AFRICA HUMAN CAPITAL HEADS OF STATE SUMMIT

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Africa Human Capital Technical Briefs Series

Social Protection Programs Accelerate Human Capital Development for Productivity, Resilience, and Inclusive Growth

KEY MESSAGES

- Social protection programs are linked to better human capital (HC) outcomes and directly contribute to poverty reduction and inclusive growth. Evidence from across the world and Africa has shown that well-designed social protection interventions combined with strong implementation are well placed to improve key HC outcomes among the poor and vulnerable, as well as enhance food security, financial inclusion and savings, and assets accumulation at the household level—all being necessary conditions for bottom-up economic transformation.

- Social insurance, productive safety net, and economic inclusion programs are powerful instruments to reach the informal sector and vulnerable youth, including women, with productive capacity to promote savings for income security, enhance resilience against shocks, develop technical and soft skills to avail market opportunities, and contribute to local economic development.

- Investing in adaptative and flexible social protection systems can help countries to absorb climate and economic shocks, protect the erosion of hard-won gains on the HC and poverty alleviation fronts, and provide efficient ways to offset the adverse effects of emerging crises.

- Strategic reforms and enhanced investments in social protection bring multiplier effects such as fiscal management through subsidy reforms by protecting the poor and vulnerable, strengthening the social contract between the state and citizens, and promoting pro-poor service delivery.

WHY IT MATTERS FOR AFRICA

Despite significant improvements in poverty reduction over the past two decades in Sub-Saharan Africa (SSA), it was not sufficient and sustainable to allow the region to reach the Millennium Development Goal of "*cutting the poverty rate in half by 2015.*" Lack of resilience to poverty at the households' level was also illustrated by the impacts of COVID-19 pandemic and recent shocks, which risk dealing a serious setback to progress toward the Sustainable Development Goals (SDGs). Furthermore, within Africa, while lifting the poor out of poverty requires intensive efforts, even a small negative shock could make most people vulnerable to poverty. Many households in the region are vulnerable to shocks such as illnesses, climate induced weather shocks, and conflict. The nature of shocks is evolving and presenting new challenges.

Accelerating private sector growth to create quality jobs is an important long-term objective in the region. However, given the state of labor market with low HC development, a majority of young Africans entering the labor market will remain handicapped to secure job opportunities. Concerted efforts are needed in both the short and medium term to enhance productivity of youth and make them ready to enter in the job markets. In this context, safety net programs as basic income support to the poor and vulnerable combined with interventions, which incentivize investments in HC, promote sustainable livelihood enhancement, and provide market relevant training and entrepreneurship development; should equip the disadvantaged households to overcome the barriers they face to access better jobs.

While most African countries have started investments in social protection and more specifically the safety net programs, they are yet to reach a stage of adequate coverage and program mix which can help the broader strategy of sustainably reducing poverty, promoting bottom-up economic transformation, and accelerating inclusive growth. Strong commitments and actions are needed to invest in delivery systems to raise efficiency and reduce program duplication.

POLICY RECOMMENDATIONS

1. Integrated social protection programs are key to better HC outcomes. Integrated social protection programs facilitate a multi-sector approach and coordination in order to address multiple vulnerabilities and maximize effectiveness and impact across multiple sectors. Enhancing investments in social protection programs which can link and facilitate intake of critical HC services will help accelerate progress in areas such as reduction in stunting, improved school readiness, and increased demand for foundational health services.

2. Accelerating progress toward adaptative social protection systems can help efficiency and improve equity. More specifically, investments in dynamic social registries, interoperable management information systems, and digital payment systems could serve as platforms for allowing administrative efficiency, cost savings, promoting transparency, and facilitating enhanced planning and coordination for service delivery.

3. The high number of new workforce entrants outpaces the capacity of most economies in the region to absorb them in productive employment. Youth across SSA tend to lack relevant work experience, cognitive, technical, socioemotional, and business skills required to be productive. Leveraging productive safety nets to design comprehensive and multifaceted approaches to foster economic opportunities and deliver training through providers and social enterprises to reach hard to serve youth is ever more urgent.

4. To maintain and sustain the impact of the key social protection interventions, it is important to increase predictable resources for social protection programs and pay close attention to core features including coverage and adequacy of the flagship interventions. To increase the likelihood of success in shifting behaviors and addressing persistent challenges such as stunting and school completion, a regular review and monitoring of the financing needs, as well as the adequacy of transfers to the poorest is warranted, especially in the context of high inflation.

How to Measure Success or Failure: Relevant Data

- 18 countries in the region now have operational social registries. These social registries are systems that identify poor and vulnerable households in a country or region and collect information on socioeconomic situations, thereby providing governments and partners with a central mechanism to identify potential program beneficiaries.
- The scale of programs differs, and coverage ranges less than 5% to more than 90% of the poorest quintile in some countries. Despite lingering challenges, the region has seen significant progress over the past years.
- Sustainable Financing for Social Programs is key to ensure long term outcomes. SSA countries spend on average 2.8% of their GDP on social protection interventions. However, a large proportion of this spending goes to civil service pensions. Progress is needed to channel more resources through direct social assistance and social insurance which are better placed to address the poverty and human development outcomes.

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