0
World	9.9

Static costing models



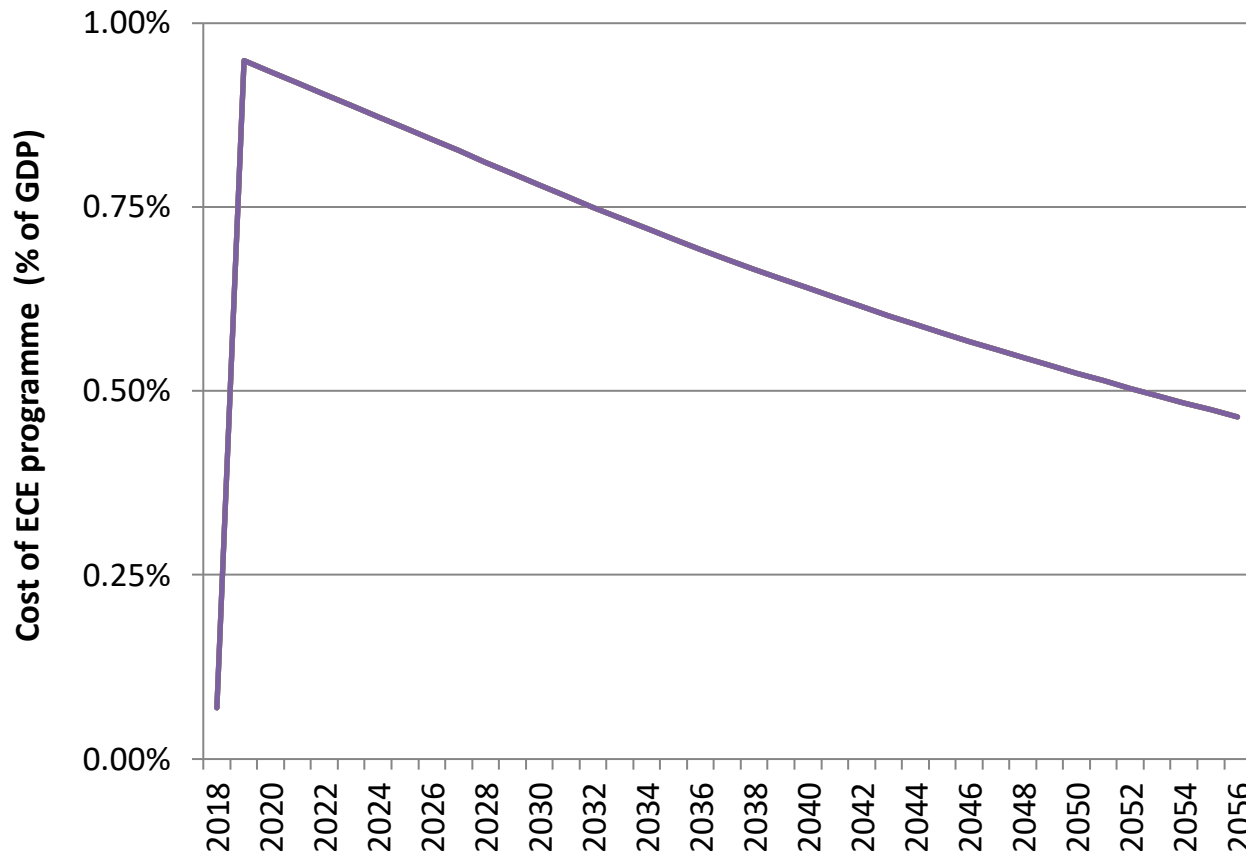
- $\text{Cost} = (\text{Coverage} \times \text{Benefit size}) + \text{Administrative cost}$
 - The main drivers—benefit size and coverage—are policy choices
 - Administrative cost reflects design decisions—targeting and conditionality add substantially to administrative costs
- $\text{Cost (\% of GDP)} = (\text{Coverage as \% of total population}) \times (\text{Benefit size as a \% of per capita income}) \times \text{Admin multiplier}$
 - Example: A programme providing a benefit equal to 12% of per capita GDP to each child, reaching 8% of the population, would require 0.96% of GDP at national scale.

- **Static unit cost models can provide alarmingly high estimates of actual costs, particularly when implementation faces a long scale-up path**

Dynamic costing models

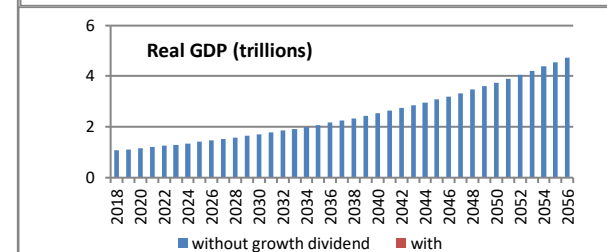
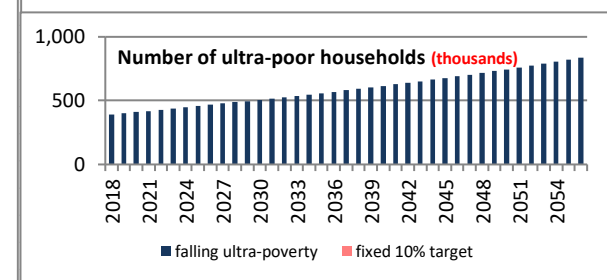
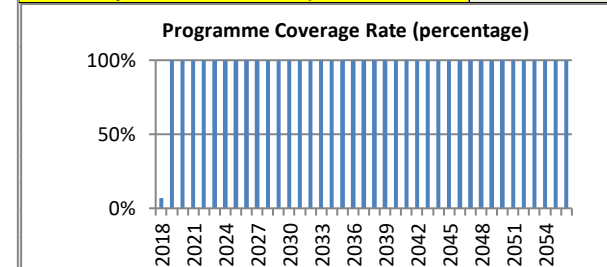


Social Protection Systems Dynamic Costing Tool



- No dividends
- Growth dividend only
- Poverty reduction dividend only
- Growth and poverty reduction dividends

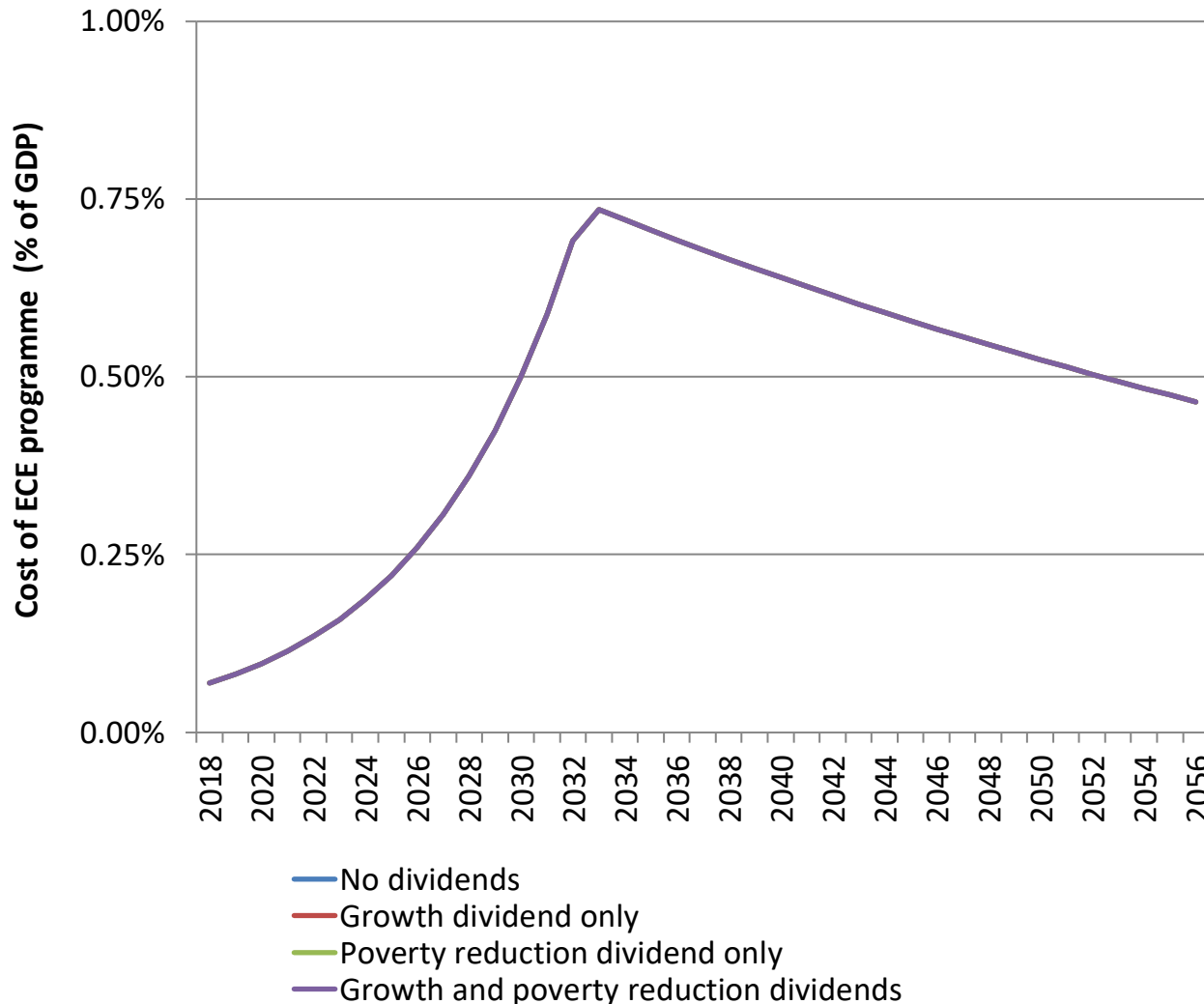
ASSUMPTIONS	
Benefit size	2200
Coverage growth rate	9999%
GDP growth rate (%)	4.0%
Social protection growth impact	0.0%
Poverty reduction impact	0.0%



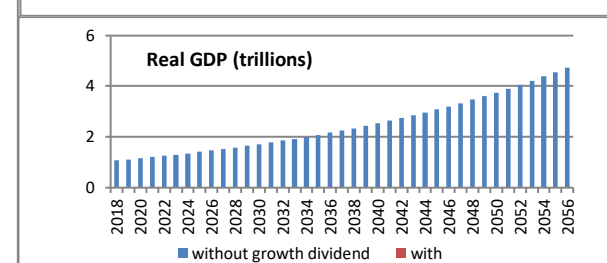
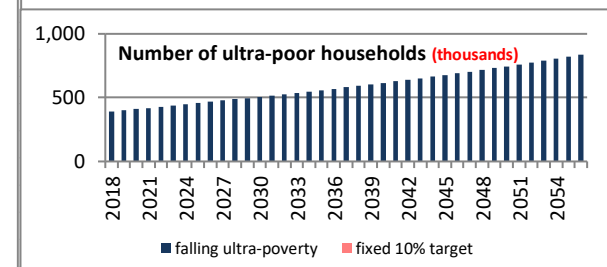
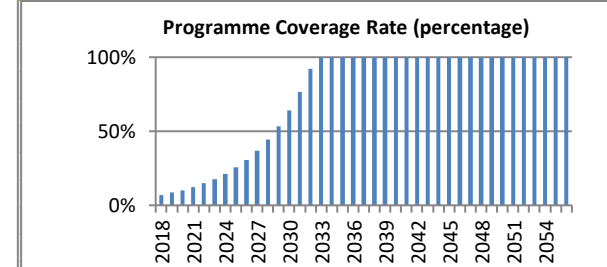
Dynamic costing models



Social Protection Systems Dynamic Costing Tool



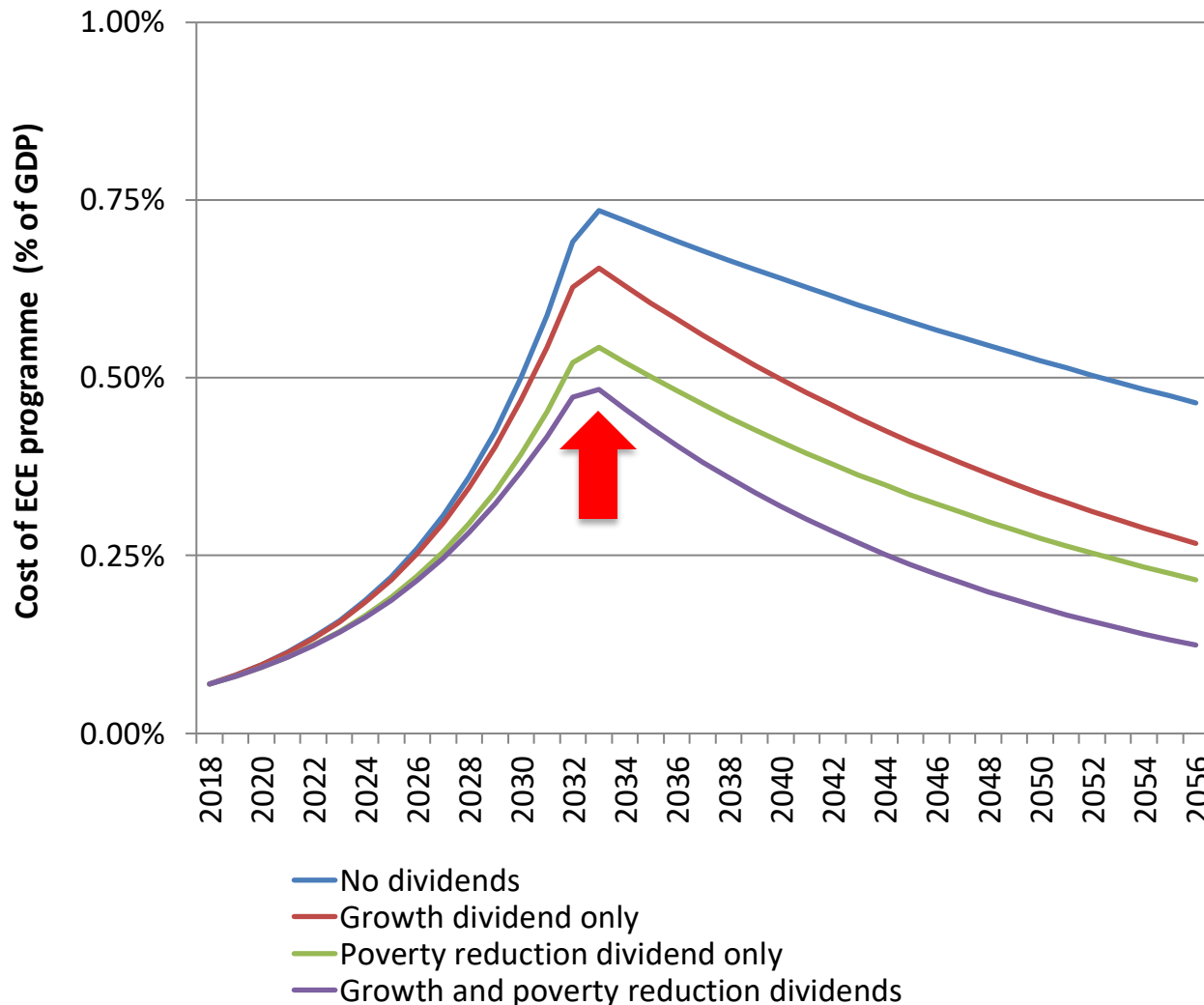
ASSUMPTIONS	
Benefit size	2200
Coverage growth rate	20%
GDP growth rate (%)	4.0%
Social protection growth impact	0.0%
Poverty reduction impact	0.0%



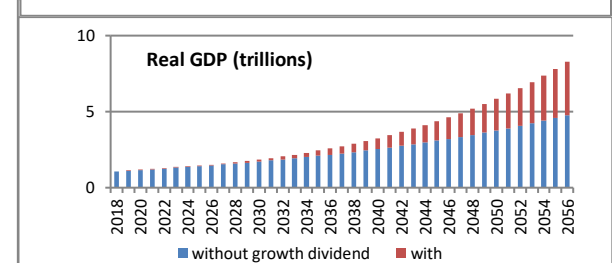
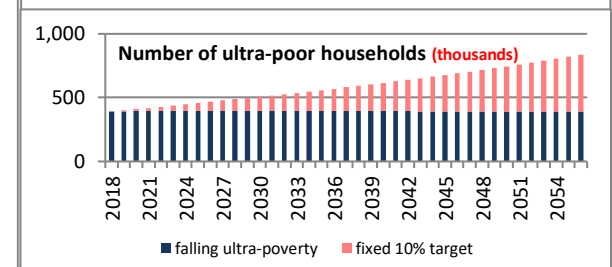
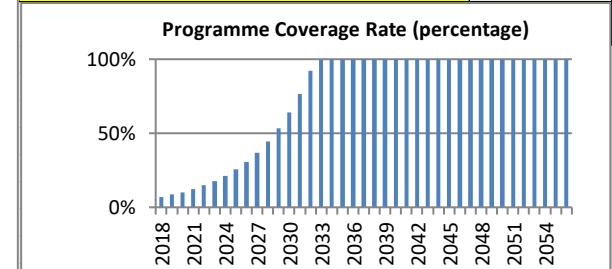
Dynamic costing models



Social Protection Systems Dynamic Costing Tool



ASSUMPTIONS	
Benefit size	2200
Coverage growth rate	20%
GDP growth rate (%)	4.0%
Social protection growth impact	2.0%
Poverty reduction impact	2.0%

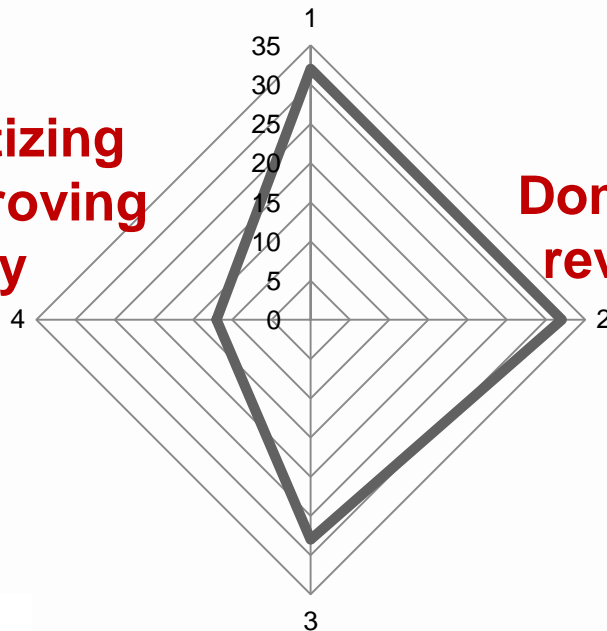


Financing sources



**Development
Partner
Support**

**Reprioritizing
and improving
efficiency**



**Domestic
revenue**

Borrowing



Re-allocation of existing spending:

- Politically challenging because of entrenched interests.
- Harmonising fragmented programmes.

Development partner support can be catalytic.

Borrowing:

- A politically risky option.
- Multi-lateral banks provide billion-dollar loans for social protection.

Domestic revenue (incl. taxation):

- Long-run sustainable option.
- Can reduce tax burden over time.

Innovative funding



- Earmarking taxes
- Natural resource funds (sovereign wealth)
- Price subsidy reform
- Intersectoral councils
- Public/private partnerships
- Equitable distribution models: greater allocations to more vulnerable areas and schools (South Africa)

The role of comprehensive inter-sectoral approaches



- The importance of inter-sectoral synergies in financing social protection and the achievement of the Sustainable Development Goals more broadly
- Financing inputs versus outcomes and **the impact on the political economy of finance**
- How comprehensive inter-sectoral approaches build synergies that multiply developmental impacts

Recent medical research documents the role of social protection in building “cognitive capital”



THE LANCET

October 2016 www.thelancet.com

Advancing Early Childhood Development: from Science to Scale

An Executive Summary for *The Lancet's* Series



“Young children’s healthy development depends on nurturing care—care which ensures health, nutrition, responsive caregiving, safety and security, and early learning.”

- In the past year, leading medical research authorities have done something that their academic medical journals rarely do...
- ...They have weighed in on **global economic policy**...
- ...with a common theme: **“Investing in children (through ECCE and ECD) is the most productive pathway to long-term economic prosperity.”**
- The evidence highlights a key finding: **“Early childhood investments generate extraordinary rates of return—socially and economically—along complex pathways.”**

BMJ Global Health Cognitive capital, equity and child-sensitive social protection in Asia and the Pacific

Michael Samson,^{1,2} Gaspar Fajth,³ Daphne François⁴

ABSTRACT
Promoting child development and welfare delivers human rights and builds sustainable economies through investment in “cognitive capital.” This analysis looks at conditions that support optimal brain development in childhood and highlights how social protection provides these conditions and disrupts the achievement of the Sustainable Development Goals (SDGs) in Asia and the Pacific. Enhancing child-sensitive social protection offers multiple benefits. The region has been a leader in global poverty reduction but the underlying pattern of economic growth exacerbates inequality and is increasingly unsustainable. The strategy of channeling low-skilled rural labor to industrial jobs left millions of children behind with limited opportunities for development. Building child-sensitive social protection and investing better in children’s cognitive capacity could check these trends and bring powerful long-term human capital development—making labor productivity to grow faster than population size. While governments are investing more in social protection, the region’s spending remains low by international comparison. Investment is particularly inadequate when it yields the highest returns: during the first 1000 days of life. Five steps are recommended for moving forward: (1) building cognitive capital by adjusting the region’s development paradigm to reflect better the economic and social returns from investing in children; (2) understand and track better child poverty and vulnerability; (3) progressively build universal, child-sensitive systems that strengthen comprehensive interventions within the care framework; (4) mobilize national resources for early childhood investments and child-sensitive social protection; and (5) leverage the SDGs and other chapters of national and international collaboration.

Key questions
What is already known about this topic? Social protection represents one of government’s most effective interventions for tackling poverty and vulnerability in Asia and the Pacific.
What are the new findings? Child-sensitive social protection, with its prenatal and early childhood investments, nurtures in children “cognitive capital” that not only delivers human rights but also lays the foundation for inclusive social development and equitable economic growth. Governments can maximize long-term returns that address long-term demographic challenges and improve future living standards by substantially increasing child-sensitive social protection within a life cycle framework, and by building stronger linkages, particularly in health, education, child protection and livelihoods.
Recommendations for policy Social protection complements a range of best practices by ensuring that all children have access to nutrition, care, learning and security.

several decades will be those whose leaders recognize that tomorrow’s social inclusion and equitable economic growth depends on their investments in today’s children. Investments in children, particularly in the earliest years, yield dividends that realize human rights and stay today’s giants of inequality, deprivation and economic stagnation. They nurture virtuous cycles with immediate as well as long-term impacts on development. Scaling up these investments to reach each baby offers every child a chance to develop to his or her full potential. Hence, it positions the whole nation better for participating in the new global economy. Financing child-sensitive social protection interventions promises particularly high returns in countries that embrace international collaboration for the Sustainable Development Goals (SDGs), through

Samson M, et al. *BMJ Glob Health* 2016;1:e000191. doi:10.1136/bmjgh-2016-000191

Discussion Paper

Beyond Survival: The Case for Investing in Young Children Globally

G. Huebner, N. Boothby, J. L. Aber, G. L. Darmstadt, A. Diaz, A. S. Masten, H. Yoshikawa, I. Redlener, A. Emmel, M. Pitt, L. Arnold, B. Barber, B. Berman, R. Blum, M. Canavera, J. Eckerle, N. A. Fox, J. L. Gibbons, S. W. Hargarten, C. Landers, C. A. Nelson III, S. D. Pollak, V. Rauh, M. Samson, F. Ssewamala, N. St. Clair, L. Stark, R. Waldman, M. Wessells, S. L. Wilson, and C. H. Zeanah

June 16, 2016

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June 2016, Volume 6, Number 1

PsyCh Journal

Volume 6, Number 1 Editors: Ernst FOPPEL and Jianxin ZHANG

INSTITUTE OF PSYCHOLOGY
Chinese Academy of Sciences

Policies and programmes (INPUTS)

Education investments
Health investments
Nutrition interventions
Social protection
Child protection
Water and sanitation
Social care services
Livelihoods programmes
Infrastructure investment

Policy and programme matrix

Reduced stunting
Human capital development
Healthy strong families
Child well-being
Decent work
Social inclusion
Social development
Economic growth

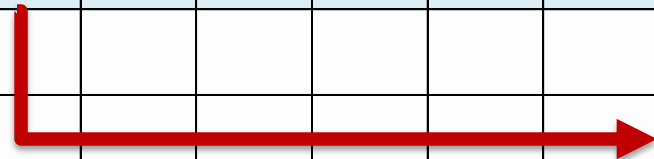
Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

- Education investments
- Health investments
- Nutrition interventions
- Social protection
- Child protection
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- Social care services
- Livelihoods programmes
- Infrastructure investment

Policy and programme matrix



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Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

Education investments

Health investments

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Child protection

Water and sanitation

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Livelihoods programmes

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Policy and programme matrix

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Healthy strong families

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Policies and programmes (INPUTS)

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**CALCULATOR
MODE**

Policy and programme matrix

Reduced stunting	Policy objectives (OUTPUTS)
Human capital development	
Healthy strong families	
Child well-being	
Decent work	
Social inclusion	
Social development	
Economic growth	



Policies and programmes (INPUTS)

Education investments
 Health investments
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**CALCULATOR
 MODE**

Policy and programme matrix

+1								

Reduced stunting
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Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

Education investments	Health investments	Nutrition interventions	Social protection	Child protection	Water and sanitation	Social care services	Livelihoods programmes	Infrastructure investment
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**CALCULATOR
MODE**

Policy and programme matrix

+1									Reduced stunting
							+7%		Human capital development
									Healthy strong families
									Child well-being
									Decent work
									Social inclusion
									Social development
									Economic growth

Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

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Policies and programmes (INPUTS)

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**CALCULATOR
MODE**

Policy and programme matrix

+1

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Child well-being
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Economic growth

Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

Education investments	Health investments	Nutrition interventions	Social protection	Child protection	Water and sanitation	Social care services	Livelihoods programmes	Infrastructure investment
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**CALCULATOR
MODE**

Policy and programme matrix

+1

+6%

Reduced stunting

Human capital development

Healthy strong families

Child well-being

Decent work

Social inclusion

Social development

Economic growth

Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

Education investments	Health investments	Nutrition interventions	Social protection	Child protection	Water and sanitation	Social care services	Livelihoods programmes	Infrastructure investment
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Policies and programmes (INPUTS)

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**CALCULATOR
MODE**

Policy and programme matrix

+1			+1					

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Policy objectives (OUTPUTS)



Policies and programmes (INPUTS)

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Policy and programme matrix

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**CALCULATOR
MODE**

Policy and programme matrix

+1	+1	+1	+1	+1	+1	+1	+1	+1
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Reduced stunting	Policy objectives (OUTPUTS)
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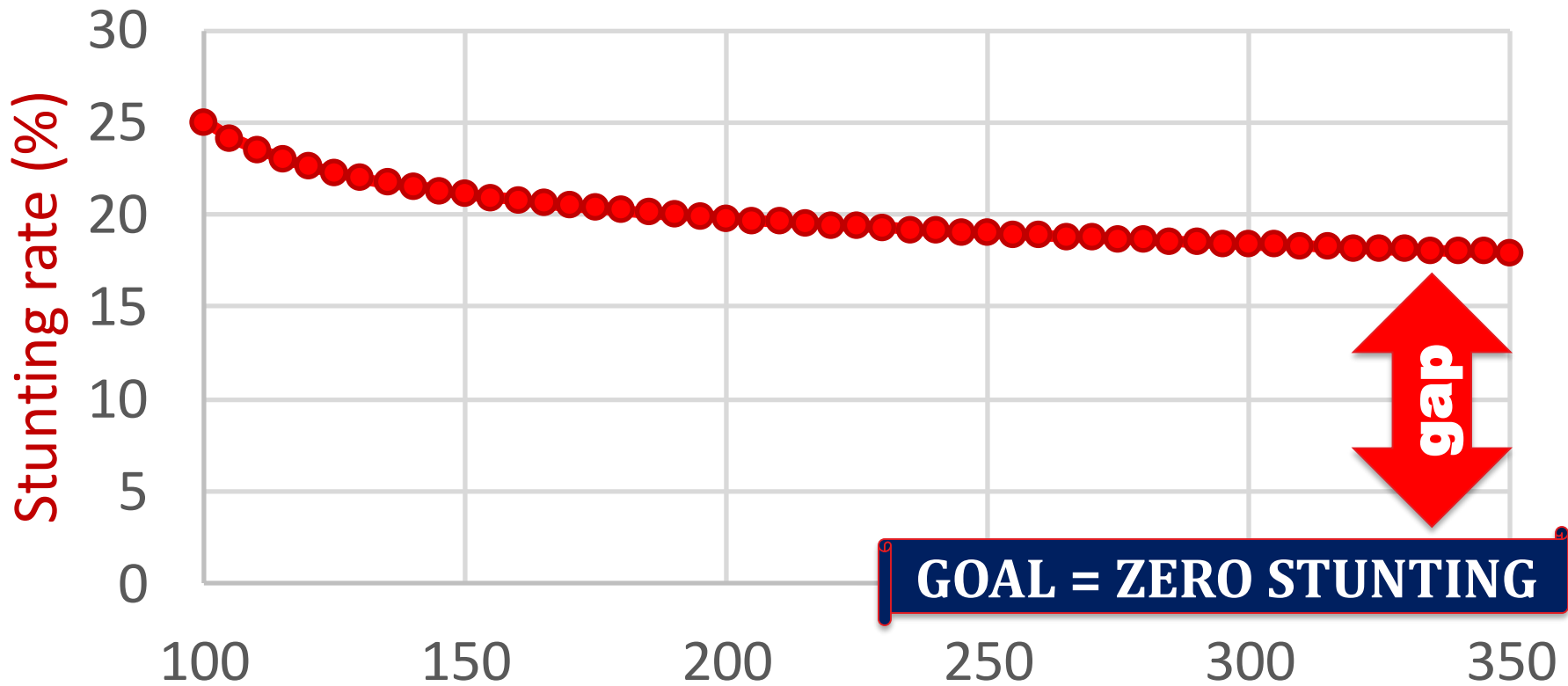
Policy and programme matrix

+1	+1	+1	+1	+1	+1	+1	+ -93%	Reduced stunting
							+84%	Human capital development
							+97%	Healthy strong families
							+89%	Child well-being
							+67%	Decent work
							+47%	Social inclusion
							+78%	Social development
							+6%	Economic growth

Policy objectives (OUTPUTS)

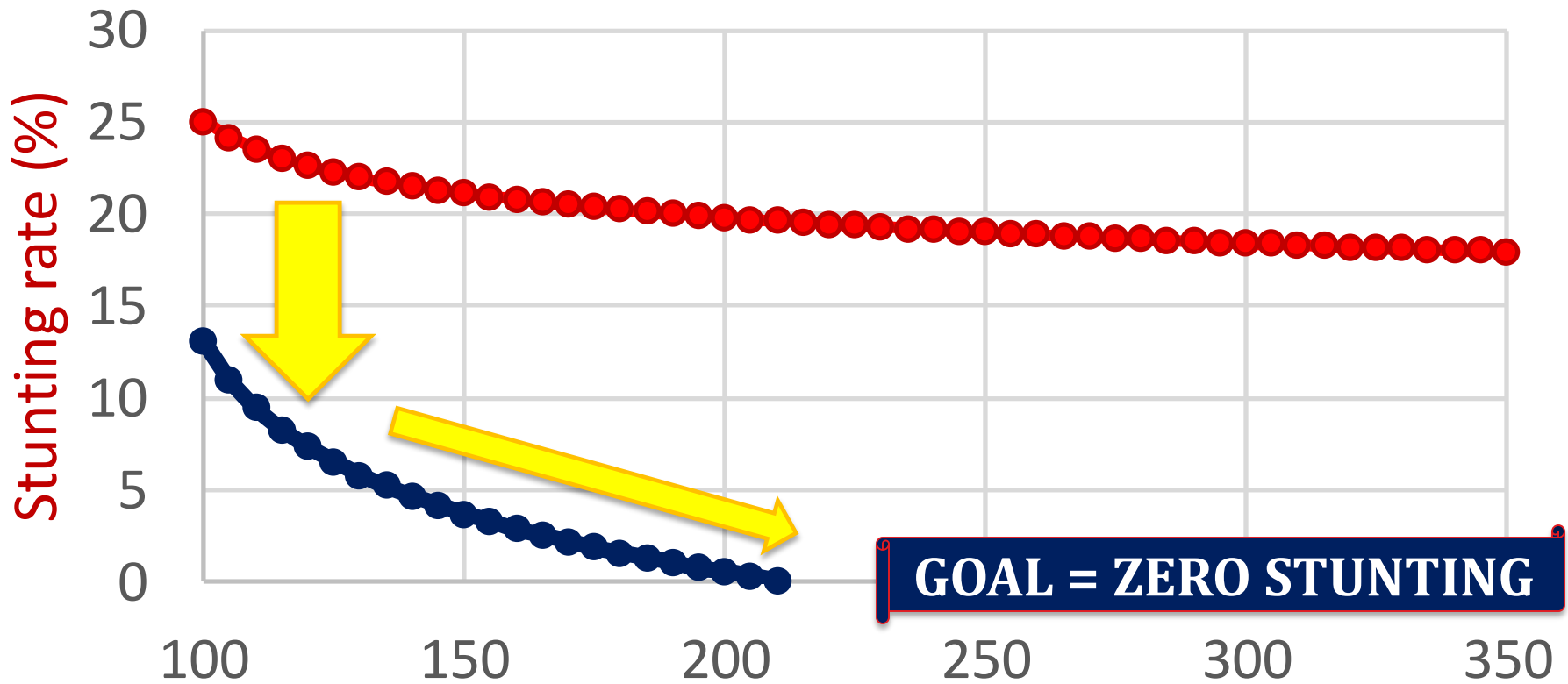


The challenge of single sectoral approaches aiming for complex outcomes (reducing stunting) with a single intervention: single-sector approaches often do not work



Public spending on nutrition
● single sector intervention: stunting rate (%)

Cross-sectoral approaches—including nutrition, health, education, WASH, social protection, and child protection can achieve the SDGs, and more cost-effectively

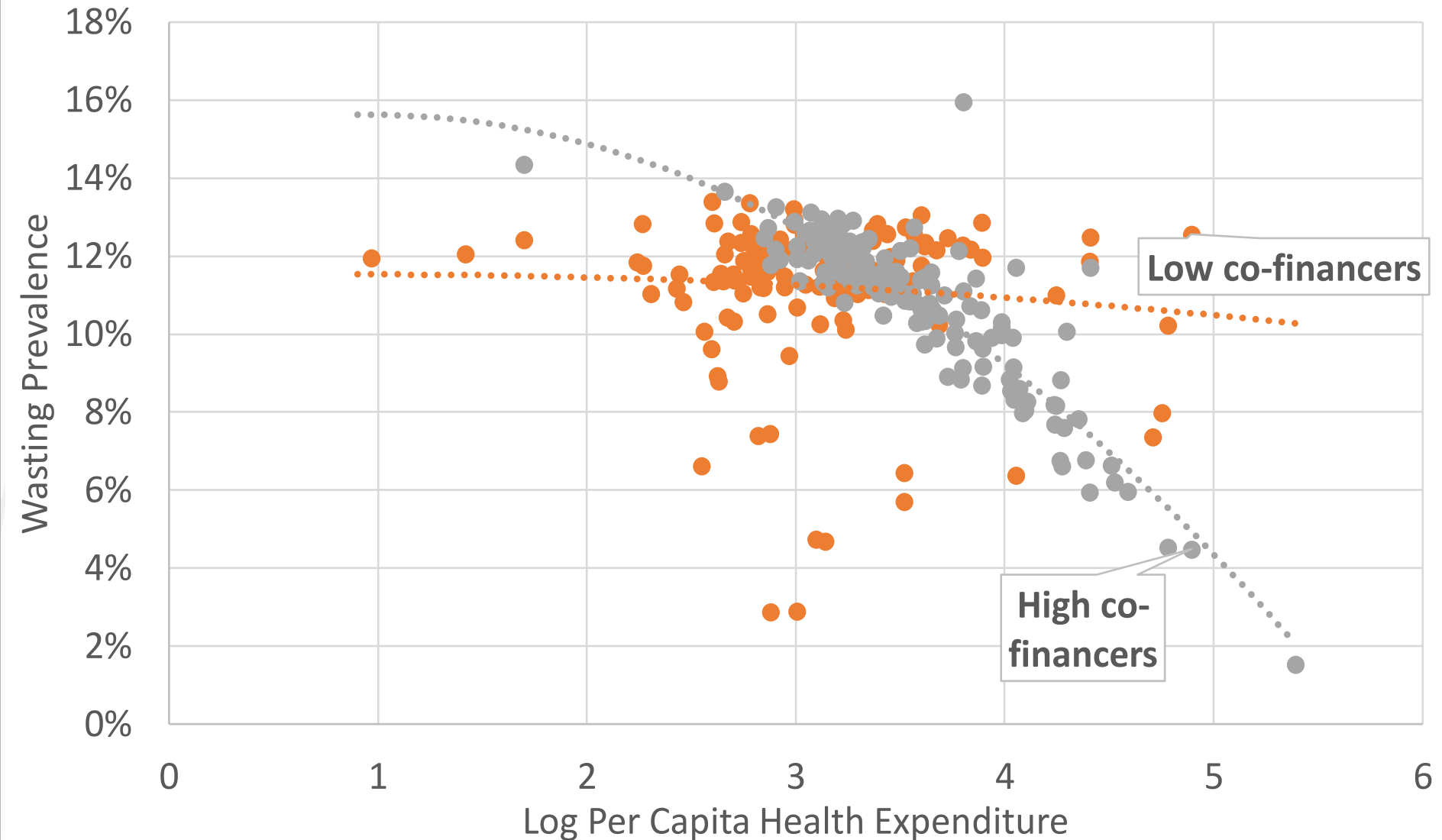


Public spending on nutrition

● single sector intervention: stunting rate (%)

● cross-sectoral intervention: stunting rate (%)

Districts that invest adequately in cross-sectoral approaches find health expenditure is more efficient in achieving nutrition objectives



Conclusions



- Costing social protection systems provides vital information for moving forward to scale
- Costing depends critically on policy choices—and a dynamic costing provides a practical and more inviting financial roadmap
- A range of financing mechanisms exist, and development partners can play a catalytic role
- ***Social protection aims to achieve vital impacts that: ● deliver children's and adults' rights, ● promote equity, ● strengthen child development and other developmental outcomes, and ● build the foundation for inclusive social development and equitable economic growth...***
 - ***...These core aims broaden the framework for costing and financing to include more comprehensive, integrated and effective solutions.***





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Social Protection Conference KENYA

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THANK YOU FOR YOUR TIME