UNICEF
Innocenti Research Centre

UNICEF
West and Central Africa Regional Office

Research Brief

Global Economic Crisis and Children: Effects and policy options in West and Central Africa

- Evidence based on past economic crises and scattered information currently available indicate that the global economic crisis is likely to have long-term detrimental effects on the lives of children in developing countries. However, data for assessing the effect of the 2008–2009 global crisis on children are not readily available to guide the rapid implementation of policies. To address this gap an innovative research tool – a "macro-micro" simulation methodology drawing on (macro) economic and (household) behaviour data – was developed. It has been applied in Burkina Faso, Cameroon and Ghana.
- Estimates based on this tool suggest that in the absence of new policy interventions, around 259,000 additional children are at risk of falling into monetary poverty in Burkina Faso, 173,000 in Cameroon and 630,000 in Ghana by 2011, compared with the year preceding the crisis. In Ghana, the crisis is also expected to have a significant negative effect on access to a sufficient diet, which children require for their healthy growth.
- School attendance is expected to be affected by income shocks mainly in Burkina Faso, where around 12,000 additional children aged 7-10 are at risk of being out of school and 18,000 additional children are at risk of becoming involved in labour.
- Different policy options to counteract the effects of the crisis were explored. Among them, targeted cash transfers to poor children appear to be the most promising in offsetting the impact of the crisis, particularly in Burkina Faso and Cameroon, while food subsidies are expected to be less efficient in improving the situation of poor children, especially in Cameroon.
- Universal or regionally targeted transfers to all children aged 0-5 are a potentially effective way to intervene relatively quickly and cost-effectively to reduce child poverty and deprivation. Especially in countries where cash transfer programmes are not yet in place and where institutional capacity is weak, a universal or regionally targeted approach may be recommended as it is easier to implement than a means-tested cash transfer scheme for poor children.

The 2008–2009 global financial and economic crisis had, and continues to have, complex and profound impacts on countries around the world, including in West and Central Africa. While signs of recovery were visible in most of the economically advanced countries from late 2009, the consequences of the crisis on poverty and well-being risk being felt throughout the world over a longer period, in particular in the absence of appropriate policy interventions. In this context, children are at high risk of suffering serious consequences from the crisis and being neglected in policy responses.

The economic and social impacts of the crisis vary from country to country, mainly depending on their degree of integration into the global economy and their capacity to implement appropriate policies to respond to the crisis. From the beginning, policy attention was primarily concentrated on the macroeconomic and financial implications of the economic downturn. Less attention was devoted to the poverty impact of the crisis, in particular in low- and middle-income

This Research Brief *presents a policy-oriented summary of the findings of research on the impact of the global financial crisis on children in West and Central Africa. Through selection of three countries – Burkina Faso, Cameroon and Ghana – it proposes an innovative tool that can facilitate an early understanding of the impact of macroeconomic shocks on child well-being. This knowledge can inform policies and influence the choices governments make to ensure the well-being of their youngest citizens. The* Research Brief *is intended for use by policymakers, academics, programme staff and the media.*

countries. In fact, lack of data and, as a consequence, of timely understanding of the potential magnitude and nature of the effects on poverty, hamper setting appropriate policy responses that can counteract the impact of the crisis and protect societies.

Economic simulation models based on rigorous analysis of the transmission mechanisms at both the macro and micro levels can provide important elements to improve understanding of the social impacts of economic shocks and support the implementation of policy responses.

In 2009, UNICEF launched a research project to develop and apply a combined macro-micro economic model to simulate the impact of the global economic crisis on children in three countries of West and Central Africa, namely Burkina Faso, Cameroon and Ghana. The research was carried out by a team of international and national researchers from the Poverty and Economic Policy (PEP) Research Network and the UNICEF Innocenti Research Centre (IRC). A predictive model was developed to simulate the impact of the global crisis on different dimensions of child well-being (i.e. monetary poverty, insufficient food caloric consumption and risk of hunger, school participation, child labour, and access to health services), and to indicate alternative policy response options over the period 2009–2011. This study is among the first attempts to use economic models to predict the potential effects of the global crisis on children. It proposes an innovative tool for an early understanding of the impacts of macroeconomic shocks on child well-being.

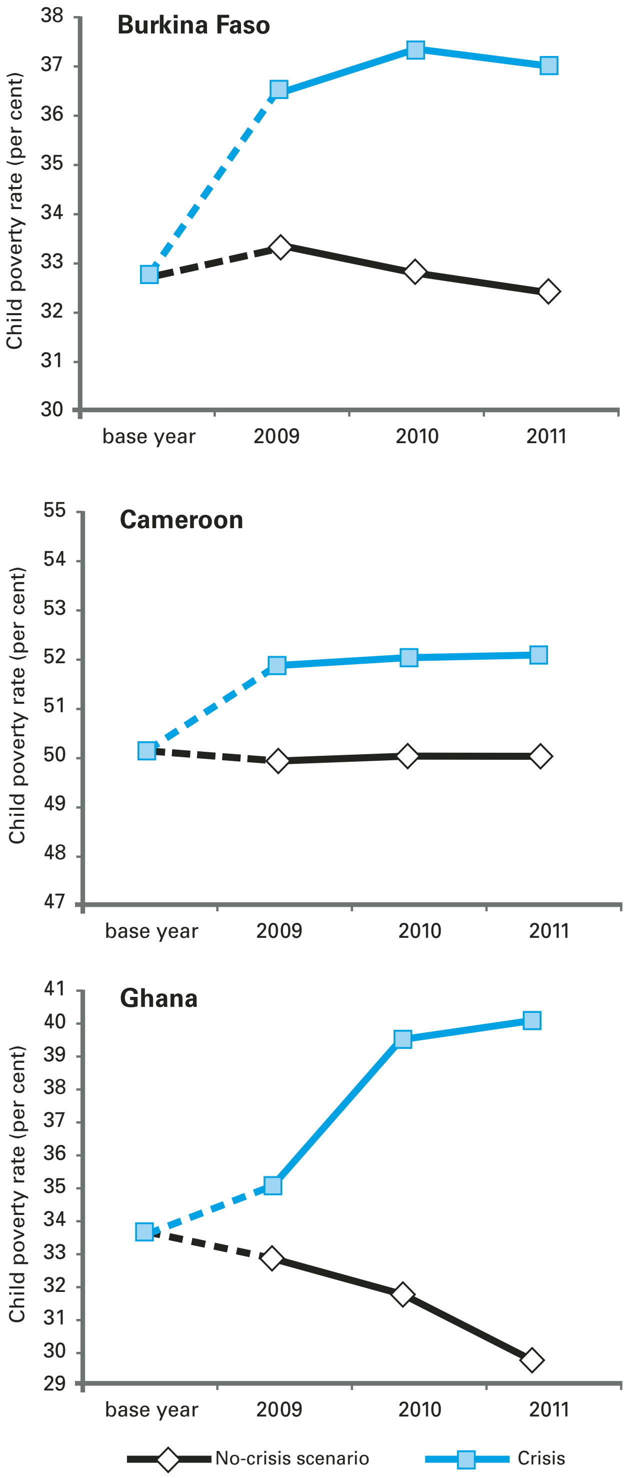
The three countries in West and Central Africa included in the study represent some of the diversity of economic characteristics in the region: Burkina Faso, a landlocked country with little integration into the world economy, mainly exporting agricultural raw materials such as cotton; Cameroon, a moderately integrated country exporting natural resources such as oil and timber; and Ghana, well integrated into the global economy and exporting both agricultural goods (cocoa) and natural resources (gold and timber) with significant inflows of foreign investments over the past decade.

The results of the simulation exercises are summarized in the following sections.

Impacts of the crisis on West and Central African countries

From late 2008, there were clear signs that the global economic crisis was spreading to developing countries, endangering recent gains in terms of economic growth and poverty reduction, and exacerbating the impacts of the energy and food crises that immediately preceded it. In its January 2010 update, the International Monetary Fund estimated that while the total world output in 2009 declined by 0.8 per cent, growth in the sub-Saharan African economy slowed to 1.6 per cent in 2009, compared to around 7 per cent in 2007 and 5.6 per cent in 2008.

Figure 1: ***Estimated Effect of the Crisis on Child Poverty***: *Simulated trends in child monetary poverty with and without crisis, 2009–2011 (percentage of children living in households with consumption lower than the respective national poverty line)*



Note: Poverty statistics are calculated according to national poverty lines. Poverty rates for the base year are directly calculated from the most recent survey micro data. For the years 2009–2011 two scenarios are simulated with the macro-micro economic model. One assuming the continuation of pre-crisis economic trends, the other simulating the effects of the global economic crisis: the resulting poverty rates are illustrated by the blue and black lines, respectively.

Reductions in GDP growth rates in sub-Saharan African economies are mainly attributable to a slowdown in investments and, to a much greater extent, in final consumption. While the crisis led to falling import prices, these only partially offset the effects of reductions in export prices and volumes, foreign direct investments, remittances and foreign aid. All three countries included in the study experienced positive economic growth but at rates that are much lower than those observed in the pre-crisis period. The results of the simulations highlight that the impact of the global crisis followed different patterns and that the recovery processes are also expected to vary: while Cameroon's growth rate is predicted to return to pre-crisis levels by 2010, recovery of the pre-crisis growth levels in Burkina Faso and Ghana are expected to be delayed until 2011.

The global crisis and the well-being of children in West and Central Africa

The social and economic consequences of the crisis vary substantially among countries and among individuals within the same country. However, in every context children are particularly at risk of paying high costs as economic shocks negatively affect household resources and resources allocated by the government to social policies. Especially in the least developed countries, where social safety net programmes are lacking or weak, economic opportunities are restricted and public fiscal space is extremely limited, children are at great risk of experiencing a deterioration in living standards and nutrition, being withdrawn from school and put to work, and losing access to health services.

The model developed for the study on West and Central African countries allowed researchers to simulate the potential impact of the global crisis on different indicators of the living conditions of children in Burkina Faso, Cameroon and Ghana. The results are summarized below and have been taken from Cockburn, Fofana and Tiberti (2010).

Monetary poverty

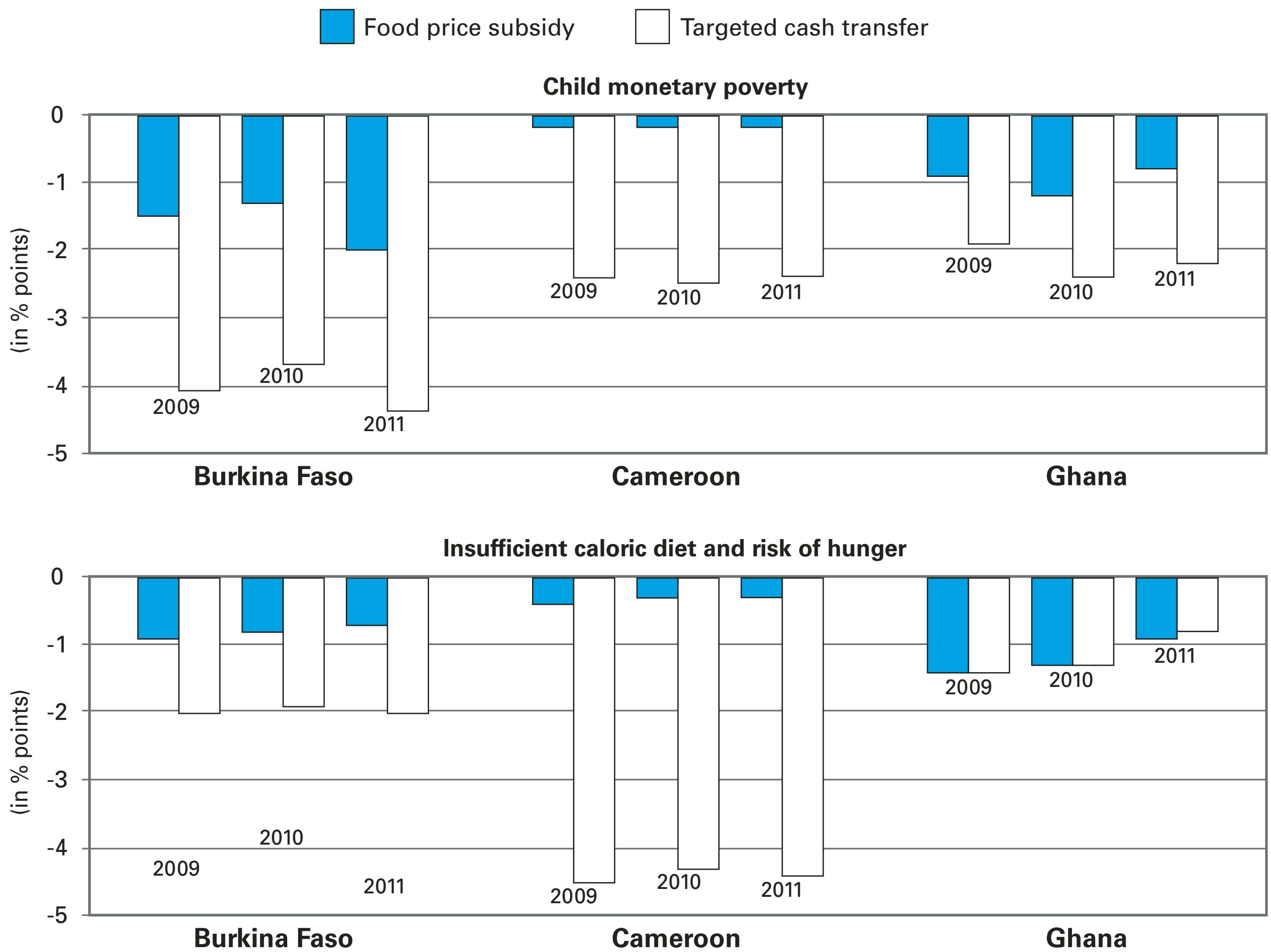
While the estimates for the three countries show that the global crisis has resulted in slowdowns in GDP growth rates rather than in negative growth, the simulations suggest some negative redistributive effects for the individual countries, resulting in increasing poverty levels *(see figure 1)*.

Among the countries included in the study, it is Ghana where the child monetary poverty rate is predicted to increase the most and to follow a continuously increasing trend over the period 2009–2011: the child poverty rate resulting from the simulation for 2011 is 6 percentage points higher than the estimation for the pre-crisis year, growing from slightly less than 34 per cent to around 40 per cent, which translates into around 630,000 additional children living in poverty. The deterioration is even more dramatic when compared to the reduction in child poverty predicted in a scenario where the crisis is absent. The total potential effect of the crisis is anticipated to result in an increase of around one third in the total number of children living in monetary poverty by 2011, in absolute numbers, slightly less than 1 million children.

Compared to the pre-crisis base year, simulated increases in child poverty in Burkina Faso and Cameroon are more modest than in Ghana but still substantial, at roughly 4 and 2 percentage points, respectively (around 259,000 and 173,000 additional children, respectively, are predicted to fall into poverty due to the crisis).

In Ghana, the predicted poverty increase is primarily driven by the reduction in consumer purchasing power, following an increase in food prices, and by a large drop in income from non-agricultural self-employment. In contrast, in Burkina Faso the driving force is the fall in income from agricultural self-employment, while in Cameroon the driving forces of the poverty increase are more varied. In general, the predicted impacts on poverty due to reductions in income from wages and remittances from migrants are relatively modest. In Burkina Faso, rural areas are at higher risk of increasing child poverty levels, while in Cameroon, and especially Ghana, the greatest increases in poverty levels are expected in urban areas. In all countries it is predicted that pre-existing large interregional variations will grow.

Figure 2: ***Estimated Impacts of Policy Options****: The effects of food price subsidies versus targeted cash transfers in reducing child monetary poverty rates and the rates of children with access to an insufficient caloric diet*



Note: Bars represent the simulated impact (expressed in percentage point changes) of the different policy options on child outcomes compared to the scenario without interventions.

Insufficient food consumption and risk of hunger

The crisis has the potential to affect the economic resources of households, increase monetary poverty and influence household consumption patterns. Both the quantity and quality of food consumed are likely to be affected. For Ghana, the detailed simulations of expenditure on food items resulted in an increase of around 7 percentage points in the share of children subject to insufficient caloric intake and at risk of hunger, corresponding to around 620,000 additional children. This result suggests that the increase in child monetary poverty (also driven by the increase in prices) would be primarily reflected in a deterioration of the caloric content of children's diets. The effects of the crisis in terms of declining caloric consumption for children in Burkina Faso and Cameroon are expected to be minimal.

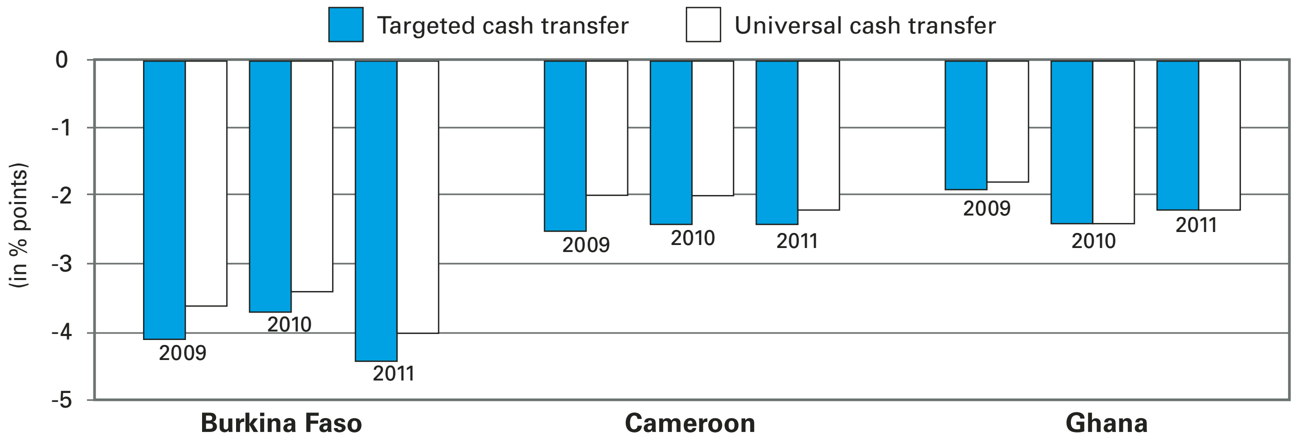
Schooling and child labour

The impact of the crisis on household resources and public expenditure may affect children's participation in school. The estimates for the base year show school attendance rates for children aged 6-14 at slightly more than 80 per cent in Cameroon and Ghana, and at much lower levels in Burkina Faso; these figures were accompanied by high rates of children involved in labour activities (slightly less than 50 per cent in Burkina Faso, 31 per cent in Cameroon and 34 per cent in Ghana).

The model adopted in the analysis, which simulates only the impact on household resources, predicts a reduction in school attendance of around 0.8 percentage points for children aged 7-10 in Burkina Faso (12,000 additional children 7-10 years old out of school), and an increase in participation in labour activities by 1.1 percentage points (18,000 more working children 7-10 years old). A reduction of around half a percentage point is also expected for the attendance rate of children aged 11-14, with a slightly more pronounced increase in labour participation.

In Cameroon and Ghana the effects of the crisis on school participation and child labour are expected to be negligible.

Figure 3: ***Estimated Impacts of Policy Options****: Simulation of the effect of universal versus targeted cash transfers on child monetary poverty after the crisis*



Note: Both universal (for all children aged 0 to 5) and targeted (for poor children aged 0 to 14) cash transfers are given to eligible children and then shared equitably among all household members. Bars represent the simulated impact (in percentage points) of the different policy options on child poverty rates compared to the scenario without interventions.

Access to health care

The microeconomic model also enabled analysis of the potential impact of the crisis on the use of health-care facilities. The results of the simulations suggest that the crisis risks having a negative effect on access to health care for children in need in all three countries, along with a diversion towards lower quality services. This was particularly evident for Burkina Faso, where the consultation rate for any kind of health facility is simulated to decline from 67.1 per cent of sick children using health facilities in the base year (preceding the crisis) to 65.9 per cent in 2010, the year when the effect on access is predicted to be the highest. This reduction corresponds to an approximate increase of 4,000 sick children not seeking health assistance.

Policy responses

A number of possible policy options to counteract the negative effects of the crisis on child well-being were examined and simulated using the microeconomic model. The overall cost of the different simulated polices was set at 1 per cent of GDP for each country. Among these policies, a targeted cash transfer to poor children is predicted to be by far the most effective programme, particularly in Burkina Faso and Cameroon. Food subsidies have smaller average effects, as they do not specifically target either the poor or children. Broadly, the food subsidy policy is predicted to have a significant impact only in Burkina Faso (though only in terms of monetary poverty, which falls by up to 2 percentage points) and in Ghana, where it reduces child monetary poverty and the share of children with an insufficient caloric diet by more than 1 percentage point *(see figure 2)*. Specifically, in Ghana the implementation of either a targeted cash transfer or a food subsidy does not result in a significant difference in the share of children at risk of having a diet that is insufficient in caloric terms. Indeed in Ghana, as the hardest hit live in urban areas and rely less on producing their own food for consumption, a price subsidy was shown to be more effective in counteracting the effects of the crisis on hunger rates.

A cash transfer programme is expected to be relatively effective in Burkina Faso where, as in Cameroon, it is predicted that it would fully offset the negative effects of the crisis on child monetary poverty, and would also be very effective in reducing the rate of children subject to an insufficient caloric diet (by 3-4 percentage points compared to the no-crisis scenario). Due to this policy, in Burkina Faso around 256,000 and 120,000 children would escape monetary and caloric poverty, respectively, after the crisis, while in Cameroon the figures would be respectively around 200,000 and 390,000 less children. The cash transfer is also expected to almost entirely offset the effects of the crisis on school attendance and child labour in Burkina Faso and Ghana, whereas in Cameroon simulations suggest that the effects would be limited as the impact of the crisis was already negligible in these dimensions. As there were no limits on the number of beneficiary children living in the same (poor) household in the proposed policy design, it follows that a cash transfer targeted to children is a progressive policy response, as households with more children are generally poorer and will therefore receive proportionately greater benefits.

Designing and implementing a cash transfer programme requires time and institutional capacity, and cannot represent an immediate response to the crisis. The importance of implementing a cash transfer programme is not limited to the current phase of the economic crisis, and efforts to put in place such programmes and make them effective in combating poverty should be continued in the three countries included in the study. Among these countries, only

Ghana may be in a position to rapidly implement a cash transfer programme in response to the crisis, as the existing Livelihood Empowerment Against Poverty (LEAP) programme could be extended. Other interventions (or combinations of policies) might be more cost-effective in the short run. A combination of a universal or regionally targeted (prioritizing those regions where child poverty is more widespread) cash transfer programme for children aged 0 to 5, together with a school meals programme in poorer regions, has the potential of providing an effective way to intervene relatively quickly in improving child well-being. With the same amount of public spending (1 per cent of GDP), a cash transfer provided universally to all children aged 0 to 5 is estimated to lead to a reduction in child monetary poverty that is substantially similar to that resulting from a cash transfer targeted to all children aged 0 to 14 who are identified as poor *(see figure 3)*.

This policy brief is based on the analyses presented and discussed in the following documents:

Cockburn, J., I. Fofana and L. Tiberti (2010), "Simulating the impact of the global crisis on child poverty in West and Central Africa", Regional Report, *Innocenti Working Paper* No. 2010-01. Florence: UNICEF Innocenti Research Centre.

Balma, L., J. Cockburn, I. Fofana, S. Kaboré and L. Tiberti (2010), "Simulation des effets de la crise économique et des politiques de réponse sur les enfants en Afrique de l'Ouest et du Centre: le cas du Burkina Faso", Country Report, *Innocenti Working Paper* No. 2010-03. Florence: UNICEF Innocenti Research Centre.

Antwi-Asare, T., J. Cockburn, E. F. A. Cooke, I. Fofana, L. Tiberti, D. K. Twerefou with E. N. Abosi, S. K. K. Akoena and Z. Issahaku (2010) "Simulating the impact of the global economic crisis and policy responses on children in Ghana", Country Report, *Innocenti Working Paper* No. 2010-04. Florence: UNICEF Innocenti Research Centre.

Bibi, S., J. Cockburn, C.A. Emini, I. Fofana, P. Ningaye and L. Tiberti (2010) "Incidences de la crise économique mondiale de 2008/09 et des options de politiques de réponse sur la pauvreté des enfants au Cameroun", Country Report, *Innocenti Working Paper* No. 2010-05. Florence: UNICEF Innocenti Research Centre.

Bibi, S., J. Cockburn, I. Fofana and L. Tiberti (2010), "Impacts of the Global Crisis and Policy Responses on Child Well-Being: A Macro-Micro Simulation Framework", Methodological Paper, *Innocenti Working Paper* No. 2010-06. Florence: UNICEF Innocenti Research Centre.

All the reports were prepared for the project launched in spring 2009 on the impact of the global economic crisis on children in Western and Central Africa, jointly supported by UNICEF WCARO, the UNICEF Division of Policy and Practice and the UNICEF Innocenti Research Centre. The individual country studies were also supported by the relevant UNICEF country offices.

© UNICEF/NYHQ2008-0862/Olivier Asselin

UNICEF West and Central Africa Regional Office
Maimouna III Building (opp. Hotel Le Méridien Président)
P.O. Box 29720
Dakar-Yoff, Senegal
Tel: (+221) 33 869 5858
wcaro@unicef.org
www.unicef.org/wcaro

UNICEF Innocenti Research Centre
Piazza SS. Annunziata, 12
50122 Florence, Italy
Tel: (+39) 055 20 330
Fax: (+39) 055 2033 220
florence@unicef.org
www.unicef-irc.org

This *Research Brief* was prepared by Luca Tiberti and Leonardo Menchini of UNICEF IRC. For more information or to provide comments, please contact us at florence@unicef.org.

Cover photo: © UNICEF/NYHQ2007-0967/Olivier Asselin

Design and layout: Bernard Chazine & Co., Siena, Italy