Report

# Getting poverty to zero: financing for social protection in least developed countries

2015
May

Development Initiatives exists to end extreme poverty by 2030

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# Summary

Social protection may be defined as “public actions – carried out by the state or privately – that: a) enable people to deal more effectively with risk and their vulnerability to crises and changes in circumstances (such as unemployment or old age); and b) help tackle extreme and chronic poverty”[1]. It is an umbrella term for various types of approaches, policies, programmes and actions that address deprivation, poverty (for example through providing income security payments, or basic health coverage), or vulnerability to financial (and other) shocks as well as to different types of risk. Social protection is a key element of modern economies, accounting for 30% of government spending in Organisation for Economic Co-operation and Development (OECD) countries.

Evidence indicates that economic growth alone will not be enough to end global poverty by 2030[2]. Given the additional challenge of the increased vulnerability of many of the poorest people globally to environmental risks, conflict and disasters[3], it is likely that ending poverty by 2030 will need sustained investments in social protection programmes, as well as education, health and agriculture.

There has been rapid expansion of social protection programmes worldwide recently. On current trends all countries will have comprehensive systems in the next 50 years. All countries already have at least one social protection programme. Following our shorter briefing *Getting to zero – coverage and financing of social protection in LDCs*[4]*,* this report provides more detail of the current coverage and financing in least developed countries (LDCs), which have populations with high levels of extreme poverty and vulnerability. For those less familiar with social protection the Annex sets out the case for social protection investments in these countries.

The data shows that current coverage of existing social protection programmes in LDCs is insufficient to meet the needs of all those living in extreme poverty and the investments needed to finance adequate coverage in LDCs are not being met by current public spending, domestic or international. The data suggests that ambitious commitments towards financing social protection from both domestic governments and external finance providers will be essential if we are to be sure of achieving the goal of ending extreme poverty by 2030.

[1] Department for International Development (DFID). 2006. “Social protection in poor countries”. Social protection briefing note series, Number 1. A DFID practice paper. http://www.gsdrc.org/docs/open/SP17.pdf
[2] Development Initiatives, Investments to End Poverty 2013.
[3] See p74, Development Initiatives, Improving ODA Allocation for a post-2015 World,’ http://devinit.org/wp-content/uploads/2015/01/DI_UN_Improving-ODA-allocation-for-a-post-2015-world_21-January-20151.pdf
[4] Development Initiatives. (2015) Getting to zero – coverage and financing of social protection in LDCs. Development Initiatives, UK

# Contents

## Key findings

- There is a growing body of evidence of the impact that social protection has on reducing poverty in countries as diverse as Brazil, Ethiopia, South Africa, Malawi, Kenya, India and Rwanda.
- All countries in the world now have at least one type of social protection programme that is targeted at the poorest and most vulnerable people.
- In LDCs these programmes are only reaching 20% of those living in extreme poverty, that is on below purchasing power parity (PPP) $1.25 a day.
- Even where extremely poor people are reached, the level of transfer is much less than that needed to sustainably lift poor people out of extreme poverty. In sub-Saharan Africa, for example, the average value of the transfer is 10% of the estimated 42 PPP cents a day that is needed.
- Current domestic expenditure on all forms of social protection programmes is on average US$10 per person in LDCs, equivalent to just over 1% of gross domestic product (GDP). Most LDCs have some fiscal space to increase their tax revenues and the share of their budget spent on social protection. If all LDCs increased their tax-to-GDP ratio to 20% (from the current average of 17%) and allocated 10% to targeted social protection programmes, spending would rise to 2% of GDP, US$16 per person.
- The current average cost of providing the transfer needed to close the extreme poverty gap in LDCs is US$49 per person per year, around 7% of GDP – taking into account start-up costs, administration costs and leakage. This is less than the latest estimates for achieving the sustainable development goals (SDGs) for education (US$60) and health (US$86). In contrast, OECD countries spending on social protection is significantly more than on health and education combined.
- Even if LDCs increase their spending to US$16 per person, there would be a funding gap of US$33 per person. Current DAC donor funding for all forms of social protection-related programmes in LDCs averages US$4 per person per year. As a result 88% of the financing gap is currently unfunded. This compares with recent estimates of the unfunded element for education at 67% and health 50%.
- The increase in official development assistance (ODA) required to meet financing needs is equivalent to 0.1% of the OECD's gross national income (GNI). Given the priority attached to ending extreme poverty and the limited scope for LDCs to increase their own funding, social protection financing needs should arguably be the first call on increased ODA to ensure the goal of ending poverty is achieved by 2030.

## Current coverage of targeted social protection programmes in LDCs is limited

There has been a marked extension of social security programmes worldwide in recent years. The International Labour Organization (ILO)'s *World Social Protection Report 2014/2015* notes that all countries now have a social security system[5]. As part of these systems, all countries now have some form of social assistance – transfers targeted at the most vulnerable. In particular, the World Bank notes that every country has at least one type of social safety net programme (a non-contributory form of social assistance)[6].

But the coverage is still limited. The ILO estimates that only 27% of the world's population has access to comprehensive social security systems[7]. Further, the World Bank estimates that only

[5] ILO, World Social Protection Report 2014/15, 2014, page v.
[6] World Bank, State of Social Safety Nets 2014, 2014 page xiii.
[7] ILO, 2014 page xxi.

one-third of those that need social security the most – those living in extreme poverty – are covered by social safety nets[8]. In the two most populous LDCs, Bangladesh and Ethiopia – both of which have well-known large-scale programmes – coverage is at best 25%. Even the large scheme in Pakistan corresponds to less than one-fifth of the extreme poor[9]. And while Nigeria has three social protection schemes, they are all small and their total coverage is less than 0.2% of those living in extreme poverty[10].

The recent World Bank *State of Social Safety Nets* report reveals a similar picture. The report compiled information on the largest programmes in each of the five major possible types of safety net: conditional food (mainly school feeding); conditional cash transfers (eg Brazil's Bolsa Familia Global, which is conditional on children attending school); unconditional food (eg emergency food/nutrition); unconditional cash (eg pensions) and public works (such as Ethiopia's Productive Safety Net programme). The World Bank then estimated the total number of beneficiaries and combined the total for these five programmes. This is likely to lead to an overestimate as there will some double counting across the programmes (although in each category there may be smaller programmes whose beneficiaries aren't included).

Not all of these beneficiaries will be living in extreme poverty; even if the programmes are well targeted, some people who are not living in extreme poverty will be included. To estimate the current coverage of the extreme poor, the total beneficiary numbers need to be adjusted for the proportion that is paid to those living above the extreme poverty line – the so-called leakage rate. Earlier estimates assumed a constant leakage rate for all countries[11]. More recent estimates adjusted the leakage rate for a few high-poverty countries[12].

As accelerating progress on social protection requires governments and development partners to have the best available data, we have sought to produce the most realistic and country-specific estimates of the coverage (and hence investments needed to lift everyone above the poverty line). DI's approach for measuring social protection coverage builds on that used in other previous analysis, and assumes that the leakage rate varies in line with the total proportion of people living in poverty. In a poor country where the vast majority of people are living in extreme poverty, the leakage rate is likely to be low. In the extreme if everyone is living in extreme poverty the leakage rate is necessarily zero. A specific targeted scheme may not reach all its intended beneficiaries, but it will instead reach other people living in extreme poverty. In counties like Brazil, where the poverty rate is less than 5%, the leakage rates are much higher, in this case at 49%. The DI approach assumes leakage rates vary from zero to 50% in direct proportion to poverty headcount ratio.

Figure 1 (over the page), shows the estimated coverage based on the World Bank's estimates on the total number of beneficiaries and DI's estimated allowance for the number of people above the PPP $1.25 poverty line unintentionally included in any programme. As the World Bank report includes potential double counting across different programmes, these figures are likely to be overestimates of coverage.

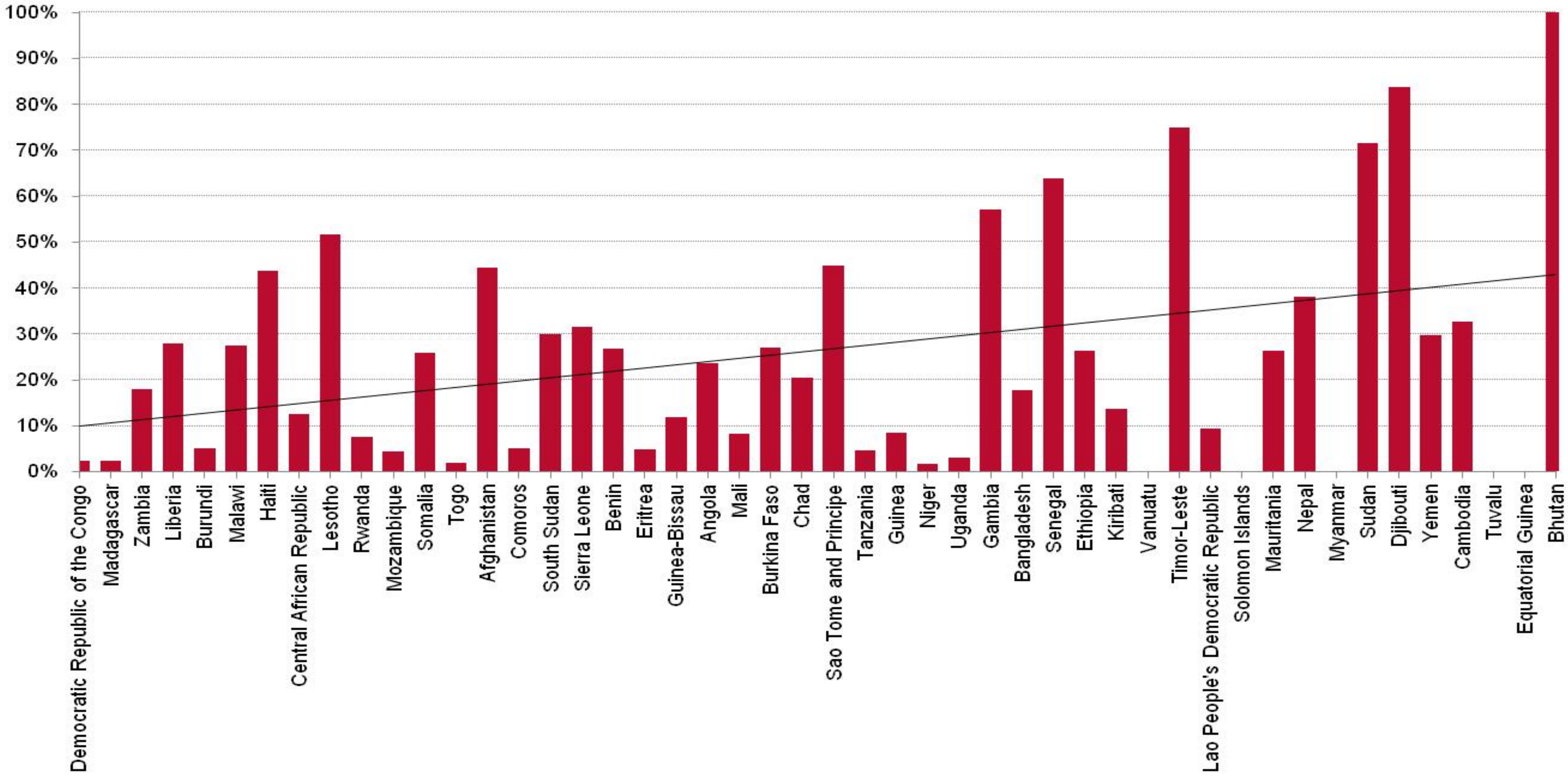
We find that the estimated average[13] coverage of the extreme poor, for all LDCs, is 20%, that is one-fifth of the poorest people are covered by social protection programmes. Only 10 of the 48 LDCs have coverage of more than 30%. There is a clear trend of coverage increasing as poverty gap decreases: countries with the largest poverty gaps are on the left of the graph. It is also noticeable that the countries with the highest coverage tend to have smaller populations.

[8] World Bank, 2014 page xiii.
[9] Ethiopia's Productive Safety Net Programme reaches 7.6 million people compared with an estimated 34.6 million living in extreme poverty. Pakistan's Benazir income support programme reaches 4 million people compared with an estimated 23 million living in extreme poverty. Bangladesh's schemes provide support to around 12 million people compared with an estimated 68 million.
[10] In Nigeria, three schemes cover just 0.2 million people compared with an estimated 108 million living in extreme poverty.
[11] Chandy & Gertz 2011 [*Poverty in numbers: the changing state of global poverty from 2005 to 2015*, Brookings], Kharas & Rogerson 2012 [*Horizon 2025 – creative destruction in the aid industry*, Overseas Development Institute (ODI)] – both assumed Brazilian leakage rate of 50% applied to all countries (ie for every 100 beneficiaries 50 would be non-poor).
[12] Greenhill, Carter, Hoy and Manuel 2015 *Financing the future,* ODI – assumed 43% leakage except for a few high-poverty countries where leakage rates were set to ensure coverage was not more than 100% of the population.
[13] In this report average refers to median to avoid outliers unduly distorting the picture.

Finally, coverage is also less in the poorer countries, where it averages 31% in the lower-middle income LDCs, but just 12% in low-income LDCs. Reaching the poorest people is not easy. In addition to including a proportion of non-poor, many programmes do not necessarily target the poorest people and hence often fail to reach the poorest[14]. Exclusion rates in Brazil are as high as 50% and even higher in Mexico at 70%. In order to eliminate poverty targeting will need to improve and hence the data on poverty and the impact of social protection will need to be strengthened.

Figure 1: Current coverage of the extreme poor in LDCs is at most 20%

Estimated coverage of extremely poor people by the five largest social safety net programmes. Countries ordered by poverty gap: largest on left




Source: DI estimated leakage rates applied to World Bank figures for total beneficiaries (The State of Social Safety Nets 2014).

[14] The proportion of the poor that should benefit, but don't, can be as much as 50%. This is referred to as the exclusion error. Reasons for this include discriminatory measures that inhibit people of low caste joining the scheme and targeting measures that are too costly/difficult for the poor to meet (eg in Zimbabwe many were barred by use of English in completing the forms or need to attend a very limited number of assessment centres) .

## Current levels of cash transfer are too low to lift the poorest people out of poverty

Even if the extreme poor are covered by a social assistance programme, the adequacy of the benefit is limited in the poorest countries. In Ethiopia, the national public works scheme, for example[15], provides just 11 days of employment a year[16].

On the basis of the poverty gap estimates, it is a straightforward calculation to estimate the average transfer required to lift all of the extreme poor above the poverty line. In LDCs, this amount is 42 cents a day in PPP$ terms. A World Bank review of 64 countries reveals that social assistance transfers on average are just 23% of the poor household's income and 5% in sub Saharan Africa[17]. In richer countries, social transfers are more than sufficient to lift households out of extreme poverty. But in sub-Saharan Africa the level of transfers are just 8-10% of what is needed; the income of the poorest people needs to be boosted by 40-50%[18] while transfers typically increase incomes by just 5%, ie 10% of that needed[19]. In these countries the resources transferred are too limited to sustainably lift poor people out of extreme poverty.

## There are technical solutions to increasing social protection coverage

The current limited coverage is not a fundamental technical problem of scale or capacity. Large-scale social assistance programmes – covering millions of people – are now well established in many Latin American countries and are being implemented in many Asian countries. The World Bank estimates that over one billion people now participate in at least one type of social assistance programme[20]. There has been a rapid expansion in the number of social assistance programmes in sub-Saharan Africa in recent years[21]. These include successful pilots in a wide range of challenging environments – smart cards in Niger[22], mobile ATMs to reach ex-combatants in the middle of the Democratic Republic of Congo jungle and emergency programmes in the middle of the Somalia conflict. Provided sufficient time is allowed and adequate investment is made in the set up (typically 3-5 times the annual running costs), it would seem technically possible to establish large scale coverage programmes in most, if not all countries, in the world. In the poorest countries where most of the population are living in extreme poverty or where poverty is concentrated in specific areas, ensuring all the poor are reached is relatively straightforward through either a universal or simple targeted approach. The challenge is harder in rich countries where people living in extreme poverty are dispersed across a much larger population.

The decision to introduce large scale social protection programmes is fundamentally a question of political choice for each country. However, an additional challenge – especially in the poorer countries – is the financial constraint: the costs of financing social protection and the current levels of domestic and external financing available. The rest of this paper focuses on LDCs, where the combined challenges of poverty and resource constraints are the most acute.

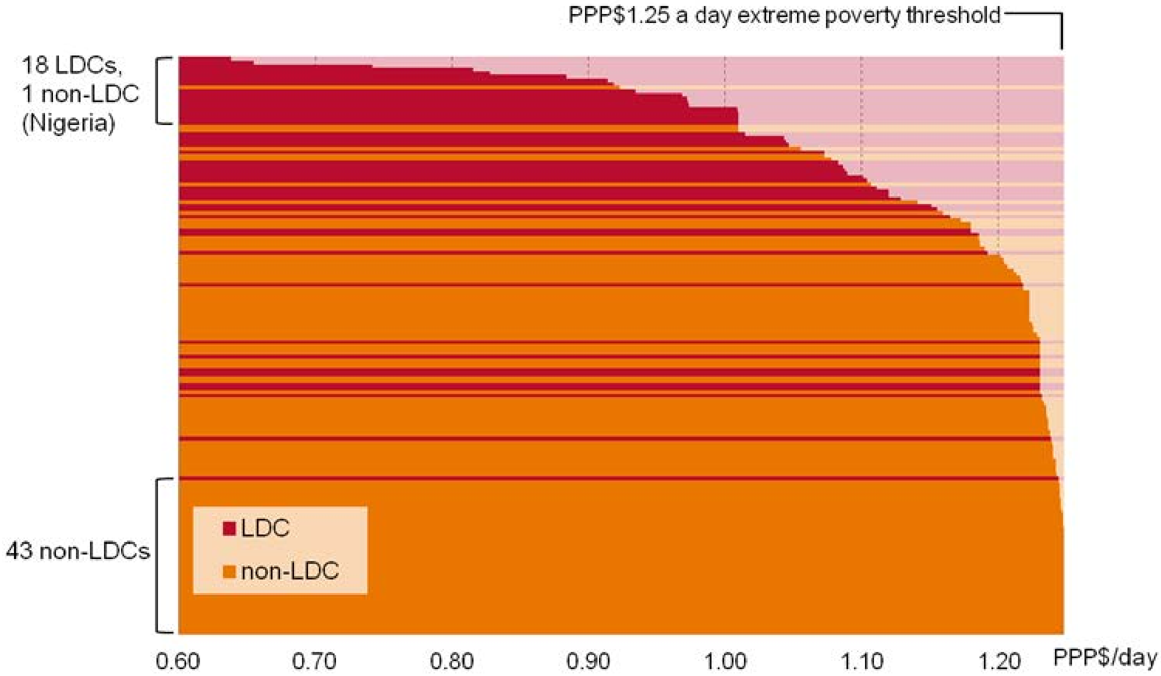
[15] Productive Safety Nets.
[16] The Department for International Development (DFID), Annual review of DFID support to the programme, 2013.
[17] World Bank, 2014 page xiv. This is average for the 64 countries in Atlas of Social Protection: Indicators of Resilience and Equity (ASPIRE) database that have full coverage. Most of the countries (55) covered are middle-income MICs.
[18] World Bank, 2014 page 31.
[19] Although the rest of this paper focuses on the LDCs group, data for this section of the analysis comes from the World Bank 'Aspire' datasets, from which it is not possible to analyse the financing gap in cash transfers required in countries outside of sub-Saharan Africa.
[20] World Bank, 2014.
[21] In 2010 only 21 countries had some form of unconditional cash transfer programme in place. By 2013 the number had almost doubled. World Bank State of Social Safety Nets, 2014.
[22] World Bank, 2014: Reducing Poverty and investing in people – the new role of safety nets in Africa, Page 49.

## The poverty gap is greater in LDCs

More than one third (36%) of those people living in extreme poverty in 2011 were in LDCs, some 360 million people. The depth of this poverty –ie how far on average the population of the country is below the poverty line – tends to be far greater in LDCs. Some 18 of the 19 countries with the largest poverty gap are LDCs (Nigeria being the one non-LDC), while none of the 43 countries with the shallowest extreme poverty levels is a LDC[23].

Figure 2: Poverty is deepest in LDCs

Poverty gap, World Bank figures



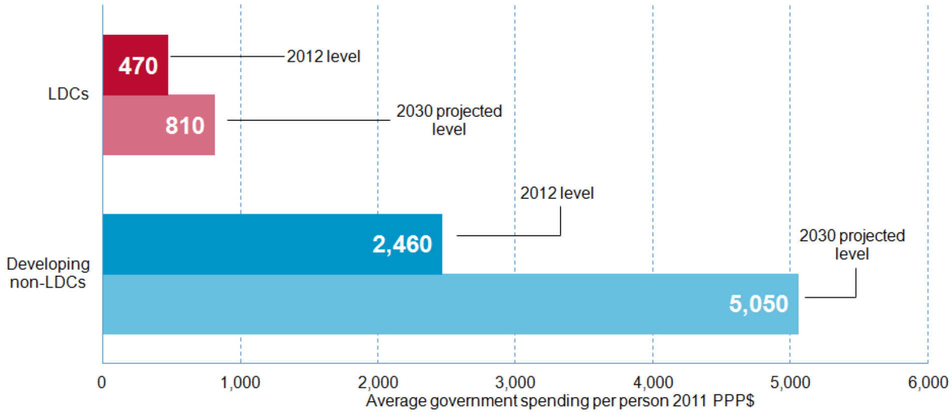

## Domestic resources are low in LDCs, and will remain so after 2015

Government spending is one way to measure the domestic capacity of LDCs to finance their own development. LDCs capacity is limited by the size and structure of their economies. For example, it is much harder to raise taxes when a large proportion of the population are subsistence farmers or work in the informal sector. As a result, LDCs can afford much lower levels of government spending than other developing countries can. Average government spending per person in LDCs in 2012 was less than one fifth of that in non-LDCs. While spending in LDCs is set to increase two-thirds by 2030, spending in other developing countries is forecast to more than double. This sees the gap widen such that by 2030 LDCs' domestic capacity will be one sixth of that of other developing countries.

[23] Income data for 2011 (at 2005 purchasing power parity) taken from the World Bank's PovCalNet dataset. Note that some LDCs are not covered by this. World Bank estimates of global poverty assume the geographical average for extreme poverty in 'missing data' countries. This likely to understate the level of poverty. The other charts in this paper draw on ODI country based poverty estimates

Figure 3: LDCs have relatively lower domestic capacity, which is set to become even more pronounced

Government spending per person, 2011 PPP$, LDCs and non LDCs




Source: DI calculations based on IMF World Economic Outlook, World Bank and Oxford Economics data.

## Cost of ending extreme poverty in LDCs through cash transfers is similar to the cost of other critical goals

One approach to assessing the required level of finance is provided by the ILO. In 2008 they estimated the costs of basic social security (excluding health) in 12 countries, with the average cost for the seven LDCs covered being 5.1% of GDP[24]. This is similar to the social protection spending target of 4.5% of GDP set by African Union Ministers of Social Welfare in Windhoek in 2008.

Given the SDG1 focus on extreme poverty this paper also looks at an alternative metric: the cost of a perfectly targeted cash transfer that would be needed to end extreme poverty, making due allowance for leakage, start up and administration costs.

The costing approach adopted here builds on similar earlier approaches[25]. These all made allowance for leakage rates and some also included the ILO standard assumption on administration costs of 15% (rates for Mexico and Brazil have now fallen to between 3–6% partly as a result of increased use of technology).

The new elements in the DI approach:

1. As described earlier the leakage rate is not fixed, but varies in line with the proportion of the population living in extreme poverty.
2. Allowance is made for start-up costs equal to four times annual running costs, with the costs spread across 15 years.

Despite the different approach, DI estimates are of the same order of magnitude for the limited number of LDCs covered by ILO. The average DI estimate for the seven LDCs covered by the ILO is 5.3% compared with ILO's own estimate of 5.1%. This approach allows all LDCs to be costed on the basis of a common outcome – the end of extreme poverty. For all LDCs, DI estimates the average cost to be 6.5% of GDP and the total cost in all LDCs to be US$46 billion each year.

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[24] ILO, 2008: Can low income countries afford basic social security, Social Security policy briefings paper 3/

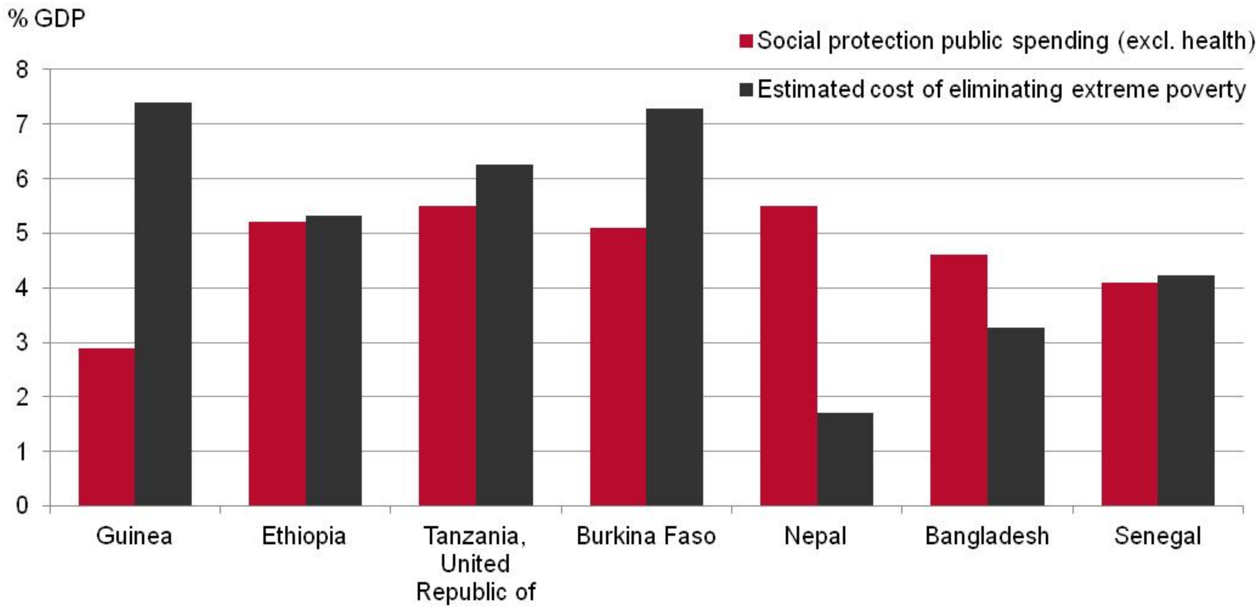
[25] Eg Chandy & Gertz 2011 [*Poverty in numbers: the changing state of global poverty from 2005 to 2015*, Brookings] Kharas & Rogerson 2012 [*Horizon 2025 – creative destruction in the aid industry*, ODI] and Greenhill, Carter, Hoy & Manuel 2015 [*Financing the future,* ODI]. The cost estimate also draws on ODI 2015 *Financing the future* poverty gap estimates for some of the few countries not covered by World Bank PovCal data set.

The cost in a typical LDC amounts to **US$49 per person per year**. This is about the same amount of spending needed in other key complementary areas. For example, the United Nations Educational, Scientific and Cultural Organization (UNESCO) Education for All estimates universal education to cost US$60 per person in LDCs[26] and International Task Force on Health estimate US$86 per person for universal healthcare[27].

DI analysis also shows that there is a significant variation around these averages. In countries with large poverty gaps, costs are more than US$150 per person. In countries with small gaps, the average is less than US$5 per person. As the needs vary so much it is critically important to look at the costs and the finances available in each country. This variation also underlines the point that decisions on social protection can only be taken on a country-by-country basis and that national leadership is essential.

Figure 4: DI cost estimates are of same magnitude as ILO estimates

ILO cost of social protection excluding health and DI estimate of transfer to end poverty including allowance for leakage, administration costs and start-up costs, % of GDP




## Current domestic spending on social protection in LDCs is 20% of required levels

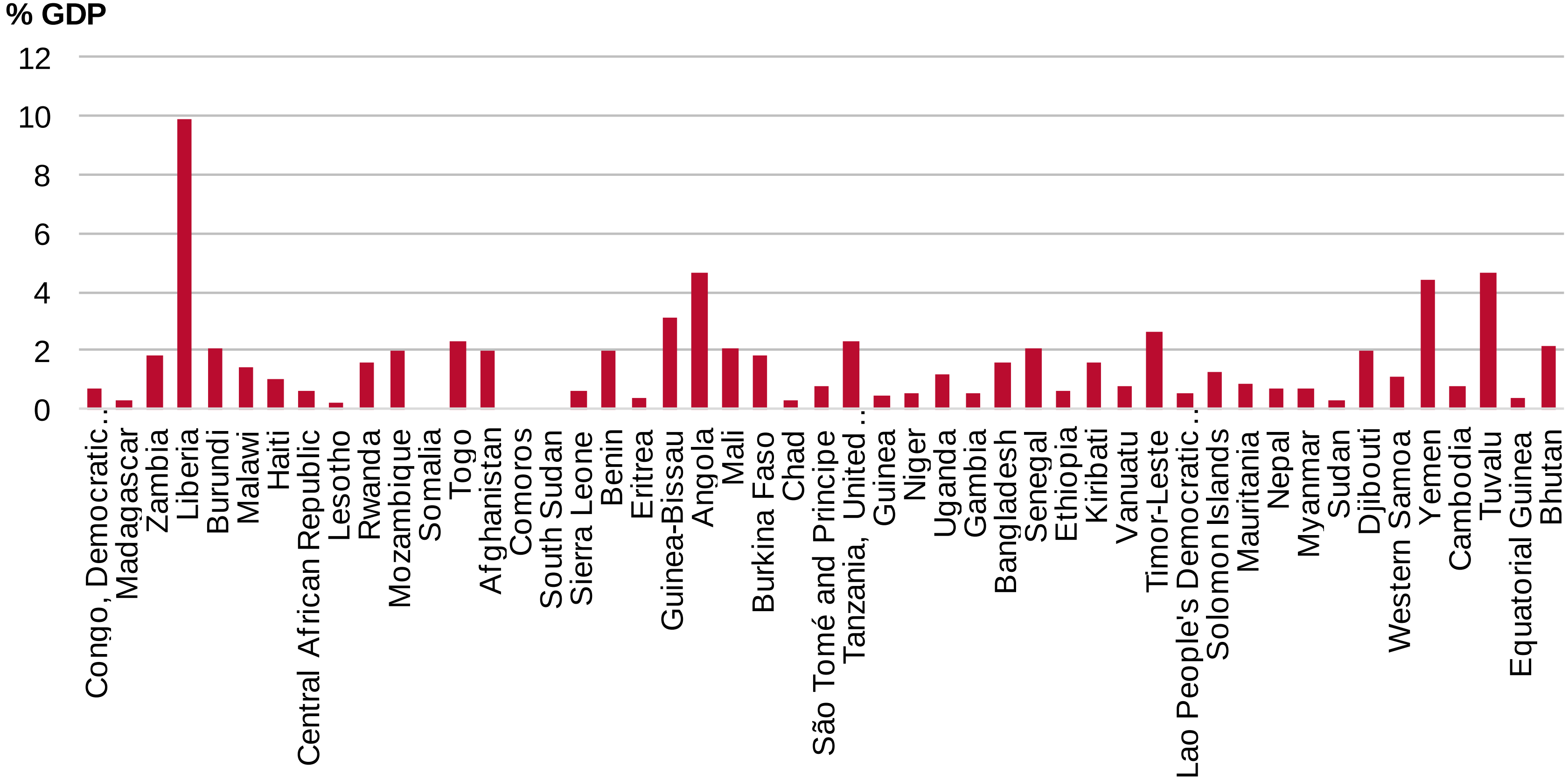
In *World Social Protection Report 2014/2015*, the ILO compiled expenditure figures for most LDCs (Figure 5). These may overstate the level of domestic spending funded by domestic resources as they may include some spending funded by external grants. They will inevitably also overstate what is being spent for the extreme poor as they cover all social protection programmes and not just those targeted at the most vulnerable. For example, the largest element in most LDCs is non-contributory pensions, which only benefit those in formal employment. Beneficiaries are unlikely to be living in extreme poverty (although some of this pension may well be shared with poorer family members). The report reveals that few countries currently spend anything close to 5% of GDP. The average for LDCs is just 1.2% of GDP, equivalent to US$10 per person per year. The high figure for Liberia (nearly 10% of GDP) is very old (late 2000s) and probably reflects a high level of humanitarian spend in the middle of the conflict. The other high spending countries are mainly former members of the Soviet Union.

[26] UNESCO Education for All Global Monitoring Report Policy Paper 18 *Pricing the right to education* (2015). Cost includes pre-primary, primary and lower secondary education for the 45 LDCs covered in the report (all low income or lower middle income).
[27] As updated by the Centre on Global Health Security Working Group on Health Financing, Chatham House (2014).

The next three figures (Figures 5–7) show spending as a percentage of GDP, spending compared with costs per person per year and spending as a proportion of costs. In the poorer LDCs, the costs are much higher as the average transfer required is greater (the poverty gap is deeper) and poor people are a much larger proportion of the total population. In the very poorest, the costs are more than US$100 per person per year.

Figure 5 Current domestic spend on social protection is much less than 4.5% of GDP target

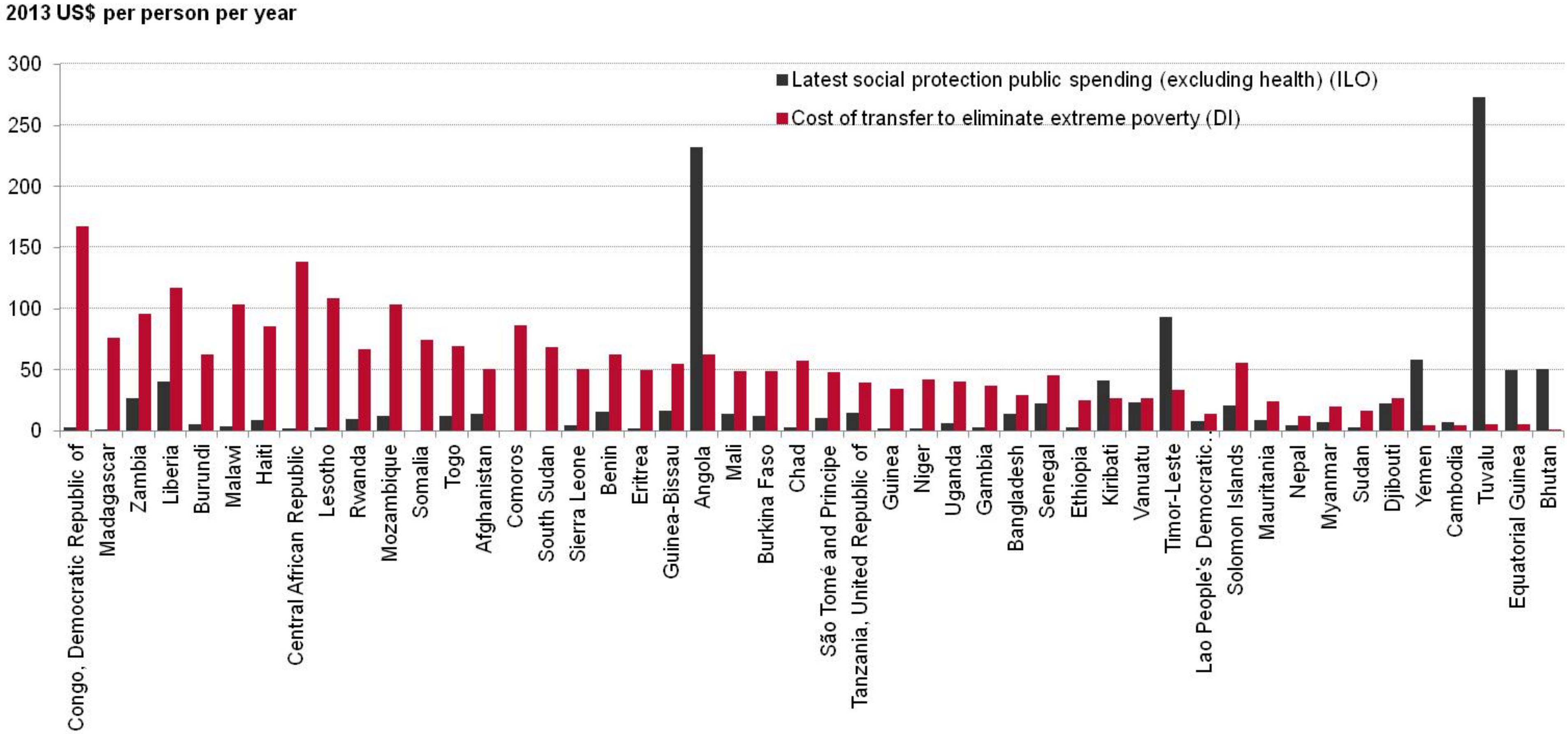
ILO excluding health, % of GDP. All least developed countries (LDCs), low-income countries (LICs) and lower-middle income countries (LMICs). Countries ordered by GNI per capita




Source: ILO World Social Protection report 2014/2015

Figure 6: Current spending in LDCs is much less than is needed – US$10 per person per year on average compared with US$49 required

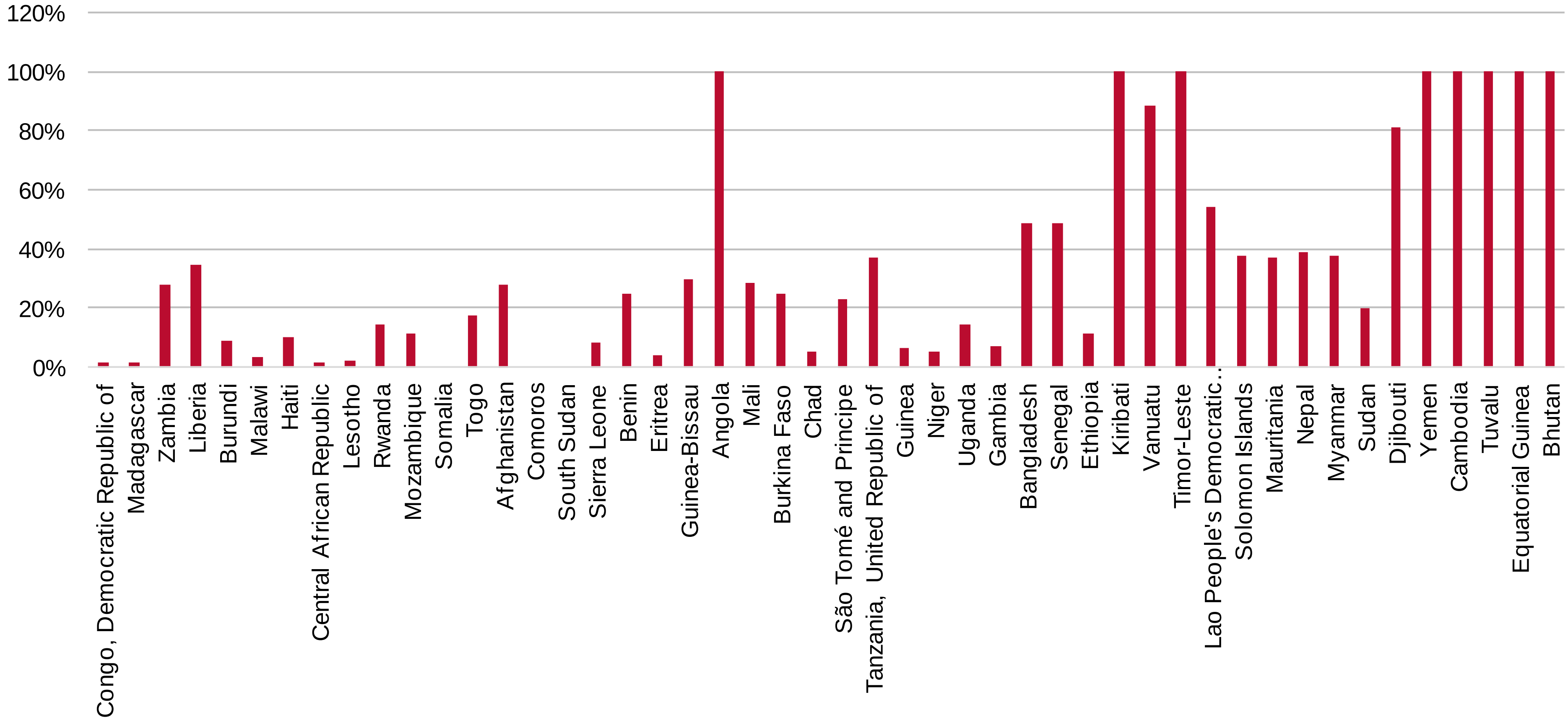
DI's estimated cost of transfer needed to end extreme poverty compared with ILO's estimate of current total spend on social protection (excluding health). Costs in US$ per person per year for all LDCs, countries ordered by poverty gap: largest on left




Source: DI estimates based on World Bank Povcal data and ILO World Social Protection report 2014/2015

Figure 7: In LDCs current spending on average is only 20% of the amount required to end extreme poverty

ILO's estimate of current total spending on social protection (excluding health) as a percentage of DI estimated cost of transfer needed to end extreme poverty. All LDCs ordered by poverty gap, largest on left. Countries where spend is more than 100% are shown as 100%.




Source: DI estimates based on World Bank Povcal data and ILO World Social Protection report 2014/2015

There is potential for LDCs to increase both their revenues and their share of spending on social protection[28]. But even if all LDCs increased their tax/GDP ratio to 20% (up from an estimated 17%)[29] and allocated 10% to targeted social protection programmes (so total spend is 2% of GDP), this would only amount to an average US$16 per person per year compared with average requirement of US$49 per person per year, leaving an external financing requirement of US$33 per person per year.

## Donor spending on social protection in LDCs is limited

There is no agreed OECD DAC definition of ODA for “social protection”. A simple definition would include only aid for social welfare, but this excludes relevant spending for instance on school feeding programmes, which the World Bank notes are the most common form of safety nets.[30]

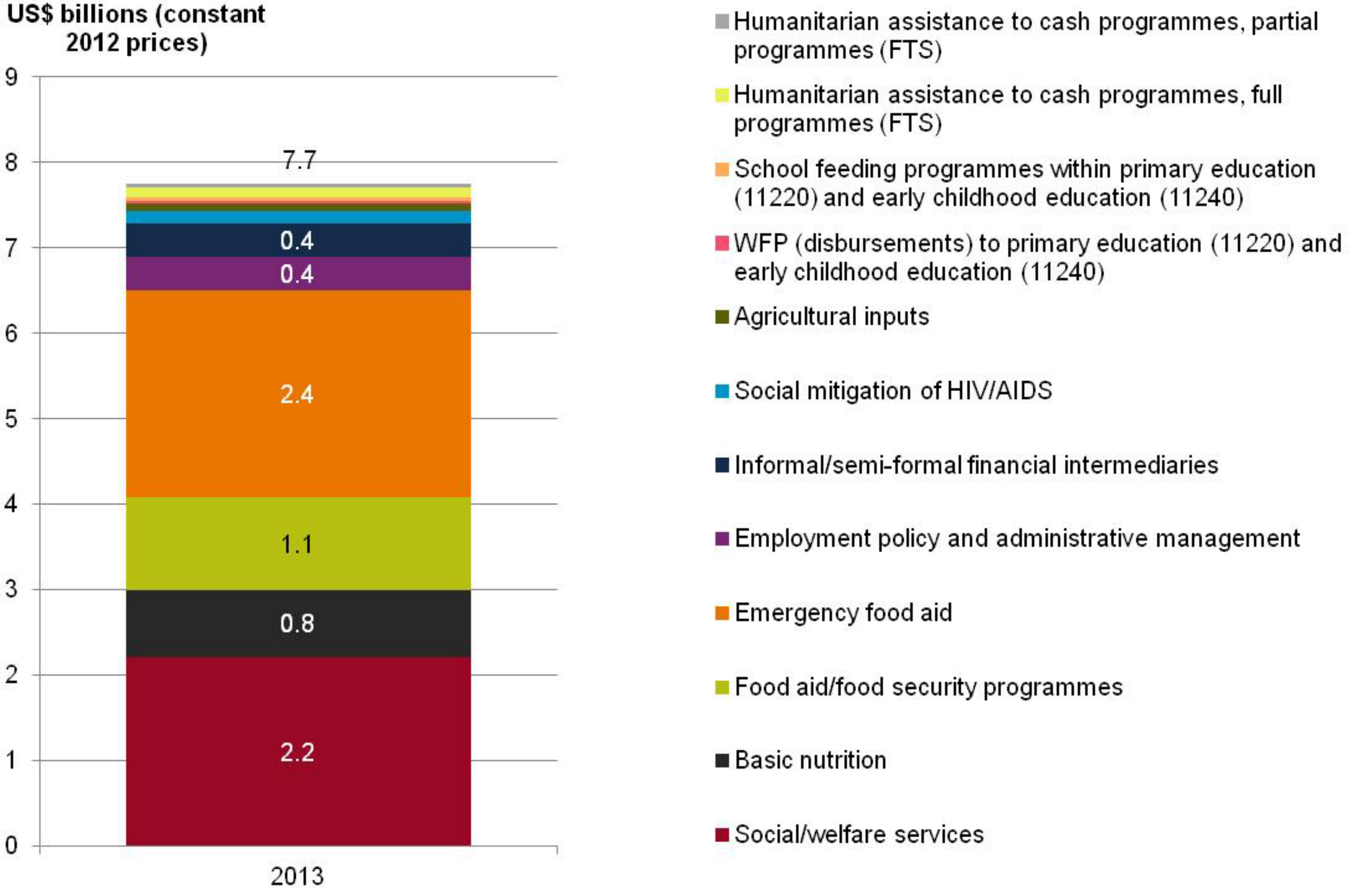
DI has therefore created a broad definition for the purpose of this research that includes all programmes relating to social protection[31]. As Figure 8 shows, the largest element covered by this definition is emergency feeding and the second is on social welfare programmes. The other major elements are food aid and basic nutrition. The estimate also includes a wide range of smaller elements that collectively amount to around US$1 billion, including support for employment policy, micro credit, social mitigation of HIV/AIDS, agricultural inputs, school feeding programmes recorded under other headings and cash transfers in humanitarian assistance.

On this broad measure, DI estimates that in 2013 donors spent approximately US$7.7 billion in total on programmes that relate to social protection (excluding technical cooperation). DI recognises that this approach might overstate the total amount of resources currently spent on the extreme poor, given that some of these programmes are not targeted on the extreme poor. Of this US$3.7 billion is spent in LDCs.

[28] Eg ILO World Social Security Report 2014/2015 discussion on fiscal space and ODI 2015 Financing the future report on potential tax capacity
[29] ODI 2015.
[30] World Bank 2014
[31] DI definition comprises following DAC CRS purpose codes Social/welfare services (16010), Basic Nutrition (12240), food aid/food security programmes (52010), Emergency food aid (72040), Employment policy and administration management (16020), Informal/semi-formal financial intermediaries (24040), Social mitigation of HIV/AIDS (16064), Agricultural inputs (31150) and OCHA FTS Humanitarian assistance to cash programmes (Development Initiatives based on UNOCHA FTS).

Figure 8: ODA spent on all programmes relating to social protection in all countries was US$7.7 billion in 2013

DI estimates of gross disbursements, all donors (excluding US$0.7 billion on technical cooperation)




Source: DI analysis of OECD DAC's CRS 2013

In 2013, the top five donors providing social protection aid were the US, UK, the EU, IDA and Japan. They account for around 80% of total spend. The next five largest are Canada, Germany, World Food Programme, Norway and Australia. There has been almost no change in the top ten donors over the last seven years with just Norway replacing Spain. There has also been little change in the top five with just the UK replacing Canada.

Table 1: Top 10 social protection donors and recipients, 2013

DI's broad definition of social protection aid

| Donor | US$ millions | Recipient | US$ millions |
|---|---|---|---|
| **US** | 1,880 | **West Bank and Gaza Strip** | 750 |
| **UK** | 1,170 | **Ethiopia** | 720 |
| **EU Institutions** | 1,140 | **Yemen** | 360 |
| **IDA** | 920 | **Pakistan** | 340 |
| **Japan** | 670 | **Kenya** | 280 |
| **Canada** | 520 | **South Sudan** | 240 |
| **Germany** | 270 | **Syrian Arab Republic** | 230 |
| **WFP** | 250 | **Bangladesh** | 200 |
| **Norway** | 150 | **Afghanistan** | 200 |
| **Australia** | 150 | **Malawi** | 170 |

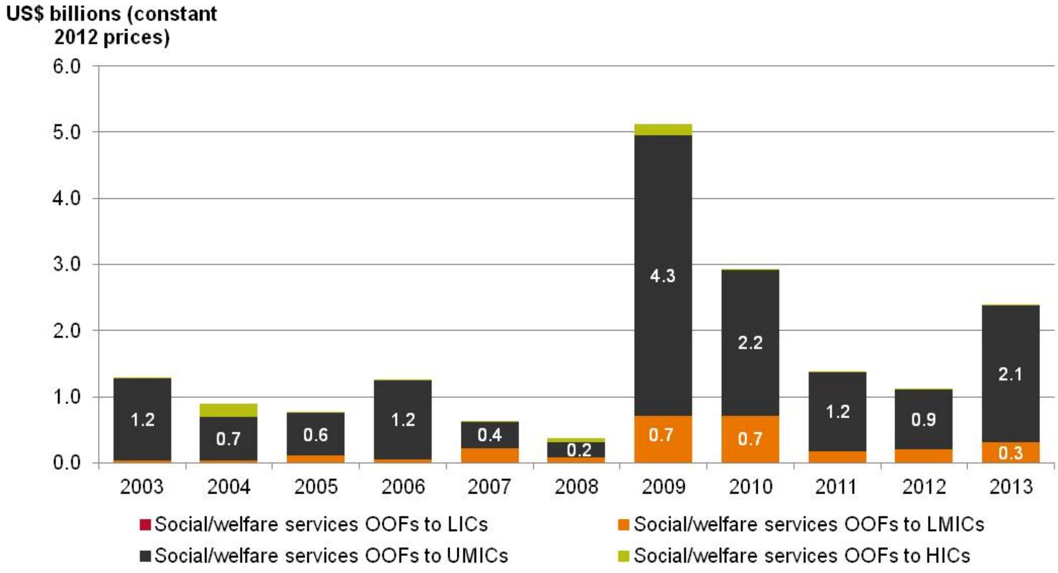
Source: DI analysis of OECD DAC's CRS 2013, rounded to nearest $10 million

The major recipients of social protection ODA in 2013 were West Bank/Gaza and Ethiopia, both of which received more than US$700 million. In 2008, the two other major recipients were Iraq and Sudan, with each receiving more than US$500 million. But by 2013 these countries (and South Sudan) were receiving less than half this amount. Yemen and Pakistan had instead become the third and fourth largest recipients (both around US$350 million).

Some other middle income countries such as Mexico, Brazil and Indonesia have also benefitted from external support but in the form of non-concessional flows known as other official flows (OOFs). This has mainly been lending by the World Bank and the Inter-American Development Bank to support social protection programmes in Latin America with smaller amounts to Asia.

Figure 9: Non-concessional flows have helped to finance social protection in upper-middle income countries in particular

DAC figures on other official flows (OOFs) for social welfare by income group, all donors




Source: DI analysis of OECD DAC's CRS 2013

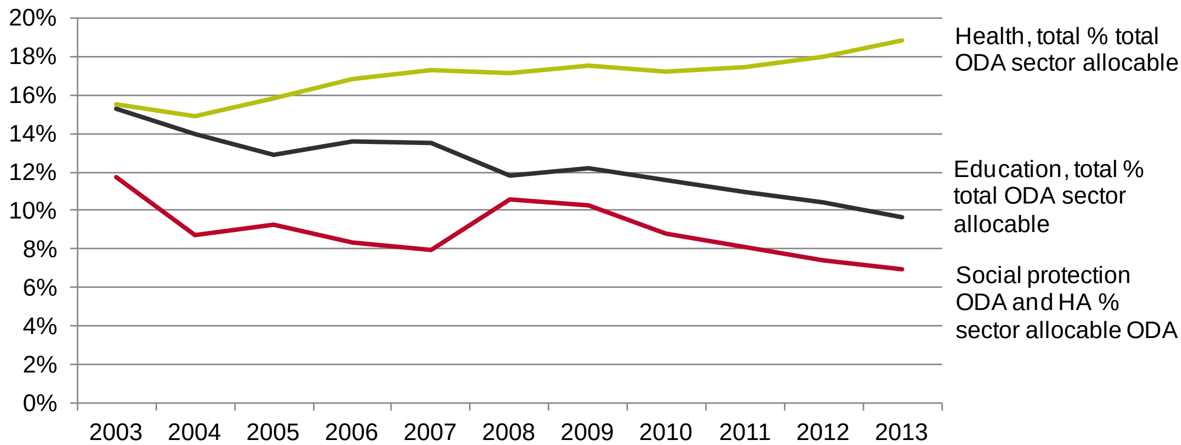
## External finance for social protection in the past decade has been consistently less than aid for either education or health

In the early 2000s, social protection aid was US$6 billion per year. It then rose in 2008 to US$10 billion, mainly due to an increase in spending on food aid, before falling to the current level of US$8 billion annually, as levels of food aid fell. ODA spending on social welfare services also increased sharply in 2008, but has remained at this higher level ever since (Figure 11)

For at least the past decade, social protection ODA investments have been less than either health or education. In 2013, social protection ODA including technical cooperation was US$8.4 billion: just 37% of health ODA (US$22.5 billion) and 73% of education ODA (US$11.6 billion)[32].

Figure 10: Social protection share of aid has always been less than either education or health

Sector shares of total sector allocable ODA, % share

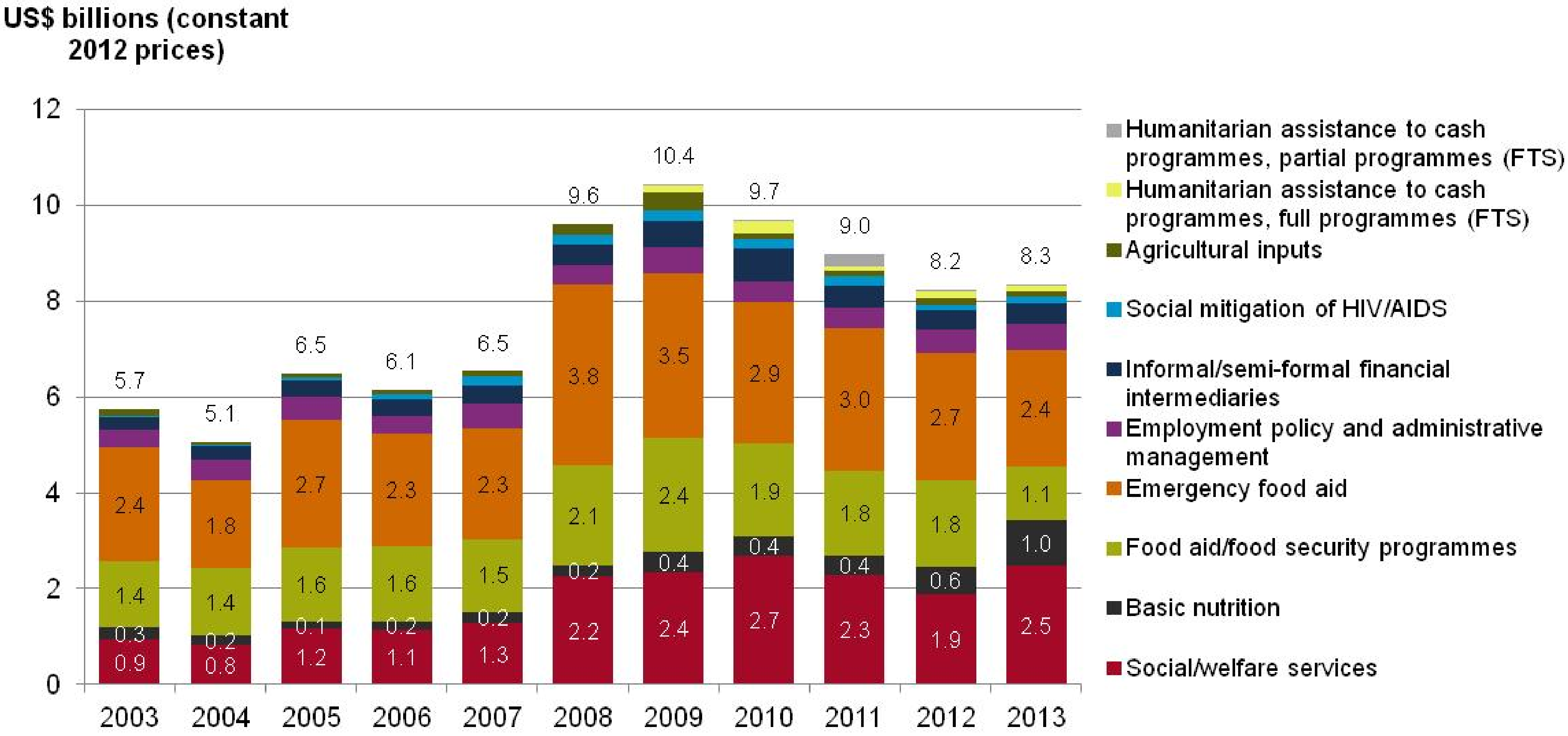



Source: DI analysis of OECD DAC's CRS 2013

[32] Sector allocable aid. Health ODA includes reproductive health.

Figure 11: Trends in social protection ODA (including technical cooperation)

DI definition, gross disbursements, all donors, constant 2012 US$ billions per year




Source: Source: DI analysis of OECD DAC's CRS 2013

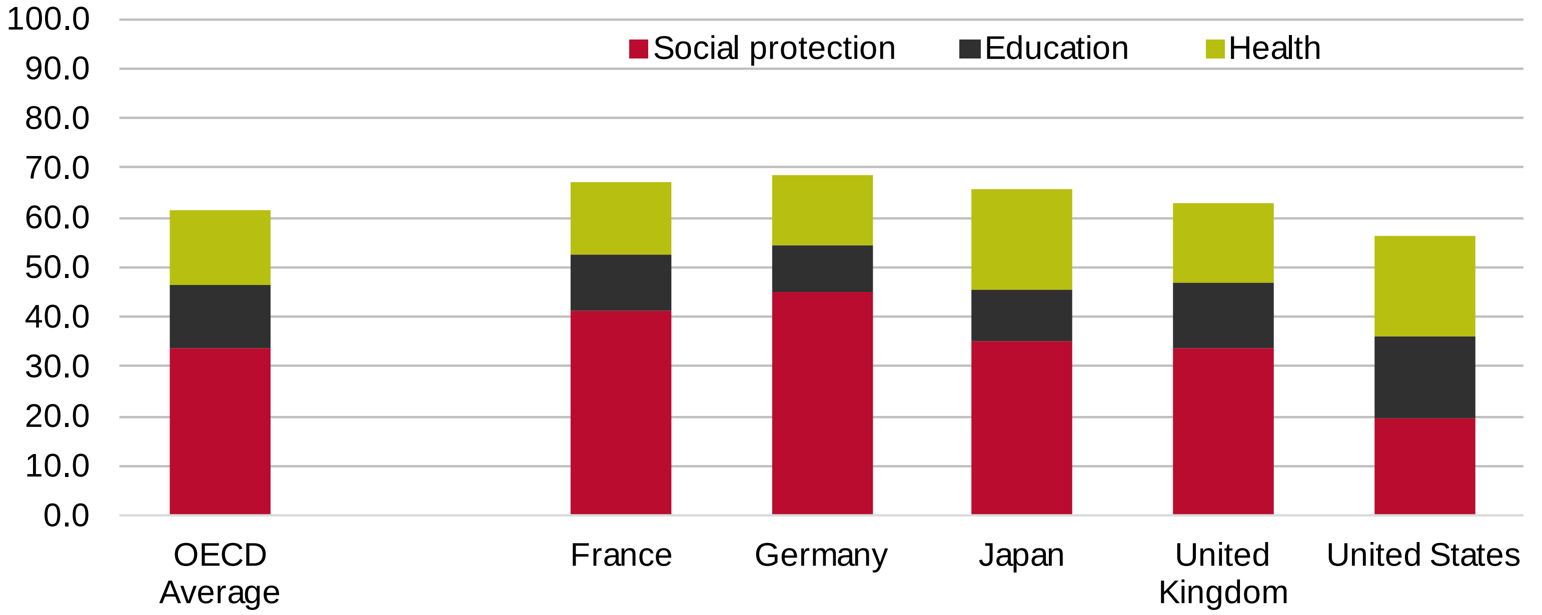
For at least the past decade, social protection ODA investments have been less than either health or education. In 2013, social protection ODA including technical cooperation was US$8.4 billion. This is just 37% of health ODA (US$22.5 billion) and 73% of education ODA (US$11.6 billion)[33].

[33] Sector allocable aid. Health ODA includes reproductive health.

By contrast, as Figure 12 demonstrates, OECD countries spending on their own social protection domestically is significantly more than their investments in health and education combined. On average, OECD countries spend 13.1% of their budgets on education, 14.7% on health and 33.5% on social protection.

Figure 12: In most OECD countries, domestic spending on social protection is 30% of the total budget and more than health and education combined

Composition of spending by OECD countries, % share, 2012




Source: Organisation for Economic Co-operation and Development (OECD)
Note: government expenditure categories not displayed in chart are housing and environment, economic affairs, and defence & public order & safety

## Current ODA shortfall on social protection in LDCs is much greater than for other sectors

Using DI's broad definition, aid for all programmes relating to social protection amounts to US$3.7 billion in LDCs. This is just 12% of the external financing requirement of US$33 billion per year, or an 88% funding gap. While some non-LDCs also have a shortfall, the total for these countries is just US$3 billion per year. LDCs account for 92% of the total global shortfall.

By comparison, the Sustainable Development Solutions Network Leadership Council report recently estimated the education target to be 67% unfunded and the health target to be 50% unfunded[34]. UNESCO figures imply education is 54% unfunded in the poorest countries[35].

If the shortfall were fully covered, international spending on targeted social protection programmes would be US$49 per person per year. As noted above, this would be less than the UNESCO Education for All target and 60% of the International Task Force on Health target. It would also be much less in relative terms than in OECD countries, where social protection expenditures are more than the combined spend on education and health.

## Conclusions

DI has produced this paper to provide evidence on social protection because it is a critical focus area for investments to end poverty in LDCs. In this report, we aim to bring together and add to the data on coverage, costs and expenditures to inform decision-making on financing for social protection. DI has deliberately taken the most generous/optimistic estimates of current spending and financing on social protection, so as not to overstate the financing gap. Even on the basis of these estimates, the results provide a stark indication of the financing gaps in the poorest countries. They suggest that ambitious commitments towards financing social protection from both domestic governments and external finance providers will be essential if we are to be sure of achieving the goal of ending extreme poverty by 2030.

DI conclusions are:

- Social protection should be perceived (and treated) as an investment in poor people. It not only has demonstrable and multiple impacts on poverty and vulnerability, but also plays a critical role in stimulating production and inclusive and sustainable growth.
- A number of countries are already investing in the social protection approach, a clear reflection of political commitment, but many still lack the mix and sufficiency of resources that are required to fully institutionalise the approach in a sustainable development agenda, particularly LDCs.
- The extreme poor in LDCs are inadequately covered by existing social protection programmes – especially in countries where the poverty gap is the greatest.
- From a global perspective, the cost of eliminating extreme poverty through social protection is relatively affordable at US$49 per person per year in LDCs. The investment required is less than the costs of either the education or the health SDG. In OECD countries, governments spend more on social protection domestically than on education and health combined.
- Most LDCs could increase their levels of spending on social protection drawing on their own resources. But most cannot afford to improve current coverage by the scale needed, even if we make ambitious assumptions as to how much they could spend and how much tax they could raise.

[34] *Key elements of a successful Addis Ababa Accord on Financing for Sustainable Development*, Working paper prepared by the Leadership Council of Sustainable Development Solutions Network (SDSN), 19 March 2015

[35] External financing gap for low income countries is estimated at US$10.6 billion compared with aid to all education sectors (including post-secondary education) of US$4.9 billion, UNESCO (2015).

- The current level of external finance is inadequate to meet financing needs, even if generous assumptions are made about what external assistance is currently directed towards social protection.
- While social protection needs to be in conjunction with spending on education and health, the external financing shortfall for social protection in LDCs is much greater than for either of these sectors.
- The increase in ODA required to meet financing needs is equivalent to 0.1% of OECD GNI. Growth in LDCs may reduce demand in aggregate thus lowering this total figure, but growth won't be evenly distributed, so international assistance needs to be increasingly targeted where needs and gaps will be greatest.
- This required increase in international assistance can be met within existing ODA targets and arguably should be the first call on increased ODA given the priority attached by governments around the world to ending extreme poverty

# Annex – Social protection's role in ending poverty, its broader role and evidence of its impact

## Growth alone cannot guarantee the end of extreme poverty in the poorest countries or for the poorest sections of the population

In the past 25 years, economic growth has been a key driver in reducing global poverty. It will continue to play an important role in future poverty reduction efforts. But reducing poverty will require both the growth to be pro-poor and the complementary interventions in education, health and nutrition to be successfully implemented. Growth by itself is unlikely to guarantee the end of poverty by 2030. This is especially true in the poorest and conflict-affected countries. Special targeted efforts will be needed for the poorest 20% of the population to realise benefits.[36]

Social protection has a direct role to play in ending poverty, preventing impoverishment and sustaining escapes from poverty. It is also important as a complementary tool for achieving human development goals. Social protection already appears as a target under the sustainable development goal to "end poverty in all its forms everywhere".[37]

Social protection can also be a key foundation for engendering inclusive, equitable and sustainable development. Evidence from developing countries suggests that social protection policies have the capacity to simultaneously address the economic, social and political challenges that most developing countries and societies face, while also helping to deal with the symptoms of poverty and social exclusion and some of their underlying structural causes. Such an approach is vital for reducing poverty and increasing growth, as well as stimulating production while promoting redistribution and equity – factors that are essential for poverty reduction.

The overarching objective of social protection is to protect the livelihoods of the poorest and most vulnerable people. The aim is to promote resilience, prevent decline in wellbeing and destitution, which arise from economic, environmental and other shocks, and contribute to the building of human assets. In part, this can be achieved by having in place an inclusive social assistance and insurance system through which vulnerable people are protected from risks via social support and care services. Social protection should be perceived (and treated) as an investment in poor people. It not only has demonstrable and multiple impacts on poverty and vulnerability, but also plays a critical role in stimulating production and inclusive and sustainable growth. To achieve the goal of ending poverty by 2030, a raft of coordinated social protection policies and interventions are needed – policies that increase resilience and comprehensively address the vulnerability of the poorest people. Having unified programmes that achieve as many objectives as possible is more rational, since vulnerabilities tend to overlap and sectoral divisions might leave out key areas of intersection.

The mainstreaming of priority pro-poor interventions in the policies, budgets and implementation plans of development agencies also plays a key role. From evidence, such as that presented in the *Chronic Poverty Report 2014–2015*[38], "social assistance programmes are the leading instrument for tackling the vulnerability and insecurity of the poorest people, and developing a security net that allows them to make some progress"[39]. Citing examples from different contexts (see Table 2), the report outlines the multiple impacts on poverty that can be achieved.

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[36] Development Initiatives *Investments to End Poverty*. http://devinit.org/#!/post/investments-to-end-poverty

[37] SDG proposal of the Open Working Group on post-2015: Goal 1, Target 1.3 "implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable"

[38] Chronic Poverty Advisory Network (2014): The Chronic Poverty Report 2014–2015: The road to zero extreme poverty. Overseas Development Institute, London, 2014.

[39] Ibid.

Table 2: Types of social assistance[40] and potential impact on poverty

| Type of social assistance programme | Underlying understanding of poverty | Impact on poverty |
|---|---|---|
| Integrated poverty reduction programmes | Poverty as multidimensional deprivation | A cash transfer is part of a set of integrated interventions to address the deficits that keep households in poverty and to break more than one poverty trap at once. **Example**: *Chile Solidario* in Chile aims to end extreme poverty caused by social exclusion by supporting the poorest households in achieving minimum thresholds across 7 main dimensions of wellbeing: income, employment, housing, health, education, registration, household dynamics. Each eligible household receives a small cash transfer and is helped by a social worker who tailors interventions to tackle the household's needs. |
| Conditional cash transfers | Intergenerational transmission of poverty because of low levels of human development | Targeted transfers raise income to a minimum level and promote human development, creating incentives for the increased use of education and health and providing support to accumulate financial and physical assets. **Example**: *Progresa/Opportunidades* in Mexico. Income transfers depend on children's enrolment and minimum attendance in school, and on the use of preventive healthcare services by household members. The scheme is reported to have had significant health impacts especially on older women[41]. |
| Unconditional cash transfers | Poverty as lack of income | Cash transfers are provided with no conditions on their use, assuming releasing the cash constraints faced by poor people will lead to increased use of health and education services or productive activities. **Example**: The Social Cash Transfer programme in Malawi distributes unconditional cash transfers from US$4 to US$13 per month to over 28,000 severely poor households; expected to reach 300,000 households with 910,000 children by 2015. Strong and robust impacts have been identified for those receiving the transfers, revealing both productive and protective results[42]. |
| Public works programmes (PWPs) | The 'poor work opportunities' trap leads to lack of stable and predictable income, which increases vulnerability | Transfers in cash or in kind are provided in exchange for work. Aims to build assets or infrastructure for the community and provide a predictable source of income for chronically poor and food insecure households, especially during lean seasons. **Example**: The Productive Safety Net Programme in Ethiopia, started in 2005. Initially cash or food transfers were given for up to 6 months in the lean season and about 90% of beneficiaries engaged in public work programmes to receive the transfers. Over the years the scheme has been redesigned to focus on the need to smooth consumption and protect assets. Studies reveal participants are more likely to be food secure, to borrow for productive purposes, and to use improved agricultural technologies[43]. |
| Pure income transfers (cash or in kind) | Poverty as lack of income | Transfers increase purchasing power and/or consumption level. They can target particularly vulnerable groups of people, eg the elderly. There is a case for targeting elderly people as they are unable to participate in other anti-poverty initiatives such as public works or microfinance programmes and because old-age pensions tend to be redistributed in their families. **Example**: The Old Age Allowance in Nepal, a non-contributory pension scheme, started in 1994, is provided to people aged 70 and above and poor widows aged 60 and above is reported to have had social, economic and other impacts[44]. |

Source: Drawn from "The Chronic Poverty Report 2014–2015: The road to zero extreme poverty", page 37

[40] Social assistance is the term used to describe social protection programmes that are targeted at the poorest and most vulnerable
[41] Behrman, J.R. and Parker, S.W. (2011): The Impact of the PROGRESA/Oportunidades Conditional Cash Transfer Program on Health and Related Outcomes for the Aging in Mexico. Population Aging Research Centre, University of Pennsylvania.
[42] Covarrubias and Davis, B, 2012. Do Unconditional Social Cash Transfer Schemes Have Productive Impacts in Malawi? One Pager No. 149. IPC - IG Poverty Practice, Bureau for Development Policy, UNDP
[43] See Gilligan, DO et al. 2008. The Impact of Ethiopia's Productive Safety Net Programme and its Linkages. IFPRI Discussion Paper 00839. Food Consumption and Nutrition Division and Development Strategy and Governance Division, IFPRI.
[44] Sony KC et al. 2014. The Old Age Allowance and Perceptions of the State in Rolpa District, Nepal. Working Paper 25. The Overseas Development Institute (ODI) and Secure Livelihoods Research Consortium Partners. London.

## The rationale for social protection policies

There is a diverse and multi-layered justification for investment in social protection. First, it is recognised that there is a core group of people living in persistent poverty who, due to their characteristics, will not necessarily be able to take advantage of the economic opportunities and improved services offered by implemented development programmes. Second, overall poverty trends are the net result of individual households moving into and out of poverty. Even during a period of strong economic growth and overall poverty reduction, some households will still face events that drive them into poverty and need special measures such as social protection.

Creating good-quality jobs and improving working conditions are of prime importance. Similarly, people who are in poverty should be viewed as potential drivers of economic transformation, especially if their skills and other assets are built. Furthermore, it must be recognised that targeted policies and transformative social change are needed to directly tackle poverty within particular population groups – women, unemployed youth, people with disabilities, ethnic minorities and groups, older people, pastoralists, and other excluded groups.

To achieve this, as well as to limit people's exposure to risk of poverty in the long term, social protection programmes must be designed and implemented in an integrated manner. Development interventions such as those in education and health, for example, must seek to understand which groups of people are being bypassed and why so that any bottlenecks are addressed. For example, a school-feeding social protection instrument could do a lot to make education more accessible to children from the poorest households.

In politically fragile or post-conflict countries, the role of social protection may be critical, and could require comprehensive international support from development partners as part of a programme of nation building, where no national "political project" exists to guide efforts to end poverty. Commitment and greater involvement of the international community will be needed to help link social protection investments and achieving peace.

## Growing recognition of the role of social protection in ending poverty

> *Social protection is incontrovertibly one of the success stories of development policy in the early twenty-first century. Every year new social protection programmes are launched, more countries adopt a national social protection policy or national social protection strategy, and rigorous evaluations generate further empirical evidence of the positive impacts of various forms of social protection.*[45]
>
> Devereux S, Roelen K and Ulrichs M

Over the past two decades, social protection has gained recognition as a means to combat poverty, food insecurity and vulnerability to insecure livelihoods. This approach has rapidly moved from the 1980s 'social safety nets' focus to a more encompassing vision of society, in which social protection is linked with improving the performance of other social and economic sectors. This renewed interest is in part due to the role social protection plays in providing 'practical solutions' to improving economic and social security for the poorest people, while at the same time supporting efforts of poor people to create human capital and other assets.

One example of the emerging global consensus on social protection is the global support for the Social Protection Floor Initiative (led by the ILO, the WHO, and supported by a wide range of organisations which include other UN agencies, World Bank, IMF, bilateral donors and international NGOs)[46]. A concrete example of government commitment to social protection is the African Union's Social Policy Framework (SPF), which in 2009 committed African governments to

[45] Devereux, S., Roelen, K. and Ulrichs, M. (2015): Where Next for Social Protection? Centre for Social Protection (CSP), Institute of Development Studies, Sussex, March 2015.

[46] The Social Protection Floor Initiative was launched in April 2009 as one of the UN Chief Executives Board's crisis initiatives – responding to repeated demand from member states for better coordinated technical, logistical and financial assistance from UN system agencies in times of crisis. It is jointly led by ILO and WHO, and it brings together a global coalition of UN agencies (ie FAO, OHCHR, UNAIDS, UNDESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UN Regional Commissions, UNRWA, WFP, WMO), the IMF and the World Bank as well as Development Partners and leading NGOs to support countries to plan and implement sustainable different elements of social protection systems. For a more detailed discussion of this see ILO and WHO (2009). "The Social Protection Floor". Joint Crisis Initiative of the UN Chief Executives Board for Co-ordination on the Social Protection Floor. Geneva, 2009.

progressively establish a minimum package of essential social protection, including essential healthcare and benefits for children, informal workers, the unemployed, older people, and people with disabilities. Furthermore, it has now been recognised that the bulk of income poverty reduction in Africa, and in much of the rest of the developing world, is due to either pro-poor economic growth or social protection policies – often both[47]. Most evaluations have confirmed that social protection programmes do directly reduce chronic poverty and vulnerability.

## Evidence: social protection approaches and policy instruments

Several instruments can be involved in social protection policies: minimum income support, unemployment benefits and progressive taxation have, for example, significantly contributed to reducing the impacts of recession in a number of countries affected by the recent global financial crisis. These instruments have helped to stabilise labour markets and consumption, simultaneously providing a safety net for people that were hardest hit by the crisis and having a stabilising effect on the overall demand for goods and services produced in the economy.

Moreover, there have been numerous illustrations from developing countries around the world, of the positive impacts of social protection on poverty reduction[48]. In China the country's Di Bao programme now covers 75 million people[49]. Brazil has invested significantly in social protection and has "one of the best-developed systems among middle-income countries (MICs), covering approximately 25% of the population"[50]. A combination of non-contributory pensions – a means-tested disability a old-age pension – and an old-age pension for rural informal sector workers has been added to a reformed, consolidated and expanded conditional cash transfer programme in the form of *Bolsa Família*, and targeted at extremely poor households and poor parents with children living at home. The programme now reaches 12.5 million families and is responsible for reducing overall and extreme poverty from 14.3% to 12.0% between 2001 and 2004. Social pensions alone are estimated to have contributed 26% of the total reduction in extreme poverty between 2001 and 2005[51].

Thus Brazil provides a good example of how a country's social assistance strategy can evolve over time. It progressively benefits from expanding financial and management capacity, while ensuring that political buy-in and commitment to poverty reduction influence the uptake of the social protection intervention.

In Latin America – in the context of labour market liberalisation – workers in informal employment and their dependants, a majority in the region, remained excluded from formal social protection institutions. The weakening capacities of public agencies to address rising poverty initially opened the way for fragmented and externally financed safety net programmes.

In the 1990s, with the emergence of more democratic governments in the sub-region, the fractionalised safety nets programmes were converted into more comprehensive and permanent interventions. With innovative poverty and vulnerability reduction programmes, including *Bolsa Escola*/*Familia*, *Progresa*/*Opportunidades*, and *Chile Solidario*, international interest has been mobilised in the efficacy of social protection policies and the role that these can play in poverty reduction.

Progress has also been made outside of Latin America. In Malawi, for example, social protection has been shown to have important poverty-reducing impacts. The Malawi Social Cash Transfer scheme (SCT), was aimed at providing cash to poor households to reduce poverty and hunger and

[47] See, for example, United Nations Development Programme (2013): "Social Protection, Growth and Employment Evidence from India, Kenya, Malawi, Mexico and Tajikistan". United Nations Development Programme Bureau for Development Policy, One United Nations Plaza New York, NY 10017. www.undp.org/poverty.

[48] For example see CPRC, DRT and CCFU (2009). "Culture and social protection for the very poor in Uganda – evidence and policy implications". Kampala, Uganda.

[49] The World Bank (2014): "The State of Social Safety Nets 2014". International Bank for Reconstruction and Development / The World Bank. www.worldbank.org/sp . See also OECD (2012), China in Focus: Lessons and Challenges, OECD, Paris. http://www.oecd.org/china, htttp://www.oecdchina.org and ILO brief on China (2010) http://www.ilo.org/public/english/protection/spfag/download/briefs/china.pdf

[50] Holmes, R., Hagen-Zanker, J. and Vandemoortele, Z. (2011): Social protection in Brazil: Impacts on poverty, inequality and growth. Development Progress stories. Overseas Development Institute. www.developmentprogress.org

[51] Holmes, R. Et al (2011. Social protection in Brazil: Impacts on poverty, inequality and growth. Overseas Development Institute, London, 2011.

promote child education and health. It has generated agricultural asset investments, reduced adult participation in low-skilled labour, and limited child labour outside the home while increasing child involvement in household farm activities[52]. The share of households in Malawi with ownership of agricultural assets increased 16%, 32% and 30% respectively for hoes, axes and sickles, while goat and chicken ownership increased by 52% and 59%, respectively[53]. Furthermore, at the micro-level, participation saw a concomitant 61% decline in low-skilled agricultural wage activities. These impacts strengthen the belief that through its impacts on asset acquisition social protection plays an important role in poverty reduction.

> *In 2006, the Government of Malawi joined the wave of African nations setting up cash transfer programmes, initiating its own SCT programme as part of a poverty-reduction strategy that targeted ultra-poor, labour-constrained households. The SCT programme is an unconditional cash transfer programme designed to reduce poverty, hunger and starvation while improving school enrolment and attendance and the health and nutrition of children among the poorest 10% of households in Malawi.*

Miller *et al*. 2008c

Lessons on what can be achieved with social protection can also be learned from elsewhere in Africa. One such example is Ethiopia's Productive Safety Nets Programme (PSNP). This is a large-scale government-implemented social transfer programme, reaching out to over seven million chronically food insecure people. The programme has two objectives, namely: smoothing consumption and protecting assets of chronically food insecure households by providing them with predictable and adequate transfers of cash and/or food, and building community assets (eg roads, soil and water conservation structures, and schools) through labour intensive public works. PSNP's aim is to contribute to improved food security through complementary programmes, including those providing access to credit, agricultural extension and other services. Studies show that participants are more likely to be food secure.

South Africa presents another good example of a comprehensive approach to social protection and some specific instruments reaching large populations with demonstrable impacts on poverty. The country's Child Support Grant is one such example. This is a means-tested non-contributory cash transfer targeted at children up to 18 years of age which exists alongside old-age pensions that have been in existence since the 1920s. Established in 1998 by an Act of Parliament, Child Support Grants are publicly funded through taxation and account for 3.5% of GDP. A flat-rate benefit is paid to the caregiver responsible for the child, who may be a biological parent, grandparent, relative or non-relative of the child. The benefit amount is US$34.50 and reaches 10 million children, making it one of the South African Government's most effective poverty reduction programmes. The Child Support Grant also forms part of a wider social protection strategy complemented by the provision of publicly funded compulsory basic education, healthcare, housing, basic services, public works, and support for micro and small enterprises.

Other examples of large government-run social transfer programmes include Mozambique's Food Subsidy Programme, a cash transfer programme for 160,000 people unable to work (started 1997); Lesotho's Non-Contributory Pension Scheme, an unconditional pension for 70,000 people (started 2004); Namibia's Pension Scheme, an unconditional universal old-age pension for 100,000 people (started 1990); Kenya's Hunger and Safety Nets Programme; and South Africa's means-tested old-age Social Pension for 1.9 million people (racially non-discriminatory since early 1990s).

Evidence from studies on India have, likewise, shown that measures such as cash transfer programmes and rural employment guarantee schemes have positive impact on the poverty reduction and living standard of the country's people[54]. Implemented since 2004, the National Rural Employment Guarantee Scheme is a social assistance programme that aims to ensure basic income security for vulnerable households in rural areas that have economic capacity. In states

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[52] Covarrubias, K., Davis, B. and Winters, P. (n.d). From Protection to Production: Productive Impacts of the Malawi Social Cash Transfer Scheme.

[53] See Covarrubias, K., Davis, B. and Winters, P. (n.d). From Protection to Production: Productive Impacts of the Malawi Social Cash Transfer Scheme.

[54] See, for example, Sharma, A.k. (2014): Economic Impact of Social Protection Programmes in India: A Social Accounting Matrix Multiplier Analysis, Conference Paper, 22nd International Input-Output Association Conference, 14-18 July 2014, Lisbon, Portugal.

such as Kerala, this scheme has had impressive poverty-reducing impacts. In Kenya it was found that the Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC) had positively impacted the consumption, school enrolment and health outcomes of children and their families[55]. Moreover, the programme was credited with positive impacts on the local economy. In Rwanda, the decline in poverty from 57% in 2006 to 45% in 2011 was mostly attributed to the Vision 2020 Umurenge Social Protection Program that combines public works, cash transfers and other development programmes[56].

A strong correlation has also been observed in Tajikistan and Malawi between investment in social protection and agricultural outputs. Positive links have also been made between social protection and microfinance in Peru. In the former, small-farm support policy has helped to raise productivity and incomes in agriculture, the sector where most lower income people are found. In the latter, microfinance – which is used as social protection instrument – has helped to raise productivity and incomes of small operators who are increasingly involved in off-farm activities.

## Increased financing support for social protection

As we saw in the above analysis of the increasing evidence and global support for social protection as a poverty eradication tool, social protection has become a key component of national development plans and poverty reduction strategies, in a growing number of countries. Accordingly, the sector's policy advances have been accompanied by increasing investments that combine the resources of domestic governments and development partners such as multilateral organisations and bilateral donors[57] , using more strategic approaches and holistic planning. In Ghana, Nigeria, and Zambia, for example, there has been a consolidation of social security schemes into unified responses. Similarly, Rwanda has moved towards achieving near universal coverage of health insurance by using community-based health insurance and targeted subsidies. Yet despite these efforts and their future potential, poverty and vulnerability remain high in most developing countries. In Bolivia, for example, approximately 55% of the total population lives in poverty: 76% of the population within rural areas and 45% within urban areas[58]. This persistence of poverty highlights the need for increased investments in social protection in order to reduce poverty and promote human development.

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[55] See Republic of Kenya (2012) "Kenya Social Protection Sector Review". Ministry of State for Planning and National Development and Vision 2030. Nairobi, Kenya. 2012.
[56] Devereux, S. (2012): 3rd Annual Review of DFID Support to the Vision 2020 Umurenge Programme (VUP), Rwanda. Centre for Social Protection, Institute of Development Studies, UK
[57] Between 2005 and 2010, social protection expenditure in Kenya rose from Kenya Shillings 33.4 billion to 57.1 billion, which was equivalent to 2.28% of GDP in 2010. This overall growth in social protection spending was due to increases in spending on the contributory programmes, civil service pension, and safety nets (£1 approximately equals Shs 135).
[58] Arce, J.M. (2013). Social protection systems in Latin America and the Caribbean: Plurinational State of Bolivia. United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

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