COGNITIVE CAPITAL

Investing in children to generate sustainable growth

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Cover photo: Monluck at home with her parents. The family benefited from the Child Support Grant in Thailand.

TABLE OF CONTENTS

TABLE OF FIGURES

TABLE OF BOXES

ACRONYMS

AusAID	Australian Agency for International Development
BRAC	Bangladesh Rural Advancement Committee
CFPR	Challenging the Frontiers of Poverty Reduction
CLP	Chars Livelihood Programme
CMP	Child Money Programme
CSG	Child Support Grant
DFID	Department for International Development
EPRI	Economic Policy Research Institute
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation Ltd.)
HEF	Health Equity Fund
ILO	International Labour Organization
IMF	International Monetary Fund
MGSoG	Maastricht Graduate School of Governance
MPI	Multidimensional Poverty Index
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNICEF	United Nations Children’s Fund
UNICEF EAPRO	United Nations Children’s Fund, East Asia and Pacific Regional Office
UNU-MERIT	The United Nations University – Maastricht Economic and Social Research Institution on Innovation and Technology
VAT	Value Added Tax
WDI	World Development Indicators
WHO	World Health Organization

INTRODUCTION

Asia's policy decision makers today face vital choices for the future of economic growth and prosperity of the continent. With inequality rising, demographic dividends diminishing and middle income traps threatening, the social and economic options have never been more daunting… or more promising. Leaders of Asia's most successful countries over the next several decades will recognise now that the future of not only inclusive social development but also equitable economic growth depends more than ever on their investments in children.

More than two centuries ago, Adam Smith wrote The Wealth of Nations, arguing that global prosperity emanated from commerce. Previously kings and emperors sought fleeting riches from the gold and minerals beneath their soil. In the second half of the last century, East Asian 'Tiger' economies channelled unskilled labour into a rapidly expanding industrial base, sustaining for decades some of the highest economic growth rates the world has ever seen. Today, however, university student types at a keyboard and births a company that grows to a market capitalisation exceeding $100 billion. Today, the most prominent source of economic growth lies in cognitive capital - the most democratic of assets. Cognitive capital cannot be mined or traded but rather must be carefully cultivated by the most forward-looking of policies. Investments in children, particularly in the earliest years, yield dividends that not only realise human rights but also slay today's giants of inequality, deprivation and economic stagnation. These investments help pave the way to an economic prosperity characterized by the achievement of human potential.

Investing in children through social protection offers governments in Asia one of the most effective instruments for realizing the rights of children to which governments in Asia have committed. Many of these investments also yield important (even vital) economic impacts, and the resulting economic growth enables governments to more progressively realize children's rights—and potentially broadens and strengthens policy-makers' support for this agenda—particularly from economic and finance ministries. The developmental impacts and economic returns then expand the resources available for government to more progressively finance the realisation of children's rights and human development.

The paper addresses three key themes. The first section examines the conditions that often make economic growth exclusive, unsustainable and under-performing for children and entire populations. The second section explores the role social protection can play in transforming the character of economic growth into an inclusive and sustainable dynamic that delivers results for children and their families as well as for their communities and their nations. The third section looks at two pertinent issues: how to target and finance social protection programmes. The fourth section assesses the implications of child-sensitive social protection for Asia's development paradigms which increasingly move beyond single-sector silos and embrace comprehensive and integrated approaches to inclusive development and economic growth.

Part 1: Children in Asia and the Pacific need more inclusive development interventions

Economic growth, working alongside effective social policies, has led to a significant decrease in extreme poverty across most parts of the Asia and Pacific region. Asian countries have achieved accelerating growth rates since the 1980s that have exceeded 6 per cent per year on average, rapidly reducing extreme poverty across the region.[1] Success, however, has not been uniform. Covariate and idiosyncratic differences have highlighted the heterogeneity of regional and country experiences.

For example, in East Asia, where economic growth rates have averaged two percentage points higher than those in South Asia, 1.1 billion people, or 80.6 per cent of the population, lived below the extreme poverty line[2] in 1981. By 2012, only 147 million people or 7.2 per cent of the population (about one for every twelve people not in poverty) suffered such extreme deprivation. South Asia, on the other hand, recorded significant but less remarkable progress. The number of people in severe poverty fell from 538 million in 1981 to 309 million in 2012, a 42 per cent reduction compared to the more than twice the magnitude 87 per cent reduction in East Asia.

Progress in terms of moderate poverty, however, proved weaker. In East Asia, 1.3 billion people or 93.1 per cent of the population lived below the moderate poverty line[3] in 1981. By 2012, this had fallen to 454 million people or 22.2 per cent of the population (about one for every four people not in poverty). In South Asia, on the other hand, the number of people suffering moderate poverty actually increased from 791 million people in 1981 to 899 million people in 2012.[4] Country experiences, moreover, show important divergences from regional trends: In some low income countries the number of extremely poor people has not changed much in the past twenty years and the number of moderately poor people has actually increased, defying regional trends.[5]

Inequality indicators demonstrate more alarming developments across the region. While Asia's middle class has grown, their share of national income has decreased while that of the richest quintile has increased.[6] Countries with more equality experience longer term rapid growth, while those with less equality are more likely to experience bursts of growth that wane over time. Inequality represents a significant impediment to sustainable and inclusive economic growth.[7] In the case of Asia, the very drivers of economic growth, specifically technological advancements, globalization, and labour market reform, have also proven to be the root causes of inequality. Developments in technology have created employment opportunities for those more educated, leaving less room in the marketplace for unskilled labourers. Globalization alters the income distribution by changing the skills mix demanded by the affected production processes, increasing the returns to skilled labour while depriving the proportionally larger number of unskilled labourers with less and less access to employment, further exacerbating economic inequality.

1 EPRI calculations based on World Development Indicators database using data for South Asian and East Asian countries.

2 EPRI employed the World Bank's "low" poverty line of $1.90 in terms of 2011 purchasing power parity for the extreme poverty analysis.

3 EPRI employed the World Bank's "moderate" poverty line of $3.10 in terms of 2011 purchasing power parity for the moderate poverty analysis. The World Bank's Poverty and Equity Database contains aggregates for East Asia (in which they include China, Cambodia, Indonesia, Lao PDR, Malaysia, Mongolia, Myanmar, Pacific Islands, Papua New Guinea, the Philippines, Thailand, Timor Leste and Vietnam)

4 In both regions the proportion of the population fell—but in South Asia only from 85.4% in 1981 to 54.5% in 2012, compared to the decline in East Asia from 93.1% in 1981 to 22.2% in 2012.

5 http://povertydata.worldbank.org/poverty/region/EAP

6 Balakrishnan et al (2013): 8

7 See IMF (2014) and Berg and Ostry (2011): 2

Not only do these global forces disrupt the distribution of employment and earnings, but they also shift the geographic balance of resources, which can cause instability and worsen disparities. Drivers of inequality skew economic opportunities, for example, reinforcing pre-existing advantages for coastal areas in terms of access to the broader market place through established trade routes, and for urban areas in terms of more productive infrastructure. The incumbent advantages enable privileged geographical areas to better exploit growing opportunities resulting from globalization and other inequality drivers, intensifying regional economic disparities, particularly the urban-rural divide and the gaps between inland and coastal regions.[8] The one landlocked country in East Asia, Lao PDR, has substantially under-performed its neighbours in terms of reducing extreme poverty.[9]

Another driver of inequality in Asia includes a population shift from rural to urban areas. As with many developing nations, Asian countries are experiencing a significant shift as many rural residents move to urban areas in search of more remunerative employment in industrial sectors.[10] Other drivers of economic inequality include educational disparities. Evidence has suggested that in Asia, more education corresponds to higher wages and pay increases that occur at a faster pace. Educational inequality explains up to 20 per cent of total income inequality and has been rising as documented by household survey data between 1995 and 2007. This growing gap in educational attainment exacerbates increasing wage disparities between skilled and unskilled labourers.[11]

The impacts of inequality in Asia and Pacific are manifold and speak to the detrimental effects of the economic growth that drives these disparities. Inequality has the potential to impact populations across life stages and class barriers, affecting not just Asia's poor but also the working and middle classes. Over a billion workers currently experience vulnerable employment characterized by poor job security and limited benefits, as well as low salaries.[12] Older citizens suffer serious gaps in retirement opportunities, with only 20 per cent of active workers enrolled in aged pension programmes and 30 per cent of those of retirement age collecting a pension.[13] Only 20 per cent of the population in Asian countries can access affordable healthcare.[14]

Children face the greatest risks and vulnerabilities associated with inequality, as they have even fewer options to change their circumstances and their wellbeing is largely dependent on their household and caretakers. Inequality acutely affects children and causes significant obstacles to good health, education, and nutrition outcomes. Currently, over 85 million children below the age of five in Asia experience chronic malnourishment, while 18 million young children are not enrolled in primary school. Unfortunately, these deficits often begin at the start of a child's life, as approximately 20 million births in Asia occur without the assistance of a qualified medical professional.[15]

8 Kanbur et al. (2014): 38-43

9 EPRI calculations based on World Development Indicators 2016.

10 Kanbur et al. (2014): 167

11 Ibid: 42

12 UN ESCAP (2015): 14

13 Ibid

14 Ibid

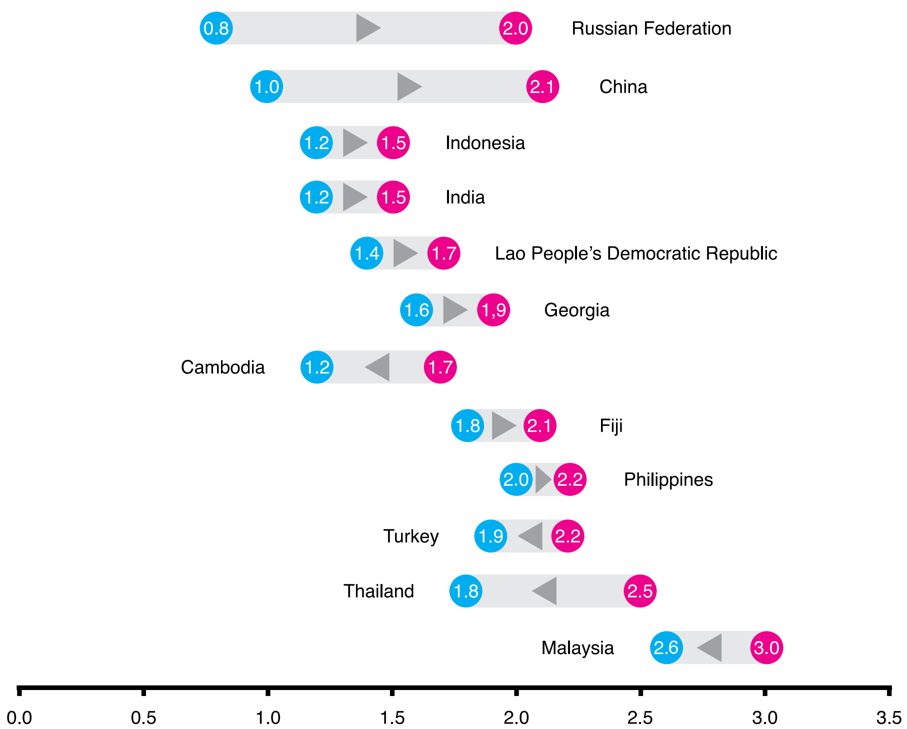
15 Ibid

Broader consequences of inequality

Inequality has even broader sociological effects that can affect the very fabric of society. Inequality can augment potentially disastrous factional differences, risking internal conflict. A study conducted by the Asia Foundation revealed that among 26 different areas in Asia and the Pacific, inequality between the various regions resulted in friction and even hostility. Because communities were at odds with one another due to inequality, whether real or perceived, they were unable to work toward mutual goals that may have ultimately benefited everyone and improved their circumstances. This study and the conclusions drawn from it demonstrate inequality's capacity to be an extremely divisive force, one that not only disadvantages members of a society, but can actively work to reduce their ability to work together toward better outcomes.[16]

Graph 1 illustrates the Palma ratios for several Asian countries and demonstrates the pervasive nature of inequality in Asia. The Palma ratio divides the income of the top ten per cent of the population by that of the bottom forty per cent, and is increasingly recognised by social scientists as a robust and understandable indicator of income inequality. In the majority of the countries for which data is available, the level of income inequality increased, and where it did not increase, it remained very high.[17]

Figure 1: Palma ratios of inequality in Asian countries



SOURCE: UNESCAP (2015) based on the World Bank's World Development Indicators.

16 Ibid: 31

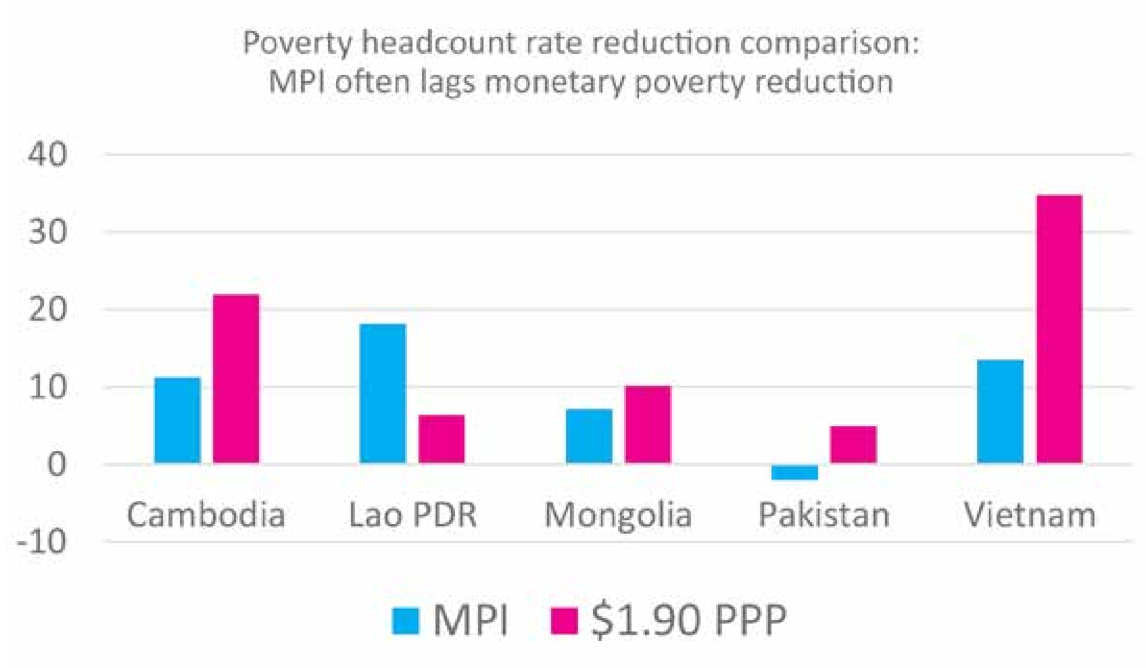
17 UN ESCAP (2014): 25

Multidimensional poverty

While economic growth has accompanied rapid money-measured extreme poverty reduction in many countries, multidimensional poverty, which reflects multiple spheres of deprivation including health, education, employment and other aspects of well-being, demonstrates weaker progress.

Multidimensional poverty provides an especially important indicator for child populations. Children experience poverty differently than adults. Poverty for children means a lack of educational, health, nutritional, or social resources, whereas for adults, poverty may be characterised more by a dearth of financial resources and limited access to the job market.[18]

Figure 2: Poverty headcount rate reduction comparison



SOURCE: EPRI calculations with WDI 2016

Progress in reducing multidimensional poverty often lags behind the headline gains in monetary poverty reduction. Out of the five Asian cases in the World Development Indicators (WDI) where UNDP's Multidimensional Poverty Index (MPI) figures are reported for two different years that align with reported money-metric poverty rates, four cases show the percentage point reduction in multidimensional poverty lower than the money-metric index reduction. For Viet Nam and Cambodia, the money-metric reductions are about twice the MPI reductions, while in Pakistan's case the MPI actually rose while monetary poverty fell.

The only exception is Lao PDR.[19] In the past 15 years, the WDI database has documented eight cases in Asia of money-metric severe poverty falling by more than 15 percentage points, but only two cases for the MPI falling by that magnitude. While the richness of the data does not support robust inferences, the questions raised are important. If economic growth mainly succeeds in tackling money-metric poverty compared to the broader deprivations that include vital human capabilities, what are the implications for children and the future of our nations?

18 Minujin (2012) in UNICEF (2012)

19 Bader et al. (2016)

A recent study by the Harvard School of Public Health (HSPH) and the Indian Institute of Technology Gandhinagar and others[20] that analysed children's development found no impact on economic growth had no impact in terms of reducing undernutrition affecting the world's poorest children. Their analysis of data from 121 nationally representative *Demographic and Health Surveys* in 36 low and middle income countries between 1990 and 2011 finds no evidence that economic growth necessarily trickles down to improve indicators measuring stunting, underweight, and wasting for children under three years of age. The authors postulate several explanations: (1) inequality excludes the poorest from the benefits of economic growth; (2) intra-household allocations may neglect children's nutritional requirements, and (3) investments in public services like clean water and vaccinations may lag behind income growth.

The impact of child poverty is often rooted in these nutritional disparities. "If children do not receive adequate nutrition, they grow smaller in size and intellectual capacity, are more vulnerable to life-threatening diseases, perform worse in school, and ultimately, are less likely to be productive adults."[21] Children perceive this distinction, reporting that "poverty for them was not having enough to eat or not being able to go to school." [22] According to the joint World Bank and IMF Global Monitoring Report 2015/2016, "close to one-fifth of all children under five remain undernourished",[23] "55 million primary school age children do not attend school,"[24] and skilled health staff attend only about half the births in South Asia.[25] More than three out of every five multidimensionally poor people live in Asia, in spite of the region's extraordinary performance in terms of economic growth.

In sum, economic growth often fails to benefit children because it underperforms for hundreds of millions of households, with families that mostly include children. When economic growth fails, it is more likely to fail for the most vulnerable and disadvantaged households, such as child-headed households or households with only older people and children, since these households have little access to the labour market that unlocks the benefits of economic growth. More pointedly, economic growth in Asia results from forces that exacerbate inequality and often disadvantage children, such as rural-to-urban migration. Market forces harbour no intrinsic concerns for children and equity—they can drive growth along unsustainable paths.

The challenges of exclusive and potentially unsustainable economic growth that underperforms for children highlights the need for policy interventions that can transform the character of economic development. Inclusive policies that tackle child poverty and vulnerability while strengthening the foundations for equitable economic growth and inclusive social development offer solutions that deliver children's rights while building investments in long-term prosperity. The next section explores one set of these policies.

20 Including University of Göttingen in Germany and ETH Zürich; Vollmer et al. (2014)

21 UNICEF (2012): 1.

22 Keele, G. (n.d.)

23 World Bank (2016): 8

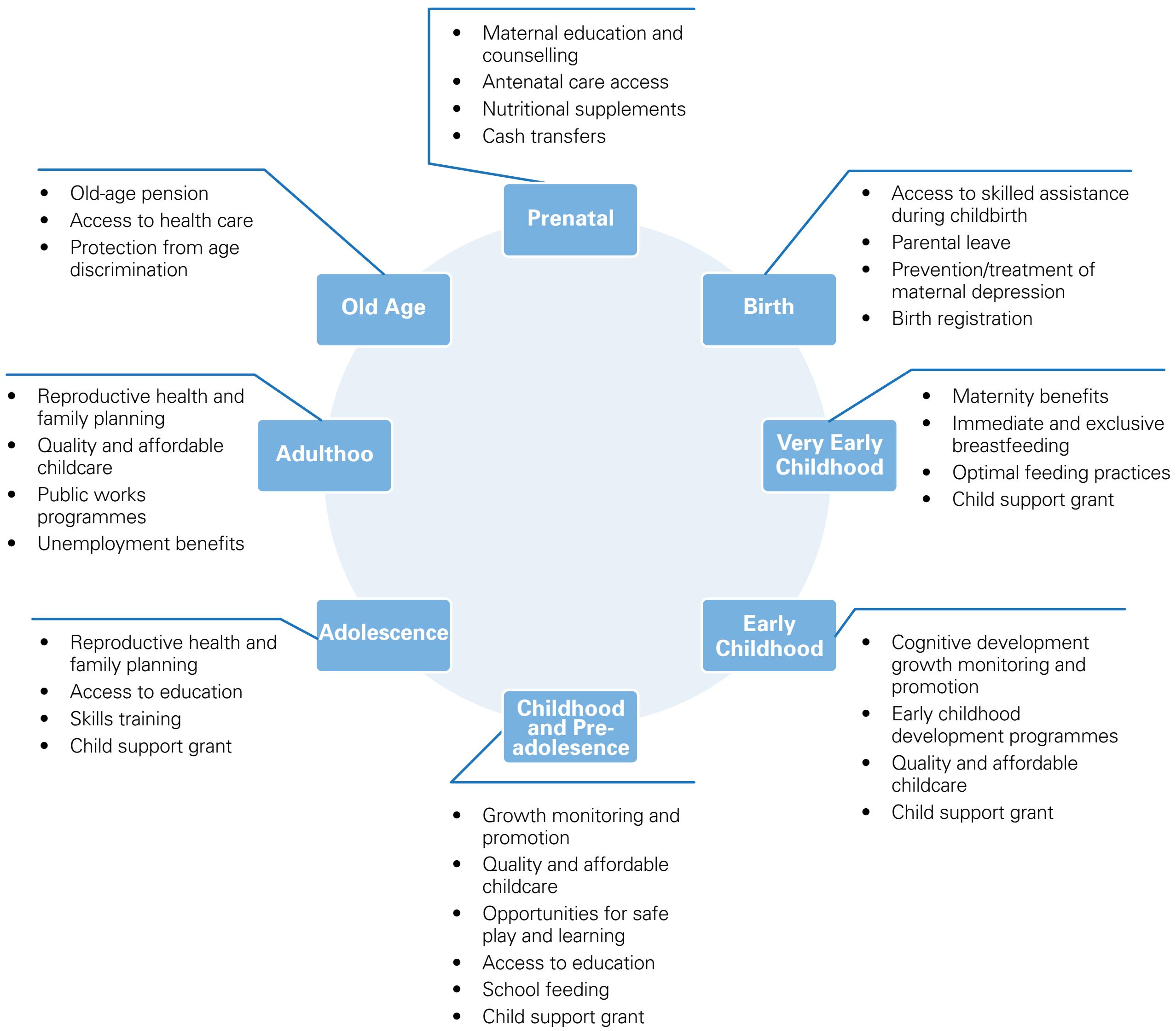
24 Ibid: 72

25 Ibid: 239

Part 2: Social protection's role in enabling more inclusive, sustainable and effective economic growth, particularly for children, women and their families

Social protection represents a far-reaching set of policy instruments that tackle poverty, vulnerability, and social exclusion. The instruments include cash and in-kind transfers, insurance mechanisms, programmes facilitating access to social services and associated developmental measures to promote livelihoods. These benefits reach individuals, households, and whole communities. These interventions mitigate vulnerabilities across the life cycle, supporting dignity and delivering human rights. They strengthen inclusive social development and equitable economic growth both by building human capital and enabling poor people to increase their participation in economically productive activities. Figure 3 on the next page illustrates examples of relevant instruments across the life cycle.

Figure 3: Social Protection instruments across the life cycle



A well-documented evidence base demonstrates that social protection consistently strengthens human capital development, especially when benefits reach pregnant women and young children. Social protection enables households to make long-term investments in education, health and nutrition, directly benefitting children while laying the foundation for future economic growth. These human capital impacts strengthen economic growth by enhancing labour productivity, fostering sustainable development and expanding livelihoods and employment opportunities.[26] Social protection reduces inequality and promotes social cohesion. Social protection schemes often have the benefit of empowering individuals who are marginalised by structural factors. By addressing the needs of particularly disadvantaged groups, social protection promotes equality and increases citizens' trust and satisfaction in their society and government.[27] Furthermore, social protection has the ability to help vulnerable citizens deal with new risks like the increasingly common weather-related disasters that disproportionally affect Asia and the Pacific by providing them with financial protection against these shocks.

Social protection improves the inclusive character of sustainable economic growth because it addresses both the manifestations and the root causes of poverty and social exclusion. It also strengthens the pro-poor patterns of economic growth and integrates cross-sectoral interventions that better ensure inclusive social development. UNICEF has recognized this dual role of social protection, delivering children's rights and promoting comprehensive development outcomes, in its foundational document, the 2014 *Social Protection Strategic Framework*. Similarly, global development partners, international organisations (including UNICEF) and non-governmental organizations agreed a Joint Statement on Advancing Child-Sensitive Social Protection, which similarly highlighted the role of social protection focused on children in terms of achieving results for families as well as communities and broader national development goals (Box 1).

Families such as the Gurung family benefitted from a top-up cash grant provided by UNICEF after the earthquake in Nepal, thanks to a grants system already being in place.

26 UN ESCAP (2015): 13

27 Ibid: 14

Box 1: Child Sensitive Social Protection – a Joint Statement by 11 Development Partners

Partners signing the 2009 Joint statement agreed on these principles:

- Intervene as early as possible where children are at risk, in order to prevent irreversible impairment or harm.
- Consider the age- and gender-specific risks and vulnerabilities of children throughout the life-cycle.
- Mitigate the effects of shocks, exclusion and poverty on families, recognizing that families raising children need support to ensure equal opportunity.
- Make special provision to reach children who are particularly vulnerable and excluded, including children without parental care, and those who are marginalized within their families or communities due to their gender, disability, ethnicity, HIV and AIDS or other factors.
- Consider the mechanisms and intra-household dynamics that may affect how children are reached, with particular attention paid to the balance of power between men and women within the household and broader community.
- Include the voices and opinions of children, their caregivers and youth in the understanding and design of social protection systems and programmes.

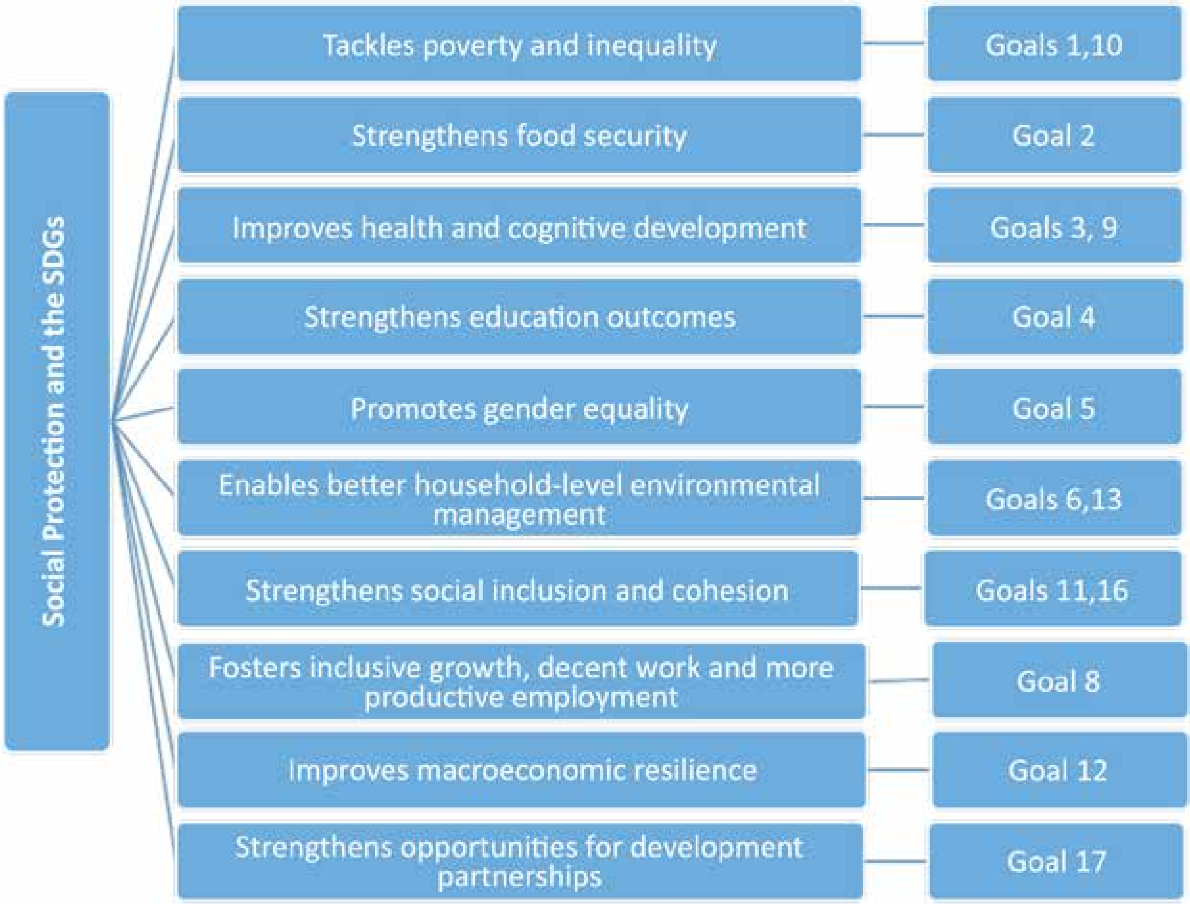
Governments and international development partners can take the following steps to further social protection and ensure it is child-sensitive.

- *Ensure existing social protection policies and programmes are child-sensitive*. Review the design and implementation of existing social protection policies and programmes to ensure they are child-sensitive, including taking into consideration the viewpoints of children, youth and their caregivers.
- *Progressive realization*. Set priorities and sequence policy development and implementation to progressively realize a basic social protection package that is accessible to all those in need and is fully child-sensitive.
- *Increase available resources*. Governments and donors alike should seek to improve fiscal space and increase available resources for child-sensitive social protection programmes.
- *Increase capacity and co-ordination at all levels*. The design, implementation and evaluation of child-sensitive social protection involves a wide range of development actors. Accordingly, broad efforts are needed to build awareness, political will, capacity and inter-sectoral coordination.
- *Ensure balance and synergies between social transfers and social services*. Adequate investment in and linkages between transfers and social services is needed to ensure the reach, effectiveness and impact of social protection.
- *Continue to build the evidence base on child-sensitive social protection and ensure research findings are well-disseminated*. Ongoing research, data disaggregation, and monitoring and evaluation are needed to better understand effective programme design and implementation for maximum impact on children [...] as well as how child-sensitive approaches benefit the wider community and national development.

Source: Advancing Child-Sensitive Social Protection. Joint Statement by DFID, HelpAge International, Hope & Homes for Children, Institute of Development Studies, International Labour Organization, Overseas Development Institute, Save the Children UK, UNDP, UNICEF, the World Bank and World Vision. August 2009. See full document at http://www.unicef.org/socialpolicy/files/CSSP_joint_statement_9.13.10.pdf

The evidence base documents the role of social protection in supporting the Millennium Development Goals and its great potential to assist the achievement of the Sustainable Development Goals (SDGs). Box 2 highlights some of the child-related targets and indicators of the SDGs; Figure 4 maps the evidence base to the main SDGs for which evidence demonstrates impact. The following sections take the SDGs as the reference frame and elaborate on the evidence supporting relevant goals strengthened by child-focused social protection.

Figure 4: Social Protection supports the Sustainable Development Agenda



Source: Author. For the SDGs see link here: https://sustainabledevelopment.un.org/sdgs

Box 2: Social protection and access to services for children's development in the SDGs

The 2030 Development Agenda, adopted in September 2015 in New York, devotes particular attention to Social Protection. As part of its first goal "To end poverty in all its forms everywhere", Target 1.3 emphasizes the need to "Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable". Similarly, the SDGs promote equal access to services that are crucial for children's development, such as health care and education, including during early childhood (SDG2, SDG3, SDG4, SDG10). Target 1.4 aims to "Ensure that all men and women, in particular the poor and vulnerable, have equal […] access to basic services […]". In March 2016, 30 priority indicators for children were included in the global list of 230 indicators for measurement of progress towards achievement of the SDGs. These relate to poverty; social protection; health; education; disaster risk reduction and resilience; climate change; water, health and sanitation; and child protection as the selection below attests:

SDG1 – "No poverty"

- Indicator 1.1.1 Proportion of the population below the international poverty line, disaggregated by sex, age group, employment status and geographical location.
- Indicator 1.2.1 Proportion of the population living below the national poverty line, disaggregated by sex and age group.
- Indicator 1.2.2 Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.
- Indicator 1.3.1 Proportion of the population covered by social protection floors/systems, disaggregated by sex, and distinguishing children.

SDG 2 – "Zero hunger"

- Indicator 2.2.1 Prevalence of stunting […] among children under 5 years of age.
- Indicator 2.2.2 Prevalence of malnutrition […] among children under 5, disaggregated by type.

SDG 3 – "Good health and well-being"

- Indicator 3.2.1 Under-5 mortality rate (deaths per 1,000 live births).
- Indicator 3.2.2 Neonatal mortality rate (deaths per 1,000 live births).

SDG 4 – "Quality education"

- Indicator 4.2.1 Percentage of children under 5 years of age who are developmentally on track in health, learning and psychosocial well-being.

SDG 16 – "Peace, justice and strong institutions"

- Indicator 16.2.1 Proportion of children aged 1-17 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month
- Indicator 16.2.2 Number of victims of human trafficking per 100,000 population, by sex, age and form of exploitation
- Indicator 16.2.3 Proportion of young women and men aged 18-29 years who experienced sexual violence by age 18
- Indicator 16.5.1 Percentage of persons who had at least one contact with a public official, who paid a bribe to a public official, or were asked for a bribe by these public officials, in the previous 12 months, disaggregated by age group, sex, region and population group
- Indicator 16.9.1 Proportion of children under 5 years of age whose births have been registered with a civil authority, by age

Social protection's effect on child nutritional and health outcomes

The first one thousand days of a child's life represents a critical window for health, nutritional and behavioural interventions as children experience rapid physical and mental growth during this period. Adequate nutrition and psychosocial stimulation is essential for ensuring that children reach developmental milestones in a timely manner.

As UNICEF's 2016 State of the World's Children report shows, despite progress in reducing under-five mortality, over 1.4 million children die annually in the Asia and Pacific region. Social protection can help disadvantaged women to access antenatal care, skilled care at birth and essential newborn care. Indeed, universal access to these interventions would dramatically improve prospects for safe pregnancy and child survival. Unfortunately, these areas are marked by extreme disparity, not just in access to care but also in the quality of care in most countries. For example, in both Bangladesh and Pakistan, women from the richest households are respectively four and six times more likely to receive antenatal care (at least four visits) than those from the poorest.[28]

Approximately one third of the deaths in children under five years of age are attributable to undernutrition. Nutrition deficits not only cause physical and developmental delays, but also make young children more susceptible to illnesses that can further impact their physical and mental development. Other causes of undernutrition include the prevalence of maladies like chronic diarrhoea, which strips children of essential nutrients and also causes dehydration. The nutritional deficits, both related to lack of nutrition and poor children's susceptibility to deleterious illnesses, can critically influence their health as adolescents and adults.[29] While Asia has reduced stunting by nearly 50 per cent between 1990 and 2014 (with greater progress in Southeast Asia compared to southern Asia), combatting child nutrition deficiencies remains a vital step in addressing economic inequality.[30]

Understanding whether adult caretakers have adequate knowledge of care is important for ensuring good nutritional outcomes. Maternal knowledge of proper child rearing and feeding habits, especially in regards to the amount of time spent breastfeeding and the quantity and quality of solid foods, has been proven just as important in ensuring childhood health as having access to food.[31]

There are three primary ways in which malnutrition is tied to decreased economic returns. First, malnutrition affects physical growth and health, meaning that adults suffering from either childhood and/or lifetime malnutrition are not as physically strong or healthy, and are potentially less efficient and reliable in the workplace. Second, cognitive deficiencies resulting from lack of nutrition can also negatively impact workplace performance and economic returns. Third, those with limited access to nutrition suffer from increased health problems, meaning that they must seek treatment more often, not only limiting their time in the workplace, but also incurring health care costs.[32]

Evidence in Asia and across the developing world documents the effectiveness of appropriately designed and effectively implemented social protection programmes for improving nutrition. For example, Bangladesh's productive social protection programmes include cash-for-work programmes aligned with the peak vulnerability period associated with annual floods. The public works build plinths to raised homes and gardens above the flood lines and provide income that increases and diversifies food consumption, leading to significant anthropometrically measured nutritional impacts for women and children.[33] A United Nations study in India discusses the challenges of public works

28 UNICEF (2016)

29 Minujin (2011): 28

30 UNICEF, WHO, World Bank (2015)

31 World Bank (2006): 57

32 Ibid: 2

33 Mascie-Taylor et al. (2010)

programmes for supporting nutritional outcomes, and highlights the success of the Maharashtra Employment Guarantee Scheme in terms of stabilising household income, improving women's employment and generating, through these effects, significant impacts on child nutrition outcomes.[34] A pipeline control evaluation found evidence that Bangladesh's Chars Livelihood Programme (CLP) reduced stunting and underweight indicators for children in participating households.[35]

In South Africa, children enrolled in the Child Support Grant (CSG) since birth were less likely to suffer illness than those who had joined the programme later in childhood.[36] Various studies have documented improvements in nutrition. The government's integrated quantitative-qualitative impact assessment found a positive and significant impact on nutritional outcomes for children receiving the grant if their mothers had more than eight years of education, demonstrating developmental synergies between social protection and education.[37] Another study found that early childhood grant receipt boosted long term nutritional outcomes, generating economic returns between 160 per cent and 230 per cent.[38] These robust health impacts result from a rights based child-sensitive social grant system that reduces the country's poverty gap by more than two thirds and broadly improves children's well-being along multiple dimensions.[39]

While Indonesia's rapid economic growth over the past decade has supported the reduction in poverty rates from 19 to 11 per cent, malnutrition rates have not declined significantly.[40] Recent evidence shows that the country's flagship social protection programme, however, is beginning to generate significant reductions in severe stunting. A randomized control trial of the social cash transfer programme *Program Keluarga Harapan* (PKH) finds important health-related outcomes, in terms of improving prenatal visits and immunization indicators and reducing severe stunting.[41] While the size of these impacts are small relative to those demonstrated in South Africa, they are consistent with the limited investment reflected by the lower coverage rate and smaller benefit size.

Similar results hold for the *Pantawid Pamilyang Pilipino Program (4Ps)* programme in the Philippines. An evaluation of the country's flagship social protection programme finds significant impact across a range of child-sensitive outcomes, "including the improvement in the preventive healthcare among pregnant women and younger children" and the reduction of malnutrition.[42]

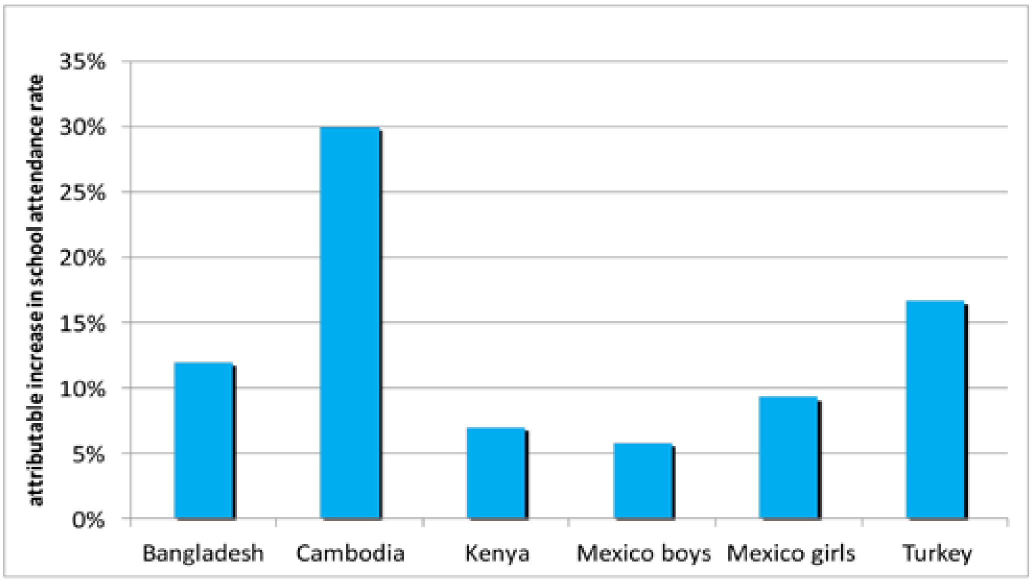
Social protection programmes strengthen children's health outcomes. Evaluations of the *Health Equity Fund* (HEF) in Cambodia, a maternity incentive scheme in Nepal, and a health insurance programme in Indonesia (*JAMKESMAS*) all document improvements in health care access, particularly for children. Other evaluations find direct improvements in health outcomes. Newborns in Mexico's *Progresa* programme were 25.3 per cent less likely to have been ill in the previous month than newborns in otherwise comparable households not receiving benefits. Among children aged zero to three, children were 39.5 per cent less likely to be ill over the course of the 24 months that programme effects were being measured.[43] Typically, the intended recipients of these cash transfers are mothers and/or women in the household, which tends to generate further development impacts also in terms of gender equity and power relationships within the family.[44]

34 Dandekar (1983).
35 DFID (2011)
36 DSD, SASSA, and UNICEF (2012): ii
37 Samson et al. (2016)
38 Aguero, Carter and Woolard (2006)
39 Samson et al. (2013)
40 Sudarno and De Silva (2015): 1.
41 Satriawan (2016)
42 Frufonga (2015)
43 Gertler (2004): 339.
44 Fajth and Vinay (2010)

Social protection's effect on child education outcomes

Social protection also generates important improvements in educational outcomes. Cash transfer programmes around the world improve school attendance rates.[45] Mexico's *Oportunidades* programme resulted in increased enrolment of children in primary school, especially for girls. Furthermore, secondary school enrolment increased by 6 percentage points for boys and 9 percentage points for girls respectively. Additionally, girls' transition rate from primary school to secondary school increased by 15 percentage points.[46] Rigorous quantitative evaluations of cash transfer programmes in Bangladesh and Cambodia identify even larger impacts.[47] South Africa's Child Support Grant demonstrates similar impacts in terms of improved educational outcomes.[48]

Figure 5: Impact of cash transfers on secondary school attendance rates



SOURCE: World Bank, 2009

Social protection's effect on labour productivity

Through its positive impacts on children's education, nutrition, health and protection, social protection supports children's development, leading to healthy and productive adulthood.[49]

Across Asia, Africa and Latin America, an extensive evidence base further documents the important impacts of social protection programmes strengthening food security, reducing stunting and improving a broad range of nutritional outcomes.[50] For example, by improving food security, reducing stunting (as measured by height-for-age indicators) and improving health, South Africa's Child Support Grant improves long-term labour productivity and generates net economic rates of return between 60 per cent and 130 per cent in terms of long-term wage gains.[51] World Bank research finds adults

45 Adato (2008): 18

46 Asian Development Bank (2008): 6

47 Ibid

48 UNICEF (2012)

49 UNICEF (2014)

50 DFID (2009) exhaustively reviews the evidence base on social protection's food security and nutritional outcomes, as well as a range of other human capital impacts.

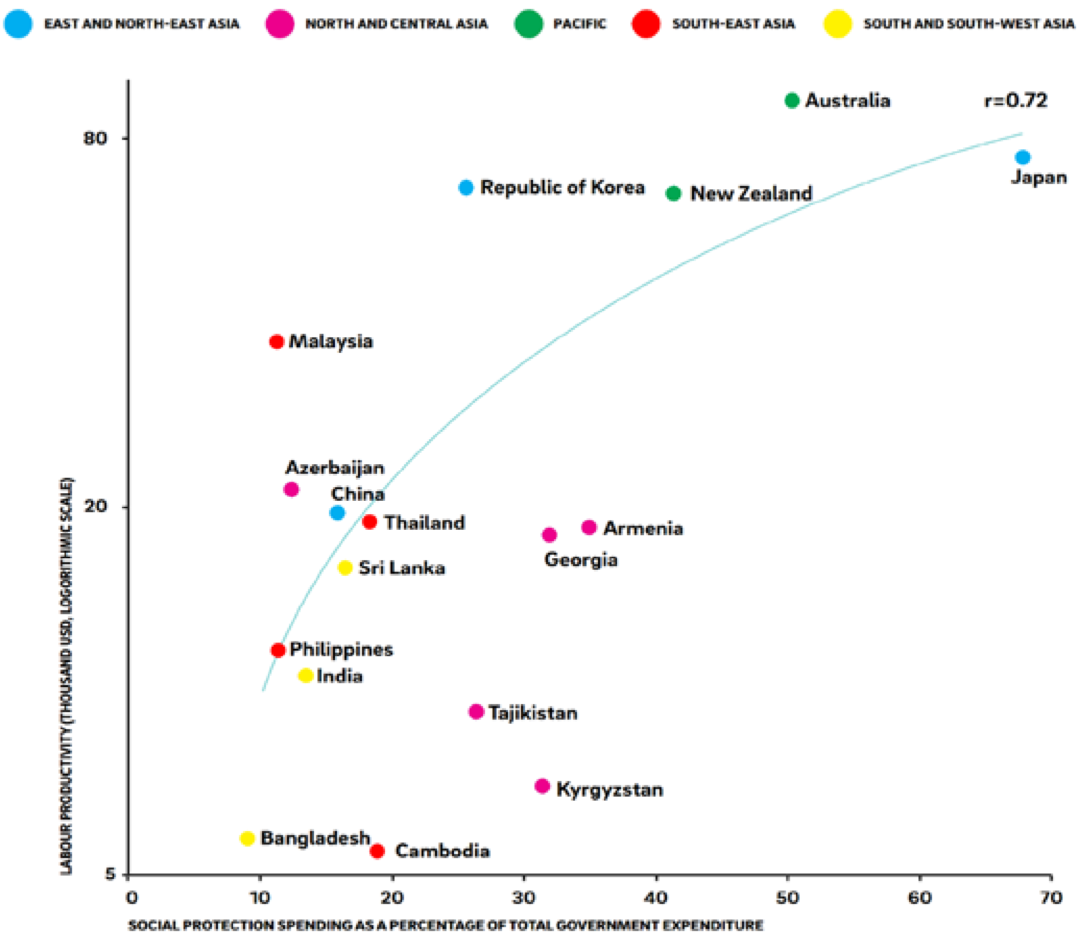
51 Aguëro et al. (2007): 19.

who suffered prenatal and very early childhood malnutrition lose 12 per cent of potential earnings due to lower labour productivity, costing India and China billions of dollars a year in foregone incomes.[52] Early nutritional interventions in children not only save lives and raises the quality of life, but also improve both the quality and quantity of a working adult population in the future. A similarly robust evidence base documents that investing in social protection generates important health and education impacts with additional long lasting effects on future labour productivity and individuals' ability to effectively function and contribute to society. A recent publication by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) maps the relationship between Asia's investments in social protection and the associated rates of national labour productivity (Figure 6). While it is impossible to prove a causal relationship (it is not possible to randomise countries), the strong positive correlation (r = 0.72) demonstrates a consistency with the evidence cited above that documents causal chains between social protection and the core building blocks of workers' long term capacities that contribute to labour productivity.

Wanpadet Srisukgaew, 8, Thailand, received an education grant after his mother's death during the 2004 Tsunami. Cash transfers have been shown to be particularly effective in emergencies, if systems are already in place.

52 World Bank (2006) Repositioning nutrition as central to development: 26

Figure 6: Social Protection and labour productivity



SOURCE: UNESCAP (2015)

Social protection's ability to help the poor cope with shocks

Many countries in Asia are particularly vulnerable to natural disasters, which climate change is intensifying. Climate change exacerbates livelihood shocks, especially in agriculture, and can change disease patterns which intensifies health risks. Social protection offers the potential to mitigate some of the resulting challenges. Poor households are especially vulnerable to shocks and often do not have the capacity to overcome obstacles like illness, economic or political strife, or natural disasters. Not only do these hazards disproportionately affect the poor, their threats make the poor engage in detrimental behaviours to prevent and cope with them, such as withdrawing children from school to save money or investing in crops that are more secure but have low yields. In attempts to stave off the destitution that results from the downside of adverse shocks, individuals often make choices that compromise human capital development or foreclose other promising economic investments.[53] Vulnerability describes both the exposure to shocks that threaten livelihoods and well-being as it interacts with the ability to cope and manage the downside risk. A person with few resources and limited capabilities might be very vulnerable to even modest shocks, while an individual with many resources can stare down serious shocks without risking significant vulnerability.

53 Ibid: 21

Natural disasters are especially detrimental for poor populations. Poor households often do not have the means to reserve resources to mitigate disasters that might otherwise negatively impact their livelihoods. Additionally, the poor more often live on land that is more susceptible to weather shocks, such as land that abuts waterways or arid land that lacks ready access to water and may be more vulnerable to drought.[54] A longitudinal study in Andhra Pradesh (India) over 25 years identified that 12 per cent of households fell into poverty. Of these, 44 per cent reported that their poverty resulted from weather related shocks that compromised their livelihoods (drought, irrigation, crop disease).[55] Social protection enables households to build assets that strengthen coping mechanisms for all types of shocks. In addition, insurance-based social protection mechanisms provide benefits contingent on shocks, enabling interventions to prevent poverty traps. The ability to access financial resources in times of severe personal, financial, or health related setbacks can prevent a further slide into poverty.

Better mechanisms for managing risk improve the well-being of vulnerable households, enable poor people to maintain and accumulate assets and allow them to adapt more effectively to changing circumstances. Better risk management enables poor people to invest in higher risk and higher return activities and to avoid falling back on poor coping strategies that forego more sustaining livelihood activities. The resulting participation in economic life can be transformative for the poor and contribute broadly to equitable economic growth. Potentially impoverishing health shocks in rural China have discouraged productive migration decisions and reduced school enrolment of children.[56] Social health protection prevents otherwise catastrophic health expenditures from driving households into poverty while protecting productive assets, thereby preventing poverty traps.[57] Farmers in India protected by the Employment Guarantee Scheme can afford the riskiness of investment in higher yielding varieties and can lift themselves out of poverty more quickly. Improved risk management tackles poverty more effectively and supports inclusive growth that benefits both children and their families.

Risk management is particularly important in Asia and the Pacific. UNESCAP reported 119 natural disaster events in Asia and the Pacific alone in 2014, resulting in over 6,000 deaths and $59.6 billion in economic losses. Environmental catastrophes disproportionately affect Asia and the Pacific, with nearly 53 per cent of global shocks affecting this region.[58] As climate change continues to intensify weather shocks, these extreme events will likely worsen, making social protection's productive umbrella even more inviting.

54 World Bank (2015)

55 Moser (2007): 69-71

56 Jalan and Ravallion (2001) in GTZ GPN (2007)

57 See OECD (2009)

58 UN ESCAP (2014): 1

Box 3: In Utero Climactic Shocks and Long-term Cognitive Development: Evidence from China

The role of prenatal and very early childhood shocks in shaping long-term economic outcomes has been an increasing focus in both the health and economics literatures in recent years. An unusually detailed panel survey that tracks human capital outcomes over time in a poor, rural province in China provides evidence on how the impact of these shocks evolves over time, and how parental investments respond to such shocks. The evidence suggests that prenatal and very early childhood shocks, measured by rainfall in the village and year of birth, have a robust effect on children's height-for-age as well as on cognitive skills in primary school. The primary channels seem to be via increasing maternal labor supply during critical periods of infancy, and nutritional deprivation during the in utero and infancy period. There is also evidence that, over time, children exposed to adverse shocks catch up with their peers who did not experience any shocks. By the second wave of the survey, at which point the children were between 13 and 16 years old, the effect of shocks on cognitive skills is weaker. The ability of compensatory investments made by parents (who are more likely to invest expenditure and time in the education of children who were exposed to more adverse shocks) to effectively mitigate the negative cognitive impact of prenatal and very early childhood deprivation indicates further potential for public social protection interventions to further remedy these deficits.

SOURCE: Leight, Glewwe, and Park (2015)

Social protection and investment and entrepreneurship

Social protection programmes often provide poor families with capital that enables investments and better access to labour markets which can lift them out of poverty. For example, Zambia's Child Grant programme enabled recipient households to increase agricultural inputs like seeds and labour and expand land used for agricultural production by 34 per cent. Sales of the crops produced increased income by 50 per cent.[59] Cash transfers in Zambia, Malawi, Kenya, and Lesotho enabled recipient families to expand their livestock ownership. The Zambia Child Grant programme also enabled families to diversify into non-agricultural business ventures, increasing these activities by 16 per cent.[60]

Bangladesh's many developmental programmes exemplify social protection's potential not only to immediately reduce income poverty but also to sustain a dynamic deepening of social protection's empowering impacts. The Government of Bangladesh's Rural Employment Opportunities for Productive Assets (REOPA)[61] and non-governmental programmes including BRAC's Challenging the Frontiers of Poverty Reduction (CFPR) and development partner initiatives such as the Chars Livelihood Programme[62] have all documented the potential of social protection initiatives to strengthen livelihoods strategies and propel dynamics that support household development. Often the immediate income gains are small, but the important impacts include the sustained strengthening of multidimensional well-being indicators. Figure 7 below depicts an example of the continuous improvement in development indicators tracked in BRAC's programme.

59 Davis (2015): 8

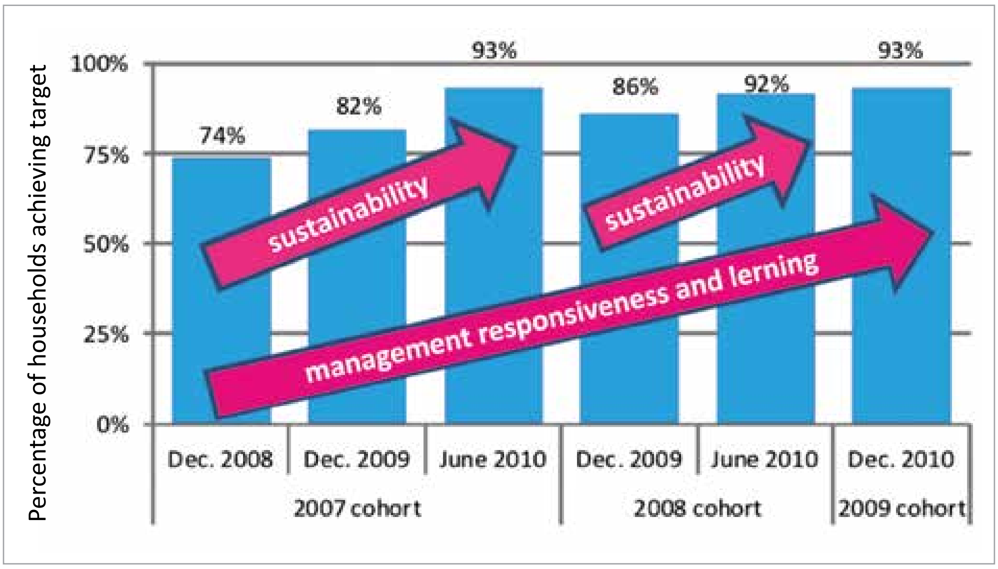
60 Ibid

61 Supported by the UNDP.

62 Both supported financially by AusAID and DFID.

The chart shows progressive improvements in a multidimensional index of developmental outcomes[63] for three cohorts of beneficiaries participating in BRAC's ultra-poor scheme from 2007 to 2009. Participant groups consistently improved their development index year after year: an index which included child-sensitive indicators like school attendance, access to health care and food security. Even after the direct asset promotion benefits ended, programme participants are able to continue to increase their productive assets, improve their livelihoods activities, improve child outcomes and strengthen household social development. Quantitative and qualitative evaluations, including randomised control trials, have demonstrated evidence of attributable impact in terms of improving people's lives, attitudes and economic opportunities.[64] In addition, initial end-of-programme outcomes improved consistently from 2008 to 2010, suggesting that the CFPR proactively responded to challenges encountered, learned appropriate lessons and continued to improve design and implementation in order to strengthen programme success.

Figure 7: Dynamic deepening of developmental impact – Evidence from BRAC's CFPR



SOURCE: Author's calculations based on analysis of data from BRAC's MIS (Samson 2015)

These developmental social protection programmes tackle the complex drivers of chronic poverty in order to trigger and accelerate a dynamic developmental process: a virtuous circle that enables poor people to lift themselves to more sustaining livelihoods, build assets and access economic opportunities. The challenges vary from country to country, and the important context-specificity requires more complex evaluation approaches and a better evidence base than single country studies can provide.

Other social protection programmes specifically designed to increase entrepreneurial activities have had significant impacts in involving the poor in labour markets. *Haku Wiñay*, a social protection programme that targets poor rural households in Peru, aims to give these households the tools to engage in entrepreneurial efforts and join the labour market, with the goal of sustained productivity that lifts them out of poverty and positively impacts the broader market.[65] Not only did 65 per cent of participating households increase their income over the course of two years in the programme,

63 Including socio-economic indicators related to food security, robustness and diversification of livelihoods, access to quality housing, water and sanitation, savings, school attendance for children, etc.

64 Das and Misha (2010); Ahmed et al. (2009) and Samson (2012)

65 Ibid, 22

but they also reported increased rates of financial literacy and more trust in the financial system, as well as increased feelings of empowerment and household wellbeing.[66]

In addition, a number of social protection programmes provide employment directly in order to protect against livelihood shocks. India's National Rural Employment Guarantee Scheme is one of Asia's largest public works programmes. Evaluations have identified important impacts in terms of reducing acute malnutrition among children in participating households.[67] A number of countries in Asia have adopted public works programmes in order to address working age livelihood vulnerabilities.

Macroeconomic resilience and social cohesion

Social protection programmes also have demonstrated impacts on macroeconomic resilience, especially when households are facing shocks. Not only does human capital development enable innovation, it also makes households more resilient by allowing them to maintain adequate food consumption and stability in times of strife.

During the recent global financial crisis and economic slowdown, a large number of countries, including large Asian economies, have introduced or upgraded social protection interventions effectively helping to soften the worst effects of the crisis not just on poor people but on the whole economy as well. Indeed, the size of the social protection component of stimulus packages introduced in Indonesia, the Philippines, Viet Nam, China, and Malaysia ranged from between 10 and 35 per cent.[68]

Social protection strengthens the effectiveness and credibility of governments, building social cohesion and reinforcing good governance.[69] Social protection programmes have been associated with positive contributions to social cohesion. Social cohesion in this context refers to the capacity for diverse groups within a society (or in this case a nation) to work collaboratively and find common ground on important societal dimensions that can promote comprehensive well-being among engaged parties.[70]

Mauritius's social protection system enabled the government to lead a vulnerable monocrop economy with high poverty rates onto a high growth export-driven path which has produced extraordinarily high economic growth rates and some of the lowest poverty rates in the developing world.[71] Nepal's labour unions negotiated social protection benefits as a necessary quid pro quo for labour market reforms, with a resulting win-win policy mix that would reinforce both growth and social equity. Social protection is also on Nepal's agenda to help build a more secure state, prevent a return to conflict and to provide a visible peace dividend. Both Mexico and Indonesia have employed social protection programmes to compensate poor households for the costs of economic reforms, thus better enabling the growth than benefits both rich and poor in the long run.

66 Ibid, 24-25

67 Oxford (Nair et al.) (2013)

68 UNICEF (2010)

69 Bourguignon and Ravallion (2004), DFID (2005)

70 GIZ (2012) : 11

71 Roy and Subramanian (2001)

Part 3: Child-sensitive social protection and the development paradigm in Asia and the Pacific

Policy-makers across the region face a critical crossroads. The old policies and paradigms will not continue to deliver exponential growth, but embracing child-sensitive social protection holds the potential to fundamentally change the development paradigm across Asia and the Pacific. It enables developmental states to fuel inclusive social development and strengthen the dynamics of inclusive economic growth. Adopting child-centred investment is the right thing to do in order to realise children's rights. And centring investment in children at the heart of a long-term development strategy will drive the region's future prosperity.

The logic of delivering on children's rights is clear. The evidence in the preceding sections identifies the devastating gaps in delivering children's rights that exacerbate inequality and trap generations in further poverty and vulnerability. Investing now in social protection with its vital linkages to nutrition, health, education and more sustaining livelihoods represents the best investment for a more equitable future for children and their households.

The logic for putting investment in children at the heart of development strategies is more complex, but may take us further, not only in generating development and growth but also in realising social rights of children that are instrumental in achieving long-term developmental impacts. This approach may even achieve child-focused outcomes more rapidly—by engendering the broad-based political support required for the complex investments necessary to achieve inclusive social development and equitable economic growth—investments that require primarily ensuring that all children realise their rights to nutrition, health, education and other basic needs.

This logic soars over the advocacy landscape, resting on three critical pillars:

(1) Rising dependency ratios across Asia and the Pacific ensure falling standards of living unless labour productivity rises faster than populations age. Child-sensitive social protection provides the most productive investment governments can make to ensure rapidly rising labour productivity over generations.

(2) Growth dynamics have fundamentally changed over the last few decades and centuries. Today, as postulated in this paper's introduction, the source of the wealth of nations is cognitive capital. No country can build this wealth producing capital stock if it leaves a vast proportion of its children disadvantaged during the life cycle stage when returns to investment in cognitive capital are the greatest. Child-sensitive social protection provides the highest yielding investment in a nation's long term cognitive capital stock.

(3) At this point in the twenty-first century, policy initiatives have already harvested the low-hanging fruit that has nourished the region's rise. Future progress depends on policies that tackle more complex challenges such as initiatives that build bridges across sectors and generate developmental synergies. Child-sensitive social protection, as discussed in section 2 of this paper, offers a vanguard into the comprehensive and integrated approaches that yield vital advantages:

a. They work better, maximising the prospects of achieving developmental outcomes while minimising the costs;
b. They articulate strategies that generate greater government credibility, bringing diverse stakeholders on board and opening the policy space further; and
c. They broaden the policy evaluation framework, moving beyond singular goals and valuing integrated interventions across the comprehensive set of outcomes. They enable therefore a full valuation of the resulting impacts which demonstrates greater value for money and further diversifies the support of policy stakeholders.

These three pillars support the expressway on which child-sensitive social protection can drive inclusive social development and equitable economic growth.

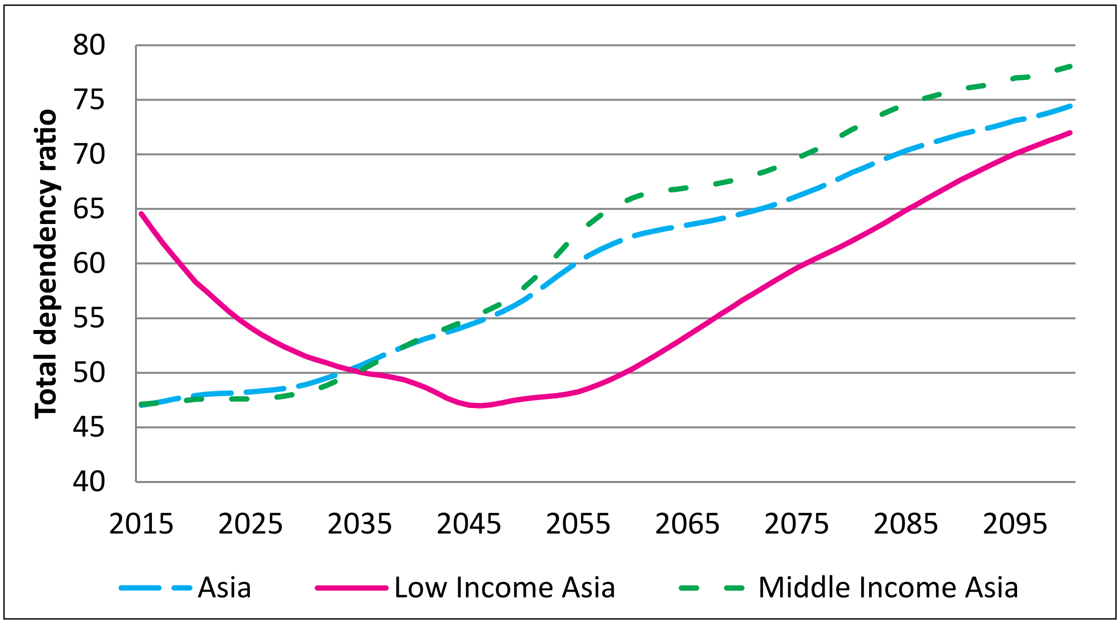
Child-sensitive social protection manages demographic risks

Over the past half century, Asia's rapidly growing economies reaped demographic dividends from falling dependency ratios—the fewer number of children and older people who depended on working age people for their support. In Japan during the 1950s and 1960s, in the Asian 'Tiger' economies for the past 40 years, and more recently in China, falling dependency ratios have coincided with 'miracle' rates of economic growth. About a third of the East Asian miracle growth resulted from the growth of the working age population relative to children and older people.[72] By contrast, Japan's shrinking ratio of working age people to dependents reduced the nation's economic growth cumulatively by about ten per cent since the turn of the century.[73]

Just as Japan's rising dependency ratios starting in the 1990s coincided with slowing economic growth, now China and the Southeast Asian 'Tiger' economies face a 'middle income trap' aligned with their own rising dependency ratios. Ageing populations save less as retired people draw down their assets in order to maintain their consumption and place greater strains on workers to maintain the same standard of living. Underdeveloped public systems for supporting older people exacerbate the strains on workers and erode familial support structures and the society's standard of living.[74]

Social protection, with its powerful long term effects on human capital development, counters the demographic trap by better enabling labour productivity to grow faster than the population ages. This is particularly important for low income Asian countries who are still reaping the demographic dividend and will continue to do so for perhaps another several decades. Investing now in children builds a long term human capital stock that can extend the cognition-adjusted demographic dividend. Better educated adults also work longer and more productively, further extending the demographic dividend.

Figure 8: Total projected dependency ratios in Asia 2015 to 2100



Source: EPRI based on UN Population projections.

72 Bloom and Williamson (1998); see also Choudhry and Elhorst (2010) and Wei and Hao (2010).

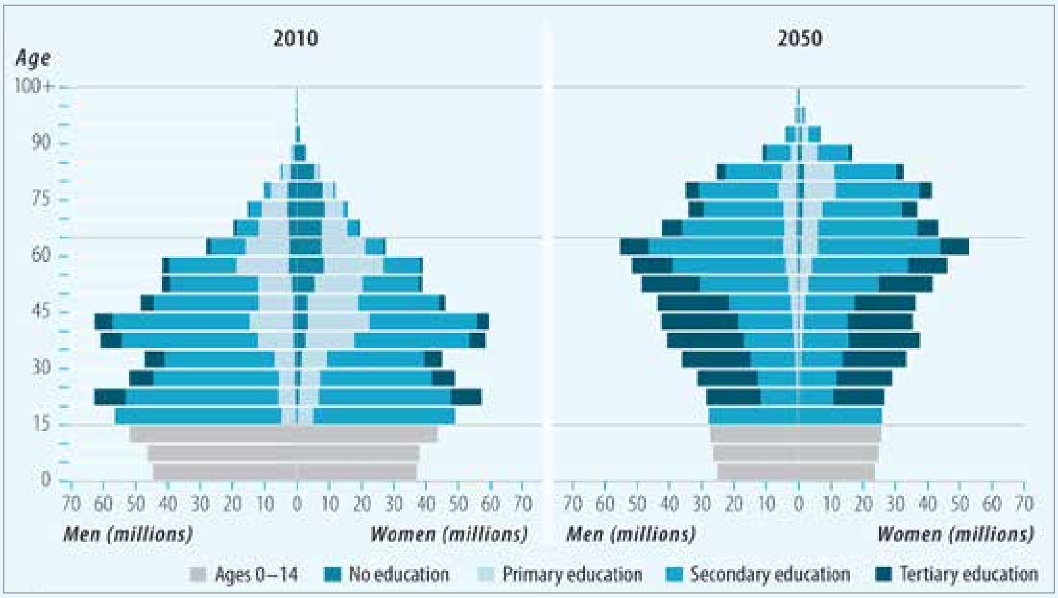
73 Credit Suisse economist Amlan Roy's estimates reported in The Economist

74 Asian Development Bank (2011): xvii

Box 4: China's Demographic Dividends and Challenges

The trend in Asia (and globally) towards slower population growth and population ageing is driven partly by China, the world's most populous country, which is going through a demographic transition. In 1970, youth constituted the largest share of China's population, resulting in a high dependency ratio of 0.770, with 1.08 boys for each girl among infants aged 0–4. By 2010, China's population pyramid looked completely different, as depicted in the figure below. As fertility rates fell, the share of the working-age population rose faster than the share of the youth population, lowering the dependency ratio to 0.382. The gender imbalance became more pronounced among infants, with 1.18 boys for each girl. The productive-age population (ages 35–50), currently the largest population share, will reach retirement in 15–25 years. By 2030, China will thus face the challenge of an ageing population, putting more pressure on the social sector and raising the dependency ratio. At retirement, this cohort will have a higher educational attainment than its predecessors 40 years ago. Under a fast track scenario with strong education policies, the age structure of China's population in 2050 will be transformed, with the population ages 60–64 becoming the largest cohort. The education level of the working-age group will rise considerably, contributing to a more productive workforce. A more skilled and productive workforce could offset some of the negative effects of a high dependency ratio and a large share of older people. A cash transfer pilot in China's most vulnerable provinces aims to reinforce cognitive development impacts, strengthening long-term educational and labour productivity outcomes. Strengthened national scale social protection programmes will reinforce these effects.

China's population pyramids 2010 and 2050



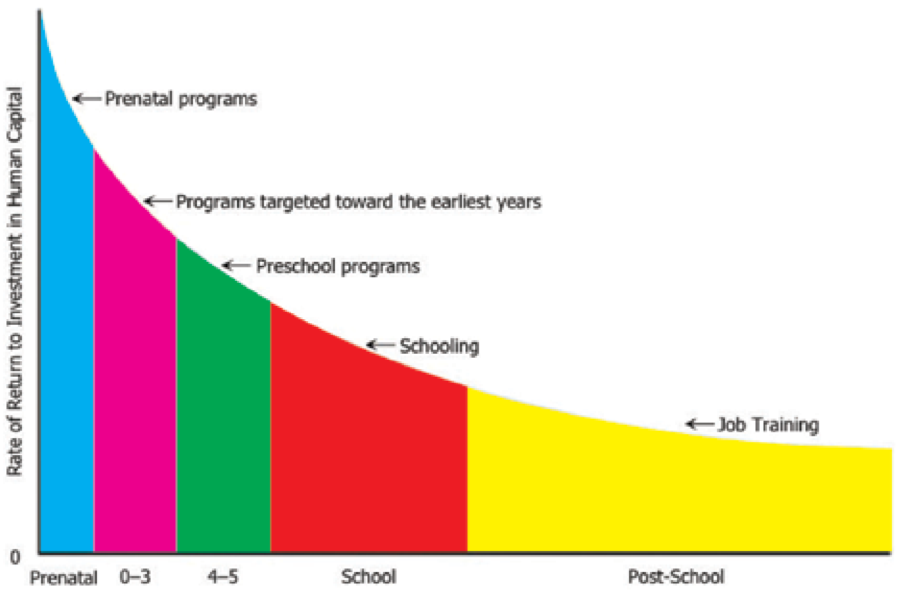
Source: UNDP Human Development Report 2013

Child-sensitive social protection builds the wealth of nations

UNICEF has long been arguing for the case for prenatal and very early childhood investment. More recently, a very significant body of scientific evidence started to emerge underpinning policy advocacy with rigorous analyses.[75] Nobel Laureate James Heckman demonstrates that rates of return on investments made during the prenatal and early childhood years average between 7 and 10 per cent greater than investments made at older ages.[76] This groundbreaking work by a consortium of economists, psychologists, statisticians and neuroscientists documents the productive impacts of comprehensive prenatal and very early childhood investments, including social protection, on national economic, health and social outcomes. Adverse prenatal and very early childhood environments lead to adults burdened with deficits in skills and abilities that drive down productivity and increase social costs thereby adding to fiscal deficits that burden national economies, hampering long term growth and development.[77]

Investments in child health and wellbeing build the foundation for productive adulthood and cohesive communities and societies, strengthening a country's future workforce and ability to thrive economically. Ensuring that all children, including the most vulnerable living at the margins of society, have the best first chance in life is a tried and true means to stabilize individuals, communities and societies over the long-term. Science has shown that coordinated, multifaceted and evidence-based action can help ensure that children in adversity benefit fully from policies and services and achieve better outcomes over the long term.[78]

Figure 9: Investment in human capital bring the highest return in early age



Source: James Heckman, Nobel Laureate in Economics

As Figure 9 attests, rates of returns are particularly high in early childhood, when breastfeeding and a diet rich in essential micronutrients combined with stimulation and loving maternal and family care creates a supportive environment and generates powerful feedback loops between brain development, anthropometric results, and children's evolving cognitive, emotional and social capacities.

75 Boothby, Neil (2016)

76 Carneiro and Heckman (2003).

77 Heckman, J.J. (n.d.)

78 Boothby et al. (2012).

Child-sensitive social protection epitomises the new development paradigm

Child-sensitive social protection's potential to achieve social and economic development objectives increases significantly when policy makers incorporate the interventions within integrated planning frameworks. Planning functions within governments across Asia, in countries including Bangladesh, Cambodia, Indonesia, Nepal, Thailand as well as other countries, integrate increasingly comprehensive social protection responses into national development plans. This holistic approach to policy planning recognises that policies that strengthen social protection's natural tendency to promote livelihoods and foster pro-poor and inclusive economic growth and development yield the greatest impact when coordinated within a larger planning framework. A national coordinating mechanism that enhances an integrated and comprehensive approach to child-sensitive social protection improves impact and value for money.[79] While human capital development forms the basis of the economic rationale for social protection, investment in children is an essential element of an integrated policy framework that aims to promote not only growth but also equitable distribution of this growth.

Indonesia offers an illuminating example of the development planning approach. The Ministry of Development Planning (*Badan Perencanaan Pembangunan Nasional or BAPPENAS*) takes primary responsibility for planning, developing and coordinating social protection programmes. BAPPENAS integrates rice subsidies (*RASKIN*), health insurance (*JAMKESMAS*), scholarships (*Bantuan Khusus Murid or BKM*) and cash transfer programmes (e.g. the PKH mentioned earlier, or unconditional cash transfers such as the *Bantuan Langsung Tunai* or BLT used to dull effects of subsidy cuts).[80]

Figure 10 offers a visual representation of integrating social protection within a development planning process. The development planning approach is strengthening multi-sectoral interventions and reinforcing multidimensional impacts.[81] The matrix below illustrates a stylised model of the planning process.

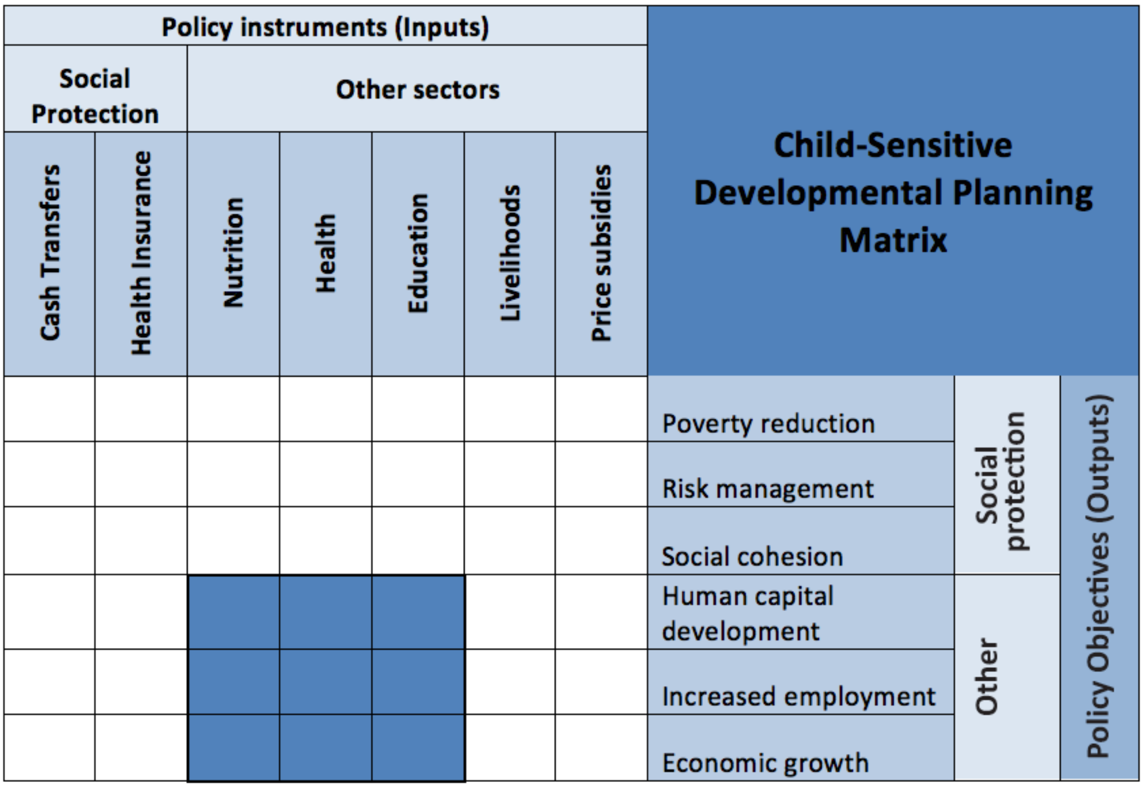
This framework defines 'inputs' as government policies, programmes and instruments that enable the achievement of national policy objectives, or 'outputs', emphasising the importance of linkages within and between sectors. Indonesia's social protection system which links cash transfers and social health insurance provides an example of intra-sectoral linkages. Cash transfers are of limited use in protecting against catastrophic health shocks that can create poverty traps that perpetuate an inter-generational transmission of poverty. Yet social health insurance often fails to benefit the poorest families because they cannot afford the premium-based costs. Integrating cash transfers with social insurance within the social protection sector (intra-sectoral linkage) strengthens both interventions: the cash transfer improves access to social health insurance benefits, and the health protection broadens the capacity of cash transfers to tackle poverty and vulnerability. This increases the likelihood that households can break out of inter-generational poverty traps.

79 Samson (ed.OECD) (2013): 77

80 Kwon and Kim (2015)

81 Samson (2013)

Figure 10: The development planning approach to social protection



Source: Author

The shaded box depicts a potential area for inter-sectoral linkages. When cash transfers finance otherwise destitute households' contributions towards their children's nutrition, health or education, these three areas are mutually reinforcing, maximising the potential for human capital accumulation that exceeds that which social cash transfers alone could achieve. Social protection instruments strengthen human capital development, improve livelihoods engagement and broadly promote pro-poor economic growth.

A multi-sectoral approach in which various policy sectors work together can more effectively strengthen the achievement of social protection objectives as well as the broader set of development objectives, including broadly inclusive economic growth. For example, the causal links between education and health are mutually reinforcing. When social assistance enables children to satisfy their nutritional requirements during critical periods of development, the same children will perform better in school, concentrate and learn better, enhancing educational outcomes and maximising government return on education spending. Better health and schooling increases longevity, makes workers more productive, increases employment, all of which contributes to economic growth. Most importantly, these impacts have intergenerational repercussions: The health and education of parents (particularly mothers) boost both outcomes in their children.[82] A multi-sectoral approach that combines cash transfers with social health interventions improves the effectiveness of both interventions.

In Indonesia's case, the integrated nature of the larger development planning process created broad fiscal and developmental synergies that generated political support and enabled the pro-poor expansion of the system. In 2005, the global fuel price bubble skyrocketed the Government's universal fuel subsidy (PKPS-BBM) to nearly 30

82 Vogl (2012)

per cent of total government spending, a fiscally unsustainable burden. Attempts to reduce the subsidy led to a 144 per cent increase in domestic fuel prices, sparking widespread riots. In response, the government expanded social protection benefits in terms of educational assistance, health insurance and cash transfers.[83] The social protection intervention included multiple instruments aiming to achieve cross-cutting objectives: tackling poverty and vulnerability, strengthening human capital development, promoting fiscal balance, fostering social cohesion and propelling equitable economic growth. The broadened political support for these multiple objectives has enabled the funding of a more generous child-sensitive social protection system. Important challenges remain, including the scaling up and sustaining of adequate benefits to realise children's rights and strengthen human capital development. Given the integrated structure of Indonesia's development planning system and the clear benefits of investing in children across a range of national priorities, Indonesia faces promising opportunities in expanding cash transfers for children in order to generate returns in terms of inclusive social development and equitable economic growth.

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Narinthip Pommarin, 24, plays with her children Ang Bao, 5 months, and Ang Ban in Samut Songkram, Thailand. The family relies on casual labour to earn a living. They receive a child support grant from the Thai government to help them with expenses for Ang Bao.

83 Kwon and Kim (2015)

Part 4: Two practical considerations

Countries face a large number of practical considerations in implementing child-focused social protection programmes. This section touches upon two key issues: the challenges of targeting, and the issue of financing social protection.

Targeting versus universality: The need to address fragmentation

Targeting represents the most challenging dimension of the design and implementation of child-focused social protection systems. The debate becomes even more important as countries across Asia and around the developing world increasingly focus not only on the role of social protection in reducing poverty and vulnerability but also for strengthening inclusive social development and equitable economic growth. The OECD's 2013 Development Cooperation Report identifies a global trend towards universal provision of social protection, reflecting a range of policy considerations, many of which relate to the growing emphasis on developmental social protection.

For example, after a targeting study identified families with very young children as the nation's poorest,[84] the Government of Nepal implemented a universal child benefit for households with young children in the country's poorest districts. The high social cost of excluding young children from such a developmental benefit outweighed the small financial savings from targeting, particularly when considering the social cohesion and solidarity promoted by rights based benefits[85] in a country afflicted by a conflict estimated to have cost the country 2 per cent of foregone economic growth annually.[86] Similarly, Mongolia has transformed its Child Money Programme (CMP), a targeted and conditional benefit in 2005, into a universal grant to all children under the age of 18 years. Currently, the programme reaches about a million children and approaches a coverage rate of 100 per cent of the child population at a cost of about 1.5 per cent of the country's GDP.[87] Targeted systems on the other hand are often work with large inclusion gaps and exclusion errors. An assessment of the Care and Protection Allowance in Fiji, for example, found that only a few per cent of children are beneficiaries, and coverage is negligible for some categories of children, in particular young children and those living with a disability. Yet, a high proportion of children in the population – perhaps 70 per cent – would benefit from a Child Grant in the country.[88]

While universal provision generally requires a greater immediate cash investment than poverty targeted approaches, other direct and indirect costs are usually much lower. As a result, universalisation can deliver greater value for money in spite of higher immediate costs, by expanding impacts, improving efficiency and reducing socio-economic distortions.

The policy considerations for universal approaches often hinge on the full cost analysis of the alternative of poverty targeting, which include: administrative costs, private costs (opportunity costs, travel costs, etc.), social costs (e.g. erosion of community cohesion), psycho-social costs (such as stigma and loss of self-esteem), political costs (loss of political support) and incentive-based costs (e.g. behavioural change to meet eligibility criteria). An assessment of these costs yields important policy implications for universalisation:[89]

84 Samson Michael (2008), "Targeting Options for Social Protection in Nepal", Unpublished Report to the UK Department for International Development, London cited by Stirbu (2009)

85 Samson (2012)

86 Asian Development Bank growth impact estimate.

87 Munkhzul, L. (2015)

88 UNICEF Pacific and Fiji Ministry of Women, Children and Poverty Alleviation (2015):7.

89 Devereux et al. (2015)

- **Administrative costs** of targeting tend to increase as accuracy increases, and they tend to be higher for individual assessment methods (e.g. means testing), but lower for 'blanket coverage' (geographic) and 'more universal' (i.e. categorical) approaches. Universal approaches minimize the administrative cost share of social protection programmes.
- **Private costs to** applicants, including transport, documentation, queuing time and opportunity costs of applying for social transfers, can be prohibitively high and inadvertently exclude eligible poor individuals, or they can be set high deliberately, as a self-targeting device. Universal provision often minimises both private costs and the risks of exclusion, maximising the net risk-adjusted benefits to the beneficiary.
- **Incentive costs** result from behavioural changes by applicants, for example, in work effort or job search, household composition, or migration. These (dis)incentives vary by targeting mechanism because different criteria elicit varying behavioural responses to ensure eligibility. For example, a means test can create a poverty trap at the income threshold since beneficiaries may prefer to limit their income in order to maintain their eligibility for the social protection benefits.
- **Social costs** exacerbate the divisions within communities between beneficiaries and the ineligible, eroding social capital and undermining social cohesion. While often intangible, these costs today warrant unprecedented scrutiny since fractured societies threaten human insecurity. Increasingly, governments are turning towards universal approaches as much to build social solidarity as to effectively delivery social protection.
- **Psycho-social costs** include the intensification of stigma that often accompanies poverty targeting, which can undermine personal self-esteem and exacerbate social exclusion. An increasing focus on developmental social protection requires more comprehensive approaches that both tackle deprivation while broadly strengthening human capabilities. Universal provision provides the secure foundation of rights-based entitlement which complements the benefits with psycho-social resources, multiplying social protection's developmental impacts.
- **Political costs** of targeting can be significant, given the evidence that universal programmes generate broader political support than narrowly targeted benefits for the poor. Universal provision often generates a more generous net benefit for the poorest households by dramatically expanding the political constituency supporting the programme, which can increase the programme's budget allocation more than universal provision dilutes the share going to the poorest households.

While the total costs of universal approaches, which factor in all the costs above, may be lower than the total costs of poverty targeting, the liquidity constraints governments face may nonetheless preclude the value for money universal option. The costs of universal provision fall squarely on the government's coffers, while the costs of targeted approaches burden both the government and tax the general population, as well as future generations. Making universalism affordable requires phased approaches such as progressively expanding combinations of geographical and categorical targeted approaches.

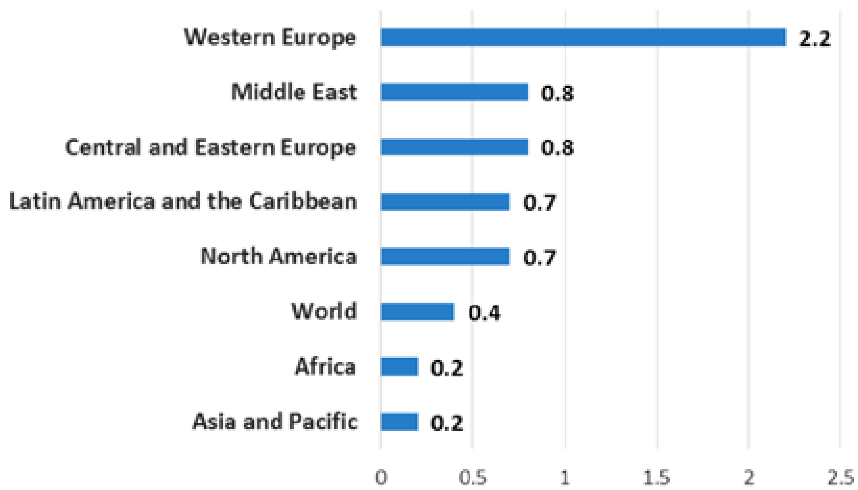
Financing social protection

Countries finance social protection through both domestic and international resources, including both tax and non-tax government revenue as well as international development partner support and sometimes concessional borrowing. The fiscal and political sustainability of these social protection initiatives rely on the adopted financing approach. The financing of social protection depends on sound fiscal policy, which must take into account the future liabilities to be paid for through future taxation. The lower the tax revenue as a proportion of GDP, the greater the opportunity available to increase government revenue. Social protection measures can work hand-in-hand with tax reforms that increase the tax revenue of a country while simultaneously decreasing the tax rates facing individuals.

Excise taxes and VAT may have more obvious revenue potential than income tax, but realising this requires expanding the base, through both policy change and improved compliance, rather than by increasing standard VAT rates (which tend to be little pro-poor). In lower income countries, where VAT revenue performance is weakest, broadening the base and improving compliance might raise something of the order of an additional 2 per cent of GDP.[90] Levying excise taxes on a few key items in a manner commensurate with revenue needs and wider social concerns presents further potential in some countries. All excise revenue comes from fuel, tobacco, alcohol and other drinks, cars and, increasingly, mobile phones. In this last-mentioned sector the auctioning of licences is in principle the best way of taxing the potentially substantial rents. Another potential avenue of revenue mobilisation is taxation of natural resource extraction.[91] A resource tax is particularly relevant for mineral-rich developing countries, enabling them to increase fiscal space with relatively little extra public administrative capacity for tax collection. Olivier (2013) gives the example of the Bolivian dignity pension to illustrate the use of a tax on hydrocarbons to fund cash transfers.[92]

Figure 11 below compares Asia's public expenditure on child benefits with other regions around the world. In 2010/11, Asia and Pacific spent only 0.2 per cent of GDP on these vital programmes – and tied for bottom place with Africa. The low level of current expenditure indicates that a modest increase in tax revenue could finance a considerable relative increase in this expenditure. Reallocating expenditure from lower to higher priorities and from less productive to more effective and productive programmes is another key mechanism for creation of fiscal space. The main potential unrealised gain in most developing countries is reallocating resources wasted on consumer subsidies, extensive exemptions and on transfers to finance the structural deficits of public pension funds.

Figure 11: Public expenditure on child benefits by region 2010/11 (% of GDP)



SOURCE: Social protection for children: Key policy trends and statistics. Social Protection Policy Papers No. 14. Social Protection Department, International Labour Office 2015

For many developing countries there is a challenge to improve the cost efficiency of social transfers at the operational efficiency level by reducing the cost transfer ratio. The multiplication of small 'pilot' schemes and finite-duration, limited coverage programmes that litter the landscape of social protection is to a large extent the result of the haphazard manner of implementation, sometimes in post-emergency or post-conflict situations and more often than not in the absence of any coherent,

90 IMF (2011).

91 Ortiz et al. (2011)

92 Olivier et al. (2013)

government-owned policy. Such programmes are characterised typically by high start-up and roll out costs and lack of economies of scale.

In conclusion, most countries will rely on tax revenue to finance social protection programmes. The political economy impact of raising taxes to finance these initiatives can be daunting and requires careful consideration. A number of countries can still access catalytic development partner support to finance at least initial stages of social protection (and complementary) investments in children. Generally, however, this will ultimately require a transition to sustainable national finance (usually through taxation). Some countries have significant non-tax national revenue resources, although trying to tackle the political economy challenges often exposes the analyst to political backlash, particularly from finance ministries who are jealous of their prerogatives and often react negatively to attempts at external influence. Similarly, attempts to identify concrete prospects for reallocation of existing expenditure often antagonizes opponents more that they consolidate alliances. Likewise, proposals to borrow in order to finance social protection programmes can elicit political backlash from both policy makers and their constituencies.

Ultimately, financing social protection depends more on political will than on economic factors. Generating and sustaining political will in turn requires demonstrating evidence that these programmes deliver core national priorities, including equitable economic growth.

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6-year-old Chamroeun's family live in an urban poor settlement – his baby sister died of diarrheoa at just six months. Poor, vulnerable families like these would benefit from cash transfers.

Part 5: Conclusions and recommendations

The Asia and Pacific region has achieved remarkable but variable progress in tackling extreme poverty over the past several decades, but rising inequality and inadequate investments in child-centred social protection threaten the economic growth that has enabled these advancements. While the region has innovated important social protection programmes that strengthen child development in several countries, investments in these initiatives remain too low (both in absolute terms and by comparison with other regions of the world) to adequately redress the critical deprivations the most vulnerable children in Asia and the Pacific face.

Addressing these deprivations not only delivers children's rights, the resulting developmental investments also build the cognitive capital of children and represent the highest return for economic investment opportunities facing countries in Asia and the Pacific. Prenatal and very early childhood investments in social protection, health, nutrition, care, child protection and development tackle deprivations and deliver rights while strengthening human capital development and building the long term labour force capabilities that drive future prosperity. Today, cognitive capital cements the foundations of the wealth of nations.

Countries in Asia have the fiscal space and the open economic and demographic window to scale up child and gender sensitive social protection. Most countries face favourable demographic patterns today—with low economic dependency ratios—but future projections paint an alarming picture. Nearly all countries in Asia and the Pacific already face rising dependency ratios, or will begin to experience them in the next decades. This indicates a closing window of opportunity. Under these circumstances, and with many countries also facing middle income traps that threaten economic stagnation, investing in children is not just a smart policy decision, it represents an inexorable economic necessity.

The diversity of the expansive Asia and Pacific region results in a range of development challenges that vary idiosyncratically from country to country. In countries where the government delivers productive social infrastructure and effective public goods in terms of health systems and education, and where deprivations reflects limited access to market goods and services, cash transfers for children provide a simple yet productive intervention. In other countries with gaps in public delivery, more comprehensive systems of social protection require supply side investments, enabling legislation and more integrated initiatives. The highest priorities depend critically on the specific and unique interactions of social and policy considerations in each country. These priorities interact with diverse national resources and capacities, further nuancing the appropriate policy landscape across the region. In countries with limited financial and administrative resources, simple rights-based instruments (including cash transfers) provide affordable, feasible and effective foundations for the progressive realisation of more comprehensive systems, including universal health coverage, child protection, quality education and other accelerators of child rights and gender equity.

Social protection initiatives interact with health care investments, child protection interventions, education systems and other social sectors to strengthen the achievement of cross-cutting policy objectives. They reduce poverty and vulnerability, build human capital, strengthen livelihoods, expand employment, promote macroeconomic resilience. They nurture social cohesion and inclusion while propelling equitable economic growth. Integrated approaches not only increase the likelihood of achieving development success, they also broaden the political constituencies for all the component interventions. Finance ministers better appreciate child-focused investments when evidence clearly demonstrates the resulting future economic and fiscal returns, and planning ministries more enthusiastically make delivering children's rights a priority when the associated initiatives also represent essential planks in the long term development strategies of their countries. Today, with cognitive capital that can only be cultivated by delivering children's rights as the highest return investment that governments can make, the future of the region's inclusive social development and equitable economic growth depends on these prudent and prescient decisions.

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