
CHAPTER 37

THE EFFECTS OF SOCIAL PROTECTION ON ECONOMIC
DEVELOPMENT

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37.1 Introduction

This chapter explains how social protection helps in promoting economic development. Economic development is distinct from economic growth in that it emphasizes enhancing the economic potential of agents in an economy and improving their quality of life (Feldman, et al., 2016)¹. It can be seen as an enabler of long-run economic growth through an increase in broad-based prosperity, and by implication, a reduction of poverty. As per World Bank estimates, about 736 million people were living in extreme poverty in 2015 (World Bank, 2018). Another estimate, the Global Multidimensional Poverty Index (OPHI, 2018), identifies approximately 1.45 billion people as poor, and of these, about half of them, i.e. 706 million, experience severe deprivations and are considered destitute. Social protection does not only provide income security to those who are trapped in extreme poverty, but it also contributes to the determinants of long term and inclusive economic growth. It does this through three channels: 1) enhancement of productive capacity of the poorest by allowing households to efficiently allocate and invest additional resources in income generation activities, 2) by building human capital, and 3) by influencing economy-wide trends of income inequality and aggregate demand.

Social protection is instrumental in breaking the vicious cycle of poverty, which is perpetuated due to getting caught in a low investment and low return cycle. Evidence has

¹ Building on seminal texts of Sen, Schumpeter, Ostrom, and Acemoglu, Feldman et al. (2016) contrast the concept of economic development with economic growth and argue that economic development focuses on the microeconomics of growth.

shown that social protection can impact production decisions by allowing households to efficiently allocate and invest additional resources in income generation activities and assets. These production decisions can lead to increased productivity, and resilience of poor households. The increased economic contribution of poor households can, in the aggregate and over time, lead to inclusive economic growth. In addition, social protection aids, both directly and indirectly, continued economic activity in the face of income shocks, of not only the poorest households, but households belonging to all income strata. Furthermore, in the long term, social protection can contribute to human capital accumulation and labor market outcomes, namely employment and earnings, which in turn also enables inclusive economic growth.

Social protection programmes include different instruments, aimed at participants with different economic capacities. Typically, they include three types: social assistance, social insurance, and labor market programmes and policies. The micro-level evidence cited in this chapter is to a large extent drawn from evaluations of social assistance programmes, and within that mainly cash transfer programmes. Similar evidence concerning social insurance in developing countries, in particular the poorest countries, is scarce. Coverage of social insurance in developing countries is low, and mainly limited to formal sector employees (World Bank 2019). This is largely due to institutional constraints and widespread and persistent informality leading to low contribution capacity and irregular incomes among the poor. As a result, few quantitative studies exist of the impact of contributory social insurance schemes in developing countries (OECD, 2019). However, it should be noted that insurance schemes such as crop insurance, micro-insurance or community based insurance can play a

similar role as social assistance programmes by helping individuals and households manage specific livelihood and income risks, and thereby preventing and reducing poverty and deprivation. Labour market programmes' objectives include improving individual employability and productivity and generating more and higher quality jobs. In a developing country context, such programmes are often geared towards supporting self-employment and micro-entrepreneurship (Kluve et al., 2019).

At the macro-level, evidence on a causal effect of social protection on economic growth across countries is yet to be accumulated. Coverage levels of social protection correlate with levels of economic development, with only 10 per cent social security coverage in least-developed countries, 20 to 60 per cent in middle-income countries, and close to 100 per cent in most industrial countries (Giuseppe, 2020). However, the direction of causation is not well established, i.e. whether levels of economic development enables higher coverage or that higher coverage is a facilitator for greater economic development, or if in fact there exists simultaneous causation.

This chapter describes and outlines some of the evidence on the different channels through which social protection impacts economic development: in the next section, we describe the micro-level drivers and pathways through which social protection influences production decisions, in particular for poor households. To the extent that these micro-level decisions at the individual and household level lead to increased production and productivity of the household production unit, it provides a pathway for more inclusive economic growth at the macro level. In Section 3, we provide an overview of social protection's role in building

human capital. Improved health, cognitive capacity and skill-development at the individual level creates an enabling environment for longer term economic development. Section 4 discusses how social protection can influence economy-wide trends and economic growth.

37.2 Social Protection and its Impact on Household Economic Decisions

Poor households often have to work within the context of missing or poorly functioning markets that limit access to land, technologies, financial services and insurance, and markets to sell their products or services. Roughly, 80 percent of the extreme poor live in rural areas (Castaneda et al., 2018; FAO, 2019), having typically a high degree of isolation and low access to information, services and infrastructure (Allieu & Ocampo, 2019). Most rely on agriculture and related activities and natural resources as a source of livelihood providing low and unstable income, or in case of wage employment, informal and insecure jobs. These factors imply that they are particularly vulnerable to shocks, such as natural disasters, climate related events and economic shocks such as price fluctuations. Shocks can negatively impact their livelihood strategies leaving them even more vulnerable to future crises and thereby contribute to chronic poverty and poverty traps which impede inclusive growth.

In this context, household decision is often based not on what would be most profitable in the long term, but rather on what would ensure that they have enough to get by in the short run. For example, agricultural households require liquidity at certain times of the year and an inability to access credit to make the required capital and labor investments during these crucial times has a direct impact on their productivity. Similarly, in the absence of insurance

markets, households make production decisions with the aim of hedging risk, rather than on the most efficient use of household resources that generates the highest household income (Daidone et al., 2019; Singh, Squire, & Strauss, 1986). Risks are further increased in volatile markets with imperfect information.

There is now a significant body of evidence on production impacts of social protection (Banerjee et al., 2015; Haushofer & Shapiro, 2016; Tirivayi, Knowles, & Davis 2016; Hidrobo et al., 2018; Daidone et al., 2019). These production impacts augment the income-generation capacity of poor households and can offer a channel for enabling inclusive economic growth over a period of time. Productive impacts occur through three pathways: releasing liquidity constraints which allows investment of additional resources, enabling effective risk management including a reduced need to resort to negative coping strategies, and allowing reallocation of household resources such as labor and land to more productive uses (FAO, 2020). We expand on each of these three pathways below.

I. Social protection allows households to invest additional resources in their income generation activities by releasing liquidity constraints both directly (receipt of cash) and indirectly (through increasing creditworthiness and increasing savings). Examples of such impacts are documented in Table 37.1 which provides a list of the characteristics of seven government-run cash transfer programmes in sub-Saharan Africa and summarizes the impacts of these seven programmes across six key production areas: agricultural inputs, tools, total production, sales, livestock ownership, and non-farm enterprise (Daidone et al., 2019).

Similar evidence has been found in Latin America and Asia (for a review, see Tirivayi et al., 2016).

Table 37.1. Programme descriptions and their impacts on productive activities

	Zambia	Malawi	Zimbabwe	Lesotho	Kenya	Ethiopia	Ghana
	CGP	SCT	HSCT	CGP	CT-OVC	SCTP	LEAP
Name of Program	Child Grant Programme	Social Cash Transfer	Harmonized Social Cash Transfer	Child Grant Programme	Cash Transfer – Orphan & Vulnerable Children	Tigray Social Cash Transfer Pilot	Livelihood Empowerment Against Poverty
Year	2010	2006	2011	2010	2004	2011	2008
Target Group	Household with a child under five years in 3 poor districts	Ultra-poor, labor constrained households	Ultra-poor, labor constrained households	Ultra-poor households with children	Ultra-poor households with OVC	Labor constrained, ultra-poor female, elderly, or disabled	Extreme poor with elderly, disabled or OVC member
Conditions	None	None	None	None	None	None	Expected, but not monitored
IMPACTS:							

Agricultural inputs	++	+	NS	+	-	-/+	+
Agricultural tools	++	++	+ (1)	NS	NS	+	NS
Agricultural production	++	++	NS	+	NS	++	NS
Agricultural sales	++	+	NS	NS			-
Livestock ownership	All types	All types	Most types	Pigs	Small ruminants	-	NS
Non-farm enterprise	++	NS	++	NS	+ FHH/ - MHH	NS	NS

Notes: ++ and + denote statistical significance at 10 and 5 percent level; NS denotes the the change was not found to be statistically significant; - denotes a negative impact and a blank indicates impact was not estimated. MHH refers to male-headed households and FHH to female headed households.

(1) Only valid for smaller sized households

Source: Table compiled from findings contained in Daidone et al.(2019) and Daidone et al.(2015). Independent evaluation reports by country are available at:

<https://transfer.cpc.unc.edu/tools/reports/>

All impacts summarized here are discussed in detail in Daidone et. al. (2019) and FAO (2014). In Zambia, the Child Grant Programme led to an increase in the use of agricultural inputs, including seeds, fertilizers and hired labour, and in agricultural tools. The growth in

input use was reflected in an increase in the value of overall production. This was primarily sold in the market, rather than consumed on farm, as reflected by an increase in agricultural sales. An increase in value of agricultural production is also visible in Malawi and Ethiopia. Lesotho's Child Grant Programme also led to increased crop input use. This increase in input use was reflected in an increase in maize, sorghum, and vegetable production, though this did not translate into higher sales. The impacts on agricultural production in Ghana and Kenya were, however, not significant. With the exception of Ghana, we also find that these cash transfer programmes increased the ownership of livestock. This ranged from all types of animals, large and small, in Zambia, Malawi, and Zimbabwe, to small animals in Lesotho and Kenya.

II. Social protection also allows households to conduct effective risk management in productive activities. As mentioned above, in the absence of missing or poorly functioning credit and insurance markets, households often make production decisions over a short time horizon, locking their resources into income-generating assets and activities that do not necessarily provide the highest expected income, but instead fulfill the purpose of hedging against risk caused by transitory income shocks. Social protection programmes such as cash transfers act as a form of insurance and enable households to reduce inefficient precautionary savings, reduce risk aversion to undertake profitable investments, and at the same time avoid negative risk coping strategies that rural poor households may resort to when income shocks arise (Daidone et al., 2019; Rosenzweig & Wolpin, 1993). These strategies typically include distress sales of assets, acquiring unsustainable debt or changing eating patterns. Evidence shows, instead, that cash transfers contribute to debt repayments, savings, and a reduction of

loans. This was seen most clearly in the case of Zambia and Ghana. Cash transfers also allows these households to better manage risk by allowing beneficiaries to ‘re-enter’ existing social networks, which proxy as risk-sharing arrangements. Both Lesotho and Ghana saw an increase in households donating and/or receiving gifts and in-kind transfers, particularly food (FAO, 2014).

III. Social protection enhances household production also by incentivizing the reallocation of resources from less to more productive uses (for example, from daily wage labor to agricultural production). In the context of poor rural households, one strategy to overcome credit constraints and meet consumption or investment needs is to provide casual labor. To the extent that the transfers allow households to reduce casual labor and move to own- farm work, they reduce uncertainty and allow households to allocate their labor more efficiently. In Zambia, Malawi, Zimbabwe, Lesotho, and Kenya, the programmes led to a reduction in casual agricultural wage labor (in terms of both participation incidence and/or intensity of number of days) and in the case of Zambia, this was accompanied by an increase in both on-farm and off-farm activities for adults. (FAO, 2014).

Though the evidence concerns social assistance, social insurance, if covering the relevant risks for smallholder households, could potentially have similar impacts on consumption smoothing, risk management and reduction of negative coping strategies by providing certainty of income and additional resources in the case of shocks. The existing evidence on weather indexed agricultural insurance suggests that there are indeed such effects (Carter et al 2015, 2017) and Yilma et al (2015) find that community-based health insurance reduces

the need for borrowing. For extreme poor households, however, their inability to pay contributions may severely limit access to contributory insurance.

Impacts of social protection programmes, as described above, vary depending on their design and the context within which they are implemented. We highlight four specific aspects to take into consideration (three of these were covered in Daidone, et. al, 2015):

37.2.1 Duration and size of the transfer: The size of the transfer as a percent of pre-program household consumption influences the size of the impacts. In the evidence presented above, this share was on average 20 percent (Davis & Handa, 2015). Typically, a larger transfer size increases the likelihood of significant economic impacts. Programmes where the share of the transfer was greater than 20 percent had more widespread impact (such as in Zambia and Malawi). Similarly, a longer run program is more likely to have impacts on human capital through education, health and nutrition, which are discussed in greater detail in Section 3 and in chapters 35 and 36.

37.2.2 Regularity of payments: Household decisions vary depending on whether the cash they receive arrives regularly and on time (such as in Zambia), or if it is delayed, unpredictable or perceived as lumpsum payments (such as in Ghana). Regular transfers are predictable and hence facilitate planning in investments and consumption smoothing.

37.2.3 Targeted population: Evidence has shown economic and productive impacts for even labour-constrained households. However, we observe a difference in the magnitude of these

impacts that vary by characteristics of the targeted households. For example, Zambia's Child Grant programme had a much larger proportion of working-age adults, compared to Ghana's LEAP programme or Zimbabwe's HSCT. This has implications for the type of economic activities undertaken. Labour-constrained households may hire labour and have less flexibility in the number and type of economic activities undertaken.

37.2.4 Flexibility in the event of crises: In the event of shocks and seasonal variations of needs (for example, recurrent droughts), national cash transfer programmes have been able to scale up or down as needed (Slater & Bhuvandendra, 2013). This flexibility, increasingly built into social protection programmes, is important and can include features such as contingency funds, price indexing, expanded management and information systems, and a capacity to scale up horizontally (expansion in number of beneficiaries across different programmes) and vertically (increase in size of transfer) (Winder Rossi, N. et al., 2017).

In addition to these factors, programme impacts also vary by the nature of conditionalities, if any, and the programme messaging that accompany the cash disbursements. Another key aspect to consider is implementation challenges, especially in remote and inaccessible regions. While a programme may be designed well, it is important to monitor if it is implemented according to its original design and any adjustments that might be needed in the face of the context-specific challenges faced during implementation. This brings centre stage the question about the existing capacity gaps and constraints of implementing agencies, which becomes particularly relevant when a social protection programme is combined with

complementary development interventions in health, education, and livelihood generation², which brings us to our next point.

The economic and productive impacts described above can be enhanced by using an integrated approach that combines social protection with other interventions, to allow poor households to access knowledge, inputs, and other factors of production, apart from cash, to increase productivity (Veras Soares, et. al., 2017; Tirivayi et. al., 2016). Combining social protection with other interventions helps address other constraints that households face, such as access to assets or markets that cash alone cannot obviate. For example, relaxing liquidity constraints opens more incentives to invest in production if, at the same time, other constraints are addressed by providing improved access to inputs, better agricultural technology or easier access to markets.

Combined interventions can take the form of a single programme with multiple components that provides a package of services including productive support, access to finance and training, in addition to cash transfers. Alternatively, integrated programming may mean allowing access to several programmes simultaneously with social protection. Such programmes can include input subsidies, agricultural training programmes, financial inclusion or for example provision of market access through market clubs or institutional procurement, such as in Home Grown School Feeding programmes, where food for school

² Implementation challenges for complementary programmes are further exacerbated due to technical capacity constraints, weak inter-sectoral coordination, and inadequate financial and human resources allocated for achieving this coherence. See for example, Bhalla & Mphale (forthcoming) and D.Kebede (forthcoming).

feeding programmes is purchased locally from smallholders, providing a stable market outlet for crops and therefore incentives to invest in producing them. Whether it is a single programme with different components or several programmes that target the same population, these integrated approaches necessitate coherence between the different institutional actors involved³.

There is some empirical evidence on the impact of combined programmes. For example, a recent study (Pace et. al., 2018) investigated the interaction between Malawi's Social Cash Transfer (SCT) programme and the Farm Input Subsidy Programme (FISP). It found the two programmes to have incremental impacts over the cash transfer, leading to an increase in beneficiaries' total expenditure on food and education, and the value of crop and livestock production. Similar incremental effects of complementary interventions combined with a cash transfer have been found in the context of the SPRINGS and Child Grant Programme in Lesotho (Daidone & Pace, 2019). Combining programmes can also consist of social assistance and insurance targeting the same group of beneficiaries: Shigute et al (2020) show that in Ethiopia social assistance and a community-based health insurance have significant joint positive effects on off farm labour and reduction in debts.

³ One tool that FAO has developed to achieve this synergy is the Framework for Analysis and Action for Strengthening Coherence between Agriculture and Social Protection, which provides a diagnostic for assessing coherence between different stakeholders. The Framework is available at: <http://www.fao.org/social-protection/resources/resources-detail/en/c/445007/> and its accompanying diagnostic at: <http://www.fao.org/social-protection/resources/resources-detail/en/c/449434/>. Similarly, a portfolio of tools available at Inter Agency Social Protection Assessments (ISPA) help countries improve their social protection system. An overview of these tools can be found here: <https://ispatools.org/all-tools/>

Overall, there is evidence of positive impacts of combined programmes on investment in assets, production, and income sources (Soares et al 2017). Such impacts have been found in Latin America and Bangladesh (Ahmed et al., 2009; Emran et al., 2014 ; Bandiera et al., 2013, 2016; Raza et al., 2012; Aldana et al., 2016; Escobal & Ponce 2016). However, strong evidence on actual synergetic effects, or a combined effect that is larger than those of different programmes separately, and how to best attain them is still missing.

Complementary programmes can also be used to promote sustainable use of natural resources. Social protection plays a critical role in increasing the resilience of smallholder farmers in developing countries who are exposed to increased climate variability and in promoting adoption of climate resilient methods of production (FAO & Red Cross Red Crescent Climate Centre, 2019; Scognamillo & Sitko, forthcoming). In addition, evidence is also accumulating on the environmental benefits of Public Work Programmes and their potential to address climate-change induced vulnerabilities (Esteves et al., 2013; Fisher, 2019).

37.3 Social Protection, Human Capital, and Employment

In addition to accumulation of physical capital, an essential attribute of and contributor to economic development and increasing per capita production and productivity is development of human capital, education and skills, and access to gainful employment. Apart from the well-documented direct impact on individual productivity and earnings, the availability of human capital is essential for changing the structure of production towards high-skill sectors,

creation of economic activity and jobs in skill-intensive high productivity sectors and increasing productivity in all sectors, including agriculture⁴.

Many cash transfer schemes in developing countries have an explicit goal of contributing to human capital acquisition through increased school attendance (Baird et al., 2014). This is in particular true for school feeding and conditional cash transfer programmes. Both provide income, in kind or cash, conditional on school attendance and thereby they create incentives for households to attend their children to school instead of putting them to work to supplement their meagre income. Social insurance does not have similar direct incentive effects but, by allowing consumption smoothing and investment, it could potentially enhance human capital accumulation in liquidity and credit-constrained households. The evidence, however, is not yet comprehensive and the impacts found vary across countries (OECD 2019).

Impact evaluations have shown that both conditional and unconditional cash transfers often have positive impact on school attendance (for reviews DFID, 2011; Bastagli et al., 2016; UNICEF, 2015; Baird et al., 2014; Davis et al., 2016). However, in some instances, households can, as described in the previous section, make investments in their productive activities. Such investments can enhance the productivity of child labour in these activities or trigger an increase in domestic workload for children, as adults engage in productive activities outside home (De Hoop & Rosati, 2014; Avitabile et al., 2019; Prifti et

⁴ For a discussion on the role of social protection and human capital in structural transformation, see Kangasniemi et al 2020.

al., 2020), the impact of cash transfers can increase child labour, and either reduce school attendance or deem it less effective due to simultaneous workload. Furthermore, though school attendance is clearly a necessary condition for improving learning outcomes, it does not alone guarantee it (Gambian & Murnane, 2016; Glewwe & Muralidharan, 2016; Krishnarathne & White, 2013), This is also highlighted by relatively weaker evidence on both short and long term impacts of cash transfers on learning as opposed to schooling (Molina-Millan et al., 2019; Bastagli et al., 2016).

Improved human capital contributes to longer term economic development, by generating better employment outcomes and lifetime earnings for individuals. In the context of cash transfer programmes, there is mixed evidence on this. Long term studies are much fewer than those on short term effects and do not as yet show unanimously strong positive effects on later labour market performance (for a review, see Molina-Millan et al., 2019). However, some recent evidence does indicate positive intergenerational effects of cash transfers in terms of welfare (Aguilar et al., 2019). More studies are needed to fill this evidence gap.

In addition to cash transfers, labour market, livelihood and entrepreneurship programmes typically enhance skills necessary for employment and income generation by directly improving human capital through skills acquisition or accumulation of work experience and learning by doing. Reviews of labour market and entrepreneurship programmes (Kluve et al., 2019; Cho & Honorati, 2014; Cho, 2015) show that they can be effective if correctly tailored and implemented. Attanasio et al. (2017), Kugler et al. (2020) and Ibararán et al. (2019) find that there is also potential for long term effects of such programmes, but McKenzie (2018)

provides a more critical view, highlighting the issue of cost effectiveness of active labour market programmes and the fact that many programmes do not deliver strong impacts.

37.4 Impact of Social Protection on Economy-Wide Trends

As described above, studies on micro-level impacts of social protection have shown that social protection contributes to accumulation of human capital and increases the production potential of the poorest households. These same factors are also among the well-known determinants of long-term economic growth at the aggregate level. However, there are several other linkages through which social protection can enhance or, in some instances suppress, economic growth.

Social protection in all forms can act as a redistributive tool and reduce inequality, presuming it is progressive. There is some evidence that reducing overall inequality is conducive to growth (Aghion, Caroli & Garcia-Penalosa, 1999; Neves et al 2016; Berg et al., 2018). More importantly, it is also known that less inequality implies that growth has stronger impact on poverty (see e.g. Fosu, 2017, Ferreira & Ravallion, 2008). The effects of social protection, as outlined in the previous sections, contribute to the ability of the poor to benefit from increasing economic activity. Social protection hence plays a crucial role in poverty reduction and is necessary for making growth inclusive (OECD, 2019).

As described in Section 37.2, social protection may increase the ability of poor households and individuals to bear risk and allow them to take up economic opportunities. When social

protection is extensive, adequate, and reliable, such impacts may extend to those who are not currently receiving benefits but know they would be protected from backsliding or falling into deprivation if they are to face a shock. There is, however, fairly scant empirical evidence for this type of indirect impact. Such impact would logically occur in case of social insurance or formal risk pooling. For social assistance, Angelucci and De Giorgi (2009) show that Mexico's PROGRESA increased consumption and reduced savings of non-eligible households through informal risk sharing networks, but their results do not extend to investments or production or ineligibles' trust in their own access to the transfers. Gehrke (2019) finds that in the Indian state of Andhra Pradesh the National Rural Employment Guarantee Scheme (NREGS) – which provides guaranteed public works in rural areas - allowed households to increase their agricultural productivity by enabling them to undertake investment in riskier crops. The author associates the impact with the role of NREGS as insurance that provides reliable income in case of shocks.

In addition, social protection can have an immediate effect on demand, leading to growth in GDP in the short run. At the meso-level, computable general equilibrium models, such as the Local Economy-Wide Impact Evaluation (LEWIE), provide evidence of impacts of social assistance instruments at local level. The production and consumption market linkages between eligible and ineligible households allow spill over effects through demand for goods and services and subsequent changes in output, prices and wages (Filipski & Taylor, 2012; Kagin et al., 2014; Taylor et al., 2013; Taylor, Thome & Filipski, 2014; Taylor et al., 2014; Thome et al., 2014, 2015; Taylor et al., 2016). Supply responses through productive interventions reduce the inflationary effect resulting from a cash injection, which provides

further support to the idea of combining productive support with social protection interventions. Similar evidence does not exist for the impacts of social insurance.

In a similar vein, social protection can also be used as a macroeconomic stabiliser at the national level, including the role of social insurance such as unemployment benefits. When economies face covariate shocks, such as COVID19, social protection provides liquidity and increases spending in the local economy, which boosts aggregate demand, keeps small and large businesses across different supply chains functional, and reduces shocks on employment. In its role as a fiscal stimulus, social protection can have high multiplier effects since households that belong to the lowest income quintile have a higher propensity to consume (Behrendt, 2013).

There are potential negative effects, too. At the macro-level government expenditure on social protection also generates pressure to increase potentially distortive tax rates and may have negative implications through increased government debt. Furthermore, social protection systems that are designed in a distortive manner can cause losses in efficiency and productivity of the economy. Social insurance can have negative effects on labour supply (OECD, 2019), and incentives potentially detrimental for formalization and productivity growth in the presence of both social assistance and contributory social insurance have been noted in the context of Latin American countries (Levy & Schady, 2013).

Despite a large amount of micro-level empirical evidence, clear links of social protection with aggregate long-term economic growth are not well established (Alderman & Yemtsov,

2012; Mathers & Slater, 2014; OECD, 2019). They are also methodologically more challenging to study, and the precise impact is very difficult to identify, in addition to the fact that aggregate level studies may not provide much evidence on the role of different types of social protection instruments or generate clear policy recommendations for designing them. This lack of evidence is true for developing countries in particular, where the overall level of social spending as a percentage of GDP is generally low, and as such unlikely to have as yet a major impact. It is also not clear whether social protection is the best way to specifically stimulate growth: the efficiency of social protection as government expenditure depends not only on its impact on growth, but on the rates of return compared to other alternatives such as infrastructure investments (Yemtsov & Alderman, 2012).

The lack of strong evidence on its contribution to economic growth by no means undermines the importance of social protection for economic development overall. It is well known that growth is not always accompanied by large reductions in poverty (Bourguignon, 2004; Ravallion, 2004), which emphasises the importance of policies specifically aimed at reducing poverty and inequality.

As pointed out in previous sections, social protection alone is rarely the only necessary tool that is needed to trigger economic development and it also works more effectively combined with other policies. Social protection aims to make growth more inclusive (OECD, 2019) and through economic inclusion social protection provides opportunities for sustainable exit from poverty (FAO, 2020). These can lead to a virtuous circle of economic activity and subsequent reduction in poverty.

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