Cash Transfers: A Lifeline for Children and Economies in Sub-Saharan Africa in 2021

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Cash Transfers

A Lifeline for Children and Economies in Sub-Saharan Africa in 2021

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# Table of Contents

Executive Summary .............................................................................................................. 1

1. **Introduction** .................................................................................................................. 3

2. **Economies, Income and Children Under Extreme Duress** ............................................. 4
   2.1. The biggest economic contraction ever recorded ......................................................... 4
   2.2. The biggest increase in poverty ever recorded ........................................................... 5
   2.3. Child well-being under siege from all directions ....................................................... 6

3. **The Power of Cash Transfers** ...................................................................................... 9
   3.1. Protecting child well-being ....................................................................................... 9
   3.2. Generating economic growth and future savings ....................................................... 10
   3.3. Additional considerations ......................................................................................... 10

4. **Cash Transfers Before and During the Crisis** ................................................................ 12
   4.1. Before the crisis ......................................................................................................... 12
   4.2. During the crisis ........................................................................................................ 13

5. **Increasing Cash Transfers: Costs, benefits and risk mitigation** ................................. 17
   5.1. Program design ......................................................................................................... 17
   5.2. Costs ........................................................................................................................ 18
   5.3. Benefits ...................................................................................................................... 19
   5.4. Risk mitigation ......................................................................................................... 19

6. **Funding Cash Transfers** ............................................................................................. 21
   6.1. Domestic budget reallocations .................................................................................. 21
   6.2. External emergency funds: Undisbursed resources and debt relief ......................... 22
   6.3. External emergency funds: New resources ............................................................... 23

7. **Concluding Thoughts** ............................................................................................... 25

References ............................................................................................................................. 26

Annex. Databases .................................................................................................................... 29
List of Figures

Figure 1. The impact of COVID-19 on real per capita GDP growth in SSA, 2020 ................. 4
Figure 2. GDP and per capita GDP growth trends in SSA, 1980-2020 ................................... 5
Figure 3. Per capita GDP trends in SSA, 2000-20 ................................................................. 5
Figure 4. Extreme monetary poverty trends and projections in SSA, 1980-2020 ................. 6
Figure 5. Snapshot of key child well-being measures in SSA, 2020 pre-pandemic .......... 7
Figure 6. Monetary child poverty in SSA, 2020 before/after economic shock ................. 7
Figure 7. Child population affected by different levels of food insecurity in SSA, 2020 ...... 8
Figure 8. Number of cash programs in SSA, 2017 or latest available ................................. 12
Figure 9. Coverage of cash and at least one safety net program in SSA, 2020 .................... 13
Figure 10. Coverage of announced expansion of cash transfer programs in SSA, 2020 .... 14
Figure 11. Announced funding for expansion of cash transfer programs in SSA, 2020 .... 14
Figure 12. Adequacy of announced cash transfer values in select SSA, 2020 ..................... 15
Figure 13. Announced fiscal stimulus in SSA, 2020 ............................................................. 16
Figure 14. Design parameters for providing cash transfers to all children under five in SSA .... 17
Figure 15. Cost estimates for providing cash transfers to all children under five in SSA .... 18
Figure 16. Economic impact of providing cash transfers to all children under five in SSA .... 19
Figure 17. Government spending on safety nets, military and energy subsidies, 2017 .... 21
Figure 18. Committed external emergency financial support to SSA, 2020 ...................... 22
Figure 19. Committed external emergency financial support to SSA by countries, 2020 ...... 23
**List of Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>COVID-19</td>
<td>coronavirus disease 2019</td>
</tr>
<tr>
<td>DFID</td>
<td>United Kingdom's Department for International Development</td>
</tr>
<tr>
<td>DHS</td>
<td>Demographic and Health Survey</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
</tr>
<tr>
<td>G20</td>
<td>Group of Twenty</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>IFPRI</td>
<td>International Food Policy Research Institute</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPC</td>
<td>Integrated Food Security Phase Classification</td>
</tr>
<tr>
<td>LIC</td>
<td>low-income country</td>
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<tr>
<td>LMIC</td>
<td>lower-middle-income country</td>
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<tr>
<td>MICS</td>
<td>Multiple Indicator Cluster Survey</td>
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<tr>
<td>MIS</td>
<td>management information system</td>
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<tr>
<td>PPP</td>
<td>purchasing power parity</td>
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<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<tr>
<td>UMIC</td>
<td>upper-middle-income country</td>
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<tr>
<td>UNDESA</td>
<td>United Nations Department of Economic and Social Affairs</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<tr>
<td>UNOCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>UNU-WIDER</td>
<td>United Nations University World Institute for Development Economics Research</td>
</tr>
<tr>
<td>WASH</td>
<td>water, sanitation and hygiene</td>
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<tr>
<td>WFP</td>
<td>World Food Programme</td>
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Executive Summary

This working paper makes the case for quickly expanding cash transfer programs across Sub-Saharan Africa (SSA) to protect children and support economic recovery in 2021. It does so by: (i) describing the economic, poverty and child well-being situation across the region at the end of 2020; (ii) summarizing the evidence of the benefits of cash transfers; (iii) reviewing the state of cash-based programs in SSA before the pandemic and in the immediate response period; (iv) simulating the costs and economic returns of providing cash transfers to all households with children under five; and (v) discussing domestic and external opportunities to fund the expansion. The analyses and recommendations draw on more than 25 global databases, projection and monitoring exercises.

Economies and children across SSA confronted exceptional challenges during 2020. Over the course of a few months, more than 6% of economic growth disappeared along with 1.5 decades of income progress, which caused the biggest rise in extreme poverty ever recorded. The economic shock likely increased the percentage of children living in monetary poor households by 10%, on average, pushing the regional total to more than 280 million. On the nutrition front, some 280 million children were likely dealing with some form of food insecurity during the second half of the year, with close to 50 million potentially in a crisis situation. School closures also meant that around 350 million children were not going to school for at least some time during 2020, with millions of students unlikely to ever return to the classroom. The cumulative human capital losses are staggering.

In addition to boosting economic growth, cash transfers can prevent or minimize most of the well-being risks facing children. These widespread benefits led to the expansion of cash transfer programs across SSA in recent years. However, before the crisis only 10% of the population was supported, on average, with coverage at less than 5% in 24 countries. While cash transfers have been a popular crisis response goal by most governments in the region, funding constraints have limited their impact on economies and vulnerable populations. Even if announced programs were fully implemented, total coverage would likely only increase by 8% and for four months, on average, reaching 11% of the population in select low-income countries and 18% in select lower-middle-income countries. A major challenge has been the small size of fiscal stimulus programs coupled with limited support from global emergency funding sources.

To expand coverage, a strategic option for many governments is to provide cash transfers to all children under five. A transfer value equal to 20% of monthly per capita income for six months would carry a cost between 1.3% of GDP in wealthier countries to 1.6% of GDP in the poorest. When factoring in the economic multipliers, which could potentially boost overall per capita GDP growth by 2.4%, on average, the returns of such an investment are compelling. A one-year design would generate even larger economic impacts, not to mention the multitude of benefits in protecting vulnerable populations.

Combining domestic and external resources can make increasing cash support financially viable. On the domestic front, budget reprioritization can be a good start. This is especially true where spending on regressive or cost-ineffective items is high and political will and negotiation powers are strong. However, there should be opportunities to access significant funding from international financial institutions. Given that around $8 billion of approved new emergency
funding to the region had not been disbursed as of the end of September 2020, it should be possible to re-program at least a portion of these resources for cash programs. The immediate benefits of debt relief can also help. Moreover, with only around 12% of global funding capacity accessed by the IMF and World Bank to support countries in need, there should be strong potential for cash programs to benefit from new emergency funding. All of these sources should be immediately tapped so that governments can unlock the power of cash transfers for economic growth and child well-being in 2021.
1. Introduction

Cash transfers refer to a direct payment from a government or development partner to an individual. These can take the form of a deposit into a bank account, a mobile money account or a debit/smart card or the distribution of hard currency or a paper voucher. Cash-based programs have been widely used by governments across the globe to protect populations from the socioeconomic impacts of COVID-19. However, compared to other regions, their role in Sub-Saharan Africa (SSA) has been muted (Gentilini et al. 2020).

This working paper makes the case for quickly expanding cash transfer programs across SSA to protect children and support economic recovery in 2021. It does so by: (i) describing the economic, poverty and child well-being situation across the region at the end of 2020 (Section 2); (ii) summarizing the evidence of the benefits of cash transfers (Section 3); (iii) reviewing the state of cash-based programs in SSA before the pandemic and in the immediate response period (Section 4); (iv) simulating the costs and economic returns of providing cash transfers to all households children under five (Section 5); and (v) discussing domestic and external opportunities to fund the expansion (Section 6).

The analyses draw on a wide range of global databases as well as projection and monitoring exercises. The economic outlook reflects projections from the International Monetary Fund (IMF), while poverty estimates are based on simulations carried out by the African Development Bank (AfDB), International Food Policy Research Institute (IFPRI). Save the Children, United Nations Economic Commission for Africa (UNECA), United Nations Children’s Fund (UNICEF), United Nations University World Institute for Development Economics Research (UNU-WIDER) and World Bank. The discussion on child well-being builds on recent reporting by the Integrated Food Security Phase Classification (IPC), UNICEF and World Food Programme (WFP) as well as recent findings from Cummins (2020). The evidence on cash transfers is based on a literature review that includes Beagle et al. (2018), Bastagli et al. (2016), Thome et al. (2016), Collins (2015) and the Department for International Development (DFID) (2011) as well as resources from The Transfer Project. To understand how cash transfers have been used to respond to the crisis during 2020, the paper looks at monitoring efforts from IFPRI, International Labour Organization (ILO) and World Bank. Lastly, domestic and external financing trends, including for social protection and other emergency measures, are based on information from the AfDB, Devex, IMF, United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and World Bank. A list of all sources, including dates and links, is presented in the Annex.

The diversity of information sources highlights important caveats about the conclusions and recommendations. First, available information on the actual impacts of the crisis on economies, poverty and children is limited, so the paper heavily relies on the assumptions and findings of modelling exercises. Second, the situation is fast-moving, which means that many data points and signals have likely changed since the paper was issued. And third, the paper focuses on trends across SSA and does not account for the immense diversity of sub-regions, countries or communities; the main findings must therefore be complemented by context-specific information and analysis.

1 See https://transfer.cpc.unc.edu/.
2. **Economies, Income and Children Under Extreme Duress**

2.1. **The biggest economic contraction ever recorded**

The year 2020 was an economic nightmare for SSA. Comparing the IMF’s projections for 2020 released in October 2019 with those released in October 2020 indicates that COVID-19 removed more than six percentage points of gross domestic product (GDP) growth on a per capita basis (Figure 1). This ranges from around -6% in low-income countries (LICs), on average, to -7% in lower-middle-income countries (LMICs) and close to -8% in upper-middle-income countries (UMICs). In aggregate terms, approximately $505 billion (in current international dollars) of economic output was lost across the region, which amounts to around $450 per person.\(^2\)

![Figure 1. The impact of COVID-19 on real per capita GDP growth in SSA countries, 2020](https://example.com/figure1.png)

The economic contraction in 2020 is unlike anything the region has ever experienced. Going back to 1980, when comprehensive economic information became widely available, 2020 marks the first time that SSA has recorded negative growth (Figure 2). Even if considering SSA as a single economic unit, annual growth touched zero percent in 1992 but did not shrink. And if looking at country averages, the lowest pace was 1.3% (in 1983). This means that SSA is going through its first recession in at least four decades. There have, however, been various episodes of economic decline once factoring in population growth, notably in the early 1980s and early 1990s. Yet 2020 still stands far apart. If looking at the latest population-weighted forecast, GDP growth is expected to contract by close to -6% for the average person in SSA, which is more than twice as severe as the worst historical declines (-2.8% in 1992 and -2.7% in 1983).

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\(^2\) If using market-based exchange rates rather than purchasing power parity (PPP), this amounts to an estimated loss of US$201 billion or US$180 per person. Author’s calculations based on comparison of GDP projections in the [IMF World Economic Outlook Database (October 2019 Edition)](https://example.com/imf_2019) and [IMF World Economic Outlook Database (October 2020 Edition)](https://example.com/imf_2020).
2.2. The biggest increase in poverty ever recorded

The economic growth shock has had devastating consequences on household income. Based on the IMF’s October 2020 update, per capita GDP in SSA in 2020 is estimated at around $4,100 (in 2017 PPP), on average, which is down from $4,360 in 2019. Although regional per capita GDP had been stagnating since 2014, it last reached the 2020 level in 2005, which equates to a 15-year reversal of income progress (Figure 3). The group of LICs have suffered the least, with the latest forecasts suggesting a four-year equivalent income loss, on average. In line with the steeper economic contractions in wealthier countries, this jumps to eight years in LMICs, on average, and to 19 years in UMICs.

Figure 3. Per capita GDP trends in SSA by income groups, 2000-20 (2020=100)
The impacts on income have caused a fast and steep rise in extreme monetary poverty across SSA. In fact, 2020 represents the biggest increase in extreme monetary poverty ever experienced in the region. If taking the average value of the latest poverty simulations, somewhere around 50 million additional persons are expected to consume less than $1.90/day because of the economic downturn (Figure 4). This amounts to an 11% annual increase, putting the regional total at more than 505 million persons impacted by extreme poverty at the end of 2020. To put this in perspective, the previous records were a 6.5 million absolute increase in 1991 and a 6% year-on-year change in 1982.

Figure 4. Extreme monetary poverty trends and projections in SSA, 1980-2020
(in millions and % of persons living below $1.90/day in 2011 PPP)


Notes: (i) PovcalNet presents headcount ratios and population estimates for 16 individual years between 1981 and 2018; the other years are estimated through interpolation and nearest neighbor imputation; (ii) The 2019 estimate is based on a linear forecast of the regional headcount ratio for 2013, 2015 and 2018 (this predicts 41.2% in 2019 compared to 41.6% in 2018) and then applying this ratio to 2019 population estimates (this adjusts the 2018 population value in PovcalNet by the population growth rate estimate for 2019 from UNDESA); (iii) The 2020 estimate is derived by applying the projected increase in the number of extreme poor in 2020 (this amounts to 50.6 million based on a “poll of poll” approach to the latest poverty simulations) to the number of poor estimated for 2019 and again adjusting the total population based on the UNDESA population growth rate estimate.

2.3. Child well-being under siege from all directions

Children have been among the biggest victims of 2020. Long before the arrival of COVID-19 and the accompanying economic turmoil, SSA was a challenging place for many of its 550 million children. The situation had improved in previous decades, best captured by the halving of the child mortality rate since 2000. Nonetheless, at the start of 2020, an estimated 40% of children were without access to basic water services or adequate nutrition, while closer to two out of every three lacked a safe place to use the toilet and had little hope of completing enough education to compete in the 21st century labor market (Figure 5). At the same time, up to four out of five children – or approximately 440 million lives – struggled with two or more such challenges with close to half also living in monetary poor households. And, whether recently displaced, living as a refugee or residing in a slum, at least one in four children faced exceptional risks on a daily basis.
Since the start of 2020, the challenges facing children have grown to unprecedented levels. Start with poverty. The economic shock has left more than 280 million children living in monetary poverty based on national definitions (Figure 6). Then there are the additional side effects of COVID-19, which include rising prices of basic goods and services, movement restrictions and disruptions to crucial social services. Climate shocks (droughts, floods and locust invasions) and conflict (insecurity, instability and displacement) have added to vulnerabilities, which existed before the pandemic but intensified during the year. The multitude and reinforcing impacts have led to staggering losses of human capital.

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**Figure 5. Snapshot of key child well-being measures in SSA, 2020 pre-pandemic projections**

(in millions and % of 0-17-year-olds)

<table>
<thead>
<tr>
<th>Well-being Deprivations</th>
<th>% Impacted</th>
<th>% Not Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>No access to safe water services</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Stunted now or during childhood</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Did not or unlikely to complete lower secondary school</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>No access to safe sanitation services</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Affected by 2 or more well-being deprivations</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Living below national poverty line</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Displaced or refugee status</td>
<td>98%</td>
<td>2%</td>
</tr>
<tr>
<td>Living in an urban slum</td>
<td>78%</td>
<td>22%</td>
</tr>
</tbody>
</table>


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**Figure 6. Monetary child poverty in SSA countries, 2020 projections before/after economic shock**

(in millions and % 0-17-year-olds based on national poverty lines)

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Source: Author’s estimates based on UNICEF and Save the Children and UNDESA World Population Prospects (2019 Revision).

Notes: (i) The simulation accounts for the proportion of children living in poor households as defined by national standards (combining the proportion of the population living below the national poverty line with data from Multiple Indicator Cluster Surveys (MICS) and Demographic and Health Surveys (DHS) on the distribution of children by deciles); (ii) The country estimates reflect the most pessimistic scenario, which is based on a combination of two factors: (a) the worst per capita GDP projection released by either the IMF or World Bank in their June 2020 updates and (b) a full distribution effect of the GDP shock, which applies actual observed changes of the historical distribution of consumption by decile based on UNU-WIDER’s World Income Inequality Database; (iii) Projections are unavailable for five developing countries in SSA (Angola, Central African Republic, Equatorial Guinea, Eritrea, Somalia); (iv) Country-level projections had not been publicly released at the time of publication.
In the case of nutrition, an estimated 280 million children were dealing with some level of food insecurity in the second half of 2020 (Figure 7). Forty-eight million of those could have been in a severe situation and more than seven million in an emergency, with risks for famine developing in several places. Compared to the start of the year, the number of children confronting high acute food insecurity could have risen by 14%, on average. School closures further heightened food insecurity fears. By April 2020, more than 50 million students had lost access to free, daily meals, with more than 40 million of those affected for at least six months.³

![Figure 7. Child population affected by different levels of food insecurity in SSA, projections for July-December 2020 (in millions and % of 0-17-year-olds)](image)

On the education front, school closures impacted around 250 million students in SSA (UNICEF 2020a). Learning completely stopped for most of them, which has already reduced their lifelong earning potential. Even more worrisome, millions of students will end up as permanent dropouts, adding to the 100 million out of school children before the pandemic (Azevedo et al. 2020). School closures have also removed a protective environment for many children. Recent country reporting, although limited, is validating decades of experience of increased sexual, physical and emotional abuse when children are out of school for prolonged periods (Cummins 2020).

Emerging signals raise additional alarm bells. These range from greater vulnerability to life-threatening health issues, like diarrhea and malaria, to rising teenage pregnancies and child marriages, to lost shelter and unsafe living conditions, among others (Cummins 2020). When bringing the latest available evidence together, there is no question that COVID-19, climate, conflict and other shocks have jeopardized child well-being during 2020. The important question is: How can policymakers and development partners reverse the damage and protect millions more from being impacted? The promising news is that cash transfers can help a lot.

³ According to WFP’s Global Monitoring of School Meals During COVID-19 School Closures Database.
3. The Power of Cash Transfers

3.1. Protecting child well-being

The global and regional evidence on the benefits of cash transfers, especially unconditional approaches, is overwhelming. Most importantly, this applies both directly and indirectly to all areas of child well-being that are currently under duress in SSA. A rapid summary of the main impacts is provided below.

- **Monetary poverty**: Cash transfers increase total expenditure and consumption at the individual and household level, thereby contributing to poverty reduction.

- **Hunger and malnutrition**: Cash transfers increase food expenditure, which provides families with the opportunity to increase meal frequency and dietary diversity as well as improve complementary feeding among young children. They also help remove financial barriers to access essential services, including nutrition, health, education, and water, sanitation and hygiene (WASH), which further contribute to better nutrition among children.

- **Out of school and not learning**: Cash transfers help families pay for the direct and indirect costs of sending their children to school (enrollment and recurring fees, transportation, books, uniforms, shoes, etc.), which raises school attendance and supports the transition to higher grade levels. They can also incentivize the return to school after dropping out.

- **Sickness and death**: Cash transfers increase the likelihood and frequency that family members use healthcare services when sick and that children get immunizations and medicines.

- **Violence against children and women**: Cash transfers address some of the underlying economic causes of violence, exploitation and abuse and therefore have an indirect effect on child protection outcomes. Cash transfers also reduce physical abuse among women and increase their decision-making power while contributing to better life satisfaction and stronger social support networks.

- **Child mothers and wives**: Cash transfers improve girls’ and women’s control and choices over their sexual debut, engagement in risky sexual activity and early or forced marriage, among others. These positive outcomes are further bolstered when cash plays a role in keeping girls in school.

- **Loss of shelter and unsafe living conditions**: Cash transfers help families strengthen the quality of their homes as well as to rebuild them following destruction or displacement. Where renting, they can also help families avoid eviction during economic hardship.

- **Other**: There is bountiful evidence on the positive impacts of cash transfers on other areas of child well-being, such as: (i) improving mental health (e.g. lower stress, higher aspiration); (ii)

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4 This summary is based on a rapid review of various meta studies of the impacts of cash transfer programs, including Beagle et al. (2018), Bastagil et al. (2016), Collins (2015) and DFID (2011) as well as resources from The Transfer Project.
contributing to HIV/AIDS prevention, treatment adherence and care (by alleviating the underlying causes of infection risk and support); and (iii) increasing birth registration.

3.2. Generating economic growth and future savings

Beyond the child well-being benefits, cash transfers improve household productivity and catalyze economic activity. On the supply side, the evidence is very strong on their role in increasing savings as well as investing in productive assets, such as livestock and farming equipment. This enables households to produce more goods and services, thereby expanding economic output, and further helps to diversify income sources, which strengthens household resilience to future shocks. At the same time, cash programs give households new resources that can be spent. This creates new demand for goods and services, thereby boosting the overall consumption base.

Cash transfers can also yield strong economic multiplier effects by impacting supply and demand forces. The magnitude depends on many factors, ranging from program coverage and the size and duration of the transfer to the structure and responsiveness of local markets. Nonetheless, experiences from SSA show that the effects can be substantial. For instance, every $1 transferred to beneficiaries of cash transfer programs in Zambia and Zimbabwe was found to generate around $1.75 of economic activity, which reached $2.50 or more in programs in Ethiopia, Ghana and Kenya. Taking the former example, this means that every $1 transferred results in an additional $0.75 of benefits for the local economy, which is largely due to increased demand for goods and services in retail and agriculture sectors that involve other households. In fact, if reviewing available evidence from 10 programs in the region, the average nominal income multiplier is 1.91 — or nearly double the value of the transfer. This further underscores an important feature of cash transfers: both program recipients and non-recipients benefit.

Cash transfers can further help governments achieve future savings. For example, proactively investing in resilience programs, including cash transfers, in the early onset of a shock has been estimated to save up to 30% in future emergency assistance needs and avoided losses in several countries in East Africa (Cabot Venton 2018).

3.3. Additional considerations

The above evidence quashes key myths and concerns about unconditional cash programs. Specifically, cash transfers: (i) are not wasted on alcohol and tobacco; (ii) are not only spent on addressing immediate subsistence needs but also invested in productive activities and the human capital of children; (iii) do not create dependency, induce laziness or discourage work; (iv) do not cause recipients to have more babies to maintain program eligibility or increase their benefits; (v) do not cause price distortions or inflation in local communities but generate strong economic multiplier effects; and (vi) can be fiscally sustainable.

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5 Kenya is based on Egger et al. (2019); all other countries are from Thome et al. (2016).
6 Author’s calculation based on above sources.
7 Cash transfers have been documented to cause inflation in humanitarian settings where markets are weak, and transfers tend to be large and lumpy. See, for example, International Policy Centre for Inclusive Growth (2015).
8 The myths are all drawn from Handa et al. (2017).
However, the potential benefits of cash transfers depend on many factors. This starts with the program design, which includes things like the size and duration of the transfer, whether the program includes conditionalities, how transfers reach beneficiaries (e.g. physical cash delivery versus a mobile money credit), institutional capacity and whether there are complementary interventions (information and skills training, peer support groups, counseling and mentoring, facilitation of access to social services, etc.). Implementation is also key, which can involve the predictability and timeliness of payments, as well as the availability and quality of complementary interventions. In addition, it matters how well cash transfer programs link to and coordinate with the overall social protection system, including other types of social assistance (e.g. food vouchers, school feeding, school/health fee waivers, public works programs, non-contributory pensions) and social insurance (e.g. health, unemployment), as well as with other social sectors. Lastly, cash transfer programs that are embedded in a well-coordinated social protection system are more likely to flexibly respond to shocks, get adequately funded and optimize impact through strong links with basic social services.

In short, cash transfers can do a lot to help vulnerable populations, including children, and the economy. To maximize their impacts, they should be complemented by other social protection interventions and social sector services. Cash transfers are also just one piece of the crisis response package, which requires measures to contain COVID-19, reopen schools and the economy, and protect vulnerable populations. However, given the strength of the evidence base in terms of socio-economic benefits, cash transfers should play a much more prominent role in crisis response and development plans. In other words, they are one of the smartest investments that policymakers can support right now.
4. Cash Transfers Before and During the Crisis

4.1. Before the crisis

Cash transfer programs exist in all countries in SSA. There are many variants, but the most common types include: (i) poverty-based, which provide cash or cash equivalent to individuals or households that fall below a certain level of consumption; and (ii) categorical-based, which provide cash or cash equivalent to individuals or households that meet specific criteria, like having a child (child/family benefits), an orphan or vulnerable child (special benefits), an elderly person (social pensions), someone with a disability who is unable to work (disability benefits) or someone who loses their job (unemployment benefits). At least 320 related programs of all shapes and sizes were identified in a recent review (Figure 8), confirming their steady expansion in SSA in the past two decades.9

Despite the large number of programs in SSA, coverage is still low with few families benefitting from cash transfers before the crisis. Based on the latest comprehensive review by the World Bank, about 10% of the population, on average, benefited from some form of cash assistance before the crisis (Figure 9). Given that extreme poverty affected somewhere around 45% of all persons in SSA prior to the new shocks in 2020 (Cummins 2020), a large portion of vulnerable populations was not being reached.

There were big coverage disparities across the region. Across income groups, average rates in UMICs were around four times higher than those in LICs and LMICs, on average. At the country level, more than half of the population in Namibia and South Africa was supported by cash transfers compared to nominal numbers in places like Angola, Cabo Verde, Côte d’Ivoire, Democratic Republic of Congo (DRC), Gabon, Guinea-Bissau, Mauritania, Somalia and Togo. In 24 countries, less than 5% of the population was supported by cash programs.

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9 See Davis et al. (2016), and Garcia and Moore (2012).
The general low coverage of cash transfers is partially a symptom of underdeveloped social protection systems in many countries. The reality is that, even when factoring in non-cash social protection interventions like school feeding and public works programs, social protection coverage rates remain limited in most countries. As a regional average, just over 10% of the population was supported by at least one social safety net program prior to the pandemic, which ranged from around 7-8% in LICs and LMICs, on average, up to nearly 50% in UMICs (see also Figure 9).

4.2. During the crisis

Cash based-social assistance emerged at the forefront of global efforts to mitigate the socioeconomic impacts of COVID-19. Between March and September 2020, more than 140 governments made commitments to introduce or scale up around 290 cash transfer programs, 25 social pensions and 15 cash for work programs, making cash one of the most widespread tools considered by policymakers (Gentilini et al. 2020). In most countries, the announced cash response has tended to be short term – just over three months, on average, based on a sample of 65 announced programs – but relatively generous – 25% of the average monthly per capita GDP according to a sample of 147 announced programs (Gentilini et al. 2020).

Cash programs were also a popular response in SSA. A rapid review of global databases indicates that 41/46 developing countries in the region announced 63 new or expanded cash-based programs, either through one-time or recurring payments. This included 56 cash transfers, four cash for work initiatives and three social pensions.11

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10 Most cash for work programs involved the temporary lifting of work requirements to receive cash.
11 Author’s calculations based on Gentilini et al. (2020).
Despite the policy attention in SSA, some of the announced cash programs have not yet become operational. Findings from a survey carried out by UNICEF in August 2020 suggested that cash-based responses had not started implementation in 14 of the 41 countries where commitments were made (UNICEF 2020b). In Malawi, for instance, the President announced on April 28, 2020 that around 1 million persons affected by the pandemic would benefit from $40/month through mobile cash transfers (Reuters 2020). However, as of the end of August, the program was not operational due in part to a re-run of the national election in June (UNOCHA 2020). The delays can be generally attributed to challenges around funding and rapidly identifying beneficiaries as well as varied political commitments within governments.

Even if all commitments are fulfilled, the expansions would be modest. Although it is challenging to get detailed information on cash and social assistance responses more broadly, a review of different databases provides a general indication of the role that cash could be playing in the crisis response. If attempting to isolate the number of persons potentially impacted by announced expansions among a sample of 27 countries, total coverage would expand by 8%, on average, from 6.5% to 14.4% (Figure 10). This suggests that planned temporary expansions could boost the coverage of cash programs to 11% of the population in select LICs, on average, and to 18% in select LMICs. Growing coverage is a positive trend, but still insufficient to support all populations in need. For example, as discussed in Section 2, projected monetary poverty rates among children are 58% in LICs and 54% in LMICs, on average, which points to major gaps.

**Figure 10. Coverage of announced expansion of cash transfer programs in select SSA countries, April-September 2020 (in millions of direct and indirect beneficiaries and % of population)**


Notes: (i) Data refer to the number of persons who may benefit from a transfer (i.e. the number of persons in a household) and not the number of individual transfers; (ii) Some programs may also include persons benefiting from vertical expansion since it is not always possible to differentiate; (iii) Data on horizontal expansions are based on announced or planned expansions, and each individual country requires verification; (iv) The baseline estimates for 2020 are derived by applying the coverage rates of cash programs from Figure 9 to 2020 population projections.
The funding, size and duration of expansions also appear modest. Drawing on available estimates for a group of 18 countries suggests that the planned expansions of cash transfer programs would be supported by around $65 million, on average (Figure 11). This figure excludes South Africa since its total package of cash support was estimated at around $2.5 billion, making it an extreme outlier. Based on this sample, total announced spending on cash programs ranges from around $3 per person in LICs, on average, to $7 in LMICs and $27 in UMICs.\(^\text{12}\) Turning to adequacy, the announced transfer value was 40% of the monthly per capita GDP (based on 2019 values), on average, based on 24 programs where local currency information was available (Figure 12). This varied from less than 7% for programs in Angola, Cameroon and South Africa to more than 140% in Malawi and Sierra Leone. In terms of duration, the average length of the planned cash support was just under four months among the programs with data, of which five were one-time payments.\(^\text{13}\)

Figure 11. Announced funding for expansion of cash transfer programs in select SSA countries, April-September 2020 (in $ millions and $ per capita)

Figure 12. Adequacy of announced cash transfer values in select SSA countries, April-September 2020 (local currency value as % of 2019 monthly per capita GDP)

\(^{12}\) There were not enough data points to allow for meaningful comparison of funding and beneficiaries so total population was used.

\(^{13}\) Author’s calculation based on sources in Figure 10.
The overall limited fiscal response to the crisis has constrained the potential for cash transfers to support economies and vulnerable populations. Nearly all countries in the region announced some form of a fiscal stimulus program (Figure 13). Between April and September 2020, close to $55 billion was committed to help fight the health and socioeconomic crises, which amounted to or 2.1% of GDP, on average (based on 2019 values) or 3.3% of regional GDP. However, once removing South Africa, which accounted for 70% of total announced funding in SSA, stimulus support levels fall to about $16.6 billion or 1.2% of regional GDP. This pales in comparison to stimulus packages adopted in Europe and North America, which commonly exceeded 20% of GDP (Anderson et al. 2020). In terms of funding for cash programs, these accounted for just over 10% of announced stimulus spending, on average, among 11 countries with data.

**Figure 13. Announced fiscal stimulus in select SSA countries, as of September 2020**
(in current $ billions and as % of 2019 GDP)

Sources: Same as Figure 10, Milken Institute COVID-19 Africa Watch: Fiscal Policy Responses Database (September 8, 2020 Update) and IMF World Economic Outlook Database (October 2020 Edition).

Note: Countries that have data on cash programs are assumed to be financing them as part of announced fiscal stimulus packages.
5. Increasing Cash Transfers: Costs, benefits and risk mitigation

5.1. Program design

Given the widespread benefits of cash transfers, there is a strong case for transforming temporary needs into national programs. For countries that already have a national program in place, the path forward is clear: Close coverage and adequacy gaps as quickly as possible while also consolidating and solidifying smaller programs. In practice, few countries in the region have that luxury.

One strategic option to increase cash support is to provide transfers to all children under five. This categorical group serves as a good proxy for the most vulnerable populations in a country while ensuring widespread coverage of benefits across households. This approach can also effectively provide support to those who are in need in the immediate term and strengthen the foundation of the national social protection system over the medium term (UNICEF 2020c). The starting point for understanding the possible implications of providing cash to all young children is design considerations, which are described below.

First, even though some households are currently benefitting from cash support, all households that have children under five are assumed to need coverage. This would put the number of new beneficiaries in SSA at around 175 million, with 65 million of those located in just three countries – DRC, Ethiopia and Nigeria (Figure 14).

Figure 14. Design parameters for providing cash transfers to all children under five in SSA (in # of under five beneficiaries and transfer value in current $ – based on 2019 GDP)

Sources: UNDESA World Population Prospects (2019 Revision) and IMF World Economic Outlook Database (October 2020 Edition).
Notes: (i) Assumptions described in the preceding paragraph; (ii) Somalia excluded due to data unavailability.

Second, a meaningful transfer value is 20% of average monthly per capita consumption. Based on evidence from cash programs in SSA, this is the level at which widespread benefits are observed among beneficiaries, with lower amounts generating weaker impacts (The Transfer Project 2016). At the same time, if applying GDP or income as a proxy for consumption (acknowledging the upward bias), this is quite close to the average transfer size of programs that
have been announced globally since the start of the crisis (25% as discussed earlier). Applying 20% of monthly per capita income would result in an equivalent average monthly transfer value of $11 in LICs, $34 in LMICs and just under $120 in UMICs (see also Figure 14).

Third, the initial duration of support is at least six months and ideally 12. The length of cash assistance would depend on the economic trajectory and evolution of other shocks, but current projections would indicate one year in most countries. A longer period of regular support would also maximize the economic multipliers and potential for a sustained economic recovery. As the crisis period fades, the medium-term objective would be to transition to a permanent support while also focusing on complementary interventions and strengthening other social services.

5.2. Costs

Based on the above assumptions, providing cash transfers to all caretakers that have young children offers a practical way forward. Under a scenario of six months, the total cost of providing a monthly transfer equivalent to 20% of average per capita income to the 0-4 population would be 1.5% of GDP, ranging from 1.6% in LICs, on average, to 1.5% in LMICs and 1.3% in UMICs (Figure 15). Extending the duration to a full year or 12 payments would double the costs to 3.1% of GDP, on average. In terms of government expenditure, six months of transfers would consume around 7% of total spending and 14% for 12 payments (based on 2019 levels). Moreover, the total financial requirement for the region would amount to around $26 billion for six months and $52 billion for the full year, which, for the latter program design, would be slightly more than all official development assistance and aid received in 2018 ($44 billion). These costs must be viewed in terms of their potential returns.

Figure 15. Cost estimates for providing cash transfers to all children under five in SSA countries for 6 and 12 months (as % of 2019 GDP and in millions of current $)

Sources: UNDESA World Population Prospects (2019 Revision) and IMF World Economic Outlook Database (October 2020 Edition).
Notes: (i) Assumptions described in the preceding paragraphs; (ii) Due to the scale, data points not shown for Nigeria ($7.5 and $15.1 billion for 6 and 12 months, respectively) and South Africa ($6.9 billion for 12 months); (iii) Estimates reflect 10% additional cost to account for administrative expenses.

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14 This includes an additional 10% of the total value of the cash benefits as an estimate for the administrative costs.
15 Author’s calculation based on 2019 general government total expenditure from IMF World Economic Outlook (October 2020).
16 Author’s calculation based on OECD-DAC International Development Statistics Database.
5.3. Benefits

In purely economic terms, providing grants to all children under five holds vast potential to offset the ongoing contraction. As described in Section 3, cash transfers generate strong economic multiplier effects. If adjusting the average multiplier found in 10 cash programs in SSA for possible inflationary effects and then applying to the volume of cash proposed under both scale-up scenarios, the impacts on growth could be large. Under a six-month intervention, the simulation suggests that cash transfers could boost per capita GDP growth from -4.8%, on average, to -2.4%, which is a 2.4% improvement (Figure 16 – blue triangles). Under the yearlong scenario, the impact estimate is more than 4.8%, which would likely push per capita growth across the region back into positive territory (0.01%, on average) (Figure 16 – red circles). The economic growth impacts are similar across income groups, although slightly stronger in LICs – 5%, on average, versus 4.7% in LMICs and 4% UMICs under the scenario of 12 payments.

Figure 16. Projected economic impact of providing cash transfers to all children under five in SSA countries under different scenarios (in 2020 per capita GDP growth based on current $)

Sources: Author’s calculations based on IMF World Economic Outlook Database (October 2020 Edition) and UNDESA World Population Prospects (2019 Revision).

Notes: (i) Assumes that the average nominal income multiplier is 1.53, which is arrived by taking the average value found in 10 child grant programs in SSA (1.91) and then adjusting downward by 20% to account for the initial impact of new cash on local markets, whereby supply may be unable to respond immediately and fully to the increase in demand; the downward revision also helps account for the uncertainty of benefits when scaling an intervention nationally; (ii) Somalia is excluded due to data unavailability.

5.4. Risk mitigation

Before introducing or expanding this type of program, it is important to identify and minimize potential risks. If not recently done or part of an existing cash transfer program, a risk assessment should be carried out as an immediate step, which serves as a key input into the program design. A summary of some of the more common risks and corresponding mitigation measures is provided in Table 1 below.17

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17 This summary is based on a review of UNICEF (2018), Gordon (2015), Mercy Corp (2015), ICRC and International Federation of Red Cross and Red Crescent Societies (2007), and DFID (2006).
### Table 1. Common risks and mitigation measures for cash transfer programs

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigation measures</th>
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| Inclusion/exclusion errors         | ▪ Apply the proposed approach for categorical targeting (e.g. households that have children under the age of 5)  
▪ Ensure robust verification methods are in place during registration processes |
| Transfers are not received          | ▪ Ensure client transfer information is carefully uploaded to reduce errors (e.g. two person checks)  
▪ Closely monitor unused transfers through digital platforms  
▪ Use secure payment systems |
| Corruption or theft by program staff | ▪ Have widely known and easily accessible grievance redress mechanisms as well as other methods (e.g. hotlines)  
▪ Use digital payments (mobile money, bank transfers, ATM cards, e-vouchers, etc.) or money transfer agents to minimize opportunities  
▪ Apply strict payment controls where physical delivery of cash  
▪ Use biometrics for payment verification  
▪ Make regular and prompt payments  
▪ Conduct routine audits, including by the Supreme Audit Organization |
| Confusion of roles and responsibilities of program staff | ▪ Recruit qualified and motivated profiles  
▪ Define clear roles for each staff as part of standard operating procedures (SOPs)  
▪ Organize program orientation and additional staff training, as required |
| Sharing of personal data           | ▪ Disseminate and adhere to a data protection policy  
▪ Include data protection clauses in contracts with financial service providers  
▪ Use beneficiary consent forms, ensuring they are in local languages and easily understood |
| Grievance redress mechanisms not in place or functioning | ▪ Define roles and responsibilities for collecting and managing complaints and providing feedback  
▪ Establish a telephone hotline at a minimum  
▪ Carry out assessment of program performance to constantly improve |
| Health risks to in-person cash delivery | ▪ Use digital payment platforms as a first option  
▪ Where not possible, closely adhere to Ministry of Health protocols (e.g. mask wearing and social distancing by all program staff and beneficiaries)  
▪ Stagger delivery days |

Whether expanding an existing cash transfer program or introducing a new one, such efforts must be complemented by investments in strengthening the social protection system. Core components include: (i) a registry (to capture information on all potential beneficiaries); (ii) targeting criteria (to define who is eligible, if not a universal design); (iii) a payment system (to establish the process for delivering cash benefits, whether in hard currency or other form); (iv) grievance redress mechanisms (to address operational issues or beneficiary questions that arise during implementation); (v) a management information system (MIS) (to support all of the above and enable robust monitoring and evaluation); (vi) institutional arrangements (to promote coordination and linkages between national and subnational levels, disaster management bodies, etc.); and (vii) human resources (to ensure adequate staffing with the right skills) (Bowen et al. 2020). Strengthening these aspects, especially as part of a national program, can help minimize delays in expanding support during a crisis, which has been a challenge for some countries in the current context.
6. Funding Cash Transfers

6.1. Domestic budget reallocations

Many governments could help finance a rapid scale-up of cash transfers by shifting spending priorities. Two commonly cited targets are energy subsidies, whose benefits accrue almost exclusively to wealthier households (Komives et al. 2005), and the military, where large budgets are difficult to justify in the absence of security threats (Archer and Willi 2012). The latest available spending estimates for SSA show that governments have recently spent around 3.7% of GDP, on average, in these combined areas (Figure 17). That amount is more than enough to cover 12 months of cash transfers in many countries. Comparing the ratio of spending on these areas to spending on social safety nets further showcases the potential fiscal space that could be created through reallocation. Here, the latest estimates show that governments were investing eight times more in energy subsidies and the military than in safety nets (8:1), on average. Of course, the ability to reallocate depends on political economy factors and requires strong political will (Cummins 2019).

Figure 17. Government spending on social safety nets, the military and energy subsidies, 2017 or latest available (% of GDP and ratio)

Figure A. Countries with energy/military-to-safety net spending ratios <5

Figure B. Countries with energy/military-to-safety net spending ratios >5

6.2. External emergency funds: Undisbursed resources and debt relief

On the external side, undisbursed COVID-19 emergency funds could be redirected to support cash transfer programs. A review of the latest available figures suggests that somewhere around $31 billion in external support had been approved to governments in SSA as of mid-October 2020 (Figure 18). This amounts to about 2.7% of GDP (based on the IMF’s latest forecast for 2020), on average, ranging from 3.0% of GDP in LICs to 2.8% in LMICs and 0.9% in UMICs (Figure 19). Commitments include redeploying existing project funding from the World Bank (~$3.6 billion), different debt relief measures from the IMF and World Bank (~$6.9 billion), and new lending and grant packages from the AfDB, IMF, World Bank and bilateral donors (~$20.7 billion). Although it remains unclear how much emergency support was intended for cash programs, available data from the World Bank indicates that less than 40% of its $6 billion in non-debt relief support had been disbursed as of the end of September 2020, while the IMF had disbursed around 70% of its $16 billion in non-debt relief support. This suggests that at least $8 billion in total non-debt relief from international financial institutions could have the flexibility for re-programming for cash programs.

![Figure 18. Committed external emergency financial support to SSA, as of September 2020 (by source and type, in billions of current $)](image)

Debt relief can also help. Debt relief measures are not new funding but rather government revenue that was earmarked to make interest payments and/or pay off loan balances that can now be used for other purposes. In practice, this allows spending commitments to be reprioritized. As noted above, potential debt relief to SSA is estimated at around $7 billion, which was slightly over 20% of total emergency support approved as of the end of September 2020. Unfortunately, many of the benefits will not be felt until the future when repayments would have been made.

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18 Debt relief measures to not amount to new funding but rather government spending commitments that were once earmarked for interest and/or principal debt repayment that can now be directed to other priorities.

19 Author’s calculations based on World Bank Loans and Credit Database (accessed October 15, 2020) and on the IMF Financial Data Query Tool (accessed October 15, 2020).
Nonetheless, new budgetary space has been created in some places in the immediate term that can now be used to support the scale-up of cash transfer programs.

Figure 19. Committed external emergency financial support to SSA countries, 2020
(in billions of current $ and as % of 2020 GDP)

6.3. External emergency funds: New resources

Perhaps most important, there should be a strong potential for new emergency funding to help cover the costs of cash transfer programs in SSA. The reality is that external funding flows to the region have been very small in comparison to actual needs and global funding capacity. This presents significant opportunities for at least three reasons.

First, only a fraction of the requested resources by governments in SSA has been made available. In March 2020, long before the severity of the economic shock was known, African Ministers of Finance asked the Group of Twenty (G20) for $100 billion in assistance through a mix of financing, grants and debt relief (UNECA 2020). As described above, only around $31 billion of this had been approved as of the end of September 2020. And of that, an estimated $15.5 billion had been released – or roughly 15% of the original ask. At the same time, vulnerabilities and hence funding needs have continued to escalate. During the October 2020 fall meetings, the IMF indicated that African countries require $345 billion of additional financing to recover from the pandemic through 2023 (IMF 2020a). This comes on top of the $500 billion to $1.2 trillion annual funding gap for the region to deliver on basic development objectives (Twinoburyo et al. 2019).

Second, approved emergency funding in SSA pales in comparison to rescue packages in other countries and regions. For instance, as of June 2020, the G20 had announced $7.6 trillion
in fiscal stimulus measures in their own countries (Segal and Gerstel 2020). If taking the total value of external support and fiscal stimulus commitments within SSA, this equaled about $40 billion as of September 2020 (excluding South Africa, which is a G20 member). To illustrate the magnitude of differences, G20 citizens are benefitting from around $1,652 per person in pledged support compared to $38 per person in SSA (or about 2%).

**Third, global emergency funding potential has barely been scratched.** In April 2020, the G20 gave the green light to the IMF to mobilize and use its $1 trillion lending capacity and directed the World Bank and regional development banks to invest at least $200 billion to support developing countries (G20 2020). Yet as of mid-October 2020, the IMF had approved just over $100 billion in assistance to 81 countries (IMF 2020b) and the World Bank about $40 billion to 110 countries (World Bank 2020). This indicates that only around 12% of approved funding capacity ($1.2 trillion) had been accessed more than six months into the crisis, which should present an opportunity for vastly increasing assistance to governments that are most in need, including for cash programs.

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20 In addition to being a G20 member, South Africa also accounted for more than 70% of total announced fiscal stimulus funding in SSA, which heavily distorts the regional picture and average reality for most countries and persons.
7. Concluding Thoughts

Economies and children across SSA confronted exceptional challenges during 2020. Over the course of a few months, more than 6% of economic growth disappeared along with 1.5 decades of income progress, which caused the biggest rise in extreme poverty ever recorded. The economic shock likely increased the percentage of children living in monetary poor households by 10%, on average, pushing the regional total to more than 280 million. On the nutrition front, some 280 million children were likely dealing with some form of food insecurity during the second half of the year, with close to 50 million potentially in a crisis situation. School closures also meant that around 350 million children were not going to school for at least some time during 2020, with millions of students unlikely to ever return to the classroom. The cumulative human capital losses are staggering.

In addition to boosting economic growth, cash transfers can prevent or minimize most of the well-being risks facing children. And while they have been a popular crisis response goal by most governments in SSA, funding constraints have limited their impact on economies and vulnerable populations. Even if announced programs were fully implemented, total coverage would likely only increase by 8% and for four months, on average, reaching 11% of the population in select LICs and 18% in select LMICs. A major challenge has been the small size of fiscal stimulus programs coupled with limited support from global emergency funding sources.

To expand coverage, a strategic option for many governments is to provide cash transfers to all children under five. A transfer value equal to 20% of monthly per capita income for six months would carry a cost between 1.3% of GDP in wealthier countries to 1.6% of GDP in the poorest. When factoring in the economic multipliers, which could potentially boost overall per capita GDP growth by 2.4%, on average, the returns of such an investment are compelling. A one-year design would generate even larger economic impacts, not to mention the multitude of benefits in protecting vulnerable populations.

Combining domestic and external resources can make increasing cash support financially viable. On the domestic front, budget reprioritization can be a good start. This is especially true where spending on regressive or cost-ineffective items is high and political will and negotiation powers are strong. However, there should be opportunities to access significant funding from international financial institutions. Given that around $8 billion of approved new emergency funding to the region had not been disbursed as of the end of September 2020, it should be possible to re-program at least a portion of these resources for cash programs. The immediate benefits of debt relief can also help. Moreover, with only around 12% of global funding capacity accessed by the IMF and World Bank to support countries in need, there should be strong potential for cash programs to benefit from new emergency funding. All of these sources should be immediately tapped so that governments can unlock the power of cash transfers for economic growth and child well-being in 2021.
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Annex. Databases

Below is a list of all databases used in the working paper, which are organized by themes and presented in alphabetical order unless stated otherwise.

**The economy**
- IMF World Economic Outlook Database (October 2020 Edition)
- IMF World Economic Outlook Database (October 2019 Edition)

**Poverty estimates (in chronological order based on release date)**
- Save the Children (April 9, 2020)
- IFPRI (April 16, 2020)
- UNECA (April 24, 2020)
- World Bank (June 8, 2020)
- UNU-WIDER (June 12, 2020)
- UNICEF and Save the Children (June 29, 2020)
- AfDB (July 7, 2020)

**Social indicators**
- IPC Analysis Portal (accessed September 29, 2020)
- IPC Population Tracking Tool (accessed September 29, 2020)
- World Bank PovcalNet (accessed September 15, 2020)
- WFP Global Monitoring of School Meals During COVID-19 School Closures (accessed September 29, 2020)

**Social protection monitoring**
- Gentilini et al. Global Database on Social Protection and Jobs Responses to COVID-19 (September 18, 2020, version 13)
- ILO Social Protection Responses to COVID-19 Crisis Around the World Database (September 1, 2020 Update)

**International and domestic finance**
- Devex Funding the Response to COVID-19 Database (October 11, 2020 update)
- IMF Debt Service Relief from the Catastrophe Containment and Relief Trust (October 15, 2020 update)
- IMF Financial Data Query Tool (accessed October 15, 2020)
- Milken Institute COVID-19 Africa Watch: Fiscal Policy Responses Database (September 8, 2020 Update)
- UNOCHA COVID-19 Response Tracking Prototype Database (accessed October 15, 2020)
- World Bank COVID-19: Debt Service Suspension Initiative (September 30, 2020 update)
- World Bank Loans and Credit Database (accessed October 15, 2020)