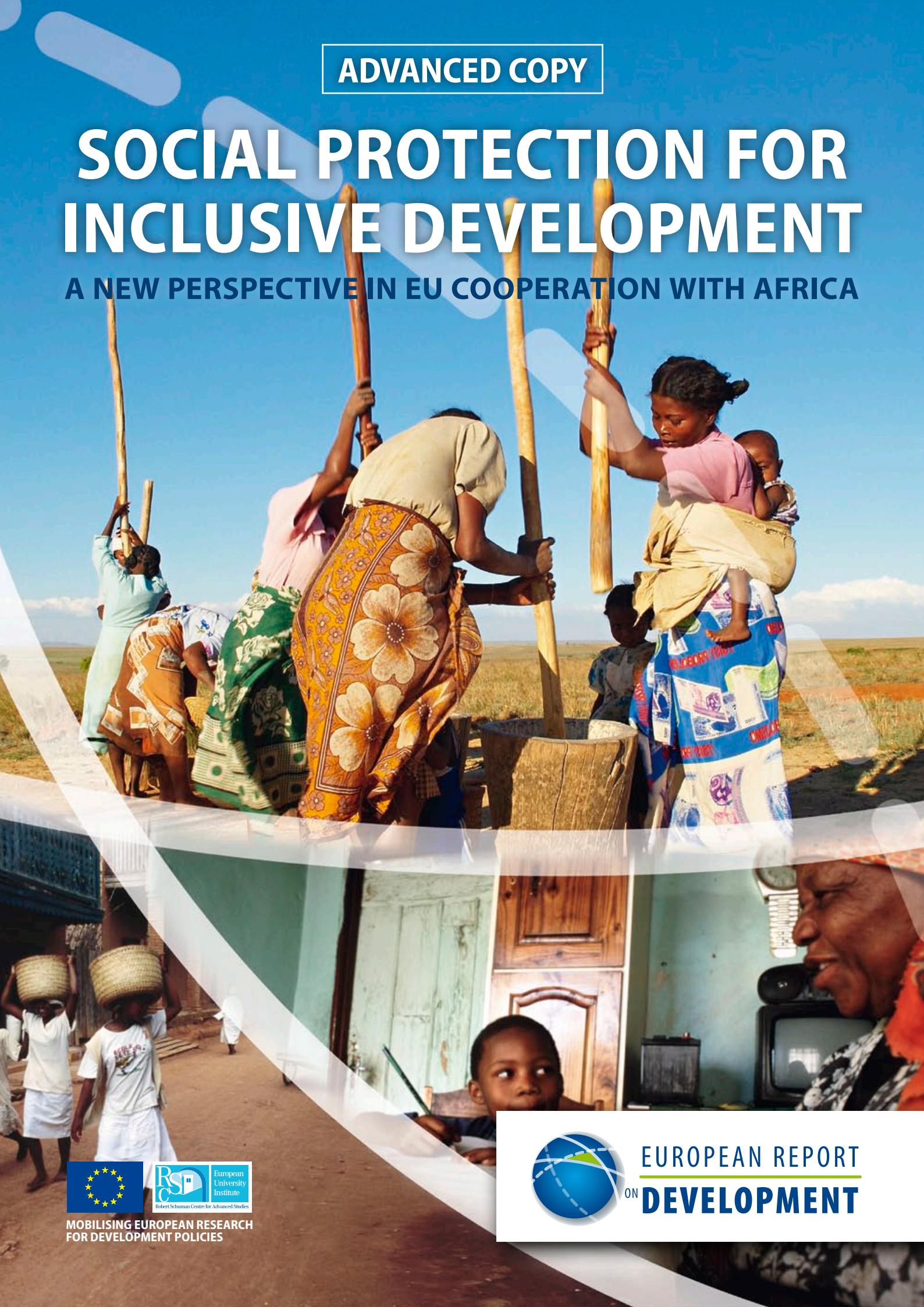


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# SOCIAL PROTECTION FOR INCLUSIVE DEVELOPMENT

A NEW PERSPECTIVE IN EU COOPERATION WITH AFRICA



European  
University  
Institute

MOBILISING EUROPEAN RESEARCH  
FOR DEVELOPMENT POLICIES



ON  
EUROPEAN REPORT  
DEVELOPMENT



## **The 2010 European Report on Development**

### **“Social Protection for Inclusive Development - A new perspective in EU co-operation with Africa”**

**ADVANCED COPY**

**22/12/2010**

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## Foreword

1.4 billion people, nearly three times the population of the European Union are living in extreme poverty. This remains the most pressing global challenge of our times and increases the imperative to act. Development is the ultimate human interest story.

The international development landscape is changing rapidly. New players are emerging and co-operation between developing countries is on the rise. Development is also increasingly being pursued in concert with other global challenges, such as climate change, migration, security and access to energy. Global economic instability, illustrated by the recent triple food-oil-financial/economic crisis, has slowed growth and increased poverty in a number of countries. It has also shed light on the structural vulnerability of many developing countries and their increasing heterogeneity. Finally, critical voices are growing as regards the role, impact and governance of aid in the context of tight budget constraints and increased public scrutiny in donor countries.

Then, there is the looming 2015 deadline for achieving the Millennium Development Goals. As announced in September 2010 in New York, the EU remains highly committed to this front over the coming years.

Development lies primarily on the responsibility of each country to mobilise its own human, natural and economic resources and to put them at the service of virtuous policies. Despite relatively robust economic growth in much of Africa in recent years, poverty is still a major structural challenge there, as is the enormous vulnerability of households and entire societies to economic and natural shocks. Eradicating poverty and establishing effective ‘shock absorbers’ to cushion the blows must be embedded in national development strategies as well as in the dialogue and co-operation with external partners.

That is why this second edition of the European Report on Development, elaborated under the lead of the European University Institute in the context of the “Mobilising European Research for Development Policies” initiative,<sup>1</sup> is so welcome and timely. Through empirical evidence, enhanced collaboration between researchers and policy makers and innovative thinking, it puts forward a convincing case for the role that social protection can play in tackling poverty, reducing the impact of shocks and promoting sustainable growth and inclusive development in the long run.

The report’s conclusion that the profile and place of social protection in development policy should be upgraded is a valuable one, and one that African countries, EU

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Member States, other donors and international organisations should pay close attention to. African leaders have recently reaffirmed their political commitment to social policy and social protection by adopting the Khartoum Declaration on Social Policy Action towards Social Inclusion (November 2010). And social protection is increasingly on the political agenda of the international community, as demonstrated by the recent UN and G20 gatherings.

As Europeans, we are familiar with the power of social protection and intra-European solidarity to cushion blows and help those affected stand on their feet again. With its diversity of social models and the valuable transition experience of the new Member States, Europe is well placed to support home-grown social protection initiatives in Africa.

Today, we Europeans take social protection almost for granted, Africans deserve to be granted the opportunity to benefit from it, too.

Fokion Fotiadis

Josep Borrell Fontelles



Director General of the European  
Commission for Development and  
Relations with Africa,  
Caribbean and Pacific States



President of the European University  
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## List of Acronyms

ACF	Action Contre la Faim
ACP	African, Caribbean and Pacific countries
ADC	Austrian Development Cooperation
AECID	Spanish Agency for International Development Cooperation
AFD	Agence Française de Développement
AfDB	African Development Bank
APRM	African Peer Review Mechanism
ASEM	Asia-Europe Meeting
AU	African Union
AUSAID	Australian Agency for International Development
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CBHI	Community Based Health Insurance
CCT	Conditional Cash Transfer
CIDA	Canadian International Development Agency
CNLS	Comité national de Lutte contre le Sida
COD	Cash-on-Delivery
COM	European Commission
DAC	Development Assistance Committee
DECT	Dowa Emergency Cash Transfers
DED	Deutscher Entwicklungsdienst
DEVCO	Development and Co-operation Directorate-General
DFID	Department for International Development
DG Development	Direktorate General Development and Relations with African, Caribbean and Pacific States
DRC	Democratic Republic of the Congo
EAC	East African Community
ECDPM	European Centre for Development Policy Management
EDPRS	Economic Development and Poverty Reduction Strategy
EPRI	European Parliaments Research Initiatives
ERD	European Report on Development
ESM	European Social Model
EU	European Union
FACT	Food and Cash Transfer
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FOSIS	Fondo de Solidaridad e Inversion Social
FSP	Food Security Programme

FTI-DoL	Fast Track Initiative on Division of Labour
GDC	German Development Cooperation
GDP	Gross Domestic Product
GLST	Ghana-Luxembourg Social Trust
GNI	Gross National Income
GSP	Generalised System of Preferences
GST	Global Social Trust
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HGSF	Home-Grown School Feeding programme
HSGIC	Government Implementation Committee
IBSA	India-Brazil-South Africa
ICT	Information and Communications Technologies
IDS	Institute of Development Studies
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IPC-IG	International Policy Centre for Inclusive Growth
IPU	Inter-Parliamentary Union
ISSA	International Social Security Association
KfW	Kreditanstalt Für Wiederaufbau
LEAP	Livelihood Empowerment Against Poverty
MDGs	Millennium Development Goals
MINALOC	Ministry of Local Government, Good Governance, Community Development and Social Affairs
Minbuza	Ministry of Foreign Affairs (The Netherlands)
MMAS	Ministry of Women and Social Action
MOFNP	Ministry of Finance and National Planning
NaCSA	National Commission for Social Action
NCMS	China's New Cooperative Medical Scheme
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
NHIS	National Health Insurance Scheme
NREGA	National Rural Employment Guarantee Act
OAP	Old Age Pensions
ODA	Official Development Assistance
OECD DAC	Development Assistance Committee – Organization for Economic Cooperation and Development
OHCHR	Office of the High Commissioner for Human Rights
OVC	Orphans and Vulnerable Children
P4H	Providing for Health
PCD	Policy Coherence for Development
PIDES	Programme intégré de Développement économique et Social

POVNET	Network on Poverty Reduction
PPPs	Public-Private-Partnerships
PRAF	Programa de Asignación Familiar
PRODIAF	Programme de Promotion du Dialogue social en Afrique
PROGRESA	Programa Nacional de Educacion, Salud y Alimentacion
PRP	Protracted Relief Programme
PRSP	Poverty Reduction Strategy Paper
PSA	Programa Subsidio de Alimentos
PSNP	Productive Safety Net Programme
R4D	Research for Development
RPS	Red de Protección Social
SADC	Southern African Development Community
SBS	Sector Budget Support
SCADD	Stratégie de Croissance Accélérée et de Développement Durable
SEC/SOC	Department of Social Security
SEWA	Self-Employed Women's Association
SIDA	Swedish International Development Cooperation Agency
SNNPR	Southern Nations, Nationalities, and People's Region
SPF	Social Policy Framework for Africa
SSA	Sub-Saharan Africa
STEP	Strategies and Tools against social Exclusion and Poverty
TIM	Temporary International Mechanism
UCT	Unconditional Cash Transfer
UEMOA	Union Economique et Monétaire Ouest Africaine
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
UNRISD	United Nations Research Institute for Social Development
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development

VUP	Vision 2020 Umurenge Programme
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization
WPF	World Population Foundation
WTO	World Trade Organization

## Overview

The European Report on Development examines the need and potential for expanding social protection in Sub-Saharan Africa, as well as its feasibility and likely development impact. In contrast with the view that Sub-Saharan Africa cannot afford social protection, innovative approaches to building broad-based social protection schemes and systems have been promoted by African countries, and implemented with success across the region. Global post-crisis uncertainty reinforces the need for measures that shield Africa's population against risks and shocks, and that reduce poverty and promote human development.

'Social protection for inclusive development' is a timely topic: interest in social protection has been growing, both in Sub-Saharan Africa and elsewhere. In the G20 'Seoul Development Consensus (2010)', growth with resilience was identified as a key pillar, with specific emphasis on social protection mechanisms that support resilient and inclusive growth. More broadly, a consensus is emerging that social protection is not only a right, but also an indispensable instrument in supporting progress towards achieving inclusive growth and the Millennium Development Goals (MDGs). This momentum stems largely from the growing recognition that social policy is a crucial piece of the development puzzle, as affirmed in the African Union's 'Social Policy Framework for Africa (2008)' and 'Khartoum Declaration on Social Policy Action Towards Social Inclusion (2010)'.

In this context, this report provides an opportunity to take stock, learn from experience and suggest priorities for the European Union (EU) and its Member States. Social protection, at the very heart of the European social model, should become an integral part of EU development policies and its commitment to the social dimension of globalisation.

### Box 1 European Report on Development definition of social protection

This report defines social protection as: "A specific set of actions to address the vulnerability of people's life *through social insurance*, offering protection against risk and adversity throughout life; *through social assistance*, offering payments and in kind transfers to support and enable the poor; and *through inclusion efforts* that enhance the capability of the marginalised to access social insurance and assistance."

This definition points to core functions: offering mechanisms to avoid serious hardship for the poor and non-poor alike in the face of serious risks, offering means to assist the poor in their attempts to escape poverty, and improving access to both for marginalised groups. Social protection is more than mere 'safety nets' that can cushion the impacts of serious crises: it is part of a comprehensive approach to getting people out of poverty, allowing them not only to benefit from growth, but also to productively take part in growth.

## The case for social protection

Sub-Saharan Africa is a widely diverse region facing daunting challenges. It has immense economic and human potential, and in many of its countries the situation has improved markedly in the last decade. Governance and macroeconomic management are better. Growth and foreign investment are stronger. And poverty is starting to decline, alongside some progress towards the MDGs. However, the macro-economy remains vulnerable, and the region is burdened by countries in situations of fragility with recurring conflicts, persistent high levels of poverty, vulnerability to climate change and natural hazards, and overall low human development. Furthermore, progress has suffered a serious setback in the last two years, primarily due to the impact of the food crisis, exacerbated by the fuel and financial crises. Rising food prices and declining growth rates (from around 5% during 2000-08 to 2.5% in 2009) are likely to have slowed poverty reduction in many African countries. Although a return to a higher growth path now seems well under way, the risks of further crises, coupled with persistent risks for households, require active social policies, starting with an investment in social protection.

Indeed, many Africans live in risky environments that constantly threaten their livelihoods. Mutual support networks and remittances help, but they often fail to protect against shocks linked to economic downturns, serious health problems and a changing climate. The lack of social protection forces families to sell assets, reduce their food intake and take children out of school, thereby deepening their poverty. Reducing these risks – and cushioning their impact – is a critical development challenge, not least as climate change will bring also additional risk and uncertainty in the future. Social protection could also offer a route out of poverty traps characterised by persistent poverty, limited economic opportunities, and poor health and education.

Social protection is no substitute for economic growth, or for standard growth-focused investment, such as building infrastructure or providing health and education. But it can foster growth by protecting assets and encouraging households to invest in riskier but higher productivity and higher return activities, and can increase social spending returns by offering poor people the means to use available services. The long-term effects of protecting and promoting human capital can be substantial. Children can be sheltered from hardship, improving their life chances through better health, nutrition and cognitive development, thus providing the human capital base for future growth.

Well-designed social protection can foster market-based solutions, such as micro-finance activities providing credit or insurance, and provide the means to reach the very poorest, as well as offering protection when market-based solutions fail to work.

Social protection can also be part of a strategy to empower the most vulnerable groups, tackling inequalities to make growth more inclusive. It can play a central role in building cohesive societies, and more broadly in reinforcing the state-citizen

compact, with the state's legitimacy bolstered by its ability to deliver on its side of the social contract. It can thus contribute to the sustainability of growth in Africa by reinforcing social stability and political accountability.

In short, by offering direct and indirect benefits, social protection can turn vicious circles virtuous. It is also a right enshrined in the 'Universal Declaration of Human Rights', too often overlooked in the development agenda as a luxury only for middle- or high-income countries. Social protection programmes, properly designed and delivered, can be affordable in a range of social, demographic, and economic conditions. Such programmes have been successful in Sub-Saharan Africa, whether in middle-income stable countries, such as Mauritius, or in low-income post-conflict fragile countries, such as Rwanda.

### **The momentum for social protection in Africa**

Following the 2004 'Ouagadougou Declaration and Plan of Action' and the 2006 'Livingstone and Yaoundé Calls for Action', the 2008 'African Union Social Policy Framework for Africa' and 2010 'Social Ministers' Khartoum Declaration on Social Policy Action Towards Social Inclusion' are key milestones towards a Pan-African consensus on the need and scope for social protection. The build-up of a continental social protection agenda continues unabated, complemented by sub-regional initiatives and commitments.

At the national level, many Sub-Saharan countries have made considerable strides towards the institutionalisation of social protection: Burkina Faso, Ghana, Kenya, Mozambique, Rwanda, Sierra Leone and Uganda, among others, have adopted or are in the process of adopting social protection strategies as part of building comprehensive social protection systems. Botswana, Lesotho, Mauritius, Namibia, South Africa and Swaziland already have social pension systems in place. Countries such as Benin, Burkina, Côte d'Ivoire, Gabon, Mali, Senegal and Tanzania are reforming their social protection mechanisms to implement universal health coverage, following in the successful footsteps of Ghana and Rwanda. There remains scope for improvement, but social protection is already entrenched in Sub-Saharan Africa, at least in many of its countries.

### **What have we learnt so far?**

This report reviews the new generation of social protection programmes, emphasising the reasons for success and failure. With certain preconditions in place, social protection is possible and feasible even in Sub-Saharan Africa's low-income countries. Evidence from the report shows that social protection programmes can mitigate risks and substantially reduce chronic poverty and vulnerability without producing significant distortions or disincentives. As shown in Table 1, many of the programmes listed are particularly effective in lowering severe and deep poverty,

while the impact on the moderately poor is less pronounced. Thus they appear particularly effective in reaching the poorest which, in itself, is quite an achievement.

**Table 1 Social protection in the developing world**

Programme	Country	Type	Coverage	Impact
Progresas-Oportunidades	Mexico	Conditional cash transfer	25% of the population	Reduced poverty gap in rural areas by 19% and contributed 18% to the decline in Mexico's income inequality between 1996 and 2006. Educational attainment of beneficiaries: estimated increase 0.7-1.0% per year.
Bolsa Familia	Brazil	Conditional cash transfer	26% of the population	Reduced the poverty gap by 12% between 2001 and 2005 and contributed one-third to the decline in income inequality over the last decade.
Plan Jefes y Jefas	Argentina	Conditional cash transfer (public works)		Poverty among participants dropped from 80% to 72%; an extra 10% of participants would have fallen into extreme poverty in the absence of the programme.
Red de Protección Social	Nicaragua	Cash transfer	3% of the population	Contributed to an 18% decline in poverty gap among beneficiaries.
Old Age Pension	South Africa	Social pension	80% of elderly	Combined direct effects of both programmes are to reduce poverty incidence by 6 percentage points, and a much larger effect on poverty depth.
Child Support Grant	South Africa	Social grant	70% of children	
Productivity Safety Net Programme	Ethiopia	In cash and in kind transfer	10% of the population	Modest but relevant average impacts, improving food security (by 11%), livestock holdings (by about 7%) and households' ability to cope with emergency. Larger effects on asset accumulation for those receiving substantial and complementary support.
National Health Insurance Scheme	Ghana	Social insurance	67% of the population	Reduced out-of-pocket expenditures for health up to 50%.
Vision 2020 Umurenge Programme	Rwanda	Public works and cash transfers	About 36,000 households	Ongoing evaluations. Programme has contributed to the fall of the percentage of extreme poor among beneficiaries from 40.6% to 9%.

Of course, implementation requires fiscal space, and programmes need to be made sustainable through clear and enforceable criteria. In addition, institutional and administrative capacity must be adequate for programme design, building on pilots and community and household networks. Social protection programmes require inter-ministerial and inter-sectoral capacity building and teamwork since it tends to work better when in synergy with other social and economic policies. Furthermore, the political commitment and incentives for leaders have been the key to almost all successful schemes.

The examples analysed in this report illustrate what is feasible in moving towards more comprehensive social protection systems in Africa. Box 2 shows very diverse approaches taken in different countries, each producing important impacts and lessons.

**Box 2 Five emerging success stories**

**Ghana's National Health Insurance Scheme** is an intermediate form of health insurance involving social insurance financed by contributions from formal (and to a lesser extent informal) sector employees and by government coverage for those unable to contribute. The programme, now covering about 67% of the population, successfully includes informal workers by building on elements of community-based health insurance, thanks to the strong government commitment to guarantee healthcare for everyone.

**Lesotho's Old Age Pension** is a universal non-contributory scheme including all registered citizens over 70 not receiving any other form of pension benefit. The programme shows that, with strong political commitment, building a universal pension to reduce household vulnerability and enhance health and human capital might be feasible and affordable under certain preconditions, even in low-income countries.

**Rwanda's Vision 2020 Umurenge Programme** consists of three core initiatives to redirect social protection programmes to vulnerable populations: (1) public works; (2) the Ubudehe credit scheme; and (3) direct support through an unconditional cash transfer. The programme underlines the importance of framing social protection as part of national development strategies and shows that decentralised administrative structures can improve targeting, avoid resource mismanagement, and increase local ownership and accountability.

**Ethiopia's Productivity Safety Net Programme** is a conditional transfer in cash and/or in kind based on public works. It also includes a small component of unconditional direct transfers to those unable to work. It is Africa's largest public works programme and one of the most effective social protection programmes in Sub-Saharan Africa, reducing poverty and increasing food security in the short run, while offering the potential for asset growth in the long run.

**Kenya's Home Grown School Feeding programme** is a conditional cash transfer to schools for local purchase of food, involving half a million children of primary school age. The programme shows that home-grown school feeding can spread the benefits of social protection to children while boosting local agricultural productivity.

We have grouped the main lessons under eight headings, all closely interrelated. Each could allow a step in the direction of a more inclusive social protection agenda for Sub-Saharan Africa. The lessons enable assessment of the possibility and likelihood of replicating programmes in different contexts and scaling up existing schemes.

***Lesson 1: Social protection programmes can mitigate risks, reduce poverty and inequality, and accelerate progress towards the Millennium Development Goals***

With proper design and implementation, social protection can have a significant impact on reducing the vulnerability and destitution of African households. Social protection can complement health and education spending and might be among the most productive investments for boosting growth, reducing poverty and accelerating progress towards the MDGs. Examples analysed in the report demonstrate significant impact on mitigating risk and escaping poverty traps. While traditional social insurance reaches mostly formal sector workers with usually high costs and low poverty impacts, evidence shows that (lightly) targeted social assistance programmes, such as cash transfers (particularly when targeting the elderly or children) as well as public works are particularly successful. Cash transfers can be provided to a large section of the population, and employment programmes can be a good response to

specific vulnerabilities. Depending on the scale and targeting, these programmes can also lower inequality, reduce risks and uncertainties for poor households and promote growth.

### ***Lesson 2: Political will and programme ownership are key***

To design and implement successful programmes requires political will, national ownership and a broad-based social consensus. Affordability is intrinsically linked to a society's willingness to finance social policies through taxes and contributions, thus becoming less dependent on often uncertain and unstable external capital flows. Successful home-grown programmes in Brazil, China, Ghana, India, Rwanda and South Africa all emanated from very strong political commitments, sometimes framed in a rights-based approach. Transferring these lessons is thus subject to a societal and political consensus to support such programmes, which takes time to build and is context-specific.

### ***Lesson 3: Ensuring financial sustainability is essential***

Successful programmes have all addressed fiscal costs at an early stage, and evidence supports the view that costs do not have to be too high. Bolsa Família in Brazil costs less than 0.5% of GDP and reaches 26% of the population, while Progresa-Oportunidades in Mexico costs 0.4% of GDP and reaches 5 million households. Fiscal and administrative capacity for broadening the scope of social protection is in place, or can be progressively achieved, even in low-income Sub-Saharan countries, where fiscal constraints are particularly severe. While the report shows that a comprehensive package of social protection may still be beyond the scope of many poor African countries, individual programmes and projects are feasible in most countries, laying a foundation for a comprehensive system in the longer term. Rural employment and public works programmes, as well as school and child-feeding programmes, offer significant benefits and proven potential in a number of settings. Non-contributory social pensions, universal or at most very lightly targeted, are possible for many African countries; such programmes should be the priority interventions to build a platform for more comprehensive approaches.

However, governments around the world are concerned about the fiscal implications and affordability of social protection. While most countries have the fiscal space to start with priority interventions, long-term sustainability must be carefully analysed when designing the scale and scope of programmes. Often, the build-up and extension of social protection programmes implies either an increase in domestic resource mobilisation (itself a valuable goal) or a reallocation within budgets: a realistic strategy based on these two elements must be the starting point of each serious plan to introduce new programmes, and donors might play a supporting role.

#### ***Lesson 4: Success depends on institutional and administrative capacity***

Institutional and administrative capacity needs to be in place to implement programmes, or such capacity needs to be built and expanded as programmes are rolled out. Successful social protection programmes depend on clearly defined institutional responsibilities, inter-ministerial collaboration and co-ordination and well-designed implementation mechanisms, combining high-level policy guidance with heavily decentralised delivery mechanisms. The involvement of different administrative levels can elicit local preferences and capacities in programme implementation: the lowest possible administrative levels are often better equipped to identify preferences and needs and to avoid mistakes in targeting.

Sub-Saharan Africa suffers more than other regions from missing or unreliable registries, which makes targeting complicated, especially in rural areas. Strengthening civil registration systems and allowing full legal and property rights to women and inheritance rights to all children could thus facilitate people's access to social protection benefits. Rwanda's 'Ubudehe' approach – which guarantees the overall efficiency of interventions by avoiding overlaps and making the best use of resources – shows that decentralised systems can be very useful in the design of successful programmes. Social protection programmes in low-income Sub-Saharan African countries with limited administrative capacity should avoid being overly complex, especially in their targeting mechanisms, and have to be easy to implement, to limit the worst inclusion errors and misuse. Basic transparency and accountability, at all levels of society, should be strengthened, thereby reducing corruption. Proper dissemination of information could play a key role in this.

#### ***Lesson 5: Piloting, monitoring and evaluation build support and fine-tune design***

Given differing country-specific conditions and needs, and the requirement to demonstrate impact to sustain political support, it is critical that programmes are implemented in a transparent way, with careful monitoring of all aspects of implementation. Pilots and staggered roll-outs that are carefully evaluated using advanced impact techniques allow for learning, fine-tuning, and building political support. The success of some of the Latin American experiences in conditional cash transfer programmes has depended critically on robust evaluations and proven impact. There is less available evidence on impact in many of the new Sub-Saharan African programmes, and evidence is tenuous even for some of the programmes discussed in more detail in this report. Robust impact evaluations as well as careful assessment of pilots and experiments should therefore be a priority, as these are critical to understanding strengths and weaknesses and to building political support. Donor support for such evaluations could be helpful.

***Lesson 6: Minimising disincentives, building on existing informal systems and complementing market-based micro-finance schemes is crucial***

Social protection programmes can create disincentive effects, such as adverse work incentives. But incentive issues in most of the recent innovative social protection programmes are less serious than presumed. For example, most non-contributory old age pensions, including South Africa's pension programmes, or Ethiopia's public works programmes, suffer from very few disincentive effects. Social protection can also crowd out existing contributory or informal social protection schemes, but the evidence here is much less conclusive and requires further work. Crowding out between new programmes and existing (informal or formal) schemes requires constant monitoring and, if needs be, adjustments. While building on existing programmes for formal sector workers is unlikely to be a solution, the evidence suggests that it is possible to build on existing informal schemes, as with health insurance in Ghana, to limit perverse incentives. Microfinance initiatives, especially those linked to micro-insurance, also offer complementary services for social protection and can be used as platforms to build contributory social protection systems. But micro-finance and other market-based solutions are unlikely to reach the poorest, and are insufficient for many serious risks, which require well-designed and broad-based social protection programmes.

***Lesson 7: Maximising synergies between social protection programmes and other investments is important***

Expanded social protection can support complementary investments in health, education, agriculture and other productive sectors. It is a quick and flexible way to improve poverty outcomes, pertinent in times of crises or when reforms in other social sectors are materialising only very slowly. It can offer the financial means necessary to use health and education services, and to invest in agriculture or other productive activities. It can offer protection so that households can take the risks involved in new activities or migrate to take advantage of economic opportunities. It can also protect human capital investments by securing children's nutrition and educational opportunities during crises. It offers a direct means of including the poor and marginalised groups in development efforts, contributing to social cohesion and trust. It can thus be a critical element in overall development policy, leveraging its many synergies. That is why social protection should be seen not as a narrow social sector concern but as part of an overall development strategy that explicitly capitalises on these complementarities. For instance, Progresa-Oportunidades in Mexico marks the importance of the transition towards an integrated approach, ensuring the simultaneous provision of a basic package of health, education and nutrition, taking advantage of their complementarities.

### ***Lesson 8: Social protection promotes gender equality, empowers women and reduces social exclusion***

The evidence shows that well-designed social protection programmes can address concerns about gender and social exclusion. They can contribute to reducing social and ethnic disparities, and can cater for the specific needs of women. Gender-sensitive programmes can produce positive multiplier effects in terms of health, education for girls, maternal prenatal screening, and can enhance positive externalities to families by transferring cash to women, while ensuring that women's burdens are not increased and stereotypes are not reinforced.

#### **From lessons to priorities**

These are general lessons, and the report recognises that Africa is very heterogeneous and that country characteristics call for tailor-made approaches. In countries in situations of fragility, for instance, the preconditions for success may not hold. With extremely weak administrative capacity or very poor governance, it is more difficult to design and implement successful social protection schemes. Social protection instruments have to be adapted to specific vulnerabilities and needs, such as (re)inserting youths and ex-combatants into society.

To summarise, there are opportunities for introducing social protection in contexts of high poverty. The type of programme will depend on how some preconditions are satisfied, bearing in mind that national and international dynamics evolve and can create room for manoeuvre. Successful programmes rely on and help to build up necessary government structures and implementation capacity. The lessons show the importance of complementarities and co-ordination across sectors and agencies as well as that of monitoring and evaluation. However, the specificities of lessons matter a great deal, with the conditions for success being critical for positive impacts. The transferability of lessons from Latin America, Asia, South Africa, or even neighbouring countries in Sub-Saharan Africa will depend on the country's ability to manage implementation challenges.

While recognising these heterogeneities, this report suggests that in many low-income Sub-Saharan African countries, some simple programmes – such as non-contributory social pensions or child benefits – are generally administratively feasible, particularly with technologically-innovative cash-delivery systems that avoid targeting errors, cut costs and speed up the delivery processes. They can also be fiscally sustainable, with few negative incentive effects. And they can garner broad political support. It is crucial, however, that any programme, once launched, can survive possible changes in local government and can also be sustained if there is a political alternation. Over time, more complex administrative arrangements, including co-ordinated packages, can become feasible as countries accumulate experience and build up domestic resources. In the longer term, Sub-Saharan African countries can build on these

programmes to create a platform for social protection that consists of several co-ordinated programmes, depending on particular needs, fiscal realities and demonstrated impacts. Such a social-assistance-based platform of social protection schemes must be consistent with a strategy to move progressively to a system based predominantly on domestic financing – either through the tax system, or some form of contributory social insurance, or systems combining the two. In any case, programmes or systems cannot merely be replicated across countries and continents, but have to be adapted to local circumstances.

### **From donorship to partnership**

Given the challenges ahead, African partners may need support from the international community during a transition phase. The budding emergence of a global consensus on social protection among development stakeholders, notably embodied within the UN Social Protection Floor initiative, strengthens and complements the rising impetus in Africa. In the aftermath of the crises, several donors (bilateral and multi-lateral, traditional and emerging) have committed to supporting developing countries on the path towards social protection systems. However, international partners should play only a supporting role: the principles of ownership, alignment and mutual responsibility enshrined in the 2005 ‘Paris Declaration on Aid Effectiveness’ and the 2008 ‘Accra Agenda for Action’ put developing partners squarely in the driver’s seat; our evidence shows that there is no other way to build and sustain successful programmes.

As social protection rises up the development agenda, lessons should also be drawn from previous donor experiences. Traditional donor engagement – often poorly co-ordinated, faddish, project-based and financially unreliable – is ill-suited to furthering the social protection agenda. For example, donor-driven social transfer pilots have depended heavily on outside funding and have rarely generated political buy-in from national governments, undermining ownership and sustainability.

As is increasingly the case across Africa, donors can support the expansion of social protection programmes fully integrated with an overall national development strategy by shifting from donorship to partnership. This new approach requires international partners to align behind partner country efforts and priorities in a co-ordinated fashion, to provide predictable funding on the path to sustainability, and to invest in building capacities and facilitating learning.

In this shifting development landscape, South-South co-operation can play an increasingly important role. Emerging donors, such as Brazil, Chile, India and Mexico, themselves leaders in developing innovative social protection solutions, have become explicitly interested in assisting other developing countries in this field; their approaches, models and experiences might be considered most relevant by their developing counterparts, especially in Sub-Saharan Africa. These new players are

bringing about change, thus calling for the redefinition of the EU's comparative advantages and roles.

### **The European Union's roles: engagement, challenges and policy recommendations**

Given its wealth of experiences and its commitment to development and to the social dimension of globalisation and decent work, the EU (Commission and Member States) is well-suited to supporting social protection in the developing world. The European social model is characterised by unity in core values and commitment to social protection, within a diversity of national experiences in the evolution, functioning and approaches to social protection. The Africa-EU Strategic Partnership offers a platform to engage with partner countries on these and their own experiences, and to support a social protection agenda through political dialogue and mutual learning, while eschewing a too-Eurocentric perspective.

Several EU donors, including the Commission, are already supporting country-led social protection initiatives. However, there is still much to be done by the EU to overcome persistent challenges and to make the most of its comparative advantages and collective critical mass. First and foremost, more engagement is needed, building on lessons and examples of good practice.

The European Report on Development therefore recommends that the EU enhance and improve its support to social protection in Sub-Saharan African and other developing countries. To this end, it identifies seven priorities for the EU and its Member States:

#### ***Priority 1: Make social protection an integral part of European Union development policy***

The EU should adopt a comprehensive policy framework for social protection, tied to concrete, time-bound commitments and dedicated resources. This indispensable step should enhance the visibility of social protection and create opportunities for discussions on the EU's collective value added. It could also leverage much needed EU (Commission and Member States) resources and support.

To this end, opportunities in the pipeline – such as the Green Papers on 'EU development policy in support of inclusive growth and sustainable development - Increasing the impact of EU development policy' and on 'The future of EU budget support', the implementation of the Joint Africa-EU Strategy Action Plan 2011-2013, the setting-up of the European External Action Service and of the new Commission Directorate-General in charge of development policy and implementation (DEVCO), as well as the negotiations on the future financial instruments for external relations – should be seized upon to ensure that the wide array of EU approaches and instruments

is geared towards providing long-term, predictable and appropriate support to social protection.

### ***Priority 2: Promote and support domestic processes***

To ensure ownership and lay the foundations for long-term sustainability, the EU should promote the implementation of an African-owned social protection agenda at continental, sub-regional and national levels, starting with the African Union (AU) ‘Social Policy Framework’. When and where possible, the EU should support comprehensive social protection systems embedded in a rights-based framework. As a minimum, EU partners should ensure that their interventions are consistent with domestic priorities and needs, minimising donor micro-management and policy intrusion.

Appropriate donor roles might include the provision of technical and financial assistance to build capacities at all levels (national, provincial and local; governmental and non-governmental) and to support the high initial and fixed start-up costs (such as the establishment of systems for identification, registration, targeting, delivery, and monitoring and evaluation).

Strengthening domestic constituencies is also key to building ownership. The EU should promote multi-stakeholder participatory approaches, and support domestic social protection champions (government officials, parliamentarians, non-state actors).

### ***Priority 3: Assist in tackling affordability***

Since domestic resource mobilisation is critical to the sustainability of social protection programmes, the EU should support partners in Sub-Saharan Africa on the path to tax reform and revenue collection. Policy dialogue on the financial and fiscal aspects of social protection (tax reform, budget allocations, donor exit strategies) as well as broader public financial management issues is paramount.

Development aid can also act as a catalyst for social protection and inclusive growth by relaxing the affordability constraint in a transition phase. First and foremost, EU donors need to honour their official development assistance commitments (0.7% of GNI by 2015), despite the global financial crisis and ensuing budget constraints. They should also explore innovative financing options, such as the establishment of a Social Protection Fund for Africa.

Donor commitments should be credible and their funding predictable and reliable, especially when donors choose to support recurrent spending. Longer-term commitments, as in Zambia, provide positive examples in this regard. Special attention should be paid to domestic fiscal sustainability. An exit strategy should be devised and agreed on from the outset to avoid creating islands of welfare vulnerable to donor fads and vicissitudes.

#### **Priority 4: Tailor intervention modalities to specific contexts and needs**

There is no ‘one size fits all’ for support to social protection in Sub-Saharan Africa. Approaches should be informed by a deep-rooted understanding of local contexts and underlying politics, to assess what is most appropriate and what is feasible.

This report suggests that a package including budget support, policy dialogue and capacity building might be most appropriate to promote ownership and support social protection systems fully integrated with an overall national development strategy. However, the feasibility of budget support depends on local conditions, with public finance management and governance being critical issues. Budget support should be underpinned by a credible aid contract between mutually-accountable partners, with a focus on results. To enhance the quality of dialogue, sector-wide budget support might be preferable. Innovative solutions such as ‘cash on delivery’ contracts could also be explored.

Donor-driven pilots should be limited, because they rarely, if ever, prove sustainable. However, pilots are useful for experimenting with and evaluating options or kick-starting schemes for future scaling up, and should be embedded in domestic processes, preferably state-led. Working through and with the state should indeed be favoured to reinforce the social contract. Nonetheless, support to informal and community-based schemes (such as *mutuelles de santé* in West Africa) should also be provided, as they can be built on within the framework of a wider system (as in Rwanda).

In countries in situations of fragility, paying attention to local perceptions of legitimacy (whom to work with) and extending the social protection palette (from humanitarian to security) is crucial. The sequencing of interventions should be agreed on by the international community: an agenda focusing on emergency assistance and transfers, public works, input supplies and basic healthcare might be a first priority, before tackling the longer-term challenge of building state capacity for implementing social protection schemes.

Overall, monitoring and evaluation are key to ensuring accountability and facilitating learning. To enable scaling up or replication, assessing impact is crucial, as is identifying best practices and bottlenecks in existing schemes. EU donors should support innovations in impact-evaluation techniques (such as robust impact assessment and randomisation) and allocate appropriate resources to monitoring and evaluation.

In order to improve decision-making and to better tailor programme design, the EU should also explore solutions to improve the accuracy and timeliness of poverty and vulnerability data, including support to the UN Global Pulse Initiative.

### ***Priority 5: Support knowledge-building and lesson-sharing***

EU donors should commission and support research into the various impacts and benefits of social protection for development, so as to feed the learning process and enable evidence-based investments and decision-making. Further studies are needed to show the impact of social protection on growth and vulnerability in the medium-term (notably the ability of the poor to build assets and sustainably escape poverty), but also on political stability, social cohesion and the social contract. The scope of research should be widened to a broader diversity of experiences, using a multi-disciplinary approach. Results should be disseminated among policy-makers.

Most importantly, EU donors should support Africa's capacity to develop its own analysis and thinking on social protection. Funding local research would enhance the legitimacy and relevance of the knowledge produced, and allow for easier dissemination.

Embedding social protection in the Africa-EU political dialogue at all levels is essential to facilitate lesson sharing and to enhance political will on both sides.

EU Member States should also share lessons of their experiences in social protection by putting together easily accessible information, and organising study tours, conferences, workshops and trainings in response to partner country demands.

Given the increasing relevance of South-South learning, the EU should provide support when Southern partners request it, building on examples of good practice. An ambitious triangular partnership for learning on social protection could be envisioned, in the form of regular exchanges between the relevant stakeholders in the various EU political dialogues and strategic partnerships. The EU should also contribute to best practices guidelines based on the implementation of social protection mechanisms in developing countries, as agreed by the G20 in Seoul.

### ***Priority 6: Improve the co-ordination, complementarity and coherence of European Union action***

EU support to social protection should fully comply with the aid effectiveness agenda as well as EU treaty obligations.

An EU-wide 'social protection and development' network of experts (from development ministries and agencies, labour and social affairs ministries, civil society) should be established. A first important task for the network would be to undertake a mapping of EU support to social protection; such an initiative would usher better division of labour by highlighting gaps and overlaps, and facilitating the identification of comparative advantages.

Key to this effort is an agreement on whether to approach social protection as a sector. This report suggests that mainstreaming social protection as a cross-cutting issue might be more appropriate, but the EU position should be further informed both by discussions in this new network as well as in the OECD-POVNET network and with partner countries.

Implementing the ‘EU Code of Conduct’ should provide an opportunity to rationalise programme development and support at country level. The EU should take the lead in co-ordinating with the wider donor community, within and beyond the Development Assistance Committee of the OECD, and in co-operation with partner countries.

EU cross-country division of labour should be improved, paying particular attention to tackling the ‘orphans’ (especially in countries in situations of fragility). In this respect, given its global presence, the Commission has a key role to play, as do EU donors with ties to ‘forgotten’ countries.

Improving policy coherence for social protection is also crucial. Further to the implementation of the ‘2010-2013 Policy Coherence for Development Work Programme’, the EU should commission research to assess the impact of non-development policies, such as trade, migration and agriculture, on social protection in developing countries. More political will is needed to translate the EU’s commitment to Policy Coherence for Development into practice, and promote it credibly in the wider development community (e.g. Fourth High Level Summit on Aid Effectiveness, G20, Fourth UN Conference on the Least Developed Countries (LDC-IV).

#### ***Priority 7: Strengthen European Union partnerships for a progressive social protection agenda***

Support to social protection has been limited in the EU’s external action, in particular in the framework of its commitment to the social dimension of globalisation and decent work. The EU should work in close collaboration with strategic partners to promote a progressive international agenda for social protection and fairer globalisation, in particular with the International Labour Organization and other UN agencies involved in social protection, given their experience and legitimacy in the field.

The EU should also support and co-operate further with the AU Social Affairs Department and the African Development Bank’s Human and Social Development Department, as these are key to feeding and sustaining the African ‘social’ momentum.

In light of its experience, and given its emphasis on regional integration in development policy, the EU should seek to advance the case for regional co-operation in social development and social protection, building on the existing momentum and instruments.

Partnerships with the private sector could also advance the social protection agenda. With proper co-ordination and policy-design, the EU can leverage private actions. New and innovative public-private-partnerships (PPPs) should be explored.

### Conclusion

In summary, the time is ripe for a new Africa-EU social protection agenda. There is a growing consensus on the benefits of social protection, and the post-crisis environment, as well as the likely risks linked to climate change call for a renewed and enhanced partnership.

Social protection programmes exist and, if some preconditions hold, they can have a positive impact on inclusive growth and poverty reduction, reaching large parts of the population, and eliciting broad political support. Further, if well designed, they can complement informal community-based systems as well as market-based solutions. Regular, independent and robust evaluations are crucial for the generation of credible information and empirical proof of the programmes' achievements. This, in turn, is key to securing support, and therefore political sustainability and success.

Achievements so far show that with commitment, vision and support, building up social protection is feasible in Sub-Saharan Africa, even in low-income countries. The choice of specific new programmes or the scaling up of existing schemes, however, is country specific and depends on partner countries' demographic, geographic and economic contexts as well as on political commitment and priorities.

## Chapter 1: The momentum for social protection in Sub-Saharan Africa

### Main Message: The momentum for social protection in Africa

The momentum for social protection in Africa has been building, with significant commitment and achievements at Pan-African, sub-regional and national levels.

In the aftermath of the food, fuel and financial crises, a global consensus is emerging that social protection is a crucial missing piece of the development puzzle, indispensable for achieving resilient pro-poor growth and the Millennium Development Goals.

Indeed, social protection can contribute directly to growth and complement other investments by increasing the returns from social spending.

It can also spread the benefits of growth to those most vulnerable and most excluded, thus improving social cohesion and strengthening the state-citizen contract.

By offering such direct and indirect benefits, it has the potential to turn vicious circles virtuous.

Social protection is not a luxury: it is necessary and feasible for Sub-Saharan Africa (SSA). A variety of schemes have already been implemented in the region, and the successes in improving development prospects show that social protection is within reach. With the rapid sequence of the food, fuel and financial crises between 2007 and 2009, social protection is needed more than ever to cushion shocks and tackle Africa's persistent challenges of poverty and vulnerability. As schemes have been extended during the recent crises, the momentum for more systematic social protection is building within Sub-Saharan Africa and internationally. The time is ripe for a European Report on Development to make a case for social protection in Africa, building on evidence to emphasise the crucial role of home-grown efforts and the potential supporting role of international partners, particularly the European Union (EU).

### 1.1 Sub-Saharan Africa: no longer a “doomed subcontinent”

Sub-Saharan Africa has often been regarded as a doomed subcontinent where “the only things that seemed to thrive were poverty and conflict”.<sup>2</sup> During its lost decades

<sup>2</sup> Johnson-Sirleaf, E. “Introduction” in Radelet 2010.

(1980s and 1990s), SSA lagged behind while other developing countries took off, particularly in Asia and Latin America.

However, the situation has taken a turn for the better, roughly since the beginning of the Millennium. A number of SSA countries have defied stereotypes by making significant (if still insufficient) strides towards the Millennium Development Goals (MDGs), achieving steady economic growth and providing a wide range of success stories.<sup>3</sup>

SSA however is not a monolithic entity, but rather a widely diverse region, where countries follow different – and rarely linear – paths.<sup>4</sup> Undeniably, some countries have fared worse than others, failing to progress or even backtracking. This bleak picture of SSA as a whole systematically overshadowed the fundamental changes by the “emerging” SSA countries.<sup>5</sup>

### ***1.1.1 Tangible progress in governance***

First and foremost, many SSA countries have achieved marked progress in governance, which has become a centrepiece of the continental development agenda. African commitment to improving governance is perhaps best embodied by the establishment in 2002 of the African Peer Review Mechanism (APRM), in the framework of the New Partnership for Africa’s Development (NEPAD).<sup>6</sup> As of the end of 2009, 30 of the 53 African Union (AU)<sup>7</sup> states had voluntarily signed on to this innovative Africa-driven effort, which stands as the continent’s major self-monitoring governance mechanism. Persistent challenges notwithstanding, the APRM is thus far credited for bringing governance to the fore, and enabling collegial dialogue on controversial issues by offering “comprehensive and candid diagnosis of key governance problems”.<sup>8</sup>

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<sup>3</sup> World Bank Chief Economist for Africa S. Devarajan and his colleagues came up with a list of 42 success stories, 20 of which are detailed in case studies. <https://blogs.worldbank.org/africanacan/african-successes>.

<sup>4</sup> Many former growth leaders in the 1960s became laggards by 2000 (such as Côte d’Ivoire, Gabon, Togo), while countries such as Burkina Faso, Ghana and Senegal were lagging behind after independence but have become “champions of growth” in the last 10 years (Fosu, 2009).

<sup>5</sup> For a recent defense of this viewpoint, see Radelet 2010.

<sup>6</sup> In July 2002, NEPAD adopted a “Declaration on Democracy, Political, Economic and Corporate Governance” which included a commitment to implement an African Peer Review Mechanism (APRM). The Memorandum of Understanding on the APRM was adopted by the Head of State and Government Implementation Committee in March 2003, and entered immediately into force.

<sup>7</sup> Algeria, Angola, Benin, Burkina Faso, Cape Verde, Cameroon, Congo Republic, Djibouti, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mali, Mauritania, Mauritius, Mozambique, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Uganda and Zambia.

<sup>8</sup> The South African Institute of International Affairs has a “Governance and APRM Programme” which monitors the process (<http://www.saiia.org.za/>). See for example Gruzd 2010.

A recent review of the APRM process in nine AU countries by the Africa Governance Monitoring and Advocacy Project contends that “the verdict on the APRM process is mixed” but that it has at least enabled some national debate.<sup>9</sup> Going even further, a Partnership Africa-Canada study on the APRM in seven SSA countries asserts that “changes are being introduced in the ways governments and countries are being run”.<sup>10</sup> And other AU initiatives, such as the 2007 *African Charter on Democracy, Elections and Governance*,<sup>11</sup> seem to indicate that governance has become a widely shared continental priority.

At the national level, SSA countries such as Mauritius and Botswana stand out as consistent performers having achieved stability and good governance over a significant period. Indeed, as shown by the latest *Worldwide Governance Indicators*, “being a developing economy does not automatically translate to poor governance”.<sup>12</sup> After being ravaged by genocide in 1994, Rwanda has, for example, become a symbol of African turnaround, achieving economic growth,<sup>13</sup> social progress and significant improvements in governance. Although the campaign leading to the August 2010 re-election of President Kagame has raised international concerns,<sup>14</sup> Rwanda is broadly deemed a peaceful country with stable institutions, whose “strong performance” allows the EU to disburse 75% of its aid to the country through budget support.<sup>15</sup> It is also one of the rare African countries to be “on track” towards the MDGs and has almost met MDG-3, on gender equality and women empowerment, with more than 56% of women in parliament and effective gender parity in primary and secondary education.<sup>16</sup>

Liberia’s recovery from conflict (1989–2003) is also being hailed as a success story, especially so after the 2005 election of Ellen Johnson-Sirleaf, the first female African president. The *Mo Ibrahim Index of African Governance*<sup>17</sup> shows that Liberia

<sup>9</sup> AfriMAP 2010.

<sup>10</sup> Bing Pappoe 2010.

<sup>11</sup> The Charter ought to be ratified by 15 Member States to enter into force. As of July 2010, 29 states have signed it, but only 6 (Ethiopia, Ghana, Lesotho, Mauritania, Sierra Leone, Uganda) have ratified.

<sup>12</sup> “Governance Matters 2010 Worldwide Governance Indicators highlight governance successes, reversals and failures”, [[http://www.brookings.edu/opinions/2010/0924\\_wgi\\_kaufmann.aspx](http://www.brookings.edu/opinions/2010/0924_wgi_kaufmann.aspx)]. The *Worldwide Governance Indicators* project reports aggregate and individual governance indicators for 213 economies over 1996–2009, for six dimensions of governance: voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law; and control of corruption.

<sup>13</sup> Economic growth averaged 8% a year during 1998–2008. Rwanda also ranked 58 of 183 countries in the 2011 World Bank “Ease of Doing Business” Index and is being hailed for its consistent progress and reform (World Bank 2010d, p.6).

<sup>14</sup> Accusations of oppression and violence (see <http://www.amnesty.org/en/region/rwanda>) prompted President Kagame to defend Rwanda’s democracy as a “model for Africa” (Kagame 2010).

<sup>15</sup> IP/10/1206, 29/09/10. Commissioner Piebalgs’ first visit to Rwanda to assess EU’s aid impact on the ground and sign €52 million financial agreements on regional cooperation and governance.

<sup>16</sup> Rwanda is used as the “success story” example on [www.mdgmonitor.org/](http://www.mdgmonitor.org/) (November 2010).

<sup>17</sup> The Mo Ibrahim Index measure the extent of delivery to the citizen of a large number of economic, social and political goods and services by governments and non-state actors. The Index groups indicators into four main categories: safety and rule of law; participation and human rights; sustainable economic opportunity; and human development (<http://www.moibrahimfoundation.org>).

registered the biggest improvement during 2005–09, its score rising from 32 to 44. Among other accomplishments, it was in 2009 the first African country to become fully compliant with the Extractive Industries Transparency Initiative, a highly symbolic achievement given the role of natural resources in the Liberian conflict.

The *Worldwide Governance Indicators* and Mo Ibrahim Index also highlight substantial improvements in countries such as Ghana, Angola, Sierra Leone and Togo. Of course, these indicators cannot capture all the nuances and challenges, as governance remains an utterly sensitive and controversial issue. “Improved” countries often started from a very low standard, their performance and progress should not be overblown. Nor should it mask the fact that other SSA countries have stagnated or declined. That said, the rise in the number of SSA democracies (from 3 in 1989 to 23 in 2008)<sup>18</sup> and democratic elections (an estimated 50 between 2005 and 2009), as well as the numerous home-grown governance initiatives (at all levels), suggest that SSA governments are broadly becoming more accountable, thanks not least to regional and sub-regional leadership.

### **1.1.2 *Improvements in the macroeconomic environment***

SSA has been among the world’s fastest growing regions, at an average of around 5% over 2000–08, more than two percentage points higher than in the previous decade. Growth has not been homogeneous between geographic areas or individual countries, with some resource-rich countries (such as Angola and Equatorial Guinea) experiencing double-digit rates, pushed by the rise in commodity prices. This recent growth acceleration was more than a mere result of a resource boom. The macroeconomic environment in general improved. The African Development Bank<sup>19</sup> has outlined that, compared with the previous decade, SSA countries have recently contained inflation, keeping it well below double digits, improved their terms of trade and recorded general improvements in their fiscal balances.

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<sup>18</sup> Radelet 2010, p.54. According to Freedom House (Freedom in Sub-Saharan Africa 2009), the proportion of “free” and “partly free” countries in SSA has risen from 41% in 1980 to 69% in 2009.

<sup>19</sup> AfDB 2010.

**Table 1.1 Long-term GDP growth and population trends**

		1980–2000	1980–1990	1990–2000	2000–2009
<b>Sub-Saharan Africa</b>	GDP growth (annual %)	2.18	2.07	2.19	4.61
	Population growth (annual %)	2.81	2.90	2.71	2.52
<b>World</b>	GDP growth (annual %)	2.94	3.03	2.85	2.56
	Population growth (annual %)	1.59	1.74	1.46	1.21
<b>South- East Asia &amp; Pacific</b>	GDP growth (annual %)	9.25	10.08	8.56	10.17
	Population growth (annual %)	3.44	3.78	3.11	2.37

Source: ERD elaboration on the World Bank, *World Development Indicators*, online database accessed on 15 October 2010.

This generally favourable environment has often been accompanied by an increase in country capacity to mobilize domestic resources. Collected taxes on the continent rose from 22% of GDP in 1990 to 27% in 2007.<sup>20</sup> This increase depends heavily on the rise in taxes from resource extraction, which in 2007 represented about 14% of continental GDP, and more than two-thirds of total taxes for resource-abundant countries such as Angola, Chad, Congo, Equatorial Guinea, Nigeria and Sudan.<sup>21</sup> Trade taxes, by contrast, have steadily declined over time, but they are still a relevant source for manufacturing producers such as Ethiopia, the Gambia, Lesotho, Namibia and Swaziland. The share of taxes in GDP ranges from the very low values in countries such as Equatorial Guinea (1.6% of GDP on average between 2001 and 2008) to the highest in Lesotho (50.6%).

External capital flows in the form of foreign direct investment (FDI) and foreign aid have also grown considerably, with donor support for debt relief being especially important. Over 2000–07, Development Assistance Committee (DAC) donors cancelled \$43 billion in the debt of African countries. And between 2000 and 2008, the debt to GNI ratio, one of the main indicators of debt distress, fell from 127% to 57%.

A large impulse to the recent African economic growth has been the increasing economic interaction with the group of emerging economies. Sino-African economic and political relationships have recently boomed. Since the mid-1990s, bilateral trade between China and Africa has grown tenfold, totalling more than \$100 billion in 2008. This has allowed many African countries to diversify their geographic distribution of exports, avoiding a large drop in exports as a result of the fall in the demand of developed countries in the global financial crisis. China and India are also becoming major sources of capital to African partners in FDI and aid.

<sup>20</sup> AfDB, OECD, UNECA 2010, p. 84.

<sup>21</sup> AfDB, OECD, UNECA 2010.

## 1.2 The persistence of structural challenges

Despite the progress, SSA still faces several daunting challenges: a vulnerable macro-economy, with limited transformation in livelihoods; countries in situation of fragility and recurring conflict; and persistent high poverty and low human development. The result is that lives for many are still precarious.

### 1.2.1 *Macroeconomic vulnerability with limited transformation in livelihoods*

It is too early to speak of large-scale economic transformation and job creation in most SSA countries. Agriculture is still contributing a large share of GDP, and self-employed smallholder farmers make up most of the workforce. The urban economy is growing, but much employment is still in the informal sector. The reliance of most SSA economies on a few primary products makes export revenues and GDP growth more unstable and volatile than in other countries.<sup>22</sup> Climatic variability and shocks also contribute to high growth variability, given that most agriculture is rain-fed.<sup>23</sup>

The result is that most livelihoods provide only modest earnings and are very risky. Not least in rain-fed agriculture, where the vagaries of climate greatly increase the income risks. High variability in GDP rapidly changes market conditions for those in the informal sector, leading to high fluctuations in their earnings and employment, putting pressure on living standards, the more so when safety nets or social security exclude them.

### 1.2.2 *Conflicts and countries in situation of fragility*

Conflict is still rife in SSA and is a major cause of loss of lives and livelihoods. According to recent evidence, the number of internally displaced in SSA is almost twice that in other low-income countries, and the number of refugees originating from SSA (more than 2.6 million) is a larger share of the total population than in other developing regions.<sup>24</sup> State fragility – the state's incapacity or unwillingness to provide basic services to citizens – is also widespread<sup>25</sup> and represents a major source of vulnerability. The first edition of the European Report on Development, published in 2009,<sup>26</sup> showed that SSA countries in situations of fragility lag substantially behind

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<sup>22</sup> See Unctad 2009 and European Report on Development 2009.

<sup>23</sup> World Bank 2008.

<sup>24</sup> United Nations High Commissioner for Refugees evidence reported in UNDP 2009. The number of refugees is high but declining, and overall is less prominent compared with the case of South Asia, which however has a larger population.

<sup>25</sup> See ERD 2009 for a discussion of the different definitions of countries in situation of fragility.

<sup>26</sup> European Report on Development 2009.

other developing countries on key development indicators. And the condition of fragility constitutes a severe obstacle to sustaining growth and achieving the MDGs.<sup>27</sup>

In countries in situation of fragility – especially those in the midst of conflict – the array of risks against which people require protection is substantially broadened, and extends well beyond the economic.<sup>28</sup> The so-called Catch 22 of social protection, – “the greater the need for social protection, the lower capacity of the state to provide it” – is thus of particular relevance in situations of fragility.<sup>29</sup>

### **1.2.3 Poverty and low human development**

Progress has been made towards the MDGs and other dimensions of poverty in Sub-Saharan Africa. But levels of deprivation remain high, affecting the speed of reducing poverty sustainably. Latest data suggest that the financial and productive asset base of the poor remains low. Since the 1990s the incidence of poverty has declined rapidly worldwide.<sup>30</sup> In SSA, extreme poverty (defined as poverty below \$1.25 per day) dropped from 58% in 1990 to 51% in 2005, but the number of poor rose to 388 million, from 296 million in 1990, due to rapid population growth.<sup>31</sup>

The population’s health and education are still showing widespread deprivation, affecting the opportunities for the poor, now and into the future. Despite progress in boosting enrolment in primary schools, a new generation of illiterates has recently joined the labour force: 21% of youths aged 15 to 24 are illiterate.<sup>32</sup> And in 10 years this may not be much better: the net enrolment rate (the percentage of children of primary school age actually attending primary school) in primary education is still only 73%.<sup>33</sup>

Poor health also undermines the scope for rapid poverty reduction. Life expectancy, one of the simplest direct summary statistics of the health of the African population, is 52 years, well below any other regions. Sub-Saharan Africa is by far the most heavily affected region of the world by HIV/AIDS, accounting for two-thirds of the 33.4 million adults and children living with HIV and for 71% of all new HIV infections in 2008.

The burden of other diseases is also still very high, with the vast majority (around 90%) of the world population at medium and high levels of risk of malaria living in

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<sup>27</sup> ERD 2009; Bourguignon et al. 2008.

<sup>28</sup> Darcy 2004.

<sup>29</sup> Devereux 2000.

<sup>30</sup> For example, East Asia saw extreme poverty plummet from 55% in 1990 to 17% in 2005 and this is likely to improve a further 6% by 2015.

<sup>31</sup> See World Bank and IMF 2010.

<sup>32</sup> World Bank 2010b.

<sup>33</sup> World Bank 2010b.

SSA.<sup>34</sup> Climate change is threatening to spread the malaria and other diseases into areas currently less affected. With only 31% of the SSA population having adequate sanitation, the consequences of disease are further amplified, putting persistent pressure on health care systems. This disease burden undermines the productive capacity of adults – and the health of children, compromising their future ability to escape poverty.

#### 1.2.4 *Precarious lives*

High poverty, a low asset base and dependence on risky livelihoods mean that any attempts to build a better life are easily derailed by a wide variety of serious shocks. In Ethiopia, 67% of urban and 86% of rural households report having experienced at least one shock in the preceding four years (table 1.2). Because most rural households depend on rain-fed agriculture, they are regularly affected by drought, frost and too much rain. Crop pests are still very prevalent too, as are livestock deaths. Both rural and urban households suffer from economic hardship from illness and death in the family. Market risks, related to input and output prices shocks, are also source of hardship, reflecting the high dependence on fluctuating markets by the self-employed, including farmers. Crime represents a generalised risk, too. All these risks have the potential to make people drift into poverty, and hinder any escape by the poor.

**Table 1.2 Percentage of households reporting a particular event or shock affecting their wealth or standard of living considerably in last four years, Ethiopia 2006**

	Urban Ethiopia	Rural Ethiopia
<b>Any shock?</b>	<b>67</b>	<b>86</b>
Illness in family	22	31
Price shocks	21	38
Job loss	18	6
Death in family	15	14
Theft/crime	13	14
Livestock death	6	36
Land eviction	6	3
Crop pests	6	40
Drought	5	44
Rain/flood	3	22
Frost	1	12

Source: Young Lives data, [www.younglives.co.uk](http://www.younglives.co.uk).

<sup>34</sup> <http://www.map.ox.ac.uk/milestones/7/>.

The result is a life defined by vulnerability to persistent poverty<sup>35</sup> for the poor and also for many of the non-poor. The threat of a life of poverty will persist, with little hope or opportunity to escape soon, even for the next generation.

### 1.2.5 *Embedded inequalities*

Some age groups are particularly at risk. For young children, deprivations in nutrition and other care in early life could result in permanent deprivations in other dimensions in later life. For the large number of orphaned children linked to continuing HIV-AIDS crisis in parts of Africa or the elderly or disabled, earning opportunities are severely constrained. Vulnerability to persistent poverty is also closely linked to livelihood opportunities: the majority of the Sub-Saharan African population is still engaged in agriculture or self-employed, mostly by necessity, exposed to much business risk and with limited capital to cope with this risk.

Social and political factors also increase vulnerability for specific social groups. Inequality is high in Africa, with incomes of the top 10% of earners 22 times higher than those of the bottom 10%, higher than the world average of 18.<sup>36</sup> Deeply embedded horizontal inequalities continue to exist along regional, ethnic, religious, or gender lines, and tend to persist. These are reflected in economic, social and political structures, exacerbating the already poor conditions of some population groups,<sup>37</sup> excluded from opportunities offered by economic growth.<sup>38</sup> Poor women – as heads of households, farmers, factory workers, informal service providers – as well as internally displaced people and refugees, are among the most vulnerable.<sup>39</sup>

## 1.3 Three crises in three years: facts and consequences

Three different crises – food, fuel and financial – occurred in a very short time span, between 2007 and 2009. Given the structural challenges and the high vulnerability to poverty of large parts of the population, they put serious pressures on African economies and the welfare of its people.

A closer look at the impact of these three crises in SSA highlights two contrasting elements: higher than expected resilience to the financial crisis, and widespread social effects, especially of the food crisis. The episodes also show that crises could

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<sup>35</sup> In this report, the term persistent poverty is used to emphasise a state of deep poverty that lasts well into the future, with little hope of escape. Although it is possible to highlight particular theoretical and conceptual distinctions, for policy purposes, it is not distinct and used interchangeably with ‘chronic’ poverty and ‘trapped in poverty’ as used by others.

<sup>36</sup> Ferreira and Ravallion 2008 and <http://databank.worldbank.org/>

<sup>37</sup> Stewart and Langer 2008.

<sup>38</sup> World Bank 2007.

<sup>39</sup> World Bank and IMF 2010.

exacerbate the structural weaknesses of SSA countries, inducing long-lasting consequences.

**Box 1.1: The food and fuel crises had a severe impact on Sub-Saharan Africa**

A worldwide commodity price boom picked up pace in 2007, with food prices rising more than 45% from the end of 2006. Many prices reached record highs in current dollar terms, including those for crude oil, tin, nickel, soybeans, corn and wheat. The surge was led by some major food crops (corn, wheat and edible oil) but then spread to other food items. Since the food prices increases had been passed through to domestic markets in most countries, the social impact has been considerable for the urban poor. In some countries, the food and fuel crisis increased social tensions, even riots in Burkina Faso, Cameroon, Niger and Mozambique.

*Source:* Based on IMF, 2010, Impact of high food and fuel prices on developing countries. IMF: Washington, DC.

### **1.3.1 *Resilience to the global financial crisis***

According to the International Monetary Fund (IMF), “perhaps one of the least noticed aspects of the global downturn has been the resilience of the Sub-Saharan Africa region”.<sup>40</sup> Indeed, despite dire warnings in early 2009 about the negative impact of the global financial crisis on developing countries, the macroeconomic impact so far has been surprisingly modest (box 1.2). In 2009, average GDP growth in SSA was 2.6%.<sup>41</sup> If South Africa, the regional heavyweight and one of the African countries most seriously affected, is excluded, growth would average around 4%, exceeding the population growth of 2.5%. Growth is expected to be close to 5% in 2010 and 5.5% in 2011, thus reverting to the high growth rates before the crisis.<sup>42</sup>

<sup>40</sup> IMF 2010a.

<sup>41</sup> IMF 2010b.

<sup>42</sup> IMF 2010b.

### Box 1.2 Why the financial crisis has not been so bad in SSA

Four main groups of factors explain the reasons for the better-than-expected performance in SSA:

- In contrast to some previous crises, the current financial crisis originated entirely in the developed world, and the transmission channels to SSA were mainly indirect. SSA was mostly affected by the initial and short-lived collapse of world trade, which hindered its exports, as well as by the decline in capital flows and the fall in commodity prices associated with falling global demand. Therefore, SSA countries most closely integrated with the world economy and capital markets (such as South Africa) saw the biggest shrinkage of GDP in 2009, while raw material exporters were mainly affected through the commodity linkage.
- The crisis proved to be much more short-lived than expected due to the high 2009 and 2010 growth in emerging markets, particularly China and India. Their demand for commodities – as well as that from other emerging markets – held up strongly, allowing a quick recovery of commodity prices, which kept most of SSA out of recession.
- SSA's resilience can chiefly be attributed to “entering the crisis on a stronger footing”.<sup>43</sup> Indeed, the big improvements in macroeconomic management and reforms before the crisis helped most SSA countries weather the storm. Obviously, this broad statement hides marked differences in performance across countries: those with high fiscal and current account deficits were harder hit and are likely to come out of the crisis much slower than others.
- Most SSA countries addressed the short-term problems associated with the crisis rather quickly, some with help from the international community. Reserves were drawn down by some \$9 billion in 2009, and official lenders increased flows by \$4 billion, potentially cushioning the decline in capital flows.<sup>44</sup> Governments also used their fiscal space to stabilise the economy, allowing their budgets to go significantly into deficit. These one-off fiscal deficits will have allowed some countries to “shield pro-poor and pro-growth public spending”, such as health and education.<sup>45</sup>

SSA resilience to the global financial crisis should not overshadow the fact that the rapid sequence of the three crises put SSA countries under severe stress. The sharp rise in primary commodity prices, especially in staple food prices in 2007 and 2008, had major implications for many SSA countries and their people. Because most African countries are net food importers, they were hit hard by the more than doubling of staple food prices in less than a year. Domestic food prices rose substantially. For many farmers growing food crops, this is likely to have raised incomes. But because large parts of the population, including many farmers, are net buyers of food,<sup>46</sup> real incomes have declined. At the same time, the peak in fuel prices made imports unaffordable for many oil importers and resulted in high deficits and losses of foreign reserves. The financial crisis, the last in the sequence, materialized immediately after the food and fuel crises, particularly hitting the middle-income SSA countries, more integrated in global markets.

<sup>43</sup> AfDB 2010.

<sup>44</sup> World Bank 2010c, table B6.1.

<sup>45</sup> IMF 2010a.

<sup>46</sup> World Bank 2008.

Africa may have coped well this time, but it remains vulnerable to such serious shocks, not least in food prices. The food crisis highlighted weaknesses in economic structure and in food production and distribution. Food price rises and fluctuations as recently witnessed may well become more common with climate change. While food prices fell during the financial crisis, they are already trending upward as the world economy recovers and weather shocks are disrupting supplies.<sup>47</sup>

When such shocks hit households, they can sustain consumption and investments with additional income from working longer hours, from assets, from remittances, from cash or in-kind transfers or from some form of publicly provided safety net or other support system. But the demand for these supports can clash with falling revenues and external aid in the global recession. With reduced resources, the depth and the duration of the income shock can be larger, with dire aggregate social consequences, particularly for the poorest and most vulnerable.

### ***1.3.2 The social consequences of the crises***

It is difficult to assess the impact of the three crises separately, but their rapid succession depleted the reserves of countries and families alike, exacerbating their vulnerability to further shocks. Many of the social impacts, furthermore, may take time to realize. Empirical evidence on the direct impact of the crises is not readily available, as data on the post-crisis period are only starting to become available. But it is likely that large price shocks, not least in food, will have had important distributional effects, with producers gaining and consumers hit hard.

Poverty is likely to have directly increased because of the food crisis, even if partially offset by improving living standards of net food producers among African farmers.<sup>48</sup> World cereal prices doubled between 2006 and 2008,<sup>49</sup> though in most countries, including in Africa, the actual increase was lower. But even with only half this increase, a 4.4 percentage point increase in poverty among net consumers would have followed – for about 33 million more poor below the \$1.25 per day poverty line in SSA.<sup>50</sup>

Conversely, the global crisis and the resulting growth slowdown in Africa are in general expected to have resulted not in large increases in poverty, but in a slower pace of poverty reduction. Some aggregate studies have reported that improvements recorded in the fight against poverty in SSA will slow down.<sup>51</sup> Before the financial

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<sup>47</sup> Moreover, the recent (September 2010) Russian drought and grain export ban has enhanced the threat posed for an imminent recurrence of food price crisis.

<sup>48</sup> Wodon and Zamam 2010.

<sup>49</sup> FAO Price Index (<http://faostat.fao.org/>).

<sup>50</sup> Calculated from Wodon and Zamam using data from Chen et al. 2008, and from World Bank and IMF 2010.

<sup>51</sup> World Bank and IMF 2010.

crisis, SSA had been set to reach a poverty rate of 35.9% by 2015 but the latest estimates put this at 38%, implying that 20 million fewer people will be lifted out of poverty by 2015 and many millions more will suffer from hunger and undernourishment.<sup>52</sup>

One of mechanism for the global crisis to affect poverty is employment, especially in countries more integrated in the world economy. International Labour Organization (ILO)<sup>53</sup> reported considerable job losses in forestry and cotton industries in Cameroon. In South Africa formal employment fell from 13.7 million in the second quarter of 2008 to 12.9 million in the third quarter of 2009, while in Nigeria the unemployment rate rose to 19.7% in March 2009, almost 5 percentage points more than in the previous year.<sup>54</sup>

Slower growth and the distributional consequences linked to these crises are also having impacts on other welfare indicators, especially for children. The nutrition and health consequences are likely to have been high: one recent estimate indicates 30,000 to 50,000 more children under the age of five dying in 2009 than would have occurred with the crises, with significantly higher impacts on girls.<sup>55</sup> A United Nations Children's Fund study finds that child well-being in Ghana is affected most by a sharp increase of monetary poverty and an increase in hunger, in Burkina Faso by a reduction in schooling and increase in child labour and in Cameroon by all dimensions equally.<sup>56</sup>

Finally, there is some evidence suggesting a link between the crises and increased social tensions and violence in some SSA countries, such as riots and other tension linked to rising commodity prices during 2008, especially in countries with weak governance.<sup>57</sup> Bakrania and Lucas report information from Amnesty International showing demonstrations against the rising living costs in Benin, Mozambique, Senegal and Zimbabwe.<sup>58</sup>

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<sup>52</sup> The crisis is expected to set back or reverse to alleviate poverty in Africa, as at least 7% annual growth is generally considered necessary for outpacing population growth and making significant progress in alleviating the toll of hunger, unemployment, and disease.

<sup>53</sup> ILO 2010b.

<sup>54</sup> ILO 2010a,b.

<sup>55</sup> See Friedman and Schady 2009, who adopt household level data for their simulations.

<sup>56</sup> Bibi et al. 2010.

<sup>57</sup> See von Braun 2008 and Arndt et al. 2008.

<sup>58</sup> Bakrania and Lucas 2009. The African Economic Outlook (AfDB, OECD, UNECA 2010) reports that demonstrations remained strong also in 2009, leading to a (small) increase in the number of episodes of violence, but the intensity was smaller on average than in previous years.

### 1.3.3 *Public responses to the crises in Sub-Saharan Africa*

The recent crises were different from many previous ones afflicting SSA. Recent strong growth, generally better macroeconomic management and debt relief opened some fiscal space for countercyclical measures. Furthermore, domestic policy was not at the root of these crises. To avoid the negative effects of the recent crises, many SSA countries have shown a renewed interest in social policies. The result has been that social spending such as on health and education has been broadly protected, while various social protection programmes have been expanded and strengthened.<sup>59</sup> Some countries actually expanded their social spending and social protection programmes as part of fiscal stimulus packages.

For example, South Africa has devoted 56% of its stimulus package to social programmes, including improvements in health and education, social grants, public works, nutrition and HIV prevention.<sup>60</sup> Similarly, 39% of Kenya's stimulus package has been distributed among social programmes, especially in the health and education sectors. The Tanzanian government increased social expenditures up to 28.5% of GDP in 2009, increasing the number of people enrolled in the national employment creation scheme and launching several infrastructure programmes (amounting to 2.5% of national GDP), with a positive impact on employment, including in the rural areas.<sup>61</sup> In Nigeria, large infrastructure programmes (36.4% of the total stimulus) created job opportunities all over the country.<sup>62</sup> In Ethiopia, the productive safety net programme, established in 2005, was expanded to provide assistance to an additional 4.4 million people.<sup>63</sup> But having stretched their budgets with short-term measures, it is likely that governments will find it difficult to sustain these social expenditures in the long run.<sup>64</sup>

In summary, most SSA countries may have weathered the financial crisis storm rather well. But the effects of the food and fuel crises, as well as reduced growth prospects associated with the aftermath of the global financial crisis, may undermine human development and poverty reduction in the medium term. The recent expansion of various safety net programmes represents an opportunity to improve social protection systems and sustain them during the return to growth, as a means of making this growth more inclusive, but with budgetary and administrative flexibility.

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<sup>59</sup> World Bank and IMF 2010.

<sup>60</sup> Zhang et al. 2009.

<sup>61</sup> ILO 2010b.

<sup>62</sup> ILO 2010b.

<sup>63</sup> World Bank and IMF 2010.

<sup>64</sup> Based on data from past crises collected for 11 SSA countries (Burundi, Liberia, Madagascar, Togo, Zimbabwe, Congo Republic, Lesotho, Mali, Senegal, Tanzania and Zambia), Prasad and Gerecke (2010) suggest that many countries tend to reduce their specific social security expenditures during crises and increase them after one. Indeed, according to recent information published by Oxfam, social protection expenditures in Africa are expected to fall from 0.94% of GDP in 2008 to 0.61% in 2010; it remains to be seen if they will now increase (Oxfam 2010).

## 1.4 The case for social protection in Sub-Saharan Africa

This report will demonstrate that, while not a panacea, social protection provides a much needed missing piece of the development puzzle. It is a critical part of every social sector, which complements and leverages other interventions in support of inclusive development.

It would be wrong to start any discussion on the scope and nature of policy responses without first considering the way individuals, families and communities actively try to reduce their vulnerability to persistent poverty in Sub-Saharan Africa. Not passively waiting for outside support, they often try to limit the consequences of poverty and risk through their livelihoods and the networks and communities they belong to. Understanding the strengths and weaknesses of these responses offers leads on how to design and organise public policy responses. Some of them will be discussed in chapter 2. But the discussion here shows that existing coping mechanisms are not enough to protect the poor and vulnerable. A clear role remains for a proactive and specific public policy to reduce vulnerability and poverty in Sub-Saharan Africa.

Social protection is defined in this report as a specific set of actions to address the vulnerability of people's life *through social insurance*, offering protection against risk and adversity throughout life; *through social assistance*, offering payments and in kind transfers to support and enable the poor; and *through inclusion* efforts that enhance the capability of the marginalised to access social insurance and assistance. The focus in this Report is on public actions – on programmes and measures by governments and other public agencies to promote and increase social protection, but also on measures to support, facilitate or even just create space or condone private and community-based actions for social protection.

This definition points to core functions: offering mechanisms to avoid serious hardship for the poor and non-poor alike in the face of serious risks, offering means to assist the poor in their attempts to escape poverty and improving access to both for marginalized groups. It means more than mere 'safety nets', cushioning the impacts of serious crises, which should nevertheless be part of strategies to get people out of poverty and allow them to benefit from and productively take part in growth.

Social protection is no substitute for economic growth and the need to create jobs and to increase the returns to the activities of the poor. It cannot be a substitute for standard growth-focused investments, such as infrastructure and support to productive sectors. However, it is not incompatible with economic growth: as chapters 4 and 5 will make clear, many of these programmes usually are not prohibitively expensive. The contributions to the local economy are generally positive, through demand effects, and the poor end up spending locally most of the transfers received from social assistance, while assets can be protected for future accumulation.

Social protection can contribute directly to growth. It offers financial means and protection for risks and circumstances for which insurance and credit markets often fail to provide solutions, such as large climatic or economic shocks. The presence of social protection offers opportunities to engage in economic risk-taking and innovation without putting oneself at serious risk of destitution. By addressing market failures, well-designed social protection mechanisms can stimulate efficiency and growth.

Social protection is also likely to be a complementary investment to growth focused investment: the long-run effects from the protection of health and human capital are likely to be substantial as children can be protected from hardship, improving their life chances through better health, nutrition and cognitive development, providing the human capital base for future growth.<sup>65</sup> In any case, and without any doubt, it will make growth more pro-poor and inclusive, by directly distributing some of the benefits from growth and offer a credible route to improve performance in terms of the MDGs.

Nor is social protection a substitute for increased investment in health and education, or in other social spending. But it can increase the returns from social spending, by offering the means to use the services on offer, without forcing cutbacks on food and education or other necessary goods and services. Some schemes even ensure that children benefit from social spending, as with conditional transfers, now widespread in Latin America.

Through redistribution and well-designed schemes, social protection can help spread the benefits of growth to the most vulnerable and often most excluded groups (such as women, the elderly, the disabled and those affected by HIV/AIDS) acting as an important element in a strategy to empower them and make growth more inclusive.

Social protection can hence play a central role in improving social cohesion, and more broadly in strengthening the state-citizen contract. By providing protection to its citizens, the state can deliver on its end of the social contract, bolstering its legitimacy. This is particularly relevant in fragile countries where resilient state-building is among the chief challenges. By reinforcing social stability and political accountability, social protection can thus contribute to the sustainability of the current growth spurt in Africa.

In short, by offering direct and indirect benefits, social protection has the potential to turn vicious circles virtuous. It is also a fundamental human right enshrined in the *Universal Declaration of Human Rights* and in other various international, regional and national law covenants. But social protection has too often been overlooked in the development agenda as being secondary, a luxury unattainable unless in middle or

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<sup>65</sup> Spence (Chair). 2008.

rich income countries. Experience shows that it can be affordable and feasible, even in Sub-Saharan Africa's low-income countries.

## 1.5 The momentum for social protection

Interest in social protection has been growing, both within SSA and internationally. Slowly but steadily, a consensus is emerging among the many development stakeholders that social protection is not only a right – it is also an indispensable instrument for achieving pro-poor inclusive growth and the MDGs.

### 1.5.1 *The impetus in Africa*

#### 1.5.1.1 *Towards a Pan-African social protection agenda*

In recent years, African governments have taken important steps towards a consensus on the need and scope for social protection in Africa. The 2004 Ouagadougou Declaration and Plan of Action can be regarded as the first milestone towards the development of a comprehensive Pan-African social protection agenda since the African Union Constitutive Act of 2000. Adopted during the 3rd extraordinary session of the Assembly of Heads of State and Government of the African Union, the Plan's main message is to empower people, open employment opportunities and enhance social protection and security while promoting the Decent Work Agenda.<sup>66</sup>

In March 2006, the AU and the Zambian government spearheaded the organisation of an intergovernmental regional conference on “A transformative agenda for the 21<sup>st</sup> century: examining the case for basic social protection in Africa”. The outcome was the Livingstone Call for Action, a key milestone in Africa's path to social protection. The agreement states that social protection is both an empowerment and rights agenda; social transfers play a role in reducing poverty and promoting growth and a sustainable basic package of social transfers is affordable. For implementation, African governments are encouraged to put together costed national social transfer plans integrated with national development plans and national budgets.<sup>67</sup> A few months later, in September 2006, the Yaoundé Call for Action reiterated the importance of social protection, specifically calling for comprehensive social protection schemes for older people with particular emphasis on universal social pensions, as well as for the elaboration of comprehensive national co-ordination frameworks.<sup>68</sup>

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<sup>66</sup> Taylor 2009, pp. 25–26.

<sup>67</sup> Livingstone Call for action, Livingstone, Zambia, 23 March 2006.

<sup>68</sup> Yaoundé Call for Action, Yaoundé, Cameroon, 13 September 2006.

Following up on these landmarks, the AU Social Affairs Commission launched in 2008 what is known as the Livingstone 2 process. In collaboration with HelpAge International and host governments, it organised six national (Burkina Faso, Cameroon, Mozambique, Rwanda, Sierra Leone and Tunisia) and three regional (Eastern and Southern Africa, North Africa and West and Central Africa) dialogues on Investing in social protection in Africa.<sup>69</sup> This process contributed to the revision of the Social Policy Framework for Africa, first presented in Johannesburg in 2005, and ultimately adopted during the first AU Conference of Ministers in charge of Social Development held in October 2008 in Windhoek, Namibia. The Framework is an important overarching document encompassing 18 priority areas, among which social protection. It advocates for a “minimum package of essential social protection”, which should cover “essential health care and benefits for children, informal workers, the unemployed, older persons and persons with disabilities” and is expected to have “a significant impact on poverty alleviation, improvement of living standards, reduction of inequalities and promotion of economic growth”. Such a package is deemed affordable, and should serve as a “platform for broadening and extending social protection as more fiscal space is created”. To this end, the Framework recommends that national governments recognise social protection as a state obligation with legal provisions, include it in national development plans and Poverty Reduction Strategy Papers (PRSPs), review and reform existing social protection programmes, develop costed plans and include the minimum package in the national budget.<sup>70</sup>

In the wake of the Social Protection Framework, the AU commissioned a study with a view of informing and building up African constituency on national social protection programmes.<sup>71</sup> In this respect, Pan-African civil society involvement is shaping up, with the launch of the African Civil Society Platform for Social Protection in 2008. Numerous social protection-related events have also taken place on the continent, notably the November 2010 2<sup>nd</sup> Session of the AU Conference of Ministers in charge of Social Development.<sup>72</sup> The resulting Khartoum Declaration on Social Policy Action towards Social Inclusion reaffirms the African commitment to “the acceleration of implementation of relevant social protection measures to directly benefit the wellbeing of the Family in Africa”,<sup>73</sup> with particular focus on persons with

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<sup>69</sup> African Union and HelpAge 2008.

<sup>70</sup> African Union 2008. §2.2.3.

<sup>71</sup> This study was published in 2009 (Taylor 2009).

<sup>72</sup> Among others: the first International Social Security Association “Regional Social Security Forum for Africa”, Kigali (Rwanda) in 2008; “Second African Decent Work Symposium” in Yaoundé (Cameroon) in October 2010; “World Social Security Forum” in Cape Town (South Africa) in December 2010.

<sup>73</sup> African Union 2010a. To accelerate the operationalisation of the Social Protection Floor, it was agreed to initiate and develop capacity-building programmes for Member States; collect data on social protection systems and disseminate best practices; embrace the principle of the Social Protection Floor: increase social sector investment; and harmonise social policy interventions at regional level. (African Union 2010b,)

disabilities, children and the elderly. The build-up of a Pan-African social protection agenda therefore continues unabated to the present day.

#### 1.5.1.2 *Embedding social protection at the sub-regional level*

The impetus for social protection has also been building within regional communities. Southern African Development Community (SADC) has notably exerted significant leadership in the field of social protection. Indeed, Article 10 of the 2003 Charter of Fundamental Social Rights in SADC, states that “Member States shall create an enabling environment so that every worker in the Region shall have a right to adequate social protection”.<sup>74</sup> The *Code on Social Security in the SADC* in 2007, approaches social protection as “including all forms of social security” but “going beyond the social security concept. It also covers social services and developmental social welfare, and is not restricted to protection against income insecurity caused by particular contingencies. Its objective, therefore, is to enhance human welfare”.<sup>75</sup> In order to entrench commitment to this wider vision, the SADC Parliamentary Forum has announced that it will move to have social protection made part of national constitutions.<sup>76</sup>

#### **Box 1.3 The right to social security in Sub-Saharan African constitutions**

Several SSA constitutions – some more incisively than others – contain a solemn affirmation of the right to social security, imposing on legislators a duty to act, and on citizens a legitimate expectation to receive access to basic social security. The South Africa and Kenya constitutions offer interesting examples of how the right to social security can be constitutionally framed.

The 1996 post-apartheid South African constitution includes a bill of rights, in which it is affirmed that “everyone has the right to have access to social security, including, if they are unable to support themselves and their dependents, appropriate social assistance” (article 27§1c). It is, however, specified that the state has a duty only to take “*reasonable* legislative measures [emphasis added], *within its available resources*, to achieve the *progressive* realization of each of these rights” (art. 27§2).

The 2010 Constitution of Kenya, subjected to referendum and approved by 67% of Kenyan voters, grants “every person” a number of economic and social rights, including the right to social security (article 43§1e). It further asserts that “the State shall provide appropriate social security to persons who are unable to support themselves and their dependents” (article 43§3).

But most SSA constitutions do not yet provide for a specific right to social security. Instead they usually include less binding references to the objective of achieving social justice and protecting those in need. Or they simply state that enforcing provisions relating to social security is a subject reserve to parliamentary action, thus not granting a right but only intervening in the attribution of powers between the various organs of the state. In such constitutions the competence to decide entitlements to social security is usually remitted to legislators – who will act only if socio-political and economic conditions will so allow.

Social protection is also one of the East African Community’s (EAC) priority areas of co-operation: Article 39 of the *Protocol on the Establishment of the East African*

<sup>74</sup> SADC 2003.

<sup>75</sup> SADC 2007.

<sup>76</sup> Bafana 2010.

*Community Common Market* calls for the “harmonisation of social policies”, including the implementation of “programmes to expand and improve social protection”.<sup>77</sup> In particular, EAC has recently committed to improving social protection for persons with disabilities.<sup>78</sup> Meanwhile, the Inter-Governmental Authority on Development focuses on the link between social protection and food security: the Regional Food Security and Risk Management<sup>79</sup> programme has a social protection component, with the aim of developing social protection strategies and reforms in the region. The Economic Community of West African States has thus far focused mostly on harmonisation of labour law and child protection,<sup>80</sup> while the Union Economique et Monétaire Ouest Africaine has adopted a regional framework for the *mutuelles de santé* in 2009, and is now moving forward towards its application and the extension of social health protection.<sup>81</sup> These selected initiatives showcase the growing sub-regional commitment to social protection, as well as the diversity of approaches and priorities in the different SSA sub-regions.

#### 1.5.1.3 The national level: putting social protection into practice

The AU 2008 consultations, supported by HelpAge International, highlighted the need to develop comprehensive national social protection strategies and to include social protection in national development plans and/or PRSPs. As stressed by Mutangadura, “national development plans and PRSPs set out the development strategy and the priorities for public expenditure and can help show how social protection can be mainstreamed in all the relevant sectors”.<sup>82</sup> Many SSA countries have now included a section on social protection in their PRSPs: for example, social protection did not figure in Burkina Faso’s first PRSP in 2000, but was included in the second generation PRSP (2004–10) under the goal of “ensuring access to basic social services and social protection for the poor”, and is expected to gain even more prominence in the third. As far as for national development strategies, Tanzania was in 2005 one of the first countries to mainstream social protection in its *National Development Strategy for Growth and Reduction of Poverty* (known as Mkukuta), and Rwanda and Zambia have since followed suit.<sup>83</sup>

<sup>77</sup> EAC 2009. Article 39 §3h. The Protocol was adopted and signed by the EAC Heads of State on 20 November 2009 : it entered into force on 20 May 2010.

<sup>78</sup> “EAC set to improve social protection for the disabled in East Africa”, [www.newstimeafrica.com/](http://www.newstimeafrica.com/).

<sup>79</sup> Regional Food Security and Risk Management Programme.

<sup>80</sup> Deacon et al. 2010, “Human and Social Affairs Department”: <http://www.comm.ecowas.int/>.

<sup>81</sup> <http://learning.itcilo.org/ilo/step/mutuellesdesante/> and Agence française de Développement internal document.

<sup>82</sup> Mutangadura 2008.

<sup>83</sup> Zambia: Fifth National Development Plan 2006–10. Rwanda: Economic Development and Poverty Reduction Strategy 2008–12.

**Box 1.4 – Recent perspectives on social protection in Sub-Saharan Africa**

In the last decade, the momentum for social protection in SSA has been building, as shown also by explicit references to social protection as a key strategy in “Poverty Reduction Strategy Papers” (PRSPs). Even though the adoption of PRSPs is spun by World Bank and International Monetary Fund conditionality, the diversity in perspectives on and definition of social protection suggests that domestic processes and preferences played a role.<sup>84</sup> Moreover, PRSPs provide the opportunity to create space for social protection on the policy agenda.<sup>85</sup>

Not all governments have given the same centrality to social protection in their PRSPs. Some definitions are rather succinct and vague, as is the case of Nigeria or of the Republic of Benin which simply refers to social protection as “all systems and measures that provide social assistances and various social services”, suggesting only limited specific role for social protection within overall social policy. Other definitions seem to suggest a more purposeful commitment and are generally rather close to internationally agreed definitions: social protection is made of a set of instruments, the objective is to tackle vulnerability and poverty, there are particular categories of individuals need to be covered. All the PRSP definitions focus on poverty, while vulnerability appears less regularly. Benin, Cape Verde, Côte d’Ivoire and Uganda list the categories of people in need of promotion and protection in their definition. The Tanzanian PRSP is the only one explicitly putting emphasis on the role of traditional informal mechanisms to provide social protection, while the Republic of Benin and Cape Verde PRSPs are the only ones stressing the progress already made in social protection systems in their countries.<sup>86</sup>

Furthermore, many African countries have designed and adopted a national social protection strategy within the last five years. In this respect, improvements in democratic governance might have created some space for social protection as a political issue, with governments being increasingly held accountable on delivering their end of the social contract. Ghana adopted its *National Social Protection Strategy* in 2007, a comprehensive and rights-based document that is the outcome of a long and inclusive process. The strategy is mainstreamed into the government development framework and budgeting process, and a monitoring and evaluation (M&E) component is included. Examples of the ‘institutionalisation’ of social protection abound, with Burkina Faso, Ghana, Kenya, Mozambique, Rwanda, Sierra Leone and Uganda, among others, all having established or in the process of establishing social protection agendas, strategies or systems.

While policy frameworks are undeniably important, implementation is the critical test. Commitments do not always translate immediately and effectively on the ground. Conversely, some countries do not yet have a comprehensive social protection framework but have nonetheless implemented groundbreaking initiatives. In addition to the already embedded traditional and informal networks of social protection, a wide range of social protection schemes has been implemented with success across SSA in recent years, including cash and food transfers, public works programmes, pensions and grants, community-based health insurance, micro-insurance, school feedings and

<sup>84</sup> All HIPC papers are available at <http://www.imf.org/external/np/hipc/index.asp>

<sup>85</sup> Oduro 2010.

<sup>86</sup> See Brunori and O'Reilly 2010 for a comprehensive list of definitions.

input subsidies. In other words, while there is still major scope for improvement, social protection is already entrenched in SSA, or at least in many of its countries.

### **1.5.2 The momentum in the global development agenda**

#### **1.5.2.1 Initiatives to confront the crises**

Social protection is embedded in the UN Agenda. The United Nations has a mandate to promote and enforce a rights-based approach, with the right to social protection enshrined in several UN covenants. Most important, the 1948 *Universal Declaration of Human Rights* proclaims that “Everyone, as a member of society, has the right to social security” (Art.22), and that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family” (Art.25).<sup>87</sup>

Social protection is also one of the four pillars of Decent Work, itself at the core of the MDGs (target 1B).<sup>88</sup> The ILO launched a Global Campaign for Social Security and Coverage for All in 2002, explicitly tying social protection to achieving the MDGs. The ensuing debate on a Global Social Floor was revitalised by the crises. In April 2009, the UN Chief Executives Board agreed on nine global initiatives to confront the crises, including a “social protection floor”. The social protection floor has since been endorsed by many SSA countries and other international development actors. Most notably, the September 2010 MDG Summit outcome document stated that “promoting universal access to social services and providing social protection floors can make an important contribution to consolidating and achieving further development gains”.<sup>89</sup>

#### **Box 1.5 The UN joint initiative to promote a social protection floor**

*by the Department of Social Security (SEC/SOC) of the International Labour Organization*

The Social Protection Floor promotes an overarching vision of national systems of social protection as a key part of national development strategies. Its goal is to help countries identify and fill the gaps in social protection through coherent and effective measures to optimize the impact of limited resources on reducing poverty and insecurity – in order to ensure real access to services and essential social transfers. The term *social protection floor* expresses the idea of a global social policy that promotes comprehensive and coherent strategies established at national level to guarantee everyone a minimum level of access to basic services and income security. The joint initiative aims to co-ordinate the capacity, resources and responses of the United Nations as well as bilateral actors joining the initiative. Moreover, it aims to promote consistency of measures taken with states and national actors. The purpose is not to promote one single solution but a flexible set of guarantees that contribute to the respect of human rights:

<sup>87</sup> See also Box 3.3.

<sup>88</sup> The *Decent Work Agenda* has four pillars; standards and rights at work; employment creation and enterprise development; social protection; social dialogue. MDG-1, Target 1B: “achieve full and productive employment and decent work for all, including women and young people”.

<sup>89</sup> United Nations General Assembly 2010.

- *Some basic public services*: access to geographical and financial services (such as water supply and sanitation, health care and education).
- *Social transfers*: a set of basic social transfers to the poor and vulnerable to ensure their minimum income security and access to basic health care.

The initiative for a joint SPF provides support for states as well as social partners and civil society actors to build social protection for all, one of the pillars in the latest generation of strategies to reduce poverty. Several countries in Sub-Saharan Africa have joined the initiative.

In Burkina Faso for example, the United Nations agencies and the European Commission delegation, the World Bank, International Monetary Fund (IMF) and bilateral partners such as Canada and the Netherlands, meet regularly and pool their activities with regard to social protection. This working group is supported by an interdepartmental committee (chaired by the Ministry of the Economy and Finance) in charge of drafting the main priorities of social protection within the Strategy for Accelerated Growth and Sustainable Development of Burkina (SCADD 2011–15, third generation Poverty Reduction Strategy Papers) and lead the development of a national policy of social protection. A first stage review of the current social protection programmes (World Bank and UNICEF 2010), discussed at a national forum in April 2010, shows that they are currently fragmented and often small-scale, demonstrating the importance of creating a unified and coherent policy. The system under study in Burkina Faso seeks to exploit the strengths of different schemes and work around their constraints. Therefore, rather than concentrating all the insurance know-how or the management of all mechanisms of a social protection component, it is about spreading them across multiple schemes depending on their added value and expertise. The focus also lies on strengthening the health coverage of workers in the formal sector and increasing access to health services for people in the informal economy and rural areas who have no coverage.

Building a social protection floor is an incremental process; access to essential health services is generally a top priority at the starting point. Several countries in SSA, including Mali, Benin, Ghana, Côte d'Ivoire, Rwanda and Burkina Faso have begun to build a pluralistic approach, based on the synergy between the traditional mechanisms of social security, micro-insurance and social transfers. These mechanisms of conventional insurance, micro-insurance and free care often already exist in a fragmented and sometimes competing fashion, and cannot individually solve the challenge of extending social protection.

The principles of universality, progressiveness and pluralism underpin the overall construction of the SPF. They also rely on the two social protection floor dimensions: vertically they strengthen guarantees in the formal economy, and horizontally they promote the right of everyone to a minimum level of social protection.

The initiative is supported by a coalition of 19 United Nations agencies, several bilateral (Belgium, Germany, United Kingdom, Finland, Portugal...) and multi-lateral (ADB, European Union...) donors as well as international non-governmental organisations. Others, such as the G20, the OECD or the IMF, have either endorsed or agreed to explore the concept. In October 2010, the tripartite delegates from 47 African Member States of the International Labour Organization adopted the *Yaoundé Declaration on the Implementation of the Social Protection Floor*.

Further to the UN social protection floor, multi-lateral (AfDB, IMF, WB), bilateral (EU and Member States, Australian Agency for International Aid, Canadian International Development Agency, Japan International Cooperation Agency, Norwegian Agency for Development Co-Operation, United States Agency for International Development) and non-governmental (Save the Children, Care

International, HelpAge International) development actors have (re)committed in support of social protection policies. Indeed, while some were already involved beforehand (notably Department for International Development, German Development Cooperation, Swedish International Development Cooperation Agency, World Bank, non-governmental organisations), the rapid sequence of the three crises triggered a new wave of interest and commitments.

In April 2009, the G20 vowed to provide \$50 billion to support social protection, in view of “ensuring a fair and sustainable recovery for all”.<sup>90</sup> At the same time, the EU and its Member States committed to taking measures to help developing countries cope with the crisis and strengthen their social protection systems and programmes.<sup>91</sup> Likewise, the International Monetary Fund and the World Bank advocated for more social protection and safety nets, with the latter announcing that it would triple its support within two years (\$12 billion for 2009–2010).<sup>92</sup>

#### 1.5.2.2 *Towards a global consensus for social protection?*

International actors operate under distinct definitions and understandings of social protection,<sup>93</sup> promote varying approaches and instruments (pilots versus frameworks, conditional cash transfers versus unconditional cash transfers, targeted versus universal, rights-based versus bottom-up) and are active in widely diverse regions. Nonetheless, while their policies and practices are undeniably different, there is a good deal of common ground.

A form of consensus has been reached within organisations and groupings: the UN social floor is a joint system-wide initiative involving 19 UN agencies;<sup>94</sup> OECD-DAC members adopted a common policy statement on social protection in 2009;<sup>95</sup> social protection is at the core of India-Brazil-South Africa’s (IBSA) social development strategies;<sup>96</sup> and as seen previously, the 53 AU states have rallied behind the Social Policy Framework for Africa.

There are many similarities across these commitments. For instance, the AU “minimum package” and UN “social floor” share conceptual closeness. More broadly, these platforms converge on a number of issues: the “multiple beneficial impacts” (AU) of social protection as a “pro-poor growth” (OECD) instrument; the necessity to “move from flagships” (IBSA) in favour of a “comprehensive approach to social protection” (UN) using the “most appropriate combination of tools” and underpinned

<sup>90</sup> G-20 2009.

<sup>91</sup> Council of the European Union 2009.

<sup>92</sup> Development Committee Press Conference, Remarks by World Bank President R. Zoellick, 26/04/09.

<sup>93</sup> See Brunori and O'Reilly 2010 for an overview of definitions.

<sup>94</sup> ILO, WHO (leads), FAO, IMF, OHCHR, UNAIDS, UNDESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UN Regional Commissions, UNRWA, WFP, WMO, WB.

<sup>95</sup> OECD 2009.

<sup>96</sup> IBSA 2010.

by “comprehensive long term national social protection action plans” (AU); the conviction that “social protection programmes can be affordable” (OECD); “the need for a critical involvement of the state” (IBSA) and the recognition that “social protection should be a state obligation, with provision for it in national legislation” (AU).

Bringing these threads together, the United Nations General Assembly agreed in September 2010 that “social protection systems that address and reduce inequality and social exclusion are essential for protecting the gains towards the achievement of the MDGs”.<sup>97</sup> And G20 leaders “recognized the importance of addressing the concerns of the most vulnerable” in the Seoul Development Consensus (November 2010), putting specific emphasis on their “determination” to provide social protection mechanisms that support resilient and inclusive growth.<sup>98</sup>

This emerging consensus may well serve as a prelude to paradigm shift, moving beyond the safety nets and poverty reduction approach to promote and enforce a wider social development vision.<sup>99</sup> For the time being, however, despite growing interest in social protection, the issue “effectively constitutes the last and lowest arrival on an already crowded poverty policy agenda, behind growth, good governance and a broader focus on poverty reduction”,<sup>100</sup> not to mention security and international stability.

## 1.6 The supporting role of international assistance

There is still a lot to be done for the “consensus” to fully translate into practice. Given the challenges ahead, African partners may need support from the international community. However, it should be stressed that the very nature of the relation between “those who give” and “those who receive” is changing.<sup>101</sup> The 2005 Paris Declaration and 2008 Accra Agenda have enshrined the principles of ownership, alignment and mutual responsibility in putting developing countries squarely in the driver’s seat. This is all the more relevant for social protection, given the already strong home-grown African impetus. Donors (among them the EU) can therefore provide support, but their role should not be overstated.

### 1.6.1 *Official development assistance and beyond*

During the Gleneagles Summit in 2005, G8 members pledged to double their official development assistance (ODA) to Africa by 2010, an increase amounting roughly to

<sup>97</sup> United Nations General Assembly 2010.

<sup>98</sup> G20 2010a,b.

<sup>99</sup> See for example: Mkandawire 2004 and 2007; Adesina 2010a,b; Deacon 2010.

<sup>100</sup> Hickey 2008, p.257.

<sup>101</sup> Not to mention that they can be one and the same.

\$25 billion. As the deadline nears, the OECD forecasts that Africa is only likely to get \$12 billion, in large part because of some major EU donors' underperformance.<sup>102</sup> Besides, aid flows might contract further, as the crisis has undermined many OECD-DAC governments' ability (and willingness) to meet ODA commitments.

In this context of scarce resources and wavering political will, a significant share of ODA may be allocated to climate change, potentially shrinking the 'traditional' ODA budget further. Given that social protection is still low on the development agenda, financing for it might be under threat, which in turn could affect the affordability and sustainability of social protection schemes in aid-dependent SSA countries.

New solutions are being explored and tested to address the development finance shortfall.<sup>103</sup> At the invitation of the European Council, the European Commission presented a report investigating innovative financing and assessing new potential options in April 2010.<sup>104</sup> Meanwhile, the *Leading Group on Innovative Financing for Development* proposal for a "Global Solidarity Levy" to finance global public goods was introduced at the September 2010 MDGs Summit.<sup>105</sup> While the outcome of this proposal remains uncertain, the idea of innovative finance is undeniably making its way into mainstream development thinking.

### 1.6.2 *New players, new rules*

Power and wealth are shifting at the global level. Indeed, "as power shifts away from Europe and the United States, the rules of international engagement are themselves being redefined".<sup>106</sup> Global governance is growing increasingly multi-polar, which translates into a major revolution in the world of international development assistance. "Emerging" donors (some of which have actually been donors for decades) – Brazil, China, India, Kuwait, Republic of Korea, Saudi Arabia, South Africa, Turkey, United Arab Emirates, Venezuela – have invested the field of development assistance and are thought to represent around 10% of global ODA, though this might very well be a significant underestimation.<sup>107</sup> Most strikingly, there are now more countries giving ODA outside the DAC than within it. Furthermore, total private assistance already exceeds aid through the multi-lateral system, and may very well overtake bilateral

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<sup>102</sup> OECD 2010a. France, Germany, Italy, Austria, Portugal and Greece are expected to fail to meet the EU ODA target of 0.51% of GDP in 2010. Some Member States have already cut their aid budgets (Ireland, Spain) while others have postponed their commitments (France).

<sup>103</sup> A recent report estimates that the shortfall in finance required to meet international development and environmental commitments could be in the range of \$324–336 billion per year between 2012 and 2017, of which \$156 billion for climate change and \$168–180 billion for ODA. [Innovative financing to fund development Leading Group 2010, p.4].

<sup>104</sup> European Council 2009 §27; European Commission 2010a.

<sup>105</sup> Innovative financing to fund development Leading Group 2010.

<sup>106</sup> Reflection Group on the Future of the EU 2030 (2010). See also OECD 2010b.

<sup>107</sup> OECD 2010b, p.87.

aid.<sup>108</sup> “Traditional” donors (i.e. OECD-DAC members and affiliates) have thus lost their monopoly on international assistance, and operate in a significantly changed aid market. While DAC donors’ budgets are under strain, new players such as China, India or some private actors such as the Bill and Melinda Gates Foundation play an increasingly important role in providing funds.

The revolution in the development landscape goes beyond money. Emerging donors have begun to change the rules of the game by increasing their aid and giving on terms of their own choosing.<sup>109</sup> Indeed, new players operate in substantially different ways, at the margins of the hard-fought DAC ‘soft law’ and ODA reporting norms.<sup>110</sup> On the one hand, this adds to the complexity and lack of accountability of an already unmanageable aid governance system characterised by an ever-growing proliferation of actors and fragmentation of interventions. On the other hand, the newfound variety in development assistance provides SSA and other developing countries with increased policy-space, as well as new development prospects and opportunities. Emerging donors offer a South-South alternative – stressing economic co-operation, political solidarity and non-interference – to the North-South so-called impasse.<sup>111</sup>

This is of particular relevance in the case of support to social protection. Southern donors – or other ‘partners’ – have grown explicitly interested in assisting fellow developing countries in social protection, not least as many of them, such as India, Brazil and China have themselves been leaders in developing social protection in the developing world. IBSA countries increasingly put emphasis on sharing their own experiences through international co-operation.<sup>112</sup> In fact, Brazil has already actively engaged in South-South learning, for example through the “Africa-Brazil Cooperation Programme on Social Development”.<sup>113</sup> Others, such as Mexico and Chile, have also gotten involved. As their momentum is growing, the approaches, models and experiences of these “emerging” Southern donors might be considered most relevant by their “developing” counterparts, particularly in SSA.

### ***1.6.3 Supporting social protection in Sub-Saharan Africa: identifying a role for the EU***

Though these new rules call for some adjustments, they also provide new opportunities. The EU has already embarked on the path to establishing “trilateral”

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<sup>108</sup> Bader et al. 2010, p.10.

<sup>109</sup> Woods 2008, p. 1205.

<sup>110</sup> For example, they tend to “demand few of the human rights, governance or environmental conditions preferred by Western donors. Instead (they) may impose conditions on procurement” [Fengler and Kharas 2010, p.10].

<sup>111</sup> Deacon 2007.

<sup>112</sup> IBSA 2010, IPC-IG 2010.

<sup>113</sup> See Chapter 6 section 6.1.2.3.

partnerships for development<sup>114</sup> and has taken the lead on innovative finance.<sup>115</sup> Most importantly, the Africa-EU relationship is now underpinned by a “strategic partnership” aimed at transitioning from a donor-beneficiary type of a relation to a truly equal partnership.<sup>116</sup> Though still in the early stages, these initiatives lay the foundations for a reinvigorated EU approach to development co-operation.

On these new bases, the EU ought to (re)define its value added in development by making the most of its strengths. For instance, making social protection an integral part of its development policy fits with the EU’s commitment to the *Social Dimension of Globalisation* (meant to “promote an inclusive globalisation that benefits the poor through adequate social policies”),<sup>117</sup> while capitalising on the “contribution which the European model can make...to provide sustainable social protection systems”.<sup>118</sup> Yet thus far the EU’s external social dimension has mostly translated into the promotion of decent international labour standards, while social protection does not seem to have been given real prominence.<sup>119</sup>

A shift is nonetheless perceptible, as the EU and its Member States grow increasingly aware that supporting social protection is a rewarding investment in inclusive development and pro-poor growth. References to social protection have appeared in a number of EU policy documents, whether in relation to specific issues (employment, health, food security, taxation) or to the broader pursuit of the MDGs.

**Box 1.6: The momentum for social protection in EU development policy<sup>120</sup>**

“In the context of poverty eradication, the Community aims to prevent social exclusion and to combat discrimination against all groups. It will promote social dialogue and protection” (European Consensus, 2005).

“The Council emphasises the importance of integrating the different components of decent work into country-led development and poverty reduction strategies, including (...) social protection” (Council Conclusions, 2006).

“The Council recognizes that partner countries and donors need to scale-up efforts to create more, better and more productive employment, and to develop systems of social protection with broader and effective coverage which should be guided by each country’s needs and circumstances” (Council Conclusions, 2007).

<sup>114</sup> Especially with China (European Commission, 2008) and Brazil (*Brazil-EU Joint Action Plan 2008*).

<sup>115</sup> European Commission 2010b, pp.26-28.

<sup>116</sup> African Union-European Union 2007; European Commission 2005; European Commission 2010f.

<sup>117</sup> European Commission 2009, p.101.

<sup>118</sup> European Commission 2004 p.7.

<sup>119</sup> See Orbis and Tortell 2008; Eichhorst et al. 2010. The EU has for example promoted core labour standards through bilateral and multi-lateral agreements, such as the GSP+, which links preferential trade agreements to the ratification of key international conventions.

<sup>120</sup> In order of quotation: *European Consensus on Development* §97; Council of the European Union 2006e, 2007 and 2009; European Commission 2010c, 2010d, 2010e.

“The EU will take targeted social-protection measures in a gender sensitive way and support developing countries’ actions to cope with the direct social impact of the crisis through the creation and strengthening of social protection systems and programmes, including enhancement of financial and in-kind transfers” (Council Conclusions, 2009).

“Targeted interventions should focus on the most vulnerable, including women, children and people with disabilities, through support to wide- coverage social protection systems which are a key element of social cohesion and stability” (European Commission, 2010).

“The EU and its Member States should ...set up of co-ordination mechanisms between agriculture, health, education, and social protection sectors” (European Commission, 2010).

“The EU should support third countries efforts to formulate effective policies to mobilise domestic revenues, scale up fair financing of health systems and develop or strengthen social protection mechanisms in the health sector” (European Commission, 2010).

“By reducing inequality and supporting the most disadvantaged people, social protection promotes human capital investments, enhances productivity, improves socio-political stability, and contributes to the creation of sound institutions” (European Commission, 2010).

Despite the explicit recognition of the link between social protection and development and a specific Council request,<sup>121</sup> there is still no EU framework for the integration of social protection into the EU’s development policy. To advocate for higher prioritisation and integration of social protection in EU development policy, this Report will feed the ongoing discussion on how the EU can “build on its deep experience of support for social and human development” to “support the development of effective national social protection systems”.<sup>122</sup>

## 1.7 Looking forward

The European Report on Development (ERD) 2010 examines the need, the potential, the feasibility and the likely development impact of an agenda to support the expansion of social protection in SSA. The uncertain post-crises context calls for social protection measures, which could help SSA countries overcome their structural weaknesses over the long term. The 2008 African Union Social Policy Framework and 2010 Khartoum Declaration on Social Policy Action Towards Social Inclusion attests to Africa’s commitment to social development in general and social protection in particular. Innovative schemes and approaches to build broad-based social protection systems have been developed and implemented with success across Sub-Saharan Africa. The Report thus provides an opportunity to take stock, to learn from SSA and other countries’ experiences and to suggest opportunities for the EU and its Member States to support a progressive agenda for enhancing social protection in Africa.

<sup>121</sup> Council of the European Union 2007 §20. “The Council invites the Commission to prepare a proposal on social protection in EU development cooperation with a view to present it by the end of 2008”.

<sup>122</sup> European Commission, 2010f.

## Chapter 2: Social protection to fight persistent poverty and vulnerability

### Main Message: Social protection to fight persistent poverty and vulnerability

ERD defines social protection as a set of public actions that addresses the vulnerability of people's lives in three ways: social insurance, social assistance and social inclusion.

Social insurance offers protection against risk and adversity throughout life, helping people cope with adverse shocks and events, preventing even deeper slides into destitution.

Social assistance offers payments in cash and in kind to support people in their efforts to reach minimum asset thresholds and to escape poverty.

Social inclusion enhances the ability of the poor, vulnerable, and excluded to obtain social insurance and assistance—securing legal rights and entitlements and gaining access to insurance markets and community systems.

Social protection is a central but often missing piece of the development agenda. Its primary objectives are to tackle vulnerability, poverty and exclusion. Successful social protection has to start from the problems facing the poor and non-poor alike, and the existing responses, including those rooted in markets and community-based networks. It is no substitute for growth-focused strategies for poverty reduction; it can, however, contribute directly and indirectly to growth, making it more inclusive. And the careful design and delivery of social protection can overcome market failures. It is this complementary role in a growth-based poverty reduction agenda that makes social protection, as viewed in this report, go well beyond traditional safety nets.

### 2.1 The persistence of poverty and vulnerability in Sub-Saharan Africa

#### 2.1.1 *Adapting to a precarious life: network transfers, remittances and their limits*

Successful social protection has to start from a careful understanding of the problems facing large parts of the population in SSA, as well as the existing market and community-based responses. As the previous chapter highlighted, the structural

challenges of persistent economic vulnerability with limited transformation in livelihoods, high poverty and low human development result in precarious lives with a high risk of adversity from climatic, health, economic, employment and other shocks.

Mutual support and solidarity systems – where households and communities support each other in times of hardship – are well documented in SSA. They typically offer support in kind or in cash when needs arise. Some are based on informal reciprocity with families, neighbours, clans and networks. Examples are ethnic-based support in Côte d'Ivoire,<sup>123</sup> clan and neighbourhood networks helping with medical costs in Tanzania<sup>124</sup> and child fostering arrangements in which children are sent to be cared for by other families when hardship affects their parents in Burkina Faso.<sup>125</sup>

Other support systems are more structured and use formal group structures, such as burial societies, paying for funerals and other expenses when anyone of the family members dies. Their prevalence and sophisticated functioning is well documented for groups in Benin, Ethiopia, South Africa and Tanzania.<sup>126</sup> For example, more than 90% of rural Ethiopians are members of at least one group. In South Africa, despite increasing financial deepening and state-provided social protection, more than a fifth of the population belongs to one of these informal institutions.

These systems are also continually adapting to new challenges and opportunities. Despite their informality and small scale, many funeral societies in Ethiopia appear to offer other services, such as forms of health, fire and livestock insurance.

National and international migration is another way to manage risks by creating multi-locational households and setting up mutual support system. International migrants in Europe still appear to be linked with mutual support networks back home, as documented for Ghanaian migrants in the Netherlands<sup>127</sup> and for the Somali Diaspora in the UK.<sup>128</sup>

The scale of private transfers and remittances in African households is substantial, dwarfing any publicly provided transfers (table 2.1). While the definitions are not identical across countries, the patterns are similar: transfers and remittances correspond to about 14 percent of income on average. This includes public transfers, which in all places are small. In Tanzania, for example, they make up less than a tenth of total transfers.

<sup>123</sup> Grimard 1997.

<sup>124</sup> De Weerdt and Dercon 2006.

<sup>125</sup> Akresh 2009.

<sup>126</sup> Dercon et al. 2007; Schneider 2008; LeMay-Boucher 2007.

<sup>127</sup> Mazzucato 2009.

<sup>128</sup> Lindley 2007; UNDP 2008. While data are scarce, these remittances represent about 23% of the Somali household income (UNDP/World Bank 2008) with up to 40% of Somali households benefiting from the money sent by the Diaspora (Chalmers and Hassan 2008).

**Table 2.1 Structure of transfers and remittances in income in Africa**

Countries	Share of total household income provided by transfers and remittances
Botswana (2002–03)	14.6
Burkina Faso (2003)	11.9
Ethiopia (2004)	7.1
Ghana (2008)	8.4
Madagascar (1999)	9.6
Mali (2006)	18.2
Mauritius (2006–07)	13.5
Tanzania (2007)	16.1
<b>Average across countries</b>	<b>14.1</b>

Source: Compiled by Charmes 2010 from income-expenditures surveys or living standards surveys.

Transfers and remittances through informal support networks and migration are clearly a crucial part of income for many households in Africa. Responsive to serious income shocks for families, they provide a form of family and network-based insurance against hardship.<sup>129</sup> But their role in offering protection and assistance is easily overstated: there are serious shortcomings in these existing systems, limiting their effectiveness as an alternative to publicly supported social protection. First, they are effective only for idiosyncratic shocks: shocks that do not affect everyone in an extended family or community. Large climatic or economic shocks are difficult to insure through transfers. Recent work on Ethiopia, Malawi, Mali and Tanzania shows that agricultural losses linked to climatic shocks still result in significant declines in food consumption.<sup>130</sup> The emerging evidence on the impact of the recent food and fuel price crisis suggests similar weaknesses.

Second, even for idiosyncratic shocks, such as health or the death of members of in the extended family or community, informal systems typically offer only partial insurance. For example, health costs appear to be partly insured by mutual support networks in Tanzania, but not perfectly, with serious health episodes leading to losses in income and consumption of about 8%, despite network transfers.<sup>131</sup> And within rural communities, the poor are less protected by mutual support networks than the rich.<sup>132</sup>

Third, the evidence on remittances from migrants in Africa shows that, within receiving communities, the rich tend to receive substantially more transfers than the

<sup>129</sup> Dercon 2002; Azam and Gubert 2006.

<sup>130</sup> Davies 2010; Beegle et al. 2007; Dercon et al. 2004; Harrower and Hoddinott 2005. Cogneau and Jedwab (2010) shows that other shocks, such as related to prices of inputs and outputs affecting whole communities also matter significantly, as shown for Cocoa price drops in Côte d'Ivoire.

<sup>131</sup> De Weerdt and Dercon 2006.

<sup>132</sup> De Weerdt 2002.

poor: they are not equalising.<sup>133</sup> Similarly, within mutual insurance networks in Africa, there usually is only limited redistribution.<sup>134</sup>

### **2.1.2 Poverty traps or the vicious circle of poverty and risk**

A high-risk environment, low-asset holdings, and limitations on mutual support systems mean high vulnerability to poverty for large fractions of the population in Sub-Saharan Africa. Social and political processes of marginalization aggravate this, while existing social protection systems, as well as network and family-based systems, prove insufficient in avoiding it. The result: many are repeatedly risk facing serious and often ever harsher deprivations in various dimensions of poverty, as in their food consumption, nutrition, health and educational opportunities. For the poor it also means that they risk a life trapped in persistent poverty: a state of deep poverty with little hope or opportunity of escape. For many of the non-poor this implies a life of vulnerability to poverty that may persist.

Persistent poverty can come about from “asset poverty traps”, situations in which households or even communities with few livelihood opportunities and no access to capital face depleted productive assets, offering such low returns that they are likely to remain stuck in deep poverty forever. The only escape would be through some windfall (due to luck or some intervention). In a high-risk environment, one could easily fall when a serious shock strikes, but then find it very hard to escape.

Evidence from Kenya suggests asset poverty traps among pastoralists, with a threshold linked to a minimum herd size, below which all scope for recovery and accumulation is impossible.<sup>135</sup> The implication is that a serious shock, such as drought or livestock disease, could push stock levels below this threshold, from which no recovery would be possible with own resources and efforts. Well-defined thresholds are hard to prove empirically, because different households face different opportunities and constraints.

The underlying narrative – suggesting processes of asset depletion from which no recovery is possible, leading to persistent poverty with little hope of escaping – has strong empirical support in high-risk environments that characterise Sub-Saharan Africa. It also has consequences for policy design. Ensuring that households do not enter into this vicious circle of low assets and high risk is far less costly than trying to improve their welfare once this vicious circle is under way. Delaying action and support increases considerably the cost of alleviating poverty.

This narrative has strong support in the medical evidence on child nutrition. In general, human nutrition can typically fully recover from relatively brief periods of

<sup>133</sup> Azam and Gubert 2006.

<sup>134</sup> Fafchamps 2004; Barrett et al. 2001; Carter and May 1999.

<sup>135</sup> Barrett and Carter 2006.

malnutrition in adolescence or adulthood, though perhaps at the cost of higher risks of illness. In early childhood, this is not the case, and there is substantial evidence that nutritional deprivation, especially before the age of 3, leads to permanent losses in physiological development, with serious consequences in later life. It can lead not just to stunting, that is low height-for-age, during childhood, but also permanently small stature.<sup>136</sup> Stunting is a good proxy for further complications, such as limited brain development, causally associated with lower cognitive and non-cognitive development.<sup>137</sup> Because no recovery is possible, this is a nutritional poverty trap. More than a third of children below age 6 in Sub-Saharan Africa are stunted, suggesting serious deprivations during early childhood but permanent losses in stature and cognitive development.

Serious shocks, such as drought and conflict in Zimbabwe and Ethiopia in the 1980s, have been shown to impact on young children, affecting their nutrition, subsequent learning and their earnings when adults.<sup>138</sup> Family incomes of those affected by crop failure in Ethiopia and Tanzania were found to be significantly lower more than ten years later, compared to those in the community that were not affected.<sup>139</sup> Large scale harvest failures are not the only crisis for which large impacts have been identified. Other shocks have also been shown to lead to permanent losses akin to a poverty trap. The high HIV-prevalence and mortality rates in Sub-Saharan Africa have led to many orphans. A careful review of survey evidence from South-Africa since 1995 concluded that paternal orphanhood is systematically related to lower educational attainment; evidence from Tanzania showed both stunting and lower education for orphans.<sup>140</sup>

### ***2.1.3 The economic cost of failing to provide social protection***

Widespread stunting, lower educational achievement and loss of assets linked to shocks such as drought and illness affect the productive capacity of the economy, affecting future growth prospects and the scope for poverty reduction. There are further important economic costs to the lack of even the most basic social protection. The lack of minimal financial assets is not just a cause of poverty now – it is also a cause of substantial underinvestment by the poor. The World Development Report (2006) documented carefully some of these consequences, contributing to limited investment in small firms or smallholder agriculture.

Vulnerability is also not just about the experience of shocks and poverty, but also a fundamental sense of insecurity, of potential harm people must feel wary of: something bad can happen and spell ruin. By choosing livelihood strategies with less

<sup>136</sup> Grantham-McGregor et al. 2007.

<sup>137</sup> Grantham-McGregor et al. 2007.

<sup>138</sup> Alderman et Hoddinott 2010; Dercon and Porter 2010.

<sup>139</sup> Beegle et al. 2008; Dercon 2006.

<sup>140</sup> Ardington and Leibbrandt 2010; Beegle et al. 2010.

risk, many households forgo profitable high-return opportunities. Profitable specialisation is avoided in favour of safer crops, assets or technology.<sup>141</sup> These choices result not only in higher poverty – they also reduce efficiency in the economy, caused by failing insurance markets. For example, fear of not being able to pay back fertiliser credit due to crop risk has been shown to result in lower fertiliser adoption and lower returns in cereal production in Ethiopia.<sup>142</sup> The dependence on mutual support systems to cope with shocks also involves costs, possibly leading to clientelism and patronage relationships – undermining the local economy.<sup>143</sup> In general, in high-risk environments with limited protection, innovation and investment are stifled, reducing growth.<sup>144</sup>

## 2.2 Social protection: instruments and functions

Social protection is one of the tools to combat the persistence of poverty and vulnerability. In this Report, it is defined as the specific set of public actions to address the vulnerability of people's life through social insurance, offering protection against risk and adversity throughout life; through social assistance, offering payments to support and enable the poor; and through inclusion efforts, enhancing the ability of the marginalised to obtain social insurance and assistance.

Following Drèze and Sen<sup>145</sup>, the focus here is on public actions, those of the state at national or local level, as well as those of others, such as non-governmental organisations or civil society organisations, working collaboratively or even adversarially alongside the state. The focus is nevertheless implicitly on the state, because it has a central role in achieving social protection. This does not mean that the government should be the sole agent for implementing policies or that the instruments used to achieve should all be confined to government programmes and interventions – far from it. The private sector, micro-insurance institutions and community-based insurance networks could improve social protection.

But well-known market failures in insurance provision limit the role of private insurance markets. And problems of collective action and the scale requirements for efficient risk-sharing mean that, for many risks, micro-insurance or community-based mechanisms may not be effective, and government is likely to be essential. This will be the case for covariate or catastrophic risks. Furthermore, as adverse selection means that markets may exclude some of the most vulnerable and poor, an active social protection policy will be essential for their inclusion. One of the key concerns is to balance the state, private and more informal or community-based mechanisms for social protection.

<sup>141</sup> Barrett and Carter 2006; Dercon 2004.

<sup>142</sup> Dercon and Christiaensen 2010.

<sup>143</sup> Fafchamps 2004; Dercon 2004.

<sup>144</sup> World Bank 2006, chapter 5.

<sup>145</sup> Drèze and Sen 1988.

The definition of social protection focuses on three closely interlinked means of achieving social protection: social insurance, social assistance and social inclusion efforts. Box 2.1 below lays out examples of the range of different social protection instruments according to whether they fulfil an assistance, an insurance or an ‘access’ role. These functions may of course overlap, and many social protection interventions aim to achieve more than one objective.

**Box 2.1. Examples of social protection instruments, by function**

Social insurance

- Contributory pension schemes
- Health insurance
- Unemployment insurance
- Disability insurance
- Work injury insurance.

Social assistance

- Child support grants
- School feeding programmes
- Public works/workfare programmes/employment guarantee schemes
- Cash transfer programmes/income guarantee schemes
- Emergency relief
- Social pensions and other old age benefits.

Efforts to improve access to social protection

- Labour market and work place regulation
- Rights based entitlements to income, work and other forms social protection
- Affirmative action or universal coverage arrangements
- Awareness campaigns
- Regulatory frameworks or support for private or community-based insurance provision.

### 2.2.1 *Social insurance*

Offering protection through social insurance is one of the most classic roles of social protection: helping people cope with adverse shocks and events. The transfers are contingent on certain events or triggers. They usually have a contributory element, not unlike premium payments as in insurance,<sup>146</sup> though this may be subsidised or at times even waived, with resources supplemented by public or other resources.<sup>147</sup> Pension schemes and contributory health and unemployment insurance schemes are common examples.

The importance of social insurance is clear from the discussion in the previous section: adverse shocks can trigger a vicious downward circle towards persistent

<sup>146</sup> The insurance element is understood here as “the elimination of the uncertain risk of loss for the individual or household, by combining a larger number of similarly exposed individuals or households into a common fund that makes good the loss caused to any one member” (van Ginneken 1999, p.6).

<sup>147</sup> For wage earners, premiums can be linked to earnings, but they could also be directly collected from members. In some cases, government and the market can both support insurance as is the case of a classic tripartite contributory pension scheme (individual, government and employer).

poverty. For the poor, it can make them slide ever deeper into destitution; for the non-poor, it puts them at risk of poverty. Social insurance thus goes beyond standard safety nets and relief, avoiding structural and dynamic processes of poverty and destitution.

Furthermore, the emphasis on social insurance rather than some generic relief or safety net is important as well: it suggests a contractual arrangement, a right and entitlement to protection from adversity. The *ex-ante* expectation of being entitled to be insured against risks is reinforced by the usual contributory nature of the social insurance programmes. This feature is not only important within a right-based understanding of social protection. It is also functionally important as a mechanism to reduce the sense of insecurity that is central to vulnerability: bad things can spell ruin. This fear of bad outcomes leads to avoiding risky but potentially profitable livelihood opportunities.

Providing guaranteed protection against various forms of adversity allows the poor to take advantage of emerging opportunities, which in turn could be a key mechanism to ensure that the poor are included in growth and economic development. But for this to be credible, a clear right and entitlement has to be established. It therefore also connects to a specific institutional and political capacity of long-run commitment to protect and enforce effectively such right and entitlement.

The definition also highlights the role of social insurance across the life-cycle – at various moments in life, timely and sufficient protection against adversity is especially crucial. Specific forms of social insurance for families with young children, such as avoiding nutritional deficiency in early childhood, has especially high returns in avoiding future poverty, with likely benefits for economic growth through the link to human capital formation.

### 2.2.2 *Social assistance*

Protecting against further hardship is unlikely to be sufficient for many of the poor whose assets, health or human capital have reached critically low levels, so that escaping from poverty through their own efforts is hardly possible, and who risk remaining in persistent poverty. The second function of social protection, social assistance, aims to address this problem: by providing support for these groups, but also to enabling them to escape poverty.

Social assistance encompasses all forms of public action designed to transfer resources to groups deemed eligible due to the deprivation. It is usually financed through a government or donor budget, without prior contributions by the beneficiaries. It can be targeted through some means testing or some other identification of specific need, or provided universally within some general category, such as the elderly or children of a particular age group. It often aims to reach

categories of people who could not be reached through contributory or other insurance schemes.

Instruments that classically fall within social assistance are varied, ranging from school feeding programmes to public works and non-contributory ('social') pensions. A substantial majority of these instruments can be identified as a form of social transfer. Such transfers have long been crucial for poverty reduction in developed countries, and they are now increasingly seen as an essential policy instrument for poverty reduction in low- and middle-income countries.<sup>148</sup>

The earlier narrative of asset poverty traps helps to define how much support is needed. This may well have to be considerable if minimum asset thresholds are to be reached to get any real prospect of breaking the vicious circles of poverty and risk. And different groups may need different levels of support, and some disadvantaged groups – such as those physically impaired orphans or the elderly – may well require higher transfers. Similarly, needs are higher or lower in different time periods, and may also well have to be linked with social insurance, with changing contributions dependent on shocks, events and circumstances.<sup>149</sup>

### 2.2.3 *Efforts to improve access*

The last function of social protection is linked to the first two, but worth extra emphasis. Poverty is often characterised by processes of social and political marginalisation, resulting in the exclusion of particular groups of the poor. Examples are women, specific ethnic groups, local outsiders such as migrants, and groups stigmatised by livelihoods choices (such as garbage pickers or street children) or by diseases (such as those diagnosed with HIV-AIDS). Access can also be limited by geographical location or lack of information. Efforts to expand social protection through social insurance and social assistance must pay particular attention to include these groups, a central tenet of a social protection framework.<sup>150</sup> Box 2.2 discusses some of these issues for migrants, one potentially excluded group.

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<sup>148</sup> For example: “[T]he Commission for Africa identified social transfers as a key tool in tackling extreme poverty in Sub-Saharan Africa....The greater use of social transfers in developing countries worldwide is endorsed by the World Bank's WDR for 2006 which recognises their potential impact on poverty and inequality as well as their contribution to promoting and distributing growth” (DFID 2005, p. 2).

<sup>149</sup> De Janvry et al. 2006.

<sup>150</sup> They are a central problem in social protection provision across the world. One example of an access barrier comes from India. Access to the Public Distribution System is restricted to state-residents. Mobile populations across state boundaries are frequently left without access to this social assistance. Similarly, in the United States, Ku and Matani (2001) found that insured non-citizens and their children have less access to medical care than insured native-born citizens have.

**Box 2.2: Migration and social protection: access to portable provision**

The need to manage risk and secure livelihoods can drive to migration decisions by families, and remittances provide a key source of income to many families in the developing world. At the same time, migration calls for various forms of social protection, for the migrant and the migrant's family that remains at home. Migrants are typically excluded from various forms of formal social protection, but as a result, labour markets may become negatively affected. For instance, migrants, knowing that they will not fully benefit from social security contributions or tax contributions, may prefer to avoid contributions and work informally or misreport earnings. Furthermore, if, after working for many years in a formal labour market where contributions have been deducted, migrants are not able to 'repatriate' this income (such as a foregone pension) to their country of origin, they may choose not to return home.

Some developing countries, in particular some of the main migrant-sending countries to the European Union (EU), have protected a large share of their emigrant population through bilateral portability arrangements. But bilateral social security agreements are typically insufficient for developing countries that do not have very well-developed social security systems. The EU, as a regional trading bloc with free movement of labour, has the most sophisticated system of social security portability, but other regional economic blocs of mainly low-income countries have few mechanisms and capacity to support these arrangements. A policy challenge is to make South-South migration safer for migrants in order to maximise the benefits from this important livelihood strategy.

*Source:* Avato et al. 2010; Holzmann et al. 2005; Sabates-Wheeler and Koettl 2010.

Social protection can be an important mechanism to reverse exclusion and set precedents for empowerment and a more systematic inclusion of these groups in the relationship between citizens and the state. By doing so, social inclusion complements and promotes the institutional effectiveness and political sustainability of social insurance and social assistance. It also ensures that social protection concerns itself with social justice while pursuing poverty reduction and growth.<sup>151</sup>

Specific actions could take a variety of forms (see box 2.1). Sensitisation and awareness-raising campaigns can transform public attitudes and behaviour. And changes to the regulatory framework can protect vulnerable or minority groups from discrimination and abuse. Other actions include securing legal rights and entitlements, and efforts to promote access to insurance markets or community-based systems by the poor and vulnerable.

<sup>151</sup> For a detailed exposition of a 'transformative' agenda for social protection, see Sabates-Wheeler and Devereux 2008.

## 2.3 The complementary role of social protection in the development agenda

### 2.3.1 *Social protection and growth*

Large-scale poverty reduction in Africa will depend on economic growth and sustained job creation. Higher incomes will mean that increasingly fewer people will be stuck in poverty but more will be able to withstand shocks. Is the need for social protection then not simply a sign that this process is not taking place? This argument should not be discarded. Many of the poor are stuck in poverty because they have limited opportunities. Much of their vulnerability to shocks and persistent poverty is closely linked to their livelihood opportunities: working on farms in highly risky agriculture or being self-employed in a small business in a risky market environment.

Poverty reduction throughout the world is characterised by the absorption of large parts of the labour force in stable wage jobs. Higher incomes for those remaining in self-employment and agriculture would mean opportunities to build up assets or other means to withstand shocks and misfortune. For many, the threat of persistent poverty and asset poverty traps would be unravelled. While some particularly vulnerable groups will always require forms of social protection, the scale of the task would shrink with sustained growth. Social protection is no substitute for this process.

But social protection has an important role in this development agenda. It is one mechanism for making growth pro-poor and inclusive. It offers a direct and simple means of redistributing some of the gains from growth to those not able to productively contribute to the economy – such as the elderly or disabled – who otherwise risk staying behind. The structural challenges of African economies also imply that high risks remain.

During periods of growth, livelihoods rarely change smoothly. For many, it involves taking risks, including migrating and entering into activities previously not performed. Such changes are essential to allow the poor to take part and benefit from economic transformation – but as the fast-growing economies in Asia and Latin America have shown, while improving many lives, it tends to involve serious hardship for some, even if temporarily, even leading to persistent poverty. This will make others reluctant participants, slowing poverty reduction during growth periods. Well-designed social protection during growth spells can speed this process, making growth pro-poor. It can also put in place the mechanisms to avoid any downturns to reverse reductions in poverty.

Well-designed social protection can also contribute to growth. Social transfers and other social assistance can offer the productive assets the poor need to engage

productively in the economy, and allow them to graduate from dependence.<sup>152</sup> Public works programmes can also build relevant public goods and infrastructure in local communities, contributing to growth. Well-designed social insurance can plug gaps in private insurance markets and complement community-based systems. By overcoming market failures, it can contribute to efficiency, allowing households to use their resources more effectively, and encourage the risk-taking and innovation essential for growth.<sup>153</sup>

Social protection can also make spending on other sectors more effective, such as social spending on health and education, or agricultural spending (box 2.3). One way is to make social transfers conditional on health or education attendance, as applied in many programmes in Latin America, so that progress in health and education outcomes is guaranteed, irrespective of the cash payments transferred to the beneficiaries. But conditions are not the only way to achieve higher returns from social spending. Both social insurance and social assistance can protect family investments in human capital, such as education and health, by ensuring that children stay in school or that nutrition does not suffer when a financial shock hits. Because these losses in nutrition and education are often irreversible, they imply that earlier social investments are wasted, which could have been avoided with appropriate social protection.<sup>154</sup>

**Box 2.3 Thinking through policy complementarities: agriculture and social protection**

Agricultural policies typically focus on raising the productivity of agriculture through modern inputs, extension services to improve practices and developing output markets. Social protection policies rarely feature, except as a safety net to provide relief during crises such as drought. But this may miss the possibilities from a clear understanding of the possible synergies with social protection policies.

Social protection policies can help poor rural people expand and efficiently use their assets, and adopt higher return activities. They can offer employment and income during slack periods in the agricultural calendar, allowing farmers to earn cash for working capital or build up their asset stock. They can build infrastructure, such as rehabilitate roads, improve irrigation or contribute to soil conservation. They can offer social insurance against catastrophic events, allowing farmers to maintain their assets or protect investments in human capital and in the health and nutrition of adults and children. Improving access to social protection can also support and promote better (market or community-based) insurance systems, such as micro-insurance for health, or insurance against drought events, such as index-based insurance.

But caution is required to ensure that incentives and distortions from social protection programmes do not affect the potential growth of agriculture. Relief programmes and long-term public works programmes could reduce the incentives to engage in productive agriculture. Informal support systems may also be undermined and just replaced by a dependence on public resources. While disincentives are worth keeping in mind – and programme designers should ensure that social protection schemes do not inadvertently create disincentives – the available evidence shows that they are not pervasive or severe for most of the recent rural-based social protection programmes.

*Source:* Alderman and Hoddinott 2010; Doward et al. 2006

<sup>152</sup> World Bank 2006.

<sup>153</sup> Ravallion 2006.

<sup>154</sup> Alderman and Hoddinott 2010.

### 2.3.2 *Social insurance and micro-finance*

From an economic point of view, social insurance steps in when both private insurance markets and informal insurance systems appear to fail. Social assistance provides grants where credit markets would usually provide the required liquidity, not least if profitable opportunities could be pursued if credit were available. While standard markets for credit and insurance appear to be failing the poor throughout the world, micro-finance institutions have spread widely, and especially for credit are offering services to the poor. So why promote social insurance and not expand micro-finance? Each has its strengths and weaknesses, and there is a clear and complementary space for social insurance alongside a more focused approach of micro-finance to reduce poverty and vulnerability.

Insurance through micro-finance institutions has gained considerable attention in recent years. These institutions now offer a variety of products, including life, health and insurance against climatic shocks. While still far behind the scale of micro-credit, they attempt market-based solutions to what seem to be similar problems. Is micro-finance a better alternative to social insurance? The current evidence suggests that it holds promise, but that it is unlikely to substitute entirely, for at least six reasons.

- First, insurance is a very difficult product to sell, as it is not easily understood, even in rich and well-educated settings. Consumer education will take time.
- Second, as a new product, it requires considerable trust before households will start buying it.<sup>155</sup> Note the difference with micro-credit. In micro-credit, the provider first gives money as a loan and then has to try to find a means of recouping it later. In micro-insurance, the provider first has to convince the consumer to give them money, who then has to trust the provider to give them a payout in particular circumstances. For poor households, this parting with money will be seen as very risky, adding to their vulnerability, rather than reducing it.
- Third, building trust and providing consumer education are costly, so it is unlikely to be possible to provide insurance products without first subsidising them, or at least providing them not profitably.
- Fourth, pricing insurance requires detailed actuarial data, currently limited in poor settings in Sub-Saharan Africa. Without these data, setting up insurance schemes will be risky business activities, and regulators are unlikely to favour such financial institutions.

<sup>155</sup> See, for example, Cai et al.2009.

- Fifth, private insurance is ill-suited to deal with catastrophic risks and large and covariate disasters, because it would have to be priced high and require costly reinsurance.
- Sixth, different forms of insurance are affected by information asymmetries. For example, health insurance is difficult to implement due to adverse selection: when only those likely to be ill buy health insurance. Property or fire insurance suffers from moral hazard: as people buying it can become less careful. This leads to pricing and supply problems in the insurance market, leaving some not insured.

So a market solution for social protection will be insufficient, definitely in the short run but also beyond. Just as in rich economies, it would lead to underinsurance, in which poor understanding drives people to buy insufficient or inadequate cover. And many perils would not be covered because the market would undersupply the products. Pricing would also be affected, with products too expensive. As a result, it is likely that micro-insurance cannot just substitute for social insurance activities, at least not in the short run. But it holds a promise of providing cost-effective protection for many specific hazards, and could be part of a social insurance system, including payments of premiums for specified benefits.

Much could be learned from attempts to provide private micro-insurance for the design and sustainability of social insurance schemes. Foremost is that insurance involves a contract that, with appropriate regulatory frameworks, can be enforced: this feature leads to credibility and guarantees for the customer. A clear entitlement and right to social insurance would be required to mimic this, as a means of offering true protection.

Private insurance markets find it hard to deal with catastrophic risks, and social insurance would face similar problems. Making appropriate arrangements to deal with these instances, drawing inspiration from the principles of reinsurance, would be required. And many of the problems of insurance, such as trust and moral hazard, also apply to social insurance provided by the state or other agents, undermining its effectiveness and increasing its costs.

Could not more use be made of the existing mutual support and other informal insurance systems to improve social protection? Informal insurance systems are embedded in local society, exploiting people's social connections and the high degree of trust and information that this delivers. Clan-based and network-based systems rely on shared knowledge and understanding, but also norms of behaviour that make the sustainability of these systems easier. Mutual support groups, such as funeral societies, tend to have strict membership rules and regular meetings to enforce their bond. Insurance delivery, including social insurance, can benefit from these relationships to limit some of the typical problems of moral hazard and trust. In other words, informal insurance systems could reach the poor through either market

insurance or social insurance. This would both limit the costs and increase the effectiveness.

For risks that need large-scale risk pooling, such as covariate risks, social insurance could complement existing mutual support systems, without crowding them out. One caveat is that the strength of these organisations is their independence from market or state structures. For example, funeral societies in Ethiopia and Tanzania are considered among the most democratic and inclusive institutions, mostly devoid of elite or political capture. Scaling them up could undermine them.

Social assistance provides liquidity to specific groups of people, in the form of grants. Why should this not be credit, provided by micro-credit institutions? Microcredit, a key part of the general development mantra, is a key instrument to reach and empower the poor. While it is still not straightforward to find clear and undisputed evidence that micro-credit offers the transformation of lives promised,<sup>156</sup> the evident appeal and success of the larger Asian and Latin American micro-credit institutions suggest a powerful, more market-based alternative to offering much broader social insurance to the poor. One argument for broader social assistance is that micro-credit programmes find it notoriously difficult to reach the poorest.<sup>157</sup> For example, one of the largest micro-finance institutions in the world, BRAC, (initially based only in Bangladesh but now also in several African countries), has started to design specific ultra-poor programmes to find ways of allowing some of the poorest group to graduate into their micro-credit programmes.

Furthermore, credit is not costless to the poor: in most delivery models, little distinction is made between a failure to repay due to improper behaviour or to genuine bad luck. This led some to refer to ‘microdebt’ programmes rather than micro-credit, as obligations are created that cannot be fulfilled after shocks. Cases have been documented in which moneylenders were used to refinance micro-credit loans that needed to be paid back, creating a debt trap.<sup>158</sup> Despite being offered credit for inputs, fear of indebtedness and the hardship that it would bring has reduced the uptake of modern inputs in rural Ethiopia.<sup>159</sup> In short, micro-credit may not be suitable or offer a solution to all the poor.

Nevertheless, the success of micro-credit programmes of reaching millions across the world illustrates a possible lesson for social assistance programmes. Microcredit involves a clear contract between provider and borrower, with clearly spelled out rights and obligations. In the contracts by some micro-credit institutions, repayment offers a credible promise for larger loans. Offering such guaranteed path of rights and obligations would strengthen the scope for using social assistance as an enabling force.

<sup>156</sup> Armandáriz de Aghion and Murdoch 2005.

<sup>157</sup> Armandáriz de Aghion and Murdoch 2005.

<sup>158</sup> Matin 1997; Adams and von Pischke 1992.

<sup>159</sup> Dercon and Christiaensen 2010.

The emergence of better functioning credit markets, helped by micro-credit schemes, may also be hurt by a growing role for social protection systems. Conceptually, the problem lies in offering a welfare floor. For those close to this floor, it may encourage ‘gambling for resurrection’ behaviour, as observed in firms with limited liability legislation.<sup>160</sup> Offering loans to people who have little to lose from not repaying, because they can get a minimum payment through social protection schemes, would encourage excessive risk-taking, and would not be in the interest of micro-credit institutions that aim to remain solvent. The result is that social protection may crowd out the poorest from credit markets, as not even micro-credit institutions would offer credit.

This problem can be avoided, and offers a clear reason to design social protection, especially social insurance, around specific risks, such as health, disability, unemployment and drought – and not against some general earnings risk. In fact, providing well-designed insurance and social protection, focusing on defined risks that are not easily manipulated, could encourage more uptake of micro-credit for profitable opportunities. And it would avoid micro-credit programmes become microdebt programmes.

### ***2.3.3 Social and political transformation – and social protection***

Much poverty, including that in Sub-Saharan Africa, is closely linked to social and political processes, such as ethnicity, wealth inequality, corruption, lack of democracy, violence and military force. The debate on social protection cannot be blind to this. Social protection can hardly be expected to fight these processes. In some instances, social insurance and assistance may even be seen as perpetuating these structural forces, and helping to avoid real, social and political transformation.

But well-designed social protection can play a positive role. It can encourage the inclusion of poor and marginalised groups in development processes. For example, Juntos, a cash transfer programmes in Peru, can be credited with many Andean peasants receiving, for the first time ever, something from the state, rather than experiencing its oppression and violence. Even if the transfer is small, the experience can be an important step in broader social and political processes.

Social protection can also have important consequences for the political economy of redistribution. Indeed, social protection mechanisms may help reduce the patronage structure often associated with informal insurance arrangements between the poor and the local elites.<sup>161</sup> The break-up of such dependency relationships may in turn reduce clientelistic politics and neo-patrimonialism,<sup>162</sup> enhancing political competition that

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<sup>160</sup> Stiglitz 1981.

<sup>161</sup> Fafchamps 1992; De Weerdt 2004.

<sup>162</sup> Bratton and Van de Walle 1994.

may be more supportive of effective public action in favour of the poor.<sup>163</sup> In this sense, social protection can have a political multiplier effect on poverty reduction.

For social protection to succeed, it is important to define its appropriate place alongside other public action for development. It is complementary to other public actions, and is more effective in reducing poverty when growth and job creation are encouraged – and when market-based solutions, such as micro-credit and insurance, are part of the continuing fight to persistent poverty. The appropriate scale for social protection is not just a technocratic question: it is essentially political. How much support is one willing to provide the poorest groups? To what extent should people themselves take responsibility to pay for protection? What is politically feasible and sustainable?

On the technical side, trade-offs come from the intensity of substitutions and complementarities across policy instruments. To the extent that financing social protection competes with other public funding allocations (such as education, infrastructure or private sector development), an important trade-off is the tightness of the budget of government. In principle, for given social objectives and implementation conditions, the question hinges on identifying social rates of returns of the competing and complementary policy instruments and figuring out what combination maximises these objectives under these conditions. Note that this perspective requires some analysis and evaluation capacity, something that often needs to be built progressively along the policy process.

Beyond the technical perspective, however, social objectives are defined by political tradeoffs while implementation conditions reflect the social and historical specifics. As argued later in this report, a case-by-case perspective is needed for effective policy implementation. It is also important to keep in mind the potential conflicting and complementing dimensions in the policy portfolio. Social protection instruments benefiting specifically certain groups may generate political antagonism and polarisation from other groups when not perceived as “win-win” social strategies. So, social assistance targeted to the “very poor” may produce antagonism with groups of “not-so-poor”, or more generally generate opposition by richer classes and be described as “assistentialism”. At the same time, social inclusion and empowerment of marginalised groups can trigger political multiplier effects that change the balance of power and facilitate future policy trade-offs in favour of protecting the poor. Understanding these different dynamics in the political space is thus important in determining what is feasible and sustainable in policymaking.

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<sup>163</sup> See for instance Moser (1998) for some suggestive evidence of the negative links between patronage and poverty reduction efforts.

## Chapter 3: The Design, Delivery and Politics of Social Protection

### Main Message: The design, delivery and politics of social protection

Social protection can fruitfully achieve short to medium terms objectives of food security, livelihood stability, and poverty alleviation. However, as a long term objective, social protection should aspire to reduce poverty and inequality through setting up social protection systems that exploit synergies between different sectoral programmes and development initiatives.

The careful design and delivery of different social protection policies and instruments are critical to combat persistent poverty and vulnerability and facilitate inclusive growth.

In the sub-Saharan African context a large informal sector, a large smallholder farm sector, restricted public budgets and the existence of a number conflict-affected and fragile states means that the scaling up/extending and delivery of social protection is challenging.

Sustainability of social protection policy and instruments requires political commitment. This is often dependent on the commitment by those in power, middle class buy-in to a range of programmes and a clear sense of long-term fiscal sustainability, achieved primarily through own fiscal space, supplemented by stable long-term donor support.

From our definition of social protection, introduced in previous chapters, we can usefully extrapolate a set of social protection *objectives* and a range of '*instruments*' or mechanisms), classified by *function* (insurance, assistance and inclusion).

The primary objectives of social protection are to tackle i) vulnerability; ii) poverty and iii) exclusion from social protection provision. Other objectives can be met through careful design and delivery of social protection, i.e. the promotion of i) pro-poor and inclusive development and; ii) economic growth. The novelty in a social protection agenda, as opposed to an old-style safety-nets agenda, is in linking these objectives so that the mechanisms for reducing poverty and vulnerability also reduce dependency and thus enable many of the 'productive' poor to achieve sustainable livelihoods. This new agenda focuses on facilitating poor and vulnerable households to move, or graduate, into independent sustainable livelihoods through carefully designed social protection programmes. Many conditional and unconditional cash transfer programmes are built on this model.

**Box 3.1 Sustainable livelihoods and graduation**

The term ‘sustainable’ refers to the explicit ambition of social protection to provide and promote resilient livelihoods. For instance, the Productive Safety Net Programme in Ethiopia (PSNP) is a social transfer (food and cash) that is in large part conditioned on public works participation, and delivered in conjunction with a range of agricultural extension and household asset building initiatives. The ambition of the PSNP is to graduate households into a situation of food security where they no longer require the social transfer and can pursue independent livelihoods. According to the Programme, “a household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months and is able to withstand modest shocks”.<sup>164</sup> Chile Solidario is another example of social protection provided through a set of complementary initiatives – a cash transfer with conditions and supported by service provisioning. Other Latin American programmes, such as Oportunidades<sup>165</sup> and Bolsa Familia, also have an ambition for participants to ‘graduate’ from the programmes.

Social protection can also fruitfully achieve short- to medium-term goals of food security, livelihood stability and poverty alleviation. However, as a long-term objective, social protection should aspire to reduce poverty and inequality through setting up nationally developed and owned social protection systems that exploit synergies between different sectoral programmes and development initiatives. Social protection is not merely embodied in a menu of instruments to reach a range of objectives, but should also be built on an aspirational, forward-looking agenda that acknowledges the need for co-ordinated development activities grounded in political commitment. With these objectives in mind we now turn to an exposition of the range of social protection instruments.

### **3.1 Design of social protection programmes**

Social protection programmes can be designed in a variety of ways that allow them to achieve their objectives. Some can be conditional on the achievement of certain requirements, and others do not impose conditions on their recipients. Some may choose to target specific groups to achieve their goals, and others may have a more universal approach. Depending on the goals and the resources, they may distribute monetary or in-kind transfers. Moreover, the design of a social protection programme must take into account the means for distributing the payment. All these design features can assist a programme in achieving its goals and reaching the most vulnerable.

#### ***3.1.1 Conditional and unconditional transfers***

Conditional transfers, very popular in Latin America, attempt to break the intergenerational cycle of poverty by requiring compliance with conditions that promote investments in human capital. The requirements are often linked to access to

<sup>164</sup> Food Security Coordination Bureau 2007, p.1.

<sup>165</sup> This programme, formerly known as PROGRESA, was renamed Oportunidades in 2001. In this report we will refer to the programme as Oportunidades.

education, health and nutrition services, such as enrolment in school (for example PROGRESA in Mexico), maintenance of a certain attendance rate, regular health check-ups, vaccinations and participation in nutrition education programmes (such as school feeding). One of the prerequisites for administering a conditional transfer is the good provision of services. Furthermore, programmes that use a conditional transfer need increased financing to cover the administrative costs that accompany evaluations of whether conditions are being met. Since the transfer is often to the female head of the household, conditional transfers have been lauded for giving women financial independence, but they have also been criticised for reinforcing the role of women as caregivers.<sup>166</sup> An example of a conditional cash transfer (CCT) is Oportunidades (formerly PROGRESA) in Mexico. Mothers of school-aged children who are enrolled and attending school 85 percent of the time receive a cash transfer. And mothers who bring their younger children to health check-ups and ensure that they receive vaccinations also receive a cash transfer.

Unconditional transfers, by contrast, impose no requirements on the recipient. They include non-contributory social pensions, basic income grants, disability grants and child support grants. The unconditionality of these types of grants is often based upon the belief that the recipient knows how to spend the money better than the implementing organisation – and by distributing it without conditions the recipient can spend it on items critical to his or her survival or enhancement. Unconditional transfers have gained popularity in regions with weaker social services, without the capacity to supply the educational and health facilities required by conditional transfers. They also tend to have lower administrative costs than CCTs, because they do not require staff to keep records and investigate whether the recipient is meeting the conditions. Due to the unconditional nature of the transfer, there is no guarantee that the recipient will spend it on activities that are beneficial to their livelihood (though some evidence from South Africa suggests that they will).

As with all design features of income transfers, conditions have advantages and disadvantages and are context-specific. Some authors claim that conditions relating to health and education are unnecessary because people in poverty would have sent their children to school, or used primary health care, even without conditions. But it is important to pay attention to the marginal beneficiaries. For instance, “in rural Mexico, drop-out rates at the start of secondary school, especially for girls, were unacceptably high. Estimates of the impact of Oportunidades on enrolment rates suggest that two years after the start of the programme these had increased by around 1 percentage point (from a base of 90–94 percent) for boys in primary school and as much as 9.3 percentage points (from a base of 67 percent) for girls in secondary school. The impact of the conditionality is measured by the marginal households that enrolled their children, or did not withdraw them as they

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<sup>166</sup> Molyneux 2007.

would otherwise have done. Whether this is worth the 2% of transfer costs absorbed by implementing conditions in Oportunidades is a separate issue".<sup>167</sup>

Another concern with conditions is the extent to which they impose non-trivial compliance costs on beneficiaries that are not accounted for in setting benefits. These include time spent by mothers ensuring that conditions are met, filling forms, and queuing at schools or clinics. To the extent that these are non-trivial and are not accounted for in setting the level of the transfer, they are likely to compound the adverse situation of those in poverty.

So, while conditions are important for ‘marginal’ beneficiaries and can increase access and use for basic services, the effectiveness of a conditional versus an unconditional transfer is context-specific and needs to be evaluated. The ‘anti-conditionality’ camp argues that income produces the required impact, not the condition. Few studies have evaluated this claim. The most that can be said is that conditions are likely to be effective, if at all, at the margins.<sup>168</sup> A further political economy argument can be made for conditions: that it may buy the support of non-beneficiaries, by not giving something for nothing.

### ***3.1.2 Targeted and universal programmes***

There is much debate around whether to target social transfers from a moral, empirical and political perspective. Targeted programmes attempt to identify a vulnerable group and channel the transfer to it, while excluding other portions of the population deemed less vulnerable. Targeting may be either on the basis of income poverty or categorical targeting, including certain geographical areas and specific categories of people, such as orphans, vulnerable children and unemployed persons. Methods of targeting include self-selection, community-based mechanisms and means testing. Although these programmes aim to include very specific groups, they have been criticised for the exclusion and stigmatisation of vulnerable populations, for social tension in communities, and for the administrative costs that are incurred through the initial targeting itself and the re-assessment of the population.<sup>169</sup> But as Hoddinott<sup>170</sup> argues, “on balance, existing evidence suggests that targeted programmes, as currently practiced around the developing world, do indeed deliver a greater share of programme benefits to poor households”. Furthermore, he asserts that in targeted programmes the allocation mechanisms can be more transparent.

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<sup>167</sup> Caldes and Ahmed 2004.

<sup>168</sup> Barrientos 2007.

<sup>169</sup> Samson 2009.

<sup>170</sup> Hoddinott 2007.

### Box 3.2: Targeting Methodologies

Possible targeting methodologies include:

*Means testing*: Based on an assessment of income, assets or wealth of applicants. Those below a predefined threshold are defined as eligible.

*Proxy indicators*: Based on characteristics like location (geographic targeting), age and gender, that are believed to be highly correlated with wellbeing or deprivation.

*Proxy means testing*: Based on a weighted combination of characteristics believed to be highly correlated with well-being or deprivation.

*Categorical targeting*: Based on characteristics of interest to policymakers (such as orphans or people living with disabilities), which might or might not be correlated with well-being or deprivation.

*Self-targeting*: Based on voluntary participation in the programme, often requiring participants to identify themselves as eligible for support.

*Community-based*: Based on an eligibility assessment performed by the community where a programme is implemented.

*Universal targeting*: Everyone – or everyone in a particular category – is eligible.

In terms of cost, those in favour of targeted programmes argue that universal programmes are inefficient in two ways. First, a universal programme will provide transfers to non-poor households. And second, some poor households receive transfers greater than their poverty gaps. Such inefficiencies reduce the poverty impact of the universal transfer and may be less effective in reducing poverty. Research by Coady and colleagues<sup>171</sup> reinforces the belief that targeted programmes can provide both greater efficiency and effectiveness. By developing a comparative measure that can indicate the share of programme resources transferred to a certain segment of the population, they show the extent to which the poorest population segment (by income) benefits from a transfer programme. In 85 programmes analysed, they show that 25% more resources were transferred to poor households under targeted programmes than would have been the case with a universal programme. They also found that countries with better capacity for programme implementation do better at directing benefits towards poorer members of the population, as do countries where governments are more likely to be held accountable for their behaviour.

While this research by Coady and colleagues is compelling, when evaluated in light of real-world programming, it may be spurious. Their findings assume that the same amount of resources will be available to a targeted programme as to a universal programme. In the real world, this is rarely so: governments can devote far greater resources to universal programmes (because they are popular) than to targeted programmes (because they are not). So it is possible that far more resources will be transferred to poor households through a universal programme.

<sup>171</sup> Coady et al. 2004a.

Such statistics cannot, however, refute the criticisms of inefficiency and ineffectiveness aimed at targeted transfers highlighted by Hoddinott<sup>172</sup>. As in the argument between conditional and non-conditional transfers, the increased costs of targeted programmes may reduce the impact of the transfer. In calculating the cost of establishing a means tested targeted Child Support Grant in South Africa, it was estimated that one application had an administrative cost of US\$2.85 while the cost to the applicant was on average a further US\$3.80 and required six hours. When this is scaled up to include all those children eligible for the grant, the cost is somewhere between US\$17.2 million for children 0–8 using cut-offs and US\$34.0 million for all children using inflation-adjusted cut-offs.<sup>173</sup> Such inefficiencies can justify the call for universal programmes.

Many advocating for and working on social protection call for universal programming and a universal social minimum. Access to social protection, it is argued, is enshrined in the Universal Declaration of Human Rights expressed as the fundamental right to social security (Art. 22), to social protection (Art. 23) and to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood (Art. 25) and an adequate standard of living of all citizens. Thomson<sup>174</sup> goes further in linking a social minimum and the foundational values of human rights notably autonomy, agency and dignity.<sup>175</sup> These three values, he suggests, are reflected and promoted in the fundamental purpose of a social minimum.

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<sup>172</sup> Hoddinott 2007.

<sup>173</sup> Budlender, Rosa, and Hall 2005.

<sup>174</sup> Thomson 2007.

<sup>175</sup> Thomson 2007.

**Box 3.3 The right to social security: commitments and enforcement**

Following the 1948 *Universal Declaration of Human Rights*, the right to social security was incorporated in several international<sup>176</sup> and regional<sup>177</sup> treaties. The 1966 *International Covenant on Economic, Social and Cultural Rights* “recognizes the right of everyone to social security, including social insurance” (Art. 9). The right to social security encompasses the right to access and maintain benefits, whether in cash or in kind, without discrimination in order to secure protection, *inter alia*, from lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; unaffordable access to health care; and insufficient family support, particularly for children and adult dependents.<sup>178</sup>

But implementation of Article 9 has been lacking. In 2008 the UN Committee on Economic, Social and Cultural Rights expressed its concern over the “very low levels of access to social security with a large majority (about 80%) of the global population currently lacking access to formal social security. Among these 80%, 20% live in extreme poverty”.<sup>179</sup> Indeed, while social rights are recognised and proclaimed, they are often referred to as “the rights of the poor”, and thereby ‘poor rights’. They rarely benefit from the same regime and guarantees as the other fundamental rights, and are not easily enforceable.

In this respect, the 1981 *African Charter on Human and Peoples’ Dignity* omits the right to social security. According to the former Secretary of the African Commission on Human and Peoples’ Rights, it was “not an oversight but rather [took] into account the current economic environment in the majority of African states, whose resources could not adequately support a social security system. It [was] therefore left to the discretion of each state to provide its own social security system”.<sup>180</sup>

While the evidence suggests that targeting generally increases the share of benefits going to poor people, there are exceptions. Coady et al. (2004a,b) note that 14% of programmes were regressive – that is, the poorest 20% of households received less than 20% of programme benefits – a figure that rises to 25% if self-targeted food subsidies are included. Nor does targeting mean that all poor households will be included – there can be errors of exclusion related to the inability of the programme to correctly identify potential beneficiaries; exclusion based on lack of information for recipients; and at times self-exclusion.

Poor targeting often reflects bad design or bad implementation. Hoddinott (2007) asserts that successful targeting requires that programme administrators know who the poor are and where, and how, they can best be reached. It also requires the ability to identify these individuals, households or groups. Absent either of these and targeting will not be effective.<sup>181</sup> However, knowing who and where the poor are and how best

<sup>176</sup> The 1966 *International Convention on the Elimination of All forms of Racial Discrimination* (Art. 2 and 5), the 1979 *UN Convention on the Elimination of All Forms of Discrimination against Women* (Art. 11 and 14), the 1989 *UN Convention on the Rights of the Child* (Art.26), and the 2006 *Convention on the Rights of Persons with Disabilities* (Art 28). The 1952 ILO Social Security (Minimum Standards) Conventions n°102 defines the nine classical branches of social security.

<sup>177</sup> The 1961 *European Social Charter* (Art 12, and Arts 8 (1), 14,16, and 17); the 2000 *Charter Of Fundamental Rights Of The European Union* (Art. 34); the *Protocol Of San Salvador* (Art. 9); the *American Declaration of the Rights and Duties of Man* (Art.16).

<sup>178</sup> UN Economic and Social Council 2008, p.2.

<sup>179</sup> Ibid, p.3.

<sup>180</sup> Baricako 1999 p, 51.

<sup>181</sup> Hoddinott 2007.

to identify them is not simply an aspect of good or bad programme design, it is related to capacity and context. In many place in Africa (and also in high income countries) it is extremely difficult to obtain this information due to poor data and weak administrative capacity. In some places, then, categorical targeting approaches can be a best-fit solution to the inherent problems of poverty targeting.

### ***3.1.3 Monetary, in-kind and combination transfers***

Many welfare or social protection transfers are in the form of cash. One benefit of monetary transfers (as opposed to in-kind transfers) is that they give households flexibility in how they spend the transfer. In addition, cash transfers can support local markets by allowing recipients to purchase items from local businesses, which can lead to spillovers and multipliers.<sup>182</sup> But in circumstances of rapid food price inflation and not adjusting the value of the transfer in line with changing prices, the inflexibility of the amount of cash distributed may hinder the recipient from procuring the basic food necessities. In addition, the distribution of cash transfers must take into account their susceptibility to seizure, either through corruption or robbery.

Unlike cash transfers, the value of in-kind transfers to the recipient, whether food or other items such as agricultural inputs, is relatively less affected by inflation. Of course, food and inputs are equally affected by inflation: it is just that when they are used as in-kind transfers the risk of inflation is borne by governments or donors and not by beneficiaries. In-kind transfers, such as school feeding programmes or public works programmes that pay in food, assist families in attaining a basic level of nutrition. And food-for-education programmes have increased school enrolment and attendance.<sup>183</sup> Critiques of in-kind transfers, particularly food transfers, argue that if they come from an outside source (not from the local community) they can reduce local trade, and reinforce market failures.<sup>184</sup> And if the food is purchased from outside sources, it can be extremely expensive to import.

Unlike monetary transfers, in-kind transfers do not allow families to choose their own consumption pattern, unless it is sold for cash. The extent to which non-emergency food transfers benefit the nutrition of the recipient is also unclear. Public works programmes that pay in food may require the recipients to burn more calories than they earn. And the nutritional results for food-for-education programmes are ambiguous due to the different types of food distributed.<sup>185</sup>

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<sup>182</sup> Samson 2009, p.49.

<sup>183</sup> Adelman et al 2007, p.3.

<sup>184</sup> Samson 2009, p.49.

<sup>185</sup> See Adelman et al 2007, p.3.

A rising trend in social protection programming is to combine cash and in-kind transfers, particularly in micro-finance programmes that target the ultra-poor.<sup>186</sup> BRAC's Targeting the Ultra Poor in Bangladesh<sup>187</sup> or Fonkoze's Chemen Lavi Miyo in Haiti combine a cash transfer, business education and a productive asset, usually either livestock or entrepreneurial supplies, which primarily assist women in generating income. Such programmes have been praised for their ability to graduate women from ultra poor to moderately poor. But they are relatively expensive to administer, at least initially, due to the close relationship between the recipient and the implementing organisation and the cost of the initial transfer.

Furthermore, they are much more than simply micro-finance – they comprise an asset transfer, a cash (and/or food) transfer, plus other services. They are expensive because they are providing a comprehensive package of assistance (the asset plus improved housing), insurance (the cash/food transfer, and free health care) and inclusion (legal services, training, counselling). Microfinance programmes that target the ultra-poor are not the only programmes that combine both monetary and in-kind transfers. Examples of other social protection initiatives that use a combination are also seen in Ethiopia, Lesotho, Malawi and Zambia.<sup>188</sup> Box 3.4 provides insights about the effects of food price inflation on one comprehensive programme.

**Box 3.4 Cash transfers and high food prices: Ethiopia's Productive Safety Net Programme**

Typically, cash transfers provide just enough to buy some local commodities – usually basic food items. Sometimes people are able to pay for other groceries, school fees or some health costs. There is no restriction on what beneficiaries can buy (other than when they receive vouchers for specific goods). People are, however, sensitised about the purpose of the programme, so that subsistence food consumption in poor households is protected.

This raises two important questions:

- Food prices vary between global and local markets, and within countries. So what prices are used to set the cash transfer level?
- Prices can change significantly due to general price inflation, seasonal cycles, or price spikes associated with famines. So what happens if the prices change after the cash transfer level is set?

Research from the U.K. Institute of Development Studies analysed survey data (from 2006 to 2008) on beneficiaries of Ethiopia's Productive Safety Net Programme (PSNP) and a non-beneficiary control group, to clarify the cash/food debate. The PSNP is one of the few social protection programmes that deliver both cash and food transfers to its beneficiaries, giving a rare opportunity for comparative analysis. Using econometric methods the research compares the impact of different payment modes.

Ethiopia has had high inflation since 2007, reducing the real purchasing power of PSNP cash payments. So the real benefit for cash recipients tends to be smaller than that for food recipients. This was confirmed by the current research, which also found that:

- The PNSP had a positive effect on income growth and food security, especially for food only and mixed (cash plus food) payment households.

<sup>186</sup> Huda and Siamanowitz 2009 have categorised these types of microfinance initiatives as programmes that combine the strengths of both social protection and microfinance.

<sup>187</sup> This programme is now known as Challenging the Frontiers of Poverty Reduction (CFPR).

<sup>188</sup> Samson 2009, p.56.

- The PSNP food recipients had quick income growth relative to cash recipients (whose income gains had been eroded by inflation).
- Beneficiaries are starting to prefer food transfers over cash payments.
- Food transfers or ‘cash plus food’ packages enable higher levels of income growth, livestock accumulation and self-reported food security.

This raises issues for global humanitarian response and social protection policy. Can cash transfers be quick enough to respond to dramatic price rises (or even regular food price seasonality)? Do policymakers have the budgetary flexibility to adjust cash transfer amounts frequently? What is the right mix of cash and food transfers in when food prices are unpredictable?

Beneficiaries would benefit from receiving adjusted cash payments or extended payments during drought years or when prices rise. But this would require flexibility in programme design, delivery and (especially) budgeting, all extremely challenging for administrators. The PSNP budget would have needed to treble in two years, even if all the transfers were in food. With food transfers the government and donors bear the risk, while the beneficiaries bear the risk with cash transfers.

Any social protection programme aiming for household food security, therefore, has to buffer social transfers against shocks such as high food prices. This would need a design that includes:

- Inflation forecasting.
- Assessing local markets.
- Building a contingency fund into programme budgets.
- Taking into account different beneficiary group characteristics.
- Choosing between alternative payment methods.

**Box 3.4 table 1 Cash or food transfers: advantages and disadvantages**

Food	Cash
<b>Advantages</b>	
<ul style="list-style-type: none"> <li>• Donor food surpluses are available</li> <li>• Immediately increases food availability</li> <li>• Directly addresses nutritional deficits</li> <li>• Can be self-targeting</li> <li>• Usage favours women, children, older persons</li> <li>• Lower security risk</li> </ul>	<ul style="list-style-type: none"> <li>• More cost-efficient than food</li> <li>• Allows more beneficiary choice</li> <li>• More fungible than food</li> <li>• Encourages production</li> <li>• Stimulates the market</li> </ul>
<b>Disadvantages</b>	
<ul style="list-style-type: none"> <li>• High transport and storage costs</li> <li>• Losses from spoilage and theft</li> <li>• Less easily exchanged than cash</li> <li>• Disincentive effects on production</li> <li>• Competes with local markets and trade</li> </ul>	<ul style="list-style-type: none"> <li>• Limited donor resources are available</li> <li>• Losses from inflation</li> <li>• Can be used for nonfood consumption</li> <li>• Usage favours men</li> <li>• Heightened security risk</li> </ul>

*Source:* Sabates-Wheeler and Devereux 2010.

### **3.1.4 Technology and administrative arrangements**

Social protection payments in Europe are typically deposited in a bank account or sent by cheque through the post, options not always feasible in developing countries. In many areas, banks may not be operating, and if they are, the poor are often excluded

from them. As a result, social protection has created other methods to distribute transfers, adapted to local contexts. Devereux and Vincent (2010) state that these methods either involve a ‘push’ or a ‘pull’ mechanism: either the transfer is sent to the recipient or the recipient has to collect the transfer. Furthermore, the transfer can be disbursed in cash or in kind, or it can be on a smartcard or mobile phone.

One ‘pull’ mechanism distributes transfers through local post offices or other public places, where government officials or non-governmental organisation (NGO) staff distribute hard currency, payments in kind, or a combination of both. Lesotho uses post offices to distribute its social pensions, but other countries have discovered the drawbacks.<sup>189</sup> Fixed payment locations require recipients to travel to the location and queue to receive their transfer, losing a day’s work and incurring travel costs. Furthermore, in Malawi’s Food and Cash Transfers (FACT) project, recipients carried both transfers and were thus easily identifiable, possibly resulting in theft or stigmatisation.<sup>190</sup> For the distributor, these programmes demand labour and administration, requiring staff to count cash, stuff envelopes and hand out money. The manual handling of cash can also result in theft and corruption. In addition, the distributor has to consider security measures, because the payment location will have a large sum of money and be an easy target for theft.

In recent years, the use of innovative technology to disburse payments using ‘push’ mechanisms has increased. These programmes often disburse payments through smartcards, including biometric smartcards, and mobile phones. Implementing organisations have installed fixed pay-points that use ATMs, where the money can be collected at the recipient’s convenience, and created mobile paypoints, which travel to the recipient’s community. Namibia uses biometric smartcards to disburse social pensions, allowing elderly Namibians to withdraw their pension from either fixed or mobile payment units using their smartcard and fingerprints.<sup>191</sup>

In Kenya a project launched in Kerio Valley enabled citizens to send, receive and save money through their mobile phones. Concern Worldwide and its partner, the Catholic Diocese of Eldoret, distributed a mobile phone and a solar charger to groups of people, while individuals received SIM cards.<sup>192</sup> Since 2008 the use of mobile phones as a means of sending, receiving and saving money has been available to any Kenyans using Safaricom or Vodafone as their mobile provider.<sup>193</sup> These technologically advanced methods have been lauded for their efficiency, their cost-effectiveness, and for smartcards in some locations, their ability to give the poor access to the formal

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<sup>189</sup> Lesotho as an example—Devereux and Vincent 2010, p. 370.

<sup>190</sup> Ibid, pp.375–76.

<sup>191</sup> Ibid, p. 371.

<sup>192</sup> Idea came from Devereux and Vincent, but information from Datta, Ejakait, and Odak 2008.

<sup>193</sup> Vodafone has also expanded the money transfer through mobiles to Afghanistan and Tanzania, with plans to launch programmes in Fiji, South Africa and Qatar.

financial infrastructure.<sup>194</sup> But they can be expensive initially, and the costs may be too high for small programmes.<sup>195</sup>

### 3.2 Delivering social protection

#### 3.2.1 *Distribution channels*

Social protection can be provided through a spectrum of market and non-market distribution systems. At one extreme, perfect markets have no formal restrictions on access, price or quantity (non-existent in practice), and at the other, non-market systems restrict access to certain individuals, a fixed quantity and a fixed price (food aid provided in fixed quantities for free to all registered households in an internally displaced persons camp).

Provisioning can be formal (governments or organisations who distribute to those who meet a fixed criterion, such as chronic illness; or market-based health insurance) or non-formal (individuals distributing alms outside a temple or church to those that appear needy). It can be arms-length (universal cash transfers paid by the government into recipient's bank accounts), or relation-based (membership in home-town associations that provide security for community and household shocks). In between, are many combinations and many variations on these features (for example, market-based pensions topped up by state non-market distribution).

#### 3.2.2 *Delivery constraints in fragile and conflict-affected states*

Many of the challenges faced in delivering social protection in countries in situation of fragility<sup>196</sup> are similar to the challenges faced in low-income countries – but magnified. For instance, the case for comprehensive social protection in Malawi or Zambia (non-fragile states) includes fiscal, administrative/logistical and governance constraints, but in Afghanistan or Somalia (or northern Uganda, or Zimbabwe) the challenges are much greater:

- *Fiscal deficits.* Many fragile states are effectively bankrupt. With the bulk of resources oriented towards security, they have very low fiscal-raising capacity and are close to 100% aid-dependent. How to *pay* for social protection in this context?

<sup>194</sup> Devereux and Vincent 2010, pp. 371–72

<sup>195</sup> Ibid.

<sup>196</sup> Several classifications and rankings of state fragility exist. However, ERD 2009 pointed out that no matter how this group is defined, countries in situation of fragility are characterized – among other key factors – by deep failures in their state institutions, the inability to provide basic services to their citizens and by a low capacity to mobilize domestic resources.

- *Administrative deficits.* Fragile states are either subject to generalised low-level sporadic violence or have parts of the country that are insecure and possibly inaccessible (warlords or counter-insurgency groups). Their infrastructure is destroyed, and their administrative capacity low. How to *deliver* social protection in this context?
- *Democratic deficits.* Fragile states either have no government, weak governments or illegitimate governments that represent part of the populace but not all. Where vulnerability is partly due to exclusion from political processes, how can social protection be based on citizenship rights and an effective social contract? How to avoid adverse *politicisation* (e.g. in targeting)?

The challenge is to identify innovative mechanisms to finance and deliver social protection and other basic services in a way that builds democratic structures and a social contract. A useful way to think about social protection within fragile situations is along the following lines. First, in the relationships among social protection, livelihoods and state building, focus on how to leverage social protection to promote a social contract and transform lives. Second, understand and facilitate channels of access to social provisioning for poor and vulnerable groups. And third, use social protection to bridge the gap between humanitarian short-term relief and longer term development efforts.

The challenges facing fragile states make it more difficult to reach the long-term goal of a government-owned and financed package of social protection policies and programmes. In fragile states and conflict-affected contexts there are overlapping needs for both humanitarian, recovery and development assistance. Relief and social protection are often framed in opposition, but such a divide is unhelpful and inappropriate. Humanitarian relief and social protection often work together, and in fragile situations it is imperative that they work together. Ultimately, the common objective is to “encourage states to live up to their responsibilities to protect and assist their citizens”, both through disaster relief and longer term social assistance.<sup>197</sup>

### **3.2.3 *Building resilient social protection institutions: social protection and state building***

Investing in social protection can contribute to state building by stabilising incomes and consumption through legitimate means thereby providing a sense of security and trust – and by transforming relationships between citizens, the state and the private sector (internal and external). Theoretically social protection can deliver tangible peace dividends in fragile and conflict-affected situations, and there is emerging

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<sup>197</sup> Harvey 2009, p.188.

evidence to indicate that this is the case.<sup>198</sup> But such relationships need to be rigorously and empirically tested. Different instrument and strategies that deliver social protection will be more appropriate in some contexts and not others. In other words, there is a need to explore the conditions that enable and constrain different forms and mechanisms of delivery of social provision. Typologies and scenarios are required that enable policymakers to identify appropriate social provisioning and state-civil society engagements in fragile situations.

### 3.3 The policy space for social protection

Three issues that need to be considered in the debate surrounding the politics of social protection are their affordability, their financing and their political feasibility.

#### 3.3.1 *Affordability*

Many governments object to introducing large social protection programmes, because they are seen as unaffordable for low-income countries. In the context of the Social Protection Floor Initiative, the International Labour Organization (2008) assessed the affordability of basic old-age and disability pensions, basic child benefits, essential health care and an unemployment scheme (social assistance). It found that the above basic social protection packages are affordable in the 12 African and Asian countries analysed, most of the time costing less than 4% of the gross domestic product (GDP), with the majority of the schemes in the 12 countries costing less than 2% of GDP. In countries where infrastructure or military costs are large, this assumption is likely to be unrealistic. But PROGRESA (now *Oportunidades*), which reached 40% of rural Mexican households in 2003, costs 0.4% of GDP. The National Rural Employment Guarantee Act, a public works programme that guarantees 100 days of work a year, cost only 1% of Indian GDP.

#### 3.3.2 *Financing*

Social protection programmes are financed in a variety of ways, including national government revenues, aid from international donors, private or NGO financing sources or household saving and out-of-pocket spending.

The domestic financing of social protection is derived from national government revenues, including natural resource revenues, direct taxes, social security contributions, taxes on goods and services, and taxes on trade. In addition, governments can reallocate money from other areas that receive high levels of

<sup>198</sup> See, for example, Jennings 2006 on Yemen.

funding (such military budgets) to social protection measures. The use of domestic revenues – especially those collected through taxation – to finance development programmes is preferable, as it creates a sense of responsibility and accountability. But if money for social protection is raised through taxation, it can be politically unpopular, especially among people who will be taxed most.

Concern has been expressed in a number of Sub-Saharan countries recently about ‘feeding dependency’ through large-scale social transfer and social protection programmes. The line between the ‘deserving’ and ‘undeserving’ poor can get drawn between those with chronic and long-term needs (such as people living with disabilities) and poor people who have the ability to work but have limited opportunities. The political appetite to provide social assistance to this latter group, sometimes dubbed as ‘poor and lazy’, is waning and will continue to wane if evidence is not forthcoming on the growth potential of social protection.

International donors can distribute aid to support initiatives in the form of general or sectoral budget support, pooled funds, multi-donor trust funds, or programme and project aid.<sup>199</sup> But all these modalities need to be assessed for the objectives and programme types being implemented (whether aid is for restructuring or for supplementary financial assistance) and consistent with domestic needs and priorities. Aid is also volatile and unreliable, with donors often unable to commit to the long-term financing necessary for sustainable social protection programmes.

### ***3.3.3 The politics of social protection***

No matter how economically sound or affordable social protection systems are proven to be (theoretically and empirically), decisions about and implementation of social protection remain deeply political. The history of social protection in Europe clearly demonstrates the importance of political commitment for creating social protection systems. Bismarck’s social policy proposals in 1878 explicitly aimed at cementing a bond between the state and workers. Swedish social policy between 1889 and 1913 rested on a firm national feeling and creating ties between classes.<sup>200</sup> Around the world, programmes for social protection – like public policies more widely, as the health care debate in the United States has demonstrated – are the results of political histories, institutions, notions of justice and interactions between interest groups. The sustainability of social protection programmes largely rests on the political will of the government, and the use of that will to finance and give priority to such programmes.<sup>201</sup>

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<sup>199</sup> Pal et al 2005, p.41.

<sup>200</sup> De Neubourg 2009, p.64.

<sup>201</sup> Samson 2009, p.48.

Political commitment comes into existence in different ways. Some social protection schemes are promoted through popular demand and bottom-up activities, requiring organised groups to articulate that demand, in different forms, as was for example the case in India. Support from the middle classes can also be key. The European welfare state building experience shows that “any sustainable solution to building decent societies requires universal forms of social provision that also meet the need of the middle class”.<sup>202</sup> In China, social protection is expanding as the government is under pressure to enhance services for the entire population.

Commitment can also come from the top. Many recent initiatives to build social protection are informed by governments’ felt need to expand assistance to the poor, often in situations of extremely high or rising inequalities, as was the case in post-apartheid South Africa or in Brazil under Lula. Shocks can also trigger (re)commitment: new schemes were introduced in South-East Asia following the deep impact of the 1997 financial crisis. Political views of whether social protection is necessary, and whether certain groups are ‘deserving’ of social assistance, are likely to be significant in the establishment of social protection, as well as its modalities. Universal programmes are often thought to find more broad-based support, but there also is a role of ‘targeting within universalism’, as in South Africa, where targeted pensions form one part of emerging universal social protection.

The political system matters, even though history shows that regimes of all stripes, spun by different incentives, have implemented social protection schemes. Stable party systems (Ghana) and sometimes elected authoritarian or one-party systems (Ethiopia) do tend to be more progressive in social protection. Elections might indeed offer a window of opportunity, as an incentive to initiate social protection or increase public spending to gain electoral support (Lesotho in 2007). Design and targeting of social protection programmes can also be influenced by informal patron-client politics, for example favouring certain patrons (Social Action Fund for northern Uganda) or to secure support for the regime in power (selective food aid in Kenya).<sup>203</sup>

Institutional features are also critical. Social departments and ministries, most likely to lobby for social protection, tend to be overruled by more powerful finance ministries, which often see social protection measures as costly handouts. Officials and agencies bearing the responsibility for social protection play a key role; the effectiveness of the schemes depends on their capacity to implement them, and their integrity in doing so.

Social protection schemes create their own demand and institutional dynamics. They can create a feeling of entitlement, particularly when they are rights-based. This is both a challenge and a bonus. It is a challenge because programmes need to be organised in a way that sustains the original objectives. And it is a bonus because

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<sup>202</sup> Deacon 2010.

<sup>203</sup> This paragraph draws on Hickey 2007.

beneficiary participation can be instrumental in enhancing the positive impacts of programmes through increased accountability.

More broadly, there is a clear link between state social protection responses and its legitimacy and stability, which has led to a recent emphasis on the social contract (box 3.5). At the most basic level, the capacity of the government to respond to its citizens in their hour of need can make and break government in the eyes of the public.<sup>204</sup> This applies particularly in times of crisis, unrest, conflict or fragility. In Kenya the government is extending cash transfers and making significant fiscal allocations to social protection, even in the financial crisis, to promote stability following the civil disturbances in 2008. Similarly, the implementation of cash transfer programmes can be used to extend support to populations with limited allegiance to the state and establish symbolic legitimacy for a conflict government, in terms of its ability to honour the state-citizen compact after conflict.<sup>205</sup>

**Box 3.5 The social contract<sup>206</sup>**

Aspirationally, social protection is concerned with (re)establishing and (re)negotiating the social contract between the state and its citizens. The state's (in)ability or (un)willingness to protect its most vulnerable citizens, as well as to provide access to basic services for all, can be crucial for its legitimacy. Social protection has an impact on social cohesion, as high levels of exclusion and marginalisation (and the ensuing possible anomie) can entail violent reactions. Put bluntly, "*the political function of social protection is to provide social balance*".<sup>207</sup>

The social contract approach to social protection is increasingly popular in international development literature and practice, even though there is little evidence of donors promoting it. A social contract perspective not only offers analytical purchase on how the politics of social protection play out in practice, but also an organising framework for promoting social protection.

The social contract underpins the modern state. It establishes the grounds for political authority, and the legitimating basis for citizens living together. According to Flanagan, it can thus be defined as "the set of mutual rights and obligations binding citizens with their polity".<sup>208</sup> As applied to social protection, it can be understood as an agreement on who should be protected, and how. The type of social contract agreed on has a direct and profound impact on the kind of social protection adopted.

Social protection measures can contribute to strengthening the state's position. By being responsive to citizens' needs, the state effectively provides a guarantee of its legitimacy, and potentially the legitimacy of the tax. Conversely, when the state does not provide for these needs, its relevance and legitimacy are undermined in the eyes of citizens.<sup>209</sup> This is likely to breed distrust and alienation, which in turn may lead to destabilisation or conflict.<sup>210</sup>

<sup>204</sup> Cook and Kabeer 2009, p.16.

<sup>205</sup> This paragraph draws on McCord 2010.

<sup>206</sup> This box draws on Hickey 2010

<sup>207</sup> BMZ 2009, p.8.

<sup>208</sup> Flanagan, *in* Hickey 2010.

<sup>209</sup> Adesina UNSRID 2007, p.23–24.

<sup>210</sup> Inspired by Ortiz, p.62. For example, Chidambarahm show that in India, declining state involvement in welfare provision increases the propagation of right wing religious ideology amongst the urban poor (Chidambarahm 2010).

A social contract perspective places national governments and their citizens at the centre of the analysis and debate, and highlights the key role of the state as a provider of social protection while drawing attention to state accountability and legitimacy. Bypassing the state does not work is thus the first lesson of the social contract approach. Donors thus need a clear focus on working with state structures, including local governments, and on how the state role can promote a social contract.

Finally, regional dynamics can enhance political commitment. There has been a new wave of Latin American social protection programmes, and as chapter 1 shows, the current Pan-African momentum is putting social protection on national policy agendas. In Europe there has historically been much cross-country study and learning, especially in the light of European integration. While the diversity of social policy and social protection solutions has risen sharply through the more than 50 years of European integration and the enlargement from 6 to 27 Member States, new entrants have adopted their own variants of the European Social Model (box 3.6)<sup>211</sup>

#### **Box 3.6. The European social model(s)**

The “European Social Model” (ESM) has become one of the defining features of the European Union (EU), within and outside its borders. As part of the Lisbon Agenda, it has been defined as “characterised in particular by systems that offer a high level of social protection, by the importance of the social dialogue, and by services of general interest covering activities vital for social cohesion”.<sup>212</sup> Social protection is thus an essential component of the ESM, and is considered a productive investment, crucial both to economic growth and social cohesion. The ESM is – or should be – about “combining economic dynamism and social justice”.<sup>213</sup>

But there is no such thing as a single ‘standard’ model. Instead, there are as many models as Member States, usually conceptualised along lines of geography (Anglo-Saxon, Nordic, Mediterranean, Continental, Eastern) or regime (social-democratic, liberal, conservative).<sup>214</sup>

In this light, the ESM should be understood “as a unity of values with a diversity of systems”.<sup>215</sup> These values – human dignity, equality, solidarity, non-discrimination – are enshrined in the Treaties (TEU Article 2) and in the *Charter of Fundamental Rights of the European Union* (Preamble), as is the right to social protection (Charter Articles 32-34, TFEU Article 9).<sup>216</sup> A high attachment to solidarity and equality – embodied by redistribution within and between EU countries – also translates to strong support for development aid abroad.<sup>217</sup>

Looking at the EU from a global perspective therefore sheds light on the ESM’s distinctiveness: inequality in the EU tends to be significantly lower, particularly when compared with the United

<sup>211</sup> Golinowska et al, 2009. For a more critical viewpoint, see Scharpf 2002.

<sup>212</sup> European Council 2000.

<sup>213</sup> Giddens 2005.

<sup>214</sup> See for example: Esping-Andersen 1990; Ferrera 1998.

<sup>215</sup> European Parliament 2006.

<sup>216</sup> *Charter of Fundamental Rights of the European Union* 2000; *Consolidated Treaty on European Union* 2009; *Consolidated Treaty on the Functioning of the European Union* 2009. After Lisbon, the Charter was given binding legal effect equal to the Treaties

<sup>217</sup> According to the latest [European Commission 2010, p.6], 89% of Europeans attach a high value to development cooperation with 45% finding it very important and 44% fairly important.

States.<sup>218</sup> As highlighted by the World Commission on the Social Dimension of Globalization, the ESM “contains elements that could inspire better, more inclusive management of the global economy”.<sup>219</sup>

But its success should certainly not be exaggerated. The UK government’s current welfare reforms and the social unrest in France over retirement pensions attest to the challenges. But, the extent to which these models and the entitlements they provide are entrenched in European mindsets demonstrates that social protection is one of the key tenets of the state-citizen compact. In this sense, social protection is at the heart of European societies and European construction.

### 3.4 Building the elements of a social protection framework

Criteria are needed to build a framework for thinking about sustainable social protection that aims to achieve the expressed objectives (stated in introduction):

- Tackling vulnerability, poverty and exclusion from social protection provision.
- Promoting pro-poor and inclusive development and economic growth.

### 3.5 Seven criteria can measure success in social protection programming

*Suitable design.* Social protection programmes and policies must be appropriate for each context and must respond and be tailored to context-specific vulnerabilities. As much as possible they should be synergistic with other sectoral development policies. The co-ordination of development initiatives, with social protection as just one element, is paramount.

*Appropriate targeting.* Given the strict resource constraints facing many governments in Sub-Saharan Africa, as well as the constraints on donors, targeting social provision becomes necessary to distributing benefits. Targeting methods must be sensitive to existing cultural power hierarchies (in a pastoral community, clan-based targeting through elders may be most appropriate). But targeting design must not further entrench exclusion and discrimination.

*Appropriate delivery systems.* Social protection can be distributed through market, government and network-based channels, and at times a combination. The appropriate mechanism will depend on the political context of the programme and the characteristics of the target population. For instance, in the context of conflict or immediate post-conflict, it may not be safe to deliver cash physically. Technological solutions, such as mobile phone payments, may be safer and more efficient. And for informal sectors workers, their interaction with the labour market and formal revenue collection systems may mean that wage-based pension deductions are not appropriate.

<sup>218</sup> For instance the EU27 Gini coefficient is of 30.6, as opposed to 45 in the United States. It is also higher in Japan (38.1.), China (41.5), the Russian Federation (43.7) and Mexico (48.1). Sources: Eurostat, CIA factsheets, World Development Indicators).

<sup>219</sup> World Commission on the Social Dimension of Globalization 2004. p.20.

*Sustained political commitment.* Social protection is predominantly a national issue. And to have long-term traction and sustainability nationally, it must reflect and be embedded in national political, economic and social imperatives. It is thus crucial for donors to understand better the politics of social protection as well as why some countries prefer some types of initiative and not others, and why some initiatives work in some locations and not others. Harmonised and aligned donor support for national policymaking is likely to facilitate a nationally owned strategy for social protection with synergies across sectors.

*Financial affordability.* Affordability is often perceived as the key constraint to the start-up and sustained commitment to large scale social protection. This implies that the benefits of social protection have to be better evidenced to justify budgetary reallocation within government or donor budgets. Improved domestic resource mobilisation is also essential. Donors can and should support African partners in this endeavour. Furthermore, donors can provide financial support, whether to fund initial costs or recurrent expenditure. For the latter, the question as to how donors can promote government confidence about affordability and sustainability, while minimising policy intrusion, is key.

*Administrative capacity.* As the following chapters will show, when certain types of transfer are a priority of national governments, they deliver significant social protection at scale. Examples include the universal social pensions in Lesotho, Namibia and South Africa and the national implementation of the Productive Safety New Programme in Ethiopia. Key to successful implementation is ensuring that targeting, delivery and compliance procedures are as simple as possible.

*Strong evaluation methods and proven impacts.* Evidence-based policy recommendations are especially critical for supporting both the uptake and longevity of social protection programming. Without strong monitoring and evaluation systems, any claims of what social protection can or cannot achieve remain conjecture, frequently promulgated as the ‘truth’ by political activists. Building a robust evidence base for the process and outcomes of different social protection initiatives will allow improvements to design and delivery, strengthen programme credibility, politically, and enable learning for replication and scaling up.

## Chapter 4: The new generation of social protection programmes: reasons for success and lessons for elsewhere

### Main Message: The new generation of social protection programmes

Programmes from around the world show that there are good opportunities for introducing social protection where levels of poverty are high. There are no magic bullets, but there is considerable evidence on what works, what doesn't and in what circumstances.

Successful programmes have distinctive features that make them suitable for their context. In all cases of successful programmes, there is strong political leadership, which mobilises political and elite support. Preconditions for success also include adequate administrative capacity, and links to (and synergies with) other social policies. Moreover, successful social protection programmes have addressed the fiscal sustainability challenge by reaching large segments of the poor at limited cost.

An important element of their success has been that programmes have been shown to have clear impacts on the well-being of intended beneficiaries, measured by indicators of poverty, inequality and human development. Rigorous impact assessment has been key to determining strengths and weaknesses, as well as to building political support. But more evidence of the programmes' impact on risk and vulnerability reduction and on income smoothing over the life cycle is still needed: investigating those longer-term effects is a crucial aspect of a forward-looking policy research agenda.

A new generation of social protection programmes has emerged outside the OECD over the last two decades. This chapter describes why and where these programmes have emerged, and what lessons can be drawn for other countries, particularly in Sub-Saharan Africa, the subject of chapter 5.

While the new successful social protection programmes have not emerged to the same extent in the poorest countries, there are various reasons to explore their lessons for poorer countries. Historically, policy learning is a very important channel for policy development. And because many low-income countries are now on a fairly stable path of economic growth, it is useful for them to start thinking about the kinds of programmes that become more necessary (politically, demographically) and more feasible (fiscally) as time goes by.

The chapter is organised as follows. It first discusses the main innovations of successful programmes; not that innovation is a precondition, but successful programmes have developed distinct features that make them suitable for their context. Second, there are preconditions that make programmes a success. There need to be fiscal space, and

programmes need to be made sustainable through clear and enforceable graduation criteria. Administrative capacity must be adequate for programme design, including piloting and building on existing programmes. Programmes tend to work better when they are part of or linked to other social policies, such as health and education. Political commitment and incentives for or pressure on leaders to put in place social protection programmes have been key to most successful programmes, if not all. These preconditions are not absolutes, and there is much room for manoeuvre. History shows for example countries with little fiscal space still had significant commitment to universal social services, such as Cuba, Sri Lanka and the Indian state Kerala.<sup>220</sup> However, all successful programmes are embedded in specific socio-economic and political contexts, and this provides important lessons for other countries.

Third, social protection programmes need to have clear impacts on the well-being of the intended beneficiaries (indeed, monitoring these benefits has been part of many programmes). Key criteria include the impacts on poverty, inequality and human development indicators, where much evidence exists. Given the emphasis on social protection, there should be evidence on or measures of reduction of risks or vulnerability and income smoothing over the life cycle, but this appears less explicit. Successful programmes enhance inclusion and minimise exclusion, for example, through an emphasis on rights, clear eligibility rules, an emphasis on universality, and mainstreaming gender. They also minimise the disincentives on labour markets and the crowding-out of personal support networks – again evidence shows that the right design can help do this.

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<sup>220</sup> Ahmad et al. 1991.

**Table 4.1 Recent successful social protection programmes**

Programme	Impact on well-being	Political will	Piloting, monitoring, evaluation	Financial sustainability	Administrative capacity	Minimising disincentives	Maximising spillovers	Addressing gender and social exclusion
<b>Social pensions in South Africa</b>	Reduces poverty and inequality, investment in education and health of children	High political commitment and renewal social contract	Expansion of race-based pension system; managed by South African Social Security Agency	Around 2% of GDP, 7% of government expenditure: costly, but affordable.	Centralised delivery mechanisms; payout: direct transfers and cash	Limited disincentive adults living with pensioners	Pensions (centre-piece) expansion social security system	Means test excludes richest; no gender bias; readdresses race inequality
<b>Bolsa Familia Brazil</b> (conditional cash transfer)	Reduces poverty and inequality; enhances education performance	Very high political and popular support for programme	National public bank selects and pays beneficiaries	0.4% of GDP, administrative costs declined over time	Detailed national legislation, decentralised administration; Municipalities maintain beneficiary information	Impact on labour supply small if any	Flagship of Zero Hunger strategy; Conditional cash transfers depend on availability of schools	Address women needs, reduces social group disparities
<b>National Rural Employment Guarantee Act</b> (public works)	Impact differs per localities; up to 100 days of employment	Flagship scheme 2004 coalition government; strong civil society advocacy	Builds on Maharashtra experience	Entirely tax financed with shared (centre-state) contributions; no pre-set allocation	Rights based, with central legislation, decentralised implementation, grassroots monitoring	Some impact on market wages and labour supply expected	Supports rural infrastructure in poorest areas (little evidence so far)	All rural households; special targets and provisions women and marginalised
<b>Vimo SEWA India</b> (community [labour] based health insurance)	Covers part of health risks of members; Impact on health behaviour limited	Membership organisation with strong advocacy agenda	Gradual expansion as strategy membership organisation	Relies on members' contribution	Professional office staff and grassroots workers	No evidence that it crowds out informal networks	Part of women's organisation; link to formal insurance company	Focus is organisation working women
<b>New Cooperative Medical Scheme China</b> (tax-supported health insurance)	Impact on poverty limited, but some evidence of improvement in access	Very high degree of political support; legally enshrined	National scheme followed county-wise piloting and review	Individual contribution, state co-finance; state-owned banks account for NCMS	Centralised rules, local implementation and responsibility	Health costs (co-payments) remain high.	Conceived as one pillar national health care (and 'harmonious society')	Inclusive rural programme, access to health care still varies

Source: Woolard et al. 2010 and studies quoted there; Bastagli 2010; Grosh et al. 2008; Ranson et al. 2006; Glewwe and Kassouf 2010; Texeira 2010; references in Warmerdam and de Haan 2010.

## 4.1 Innovation in social protection instruments

Social pensions have appeared as a cornerstone of building a social security system in South Africa in a context of high inequalities, particularly those based on race (box 4.1). While social insurance appears much harder to reform, South Africa has built an impressive set of social protection policies, particularly for children and the elderly. Pensions can be provided fairly easily to all qualifying elderly, at low costs and with few disincentives. But the benefits can go well beyond enhancing the well-being of the individual, having positive impacts on younger generations.

### Box 4.1 Social assistance in South Africa

Historical contingencies, political commitments and different speeds of reforms efforts led South Africa in the 1990s and early 2000s to an expansive social protection system. The system is built on unconditional means-tested social grants for disadvantaged groups, primarily the elderly, children and those with disabilities. However, inequalities remain and social security programmes still have a clear racial pattern. Unemployment insurance covers a small part of the working population. Payouts reach only around 10% of the unemployed. Health insurance covers only some formal sector workers. And a contributory pension system exists only for the higher earning formal workers.

Most previous social grants had explicitly or implicitly discriminated against the black population. Reforming this system to equalise access was thus seen as straightforward and politically feasible for the previously disadvantaged majority. Since all grants focused on the ‘deserving’ or ‘innocent’ poor (elderly, children and those with disabilities), political support for these measures was broad.

Nearly 14 million people (a third of the population) are covered by the new social protection system, which addresses the old racial bias. The grants are rather generous, often exceeding per capita income. Other social assistance measures (public works, school meals, disaster relief) play a much smaller role. The targeting of grants is generally good. Households in the lowest quintiles are the main recipients of grants, and the grant is among the most important income source, and for many households in these quintiles, the only income source.

Coverage is broad: 70% of households in the bottom three quintiles report some grant income in 2008. This increased dramatically with the rollout of the child support grant in the last few years, reaching many households. Social grants have reduced poverty, and the expansion of grants likely contributed to the fall in poverty since 2000. The benefits go far beyond the direct ones. Old-age pension increases the nutrition, education and health outcomes of children in beneficiary households. The fact that most grant recipients are female also enhances the positive impact on children.

*Source:* Woolard et al. 2010.

Many new social protection systems also arose in a context of high inequalities, and political incentives to address them. Among the most important innovation in most of them, like Bolsa Família, was the use of conditionalities. Households receive benefits when they follow specific actions, such as children attending school for a minimum amount of time, and pregnant women and nursing mothers attending health clinics. This

has enhanced well-being, but also, according to casual evidence, the political support for the targeted programme.

Public works, a well-tested response to unemployment or underemployment, have been widely used for centuries. The programme that has attracted most attention recently is the Indian National Rural Employment Guarantee Scheme. Building on experience in the state of Maharashtra, and under civil society pressure in response to the 'Shining India' development strategy that neglected the poor and as flagship programme of the later 'Inclusive Growth' strategy of the Congress Party-led government, it has run for several years, with some success, though yet very partially assessed. Among the most innovative features is its rights-based character, through which all citizens are entitled to 100 days of paid work. This emphasis on rights was directly linked to a broader movement for social rights, including those to food and to information.

Group-based social protection has different objectives and ways of operating. Its most unique or innovative features lie perhaps more in organising members than in the forms of social protection provided. In India a range of community-based health insurance schemes have developed,<sup>221</sup> in response to generally poor health services in the country. Gujarat's Self Employed Women's Association has developed a range of services for its members, including social insurance and health insurance (box 4.2). It also advocated for new legislation to ensure that self-employed workers in the unorganised sector can have access to social protection.

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<sup>221</sup> Ranson et al. 2006.

**Box 4.2 Self Employed Women's Association**

The Self Employed Women's Association (SEWA), based in Ahmedabad, helps women achieve full employment, with security of work, income, food and social security (health care and child care in particular) and become autonomous and self-reliant in their decision-making. It sees itself as an organisation and a movement, of self-employed workers, combining elements of the traditional labour movement, the co-operative movement and the women's movement. Primarily a movement of self-employed workers, it has about 700,000 members.

It has been a key advocate in debates on extension of social security, notably in the context of the 2003 draft legislation around universal health insurance, life insurance and pensions. Contributory social insurance schemes are thought to be more empowering, as they facilitate greater accountability vis-à-vis officials.

In 1992 SEWA started an integrated insurance programme, Vimo SEWA, which provides life, asset and hospitalisation insurance as an integrated package. Membership is voluntary, and not restricted to SEWA members. Women, the principal members, can also buy insurance for husbands and children. Health insurance covers (reimburses) hospitalisation expenses only, to a maximum of Rs. 2000 per member a year (US\$46, in 2006). The choice of health care provider is left to the member. The organisation consists of a combination of local grass-root workers and professional office staff.

The scheme has shown to provide significant financial protection for its members, with high rates of reimbursement, and reduced out-of-pocket spending. But it has not affected hospital use, as financial and practical (distance, household responsibilities) deterrents remain. Submitting claims for repayment is also difficult.

*Sources:* [www.sewa.org](http://www.sewa.org); [www.wiego.org/news](http://www.wiego.org/news); and experience at a SEWA/WIEGO/Cornell workshop on 'Membership based organisations of the poor' (<http://www.wiego.org/ahmedabad/>); Jhabvala 2008; Ranson et al. 2006, de Haan and Sen 2007.

Probably the world's largest social protection instrument is China's New Cooperative Medical Scheme (NCMS), developed in response to the decline in health care services after the economic reforms started in 1978. It is seen as a response to poverty as well as gaps in health care. The central government first launched NCMS pilots in 300 of China's more than 2,000 rural counties. NCMS has been implemented according to a centrally determined framework, which grants local governments the autonomy to make adjustments given their regional peculiarities. The policy guidelines stipulate that enrolment is voluntary and that catastrophic expenditures must be covered. While lack of funding and constraints to access still limit its effectiveness, particularly for the poorest populations, the scheme promises much improvement for the rural population.

## 4.2 Preconditions for successful programmes

Social protection programmes are successful when conditions are in place relating to affordability, administrative capacity, links to other sectors and political commitment.

#### 4.2.1 *Fiscal costs and sustainability*

Successful programmes around the world have addressed the fiscal costs by reaching a large proportion of the poor population at limited costs.<sup>222</sup> Bolsa Familia in Brazil reaches 26% of the population, but is reported to cost less than half a percent of GDP, probably slowly edging upward as the programme has been expanding. However, its cost remains tiny when compared with the country's total spending on social security. Oportunidades in Mexico costs 0.4% of GDP while reaching 5 million households. Chile Solidario similarly is deemed affordable, enabled by Chile's considerable economic growth over the last decades.<sup>223</sup> China is extending its social protection programme alongside other public policies in education and health, but in a fiscally conservative way and concern for welfare dependency, and for some observers is still underfunding social programmes.

Longer term liabilities can be addressed as well. Explicit design features for phasing out help to reduce spending as time passes. In South Africa, where social grants consume about 3% of GDP, amounts are varied to manage the fiscal costs. Demographic changes in South Africa will give an upward push to spending on pensions, but these may be moderated by raising the age of eligibility, while spending on child grants may decline because of reduced numbers of children. In Brazil, Bolsa Familia payments are made as long as eligibility persists. The mean real transfer value fell between 2001 and 2005, as benefit values were not increased until 2007.<sup>224</sup>

Concerns about fiscal costs are further mitigated by the positive impacts beyond the mere cash transfers. Many of the cash transfers are conditional, and have a proven impact on increasing rates of school enrolment and health care attendance.<sup>225</sup> Even transfers to the elderly have been shown to assist in paying for the school costs of grandchildren. Public works have an additional objective of creating infrastructure, an economic 'investment' as well as an income transfer. More often than not, social protection is regarded as 'consumption' expenditure, and there is a common preference for allocating domestic resources to 'productive' expenditure; therefore, the evidence from successful programmes show that social protection is also 'productive'.

Many of the positive examples have happened where available resources have made it possible (and perhaps politically necessary) to invest in programmes to assist the poor. African governments are rightly worried about donor funding for social protection, because of the long-term liabilities, uncertain aid flows and limited revenue. New

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<sup>222</sup> Coverage of the programmes varies but tends to be broad, while spending in the Latin American examples is kept low with total benefits per recipient being relatively low: between 4% of beneficiary consumption in Honduras to 20% in Mexico (Bastagli 2010, p.7).

<sup>223</sup> Data on individual programmes quoted Bastagli 2010; data on other social security spending from Weigand and Grosh 2008.

<sup>224</sup> Bastagli 2010, p.7.

<sup>225</sup> See, for example, the recent International Food Policy Research Institute study at <http://www.ifpri.org/pressrelease/study-finds-bolsa-familia-children-healthier-doing-better-school>.

initiatives thus need to have careful cost estimates built into inter-sectoral expenditure plans and visions of revenue generation.

#### **4.2.2 *Institutions for successful programmes***

Social protection schemes can appear straightforward in design, but the institutional demands can be considerable. For the design of new schemes, it is important that these demands are considered seriously, and that introduction follows not only careful design and piloting but also strengthening institutions.

The implementation of successful social protection programmes typically combines high-level policy guidance with heavily decentralised delivery and clearly defined objectives (or clarifies them when confusion arises). National Rural Employment Guarantee Act (NREGA) in India is based on an act of government, with states responsible for implementation, cascading down to district and block level functionaries. Village councils (*gram panchayats*) carry out ‘social audits’ and much attention is given to information to the public, both to beneficiaries and to advocacy groups often directly involved in monitoring progress.

Such elaborate schemes typically start with small experiments and pilots or build on the experience and institutions of other programmes. NREGA in India follows decades of experience with the employment scheme in Maharashtra, but national implementation of NREGA has been deficient in areas where public policy implementation is generally weak. Vimo Self Employed Women’s Association (SEWA) was part of the organisation’s development more broadly, but has generally evolved as numbers of members have expanded. The NCMS in China was rolled out nationally after a period of pilots in a number of counties, and local implementation remains decentralised.

The Bolsa Familia programme, now reaching 12 million Brazilian families, was the national successor of *Bolsa Escola* (not a ‘pilot’). *Bolsa Escola* started in the city of Campinas and was extended to several other localities, and nationally in 2001, before Bolsa Familia was launched in 2003. Bolsa Familia was an integral part of the *Fome Zero* (Zero Hunger) strategy, to enhance access to food, strengthen family-based farming, generate income and promote a partnership between civil society and government.<sup>226</sup> The integrated *Chile Solidario*, covering about 300,000 poorest households through psychosocial or family support, monetary transfers and priority access to social programmes, followed the realisation in 1999 that 25 agencies were implementing 134 programmes with poverty objectives.<sup>227</sup>

Administrative costs matter a great deal. The cost of the grant system in South Africa is just over 5% of pay-outs. This seems low and is partly related to the high levels of South

<sup>226</sup> Soares and Silva 2010.

<sup>227</sup> Soares and Silva 2010. Synergies with other programmes are discussed further below.

African grants. Per beneficiary, the administrative cost is about US\$40–50 a year, which is significant. Administration is helped by a relatively well-developed state infrastructure, high levels of human capital in state bureaucracies and relatively low corruption. For the child grant, the system is specifically designed to improve the state infrastructure by making birth registration a mandatory precondition. In Latin America, administration costs have varied,<sup>228</sup> partly reflecting policy implementation and changes to targeting.<sup>229</sup> Costs as a share of the total budget were 10% for Oportunidades (with the identification of beneficiaries accounting for a high share of the operational costs) but 30–40% for Honduras' Programa de Asignación Familiar (PRAF) and Nicaragua's Red de Protección Social (RPS). Administrative costs have tended to decline over time, but less (so far) in Nicaragua's RPS.<sup>230</sup>

The way cash transfers are paid out can keep the administrative costs down and reduce corruption. Electronic payments have been important in many schemes. Oportunidades, for example, uses ATM cards, and beneficiaries started to save money in bank accounts when the government provided them.<sup>231</sup>

In many programmes the benefits are in kind (food, partly enforced by donor practices and by interest in national food security), but recently there has been a move towards cash, alongside the increased attention to cash transfer programmes, informed by concerns of the effects on local food production. This shift is generally welcome, and cash should be provided unless basic goods are insufficiently available in local markets (where a cash injection would lead to inflation). Successful programmes carefully consider impacts on specific groups such as women and owners of land and cattle, in specific contexts.

Some design features require specific and sometimes elaborate administrative mechanisms. Beneficiary records need to be prepared, verified and renewed with regular intervals, a challenge in Mexico.<sup>232</sup> Compliance with conditions needs to be monitored, and mechanisms to deal with non-compliance established, as in Chile and Brazil.<sup>233</sup> Mauritius reportedly abandoned its non-contributory pension means test since it was prone to corruption.<sup>234</sup> In China, strong neighbourhood committees help in targeting the social assistance programme *di bao*.<sup>235</sup>

Even in countries with strong administrative capacity, making sure benefits go to the right people – and that they all have access to the benefits and knowledge of the

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<sup>228</sup> Grosh et al. 2008 noted administrative costs between 4% and 12% of total outlays for conditional cash transfers.

<sup>229</sup> Bastagli 2010.

<sup>230</sup> Administrative costs for Mexico's Oportunidades declined from 57% in 1997 to 6% in 2003; and costs for Brazil's conditional cash transfers declined from 15% to 5%, Bastagli 2010.

<sup>231</sup> Seira 2010.

<sup>232</sup> Bastagli 2010, p.10.

<sup>233</sup> Bastagli 2010, p.9.

<sup>234</sup> Willmore 2003, in Wermer 2008.

<sup>235</sup> Ravallion 2006.

programmes – remains challenging and can create local tensions. Many authors argue that the cost of targeting can outweigh the benefits, thus providing one argument for universal programmes.<sup>236</sup>

#### **4.2.3 *Links and synergies with other public policies***

Bolsa Familia, South Africa’s pensions and China’s NCMS all are an integral part of broader social policies: they may be the flagship, but they remain one programme among others and can have negative and positive impacts on other public policies, their objectives and institutions.<sup>237</sup> Five links between specific social protection instruments and other public policies are relevant for successful programmes.

- First, decisions on allocation of funding are made in the context of broader budget considerations. In China, despite calls for increasing spending on social programmes, a strong emphasis remains on investment in infrastructure, particularly by lower-level governments, consistent with the programme of modernisation, which is moving only slowly towards higher social spending.
- Second, politically it may be very powerful if social protection programmes are seen to support the work of health, education and agricultural ministries. Co-ordination with other public policies is important, at different levels of policy implementation. Recall that the integrated *Chile Solidario*’s was driven by a need to co-ordinate large numbers of programmes and agencies.
- Third, the conditionalities of the new generation of cash transfers require the use of health and education facilities. Cash transfers do increase the use of medical facilities, implying that they need to be available, and in cases where they are not, the conditions needed to be waived. Coordination between agencies and ministries is thus important. In Latin America this has included terms of agreement and subsidies.<sup>238</sup> In China the introduction of insurance is accompanied by a range of other measures, including strengthening the supply of services.
- Fourth, one objective of public works is building infrastructure, typically in rural areas, and thus potentially supporting the objectives of agriculture and rural development ministries. Evidence on whether this objective is achieved is limited, because much research has focused on direct benefits in days of work and incomes. Common concerns include the quality of the work, which seems the result of giving priority to generation of employment, as well as not co-ordinating with relevant technical departments.

<sup>236</sup> Also Bastagli 2010, p.17.

<sup>237</sup> Jehoma 2010.

<sup>238</sup> Bastagli 2010, p.19.

- Fifth, accountability mechanisms – including terms of agreement – are being improved in cash transfer programmes. To improve services, Brazil's federal government pays administrative subsidies to local authorities, based on need and effort, helping poorer municipalities to catch up.<sup>239</sup>

It is thus important that synergies, co-ordination and communication mechanisms are developed among institutions, responsibilities clarified and collaboration and information sharing promoted.

#### **4.2.4 Political commitment**

The different ways political commitment comes into existence shape the programmes. NREGA in India was underpinned by a very strong civil society advocacy, comprising non-governmental organisations and academics, working closely with reform-minded politicians and civil servants (box 4.3). The Self Employed Women's Association arose as a popular response to the decline of traditional industries in Ahmedabad.

#### **Box 4.3 The politics of formulating a social protection policy**

*By D. Chopra (Institute of Development Studies, University of Sussex)*

The National Rural Employment Guarantee Act 2005 (NREGA) is India's largest social welfare programme. Formulated with the principles of a rights-based approach, it guarantees 100 days of employment to every rural household that demands work.

Employment generation programmes in the form of public works programmes have had a long history in India, but NREGA marks two important departures. First, it is demand-led, its biggest strength as a rights based social protection instrument. Second, it is made by an Act of Parliament, rather than a programme that can be changed or done away with easily when governments change. This ensures long-term sustainability and political commitment towards social protection.

The formulation of the Act followed a political process bringing together disparate actors from varied backgrounds, in a context of sustained economic growth, with welfare demands expressed through the channels of democracy and civil society.

The idea of an employment guarantee came from several quarters, including senior state bureaucrats and civil society activists who advocated for employment to be provided on a sustained basis to counter the ill effects of the agrarian crisis. A positive judicial ruling on the public interest litigation on the 'right to food' provided an emphasis on the language of rights, while formation of state-level consortiums provided space for ideas and actors to come together.

The idea of a National Employment Guarantee policy was articulated initially at the level of the state government, with a partnership of civil society activists and political party leaders propelling it to a national idea. This then found place in the Manifesto of the then-opposition party, which won

<sup>239</sup> Bastagli 2010, p.19. The introduction of component of the New Deal in the United States implied or was part of a drastic reorganisation of centre-state fiscal relations.

unexpectedly in 2004. The employment guarantee was accorded high priority in the National Common Minimum Programme, a joint statement of intent by the new coalition government. While this provided a window of opportunity for the Act's formulation, the enactment phase brought forth opposition, counter-opposition and political negotiation. But high-level political support, as well as astute monitoring by civil society activists, made sure that the policy was not derailed.

The NREGA was passed in October 2004, with the final phase of working out rules, financial details, and developing monitoring and evaluation procedures. The Act was rolled out initially in 200 districts in February 2005, and by April 2008, it had been extended to the entire country.

There were four main drivers of the political processes towards the formulation of the Act:

- The creation of spaces and networks.
- Powerful, astute and sympathetic state actors and networks.
- Active and responsible civil society actors and their networks.
- Political compulsions.

Advocacy strategies included the creation of networks and inter-linkages among various actors (both state and non-state), the use of personal connections and multiple entry-points to gain access to formal decision-making processes, the creation and use of windows of opportunity for negotiations, deliberations and compromise, and finally, the use of the principle of accountability such that promises made were held up as targets to be fulfilled.

The actors who were prominent by their absence in all these political processes were international donors and aid agencies.

The story of NREGA's formulation thus highlights the importance of state-society interaction in the making of social protection programmes. National social protection programmes that arise out of such close interactions between state and civil society are more likely to be economically and politically sustainable in nationally owned long-term policies. While NREGA is not a full rights-based approach (limited to households, 100 days, hard manual work, gender issues), the language of rights and entitlements makes it a potential tool for political mobilisation and change in political dynamics at the grassroots.

*Source:* D. Chopra, Phd Thesis, Cambridge 2010.

NREGA shows that mobilisation and bottom-up activities need to be supported by national policies. SEWA shows that grassroots organisations can also encounter opposition. But several social protection schemes stem directly from a strong political commitment to tackle extremely high or rising inequalities – or to rebuild the social contract.

- In South Africa the relatively rapid build-up of a system of social grants, which now covers about one-third of the population, was an explicit attempt – alongside other policies – to address previous (race-based) inequalities and redress the wrongs of the past.

- In Brazil where inequality is also extremely high, the expansion of Bolsa Família enhanced political support for the Lula administration and the Workers' Party (as demonstrated in presidential elections), even though much of the (other) social security provisions remain highly regressive, and the foundations for the programme were laid under Cardoso's government. It seems the investment in social protection is not seen as a trade-off with growth: Jorge Abraão of the government research institute Ipea is quoted as saying: “The bankers are winning, the industrialists are winning, but the poor are also winning”.<sup>240</sup>
- Chile Solidario aims at promoting social cohesion through redistribution.

Each of these cases is different of course, but it is evident – as in Europe's expansion of social policies – that social protection is an integral part of broader political agendas and contexts.

Chapter 3 already highlighted the importance of the political and administrative system and how social protection can shape broader institutions. China's social protection system, including health, is an impressive but complex example of state-led expansion of pro-poor policies. Economic reforms after 1978 implied huge demographic changes, reforms of state-owned enterprises, which previously formed much of China's welfare state, and explicit acceptance of rising inequalities. The costs became apparent in the late 1980s, and the Communist Party has come to perceive its legitimacy as dependent on providing social protection to those who have benefited less from economic reforms. By 2005 under the Hu-Wen administration, this became encapsulated under the idea of 'harmonious society', which among other things implies a universal social security system (described in a 2004 White Paper). The resolve towards improving social services was strengthened after the 2008 crisis,<sup>241</sup> and 'inclusive growth' is now an objective articulated by the Party's central committee.

Crises often lead to perceived needs to expand social protection, and force political leaders to use – as it's often said – the crisis as an opportunity. Many social protection and other public policies have emerged during times of crisis. Witness political constellations that are different from 'normal situations': the New Deal in the United States in the 1930s, the European welfare state after the 1930s crisis and war and the expansion of new social protection schemes in South-east Asia after the 1997 crisis. And as in South Korea after 1997, post-crisis changes in social protection can also be directly related to significant political and institutional changes.<sup>242</sup>

Rights-based schemes, such as NREGA and the pensions and child grants in South Africa, are particularly important for the social contract (chapter 3). Social services create links between the state and its citizens, with specific obligations (symbolised by conditions, or contributions in insurance schemes) and expectations (the permanence of

<sup>240</sup> <http://www.irishtimes.com/newspaper/weekend/2010/0925/1224279643776.html>.

<sup>241</sup> de Haan 2010b.

<sup>242</sup> Kwon 2009.

NREGA, the ‘harmonious society’ promised by China’s leaders). Over time, a specific mode of organisation of public services can become deeply ingrained in a country’s political history and consensus, as with the National Health Service in the United Kingdom, or continue to be disputed, as with the health reforms in the United States. In either case, the debates over modes of provision are about much more than just technical choices – they are deeply interlinked with political and ideological national struggles.

The inevitable links between the technical and political aspects of social protection are directly relevant for international agencies. These agencies have played little or no role in funding the successful social protection programmes, analysed here, partly because loans and aid are needed less in middle-income countries than in poorer countries, partly because of a reluctance to borrow for ‘consumption’ activities, and partly because of conscious decisions to keep donors out of the political processes. But in many cases international technical assistance is involved in design and – notably – monitoring. With modes of financing central to both the technical design and politics of social protection, aid for social protection can be problematic. It can easily become a political and populist tool without (or with difficulties in transition to) generating the accountability of home-grown social protection schemes.

#### **4.3 Maximising benefits, minimising disincentives**

Successful programmes all have shown clear evidence of how they have achieved their objectives, through evidence on poverty impact (though less on risk and vulnerability), on exclusion and inclusion, and on avoiding or minimising potential disincentives (table 4.2).

**Table 4.2 Impact of programmes**

	Targeting	Impact on poverty and inequality	Impacts on health and education	Cost as % GDP	Administrative costs as share total programme budget	Source
<b>Cash transfers</b>						
Nicaragua Red de Protección Social (social safety net)	Poor households with children aged 7–13 in primary school, and children aged 0–5 (health)	18% decline in poverty gap among beneficiaries	Enrolment increased 13 percentage points; health checks for poor children increased 13 percentage points; improved child height	0.2% of GDP	40%	Maluccio and Flores 2005
Mexico Oportunidades	Rural households in extreme poverty; benefits 32% of bottom quintile and 2% of top quintile	Reduce poverty gap 19% in rural areas between 1996 and 2006; 18% of post-transfer decline in Gini over 1996–2006	Improved enrolment and completion. Educational attainment of beneficiaries: estimated increase 0.7–1.0% per year.	0.36% of GDP	10%	Behrman et al. 2005; Esquivel et al. 2009; Parker et al. 2008, Skoufias et al. 2010
Bolsa Familia Brazil	Poor families with children up to 15 years old and/or pregnant or breastfeeding women; per capita income of US\$17 per month	Reduce poverty gap of 12% between 2001 and 2005; contribute an estimated one-third to the decline in the Gini		0.35% of GDP	1.41% of government expenditure in 2005	Bastagli 2008; Paes de Barros et al. 2009
<b>Public works</b>						
Argentina's <i>Plan Jefes y Jefas</i>	Unemployed household heads with dependents (children aged less than 18 or incapacitated)	Poverty among participants dropped from 80% to 72%; an extra 10% of participants would have fallen into extreme poverty with programme; reduced the drop in income, when compared with non-participants	Reduced Argentina's unemployment rate by about 2.5 percentage points	0.82% of GDP in 2004		Galasso and Ravallion 2003; Galasso 2008

*Note:* Methods of evaluation have varied, and not all are based on randomised experiments.

### 4.3.1 Targeting and universalism

Programmes target in different ways, and comparison of the targeting performance of different cash transfer schemes suggests that different selection mechanisms may work equally well.

First, cash transfer programmes rely on identifying who is poor, or those otherwise deemed deserving, through some threshold (employment programmes can also use this means of targeting). Stories abound on the difficulty of determining who is deserving and who is not, and on the likelihood of misrepresenting reality. It may be surprising that the experience with Bolsa Familia's practice of self-declared income and requirement to report changes in circumstances is seen as successful (perhaps because the coverage is broad), performing as well as Chile's Programa Puente, which uses proxy-means testing and has very good targeting.<sup>243</sup> Argentina moved from a cash transfer programme to a public works programme because of difficulty in ascertaining unemployment.<sup>244</sup>

Methods for identifying the poor are well developed (as for food distribution schemes in India) but disputed and often impractical.<sup>245</sup> Proxies are often used, typically summarising a range of household characteristics such as numbers of rooms, sanitary conditions, land ownership or other assets. Household targeting can be combined with geographic targeting, such as focusing on the poorest districts in India and on poor municipalities in Colombia. Finally, some programmes and conditional cash transfers (CCTs) focus on particular groups with easily identifiable characteristics that cannot be manipulated, such as pregnancy and breast-feeding.

CCTs have good targeting performance. The incidence of alternative targeted policies in 48 countries reveals that they are among the most progressive programmes. The size of the transfers is important in determining the impact. In South Africa the targeting of grants, including child support, has been good: households in the lowest quintiles are the predominant recipients of grants (and grant income is among the most important income source). Coverage is also broad, with 70% of households in the bottom three quintiles reporting some grant income in 2008.

The second main method is self-targeting, central to the success of public works programmes. Much is known about how public works schemes can be successful.<sup>246</sup> Only people in need will do the hard labour for the low wages offered, but only able-bodied people and households not labour-constrained can take part (alternative measures need to be in place for them, like direct food support, as in Ethiopia).

<sup>243</sup> Bastagli 2010, p.14.

<sup>244</sup> Plan Jefes y Jefas; see Koohi-Kamali 2010.

<sup>245</sup> Drèze 2010.

<sup>246</sup> Lipton 1996.

Targeting has been shown to depend on the wages offered, such as Maharashtra Employment Guarantee Scheme. That people have to work to receive benefits makes these schemes more politically acceptable. Compared with CCTs, there is less opportunity for accumulating human capital through public works. But there is evidence of reduced school dropout rates for children thanks to reduced adult seasonal migration.

Detailed design features matter greatly to the success of targeting, and even self-targeting schemes can have substantial leakages. A technical rule is to keep scheme wages below market levels, to avoid job rationing and improve targeting, but this may be challenging for political and social justice. In India, for example, the tendency has been for wages to move towards the official minimum. In many schemes special provisions ensure that women can participate.

Beyond the performance of targeting is a more general question about its desirability and whether universal programmes are superior.<sup>247</sup> This can be a deeply political discussion, as the debate in the United Kingdom in 2010 over child benefits demonstrates. It is often argued that universal schemes lead to broader political support, that non-universal social provisioning may lead to resentment, and that services for the poor tend to be poor services.<sup>248</sup> And as discussed earlier, targeting may be costly and administratively difficult to implement,<sup>249</sup> reducing the gains in moving from a universal to a targeted scheme.

Those issues are context-specific, however. While moving towards targeting may be politically unpopular, many targeted schemes – including public works, but also cash transfers – do find broad political support. Because norms regarding state responsibilities differ across countries (say, for the acceptance of inequality in income or opportunities) and change over time, it is likely that the support for or aversion against targeting will differ too.

Part of the question around targeting and universalism goes beyond the specific programmes. The South Africa social pension complements the systems of pensions from which the better-off benefit. Bolsa Familia is a targeted scheme in the context of a much broader policy to abolish hunger, in the context of other social security schemes that are regressive and very hard to reform. There can be a clear and necessary role for ‘targeting within universalism’, and a role of targeting while moving towards universalism.

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<sup>247</sup> See in particular Mkandawire 2005 for a strong plea for universalism; see also de Haan 2010a.

<sup>248</sup> Adesina 2010.

<sup>249</sup> See Bastagli 2010, p.15, and the discussion below. Administrative costs of identifying beneficiaries amounted to one-quarter of administration costs of Honduras’ PRAF, and a third of the operational costs of Oportunidades in early years of implementation.

#### 4.3.2 Inclusion/exclusion

Targeted transfers raise particular questions of inclusion and exclusion. First, ‘errors of inclusion’ and ‘errors of exclusion’ need to be minimised. The success of programmes like Bolsa Familia has partly depended on the ability to reduce these errors, having created an image that it reaches the right people, through relative modest benefits,<sup>250</sup> conditions that automatically exclude those not in need and simple proxy indicators such as family composition. But exclusion errors continue, particularly near the eligibility cut-offs and where poor households cannot meet the conditions (or do so at costs of intra-household tensions and distribution of burdens).<sup>251</sup>

In some cases and programmes additional measures can ensure that intended beneficiaries participate and benefit. For women to participate in employment programmes, dedicated facilities are essential: NREGA achieves a quota for participation by women, and makes provisions for *crèches* mandatory (co-ordinated with child and health services). To address discrimination on the basis of race or caste, additional measures are required to ensure that all benefit, and – as for gender – disaggregated monitoring is required to track progress.

Many successful programmes rely on decentralised implementation structures. This is essential for addressing local constraints to inclusion, including ensuring simple things like the use of local languages in programme information. It is also critical to ensure complementarity with other government programmes. But this carries risks as well, as local institutions can also act in discriminatory ways. Even formal rules for the representation of these deprived groups (such as reserving positions for women) are by themselves no guarantee that these groups’ interests are adequately represented. While decentralisation and local participation have become part of the implementation of social protection and other government programmes, the literature so far seems to agree that it is necessary but not sufficient.<sup>252</sup>

One disadvantage of targeting lies in the risk of stigmatisation and deepening social divisions: the qualitative nature of much of the evidence should not hinder the inclusion of these examples in discussions on the costs and benefits of targeting.<sup>253</sup> Social divisions that overlap with economic inequalities can be reinforced if benefits are targeted at those deprived groups, as ‘those in need’ can become regarded as ‘inferior’ (or such perceptions reinforced). The Maharashtra Employment Guarantee

<sup>250</sup> Modest in comparison to some of the examples in Africa; this is important as the levels of benefits may imply different dynamics for programmes. Benefits are higher in the South African examples.

<sup>251</sup> Alvarez et al. (quoted in Bastagli 2010, p.16) found that indigenous populations and the extreme poor in high-inequality communities were more likely to fail to meet the conditions in Oportunidades. Molyneux 2007 highlights the increased burden for mothers.

<sup>252</sup> IFPRI 2010 on NREGA.

<sup>253</sup> Bastagli 2010, p.16–17.

Scheme had as one of its motives to reduce migration to cities, thus manifesting and perhaps reinforcing ideas of undesirability of rural populations in cities. Moreover, the stigma attached to welfare programmes can stop eligible individuals from applying, despite material benefits seem convenient.<sup>254</sup> Adato noted rising unease and resentment from the distinction between beneficiaries and non-beneficiaries in Oportunidades.<sup>255</sup>

Questions of stigma can spill over into politics, particularly if the economic inequalities overlap with group identities. India has an extensive framework of benefits for deprived groups, in the form of separate programmes of affirmative action, and through provisions in social protection programmes, including the food distribution system. These may have strengthened identification with social groups, and indirectly contributed to the ascendency of social identity in state and national politics.<sup>256</sup>

Crucial to assessing social protection are the impacts on gender equality, particularly since many of the older social security systems have tended to reinforce gender inequalities. Many practices now indicate that gender concerns are incorporated much more.<sup>257</sup> This includes the special provisions for women in employment programmes: NREGA's quota for women has been consistently achieved, and as a rule women are paid the same wages as men. Gender-specific measures in other schemes include higher transfers for school-age girls and free health care for pregnancy and breastfeeding.

Most of the CCTs in Latin America target households, but women tend to be the primary recipient. It is expected – based on evidence – that women spend money in ways that have more beneficial impacts on children, and indeed there is evidence that women see the programmes as an aid in meeting their responsibility for children. Having even small resources can boost women's bargaining power in the household – and their confidence, self-esteem and sense of control over changes in life circumstances. And community interaction and entering public spaces associated with training and beneficiary events can contribute to women's social capital.

There has also been criticism of the empowerment and gender equity aspects of social protection schemes. Central among them is the concern that the programmes – or the way they are implemented – reinforce women's traditional role within the household. They are primarily seen as guardians of children, rewarded for being good mothers,

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<sup>254</sup> Martinelli and Parker 2006, with reference to Oportunidades.

<sup>255</sup> Bastagli 2010, p.16.

<sup>256</sup> De Haan 2010c. The risks of stigma form one argument in favour of universal programmes. But this can be mitigated by the conditions for implementing these programmes. In India the new programmes are put in place under the pressure of movements to guarantee rights, including the right to food and right to information (and governance innovations like social audits are institutionalised). These can help to strengthen citizenship, and state-citizen relations and accountability, though this tends to be more successful in areas where political mobilisation is already strong.

<sup>257</sup> Soares and Silva 2010.

and thus ‘at the service of the state’.<sup>258</sup> Some analysts have also emphasised that design of social protection programmes is inadequately grounded in analysis of gender inequalities and discrimination, focusing particularly on how unequal distribution within households contribute to the vulnerability of women and children. Identifying women as primary carers in social protection can be positive if it recognises and supports women’s care work. Links to other and complementary programmes – such as health and education, and rights and awareness training – need to be strong.

#### **4.3.3 Reducing poverty, inequality and vulnerability**

The impact of specific programmes depends on a wide range of goals, eligibility requirements and other factors. While many of the new social protection instruments have been more pro-poor or progressive than old-style public transfers,<sup>259</sup> the impacts are context-specific, and need to be seen as part of broader sets of public policies and economic trends.

First, the reach of the social protection programmes has varied greatly. Brazil’s Bolsa Familia reaches 26% of the population, but Nicaragua’s RPS only 3% (so far).<sup>260</sup> The numbers for SEWA’s health insurance are impressive (more than 100,000 members) but this remains small compared with needs. The Chinese medical health insurance very rapidly reached over 90% coverage, reflecting the country’s strong administrative capacity.

Second, the value of benefits also varies significantly. The value of CCTs in Latin America varies from about 20% of household income or spending in Mexico’s Oportunidades, to 10% in Bolsa Familia and to 4% in Honduras’s PRAF.<sup>261</sup> In South Africa’s programmes the transfers are much higher: the value of the old-age pension is 175% of median income, and that of the child support grant 40%.<sup>262</sup> Daily income from India’s NREGA is relatively high, while total income depends on the number of days worked (which varies widely despite the commitment for 100 days). Benefits from health insurance schemes tend to be carefully described, and the coverage of costs tend to be limited.

Of course, the size of the transfers limits their redistributive, poverty and inequality impacts.<sup>263</sup> Impacts on the poverty gap are clearer than on the poverty headcount, and some people have argued this may be a more relevant (though perhaps not politically

<sup>258</sup> Molyneux 2007.

<sup>259</sup> Skoufias et al. 2010.

<sup>260</sup> Bastagli 2010, p.8.

<sup>261</sup> Bastagli 2010, p.7; each programme has different rules and procedures for adjusting benefits.

<sup>262</sup> Woolard et al. 2010: table 7.

<sup>263</sup> Coady et al. and Lindert et al., both quoted in Bastagli 2010; Skoufias et al. 2010 (they also highlight that programmes generally do not differentiate the size of transfers to further redistribute income.)

popular) measure. Measured impacts on poverty gaps were 12% for Bolsa Familia, 18% among beneficiaries of Nicaragua's RPS and 19% for Oportunidades in rural Mexico. Bolsa Familia has been credited with contributing a third of Brazil's reduction in inequality over the last decade, while Oportunidades accounted for almost a fifth of the post-transfer decline in rural Mexico's Gini.<sup>264</sup>

Cash transfer schemes in Latin America have shown positive benefits in education and health care service use – though more so for use than for outcomes, such as scores on achievement tests.<sup>265</sup> School enrolment, attendance and completion improved in Mexico's Oportunidades and Nicaragua's RPS, particularly for poorer children. In health, positive effects include increased use of preventive infant care and checkups during pregnancy, after birth and in early childhood. The RPS contributed a substantial increase in health checks for and weighing of poor children (13 percentage points). Honduras' PRAF increased preventive health visits by 20 percentage points, and Colombia's Familias en Acción 17–40 percentage points. There is some evidence of improvement in child nutrition and child health for Familias en Acción, Oportunidades and Nicaragua's RPS, but other programmes did not show such results.

The impact of public works is mostly on smoothing fluctuations in job opportunities and income. Public works are offered during lean seasons, and it is fairly easy for governments to have a range of projects ready for implementation when droughts or floods hit. They have been successful in many contexts, often as part of a broader relief effort. The direct benefits from employment programmes extend beyond the participants by creating infrastructure, typically in poor areas, focused on the needs of the marginalised in those communities. Some public works programmes proved effective in *protecting assets* of the poor against income shocks and asset depletions, but the record for *creating assets* was much more mixed.<sup>266</sup> Recent discussion on India's NREGA tends to concentrate on the impact on employment and income, with generally much less attention to asset generation. There is no necessary trade-off, but this does highlight the need for balancing objectives – and for collaboration among the agencies responsible for implementation and the line ministries and technical agencies responsible for infrastructure and rural development.

#### **4.3.4 Minimising negative impacts**

Politically perhaps the most charged question is whether social protection, particularly cash transfers, contains disincentives. For example, in East Asia there is great concern to avoid the mistakes of the European welfare states. Will cash transfers lead beneficiaries to reduce their or their family members' efforts to obtain a livelihood and participate in the labour force? Disincentive effects also would imply that the

<sup>264</sup> Bastagli 2010, p.12.

<sup>265</sup> Bastagli 2010, p.13.

<sup>266</sup> Koohi-Kamali 2010.

measurement of poverty impact would overstate the impact of policy. A large literature on these questions does not provide uniform answers, but it seems that programme design can ensure that disincentives do not occur.

In the literature on the European welfare state, studies have shown the kinds of disincentives that are most common, and the policy reforms that have addressed them. In a long-term study of the welfare states of OECD countries, Lindert concludes that there is no net cost ('free lunch') to the welfare state and that at macro level more extensive social protection arrangements do not lead to lower economic growth.<sup>267</sup> Critical to this analysis are the conditions under which this lunch is indeed free, notably enhancing 'voice' and existence of competing group interests that control the extension of social protection arrangements.

This does not mean that those costs do not occur, and the history of European welfare states shows how 'mistakes' have been addressed. A first question is whether income grants lead to undesirable reduced labour participation. Means-tested programmes can promote dependency, and the disincentives – particularly through implicit taxes on incomes – can be high (as in the U.S. Aid to Families with Dependent Children). Targeting that narrowly identifies beneficiaries and is based on a clear and fixed cutoff risks generating incentives for individuals to maintain low incomes to secure eligibility.

There is much encouraging evidence here: participation in cash transfers did not reduce work effort in Mexico and Brazil.<sup>268</sup> Disincentive effects on adult labour supply are found only for the programme that made the most generous transfers, such as Nicaragua's RPS.<sup>269</sup>

Reasons for the absence of these effects are not entirely clear, and various explanations have been put forward.<sup>270</sup> First, because beneficiaries of cash transfers generally are very poor, it is unlikely that they can afford to reduce labour. Second, the conditions may play a role: for some households the lost income from child work and the higher school expenditures may offset the amount of the transfer, as shown in the Cambodia Education Sector Support Project, and Bono de Desarrollo Humano in Ecuador. Third, households perceiving transfers to be temporary rather than permanent are less likely to change their work efforts.<sup>271</sup> But even in South Africa's old-age pension, which is relatively generous and likely to be regarded as a permanent entitlement, new evidence shows that recipient households did not replace working

<sup>267</sup> Lindert 2009.

<sup>268</sup> Skoufias and Di Maro for Mexico and Foguel and de Barros for Brazil in Bastagli 2010, p.14; Fiszbein and Schady 2009, p.117–18.

<sup>269</sup> Fiszbein and Schady 2009; Bastagli 2010, p.15.

<sup>270</sup> Fiszbein and Schady 2009.

<sup>271</sup> Nicaragua's RPS declines in value over three years. In Chile's Programa Puente, the Bono de protección value falls every six months during the two years that beneficiary families are entitled to the transfer.

adults' work effort by prime-age adults. In fact, they increased it slightly, possibly because the pensions relieve financial and child care constraints.<sup>272</sup>

A common concern is that social protection arrangements would have negative impacts on traditional social networks and care arrangements, but the literature on crowding-out also presents a mixed picture. Hansen and Jimenez<sup>273</sup> show in the Philippines that 30–80% of private transfers are potentially displaced for low-income households – partly because households would shift from altruistic motives to exchange motives as recipient income increases. But Gibson and colleagues looked at the displacement of private transfers, and found no such effect in China, Indonesia, Papua New Guinea or Vietnam.<sup>274</sup> There is evidence from casual observations that transfers can crowd in family bonds, for example if the status of women (including elderly) is enhanced when they receive a grant.

A World Bank report<sup>275</sup> discusses some mixed evidence on cash transfers crowding-out remittances, a major concern in many poor countries: That could happen if senders of remittances or other private transfers target a fixed level of income for recipient households or seek to equate marginal utility across donors and recipients. Two empirical studies of Oportunidades show mixed results, with Albaran and Attanasio showing some crowding out, but Teruel and Davis rejecting any negative impact on monetary or in-kind transfers. Nielsen and Olinto's study of the Honduran and Nicaraguan cash transfer programmes found that both the prevalence and amount of remittances were unaffected by the programmes, though there was some small negative effect on private food transfers.<sup>276</sup>

Thus, while there is no doubt that public policies can shape social relations and even demographic structures in the long run, the concerns about possible crowding out appear largely unwarranted, and stories abound of ways social policies and protection can crowd in. The concerns about dependency are important, but there is much evidence for how disincentives can be minimised and positive impacts increased.

#### 4.4 Lessons: what, how, for whom?

The successes in Brazil show that social protection programmes can reduce poverty and inequality, with Bolsa Familia as the flagship, and that this is consistent with maintaining pro-growth economic policies and building up political support. The South African case shows that it is politically, economically and administratively

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<sup>272</sup> Early research on the OAP suggested that it had substantial negative effects on adult labour supply (Bertrand, Mullainathan and Miller 2003 in Fiszbein and Schady 2009); more recent research (Ardington, Case and Hosegood 2008 in Fiszbein and Schady 2009) disputes those findings.

<sup>273</sup> In Gibson et al. 2006.

<sup>274</sup> Ibid.

<sup>275</sup> Fiszbein and Schady 2009.

<sup>276</sup> All evidence quoted from Fiszbein and Schady 2009.

feasible to implement an expansive social grants system in a middle-income Sub-Saharan country, with multiple components. Each programme and the system as a whole can contribute to poverty reduction, provide a stable income source and extend benefits beyond the direct beneficiaries particularly to children, with relatively few disincentive effects.

There has been much enthusiasm to learn from these experiences. Brazil has been keen to articulate the lessons from its popular programmes, including through the Brazil-Africa Cooperation Programme on Social Development. Following a visit to Oportunidades in Mexico, New York City Mayor Michael Bloomberg promoted a privately funded pilot CCT in one of New York City's deprived neighbourhoods.<sup>277</sup> And in 2008 the British government proposed a similar initiative.<sup>278</sup>

Looking ahead to chapter 5 on Sub-Saharan Africa, what are the emerging lessons for implementing social protection in low-income countries?

First, there are opportunities for introducing social protection in contexts of high levels of poverty. Increasing evidence shows that cash transfers can be provided to a fairly wide section of populations, and that employment programmes can be good responses to specific vulnerabilities. There is now much experience with targeting and much evidence about its pros and cons, which countries can use in design of schemes. There are no magic bullets, but there is evidence on what works, what doesn't and in what circumstances.

The choice of social protection instruments depends on a wide range of conditions, highlighting the need – particularly for aid agencies – to consider social protection as integral part of wider public policy, and how this evolves over time. Successful programmes focus on keeping costs within the defined means of government resources and efforts to enhance these. They rely on or help to build government structures and implementation capacity, at various levels, depending on specific programmes, often building on and integrating with other programmes. And they show the importance of complementarities and co-ordination among sectors and agencies. Finally, most successful programmes have strong political leadership.

But the devil is in the details. The specifics of lessons from success matter a great deal, and the 'conditions' under which they became a success are as critical as the positive impacts. The complexity of the South African system, for example, implies great difficulty in implementing it elsewhere. And financial and institutional constraints could limit the possibilities for replicating Latin America's good experience. It is not clear that low-income African countries could implement more than one rather basic and easily administered grant. While choosing one programme

<sup>277</sup> The Inter-American Social Protection Network is one example of initiatives that promote lesson learning ([www.socialprotectionnet.org](http://www.socialprotectionnet.org)). The International Policy Centre for Inclusive Growth ([www.ipc-undp.org](http://www.ipc-undp.org)) has a focus on articulating lessons from social protection programmes.

<sup>278</sup> Lloyd-Sherlock and Barrientos 2009.

will reduce complexity, it raises questions about priorities, and minimises chances of synergies between programmes. In any case, the choice of a programme needs to be embedded in an encompassing vision of social policy and public policy more generally, adopting a medium to long-term vision and prioritising institutional development.<sup>279</sup>

Unlike the piloting in Africa described in Chapter 6, the policy developments around social protection in Brazil, China, India and South Africa were locally owned. Donor-led pilots seldom produce local ownership. But donors such as the European Union can resort to more innovative and contractual approaches, like sharing their experiences with their development partners, and even learn from them (box 4.4).

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<sup>279</sup> Bastagli 2010, p.20.

#### Box 4.4 Lessons from European Union experiences

Europeans have a wealth of experiences – in their diversity, complexity and history – which could be shared with partners eager to reshape the interrelationships in political, economic and social development.

Lesson learning, or perhaps more accurately experience-sharing, can take many forms.

- First, just as relevant as recent experiences are the various historical paths which led to the development of the European welfare state from the early beginnings, usually in the 19<sup>th</sup> century.
- Second, sharing both negative and positive lessons can be helpful. Based on European Union (EU) experiences and challenges, SSA countries could learn what *not* to do for system sustainability.
- Third, European experiences are a powerful reminder that endowments and resources are far from the only preconditions leading to welfare states. When Scandinavian countries embarked on modest social insurance programmes in the 19<sup>th</sup> century, they had small populations, relatively scarce resources, a predominantly agrarian society and a peripheral position in the expanding capitalist world system. Gradually, these programmes extended and expanded to become the foundations of some of the most comprehensive social protection system worldwide.<sup>280</sup>
- Fourth, sharing experiences does not mean advocating the adoption of one single model. In fact, the EU shows exactly the opposite of the “one-size-fits-all” belief in social protection, with multiple routes to achieve broadly similar goals. So, sharing European experiences means opening, not narrowing, the range of trajectories that led to the creation of social protection.

The EU offers a vast array of natural and well-studied experiments of different social protection responses to similar social challenges. In short, Europe possesses a rich set of trajectories, mechanisms and outcomes in the field of social protection to share with the developing world.

The aim is not to replicate and export, but to share and learn from each other. Indeed, developing countries have a lot to teach too, and learning from social protection solutions in the global South (including SSA) could help EU countries address new challenges (such as growing flexibility and informalisation of the labour market) and protect groups of especially vulnerable people (such as Roma and undocumented immigrants).

*Source:* Gough 2008.

<sup>280</sup> Kuhnle and Hort 2004.

## Chapter 5: Social protection in Sub-Saharan Africa

### Main Message: Social protection in Sub-Saharan Africa

In Sub-Saharan Africa, the limited formalisation of the economy makes it impossible to build up comprehensive social protection systems around formal sector employment. Safety nets remain important, as a response to emergencies; sometimes they can provide a building bloc for more permanent social protection programmes. In addition there also has been a considerable expansion of specific targeted programmes, with many still in a pilot stage. Furthermore, schemes based on (near) universality are spreading, mostly in southern Africa.

Several programmes satisfy some of the preconditions for success and address problems in ways that appear to adequately tackle context-specific challenges—illustrating what is possible in moving towards more comprehensive social protection systems in Africa.

The cases analysed show that it can be politically, fiscally and administratively possible, also for low-income Sub-Saharan African countries, to provide social protection on a scope and scale previously thought out of reach. While the immediate introduction of a comprehensive social protection package may often be unfeasible, non-contributory old age pensions and/or public works programmes are particularly suitable as a starting point. Over time, building up contribution-based systems, possibly in conjunction with market-based micro-insurance, can complement these efforts to expand social protection.

This chapter reviews the state of social protection in Sub-Saharan Africa, showing its strengths and weaknesses, and identifying the scope for expanding and replicating some existing programmes. It discusses some of the main features of recent social protection activities in Africa. It explores ways of building on existing formal sector social insurance mechanisms. It also reports recent efforts to use market-based or community-based approaches by expanding insurance through micro-insurance activities in areas such as health. It then focuses on specific programmes across Africa that appear to have been successful according to at least some of the criteria developed in chapters 3 and 4, highlighting features that make them plausible examples of programmes that could be successfully scaled up across Africa.

## 5.1 Some current features of social protection in Sub-Saharan Africa

Social protection programmes have proliferated in SSA (box 5.1). Some programmes, such as pensions in Namibia and South Africa, expanded systems in place before independence to populations previously excluded or marginalised. Others have been newly developed to protect targeted populations from poverty and vulnerability. Four of their features, potentially complementary, shape the debate on the directions of social protection in Sub-Saharan Africa.

- First, social protection continues to have limited formalisation, and its expansion is constrained by the lack of formal wage employment among the poor.
- Second, safety nets remain important, as a response to emergencies, and are widespread.
- Third, there has been a considerable expansion of the number of specific targeted programmes, aimed at particularly poor and vulnerable groups, though many remain in a pilot stage.
- Fourth, in some countries, especially in southern Africa, schemes based on universality, or broadly defined target groups, are spreading.

**Box 5.1. Models of social protection in Sub-Saharan Africa**
*Social assistance built through strong national constituencies*

In 1940 South Africa extended its old age non-contributory pension to its black population, and in 1994, with the end of Apartheid, its social pensions were de-racialised, and now reach 2 million people. This model (unconditional, regular, categorical, means-tested income transfers) has spread across southern Africa to Botswana, Lesotho, Namibia and Swaziland. Driven by domestic political constituencies, it is funded by domestic taxation, not foreign aid.

According to Mkandawire, in southern African countries (plus some eastern African states, such as Kenya) social protection systems have been shaped by the colonial heritage and are largely affected by the degree of formalisation of the economies. In *labour reserve* economies, a welfare state including pensions, education and health services emerged to protect the white population. At independence these countries had fairly sophisticated tax collection mechanisms, and social policy became an instrument to redress colonial injustices, often making schemes applicable to everyone.

*Donor-supported social protection policies*

In other parts of Africa official, non-emergency social protection policies started to evolve in the last 10 years. Most of these programmes are donor-funded, and donors often are heavily involved in their design and management. There are two main variants – pure income transfer programmes and income transfer plus service programmes.

The pure income transfer programmes are targeted, unconditional and regular. Those involving other activities are less common and focus mainly on cash for work rather than education or health service delivery (as with the Latin American schemes). Malawi's improving livelihoods through public works programme and several schemes in Ethiopia, including the Productive Safety Net Programs, are experimenting with this model. These schemes are strongly supported by foreign aid. While some schemes have strong domestic political support and largely are nationally driven (including Ethiopia's programmes), political elites are reported to be suspicious of cash transfers but are prepared to go along with such schemes if donors are paying

*Source:* Nino-Zarazua et al. 2010; Mkandawire 2010.

### **5.1.1 Limited formalisation in social protection and employment**

While African economies have become substantially market-based in recent decades, linking more to the global economy, informal systems of employment and social protection still predominate.

Family or community mutual support and solidarity systems, often with pre-colonial roots, remain important for welfare and, by design or by default, are closely interlinked with government efforts to reduce poverty or vulnerability. The transfers and remittances involved are on average 14% of income across a variety of countries in the region (table 2.1, chapter 2). But they provide only limited protection.

Informal mechanisms typically are most suited to deal with small idiosyncratic shocks that affect only some people in the community. Their effectiveness tends to be eroded by serious shocks that affect entire communities, sequential adverse shocks or trends that reduce the capacity or willingness to provide generosity to those in special need.<sup>281</sup> At best, they offer only ‘partial’ insurance, leaving considerable costs to the needy. The coverage and scale of protection do not favour the poor, and instead are more available to richer families.<sup>282</sup>

Still, providing formal social protection should take into account existing mechanisms, as any crowding out of informal mechanisms may reduce welfare gains from social protection and waste resources if substitution is all that is achieved.<sup>283</sup> Conversely, building on existing mechanisms and exploiting their complementarities can achieve better targeting and overall welfare outcomes.

Social security systems from rich and middle-income countries are typically based on employment, with contributions from employers and employees building up the required reserves. But in most of SSA, the share of the working population in formal employment remains very low. The predominant livelihood is self-employment, either in agriculture or the informal sector.

More than half the population in SSA depends on employment in agriculture. In some of the poorest countries this is still substantially higher: in Ethiopia, for example, close to 80% of the population lives from smallholder agriculture. Even within non-agriculture, most recent estimates suggest that informal employment (defined as the absence of a written contract or social protection) constitutes about 70% of total non-agricultural employment.<sup>284</sup> Contrary to other areas in the world, a key feature of informal employment in Sub-Saharan Africa is that it is mainly comprised of the self-employed (own-account workers and unpaid family workers, estimated to be more than 70%) and paid employment (even on a casual basis) is a minor part of it with the exceptions of South Africa and Kenya (table 5.1).

The challenges to expand contributory social insurance schemes in such settings are substantial. Employment-based social insurance would result in relatively limited coverage and largely bypass the poor and rural populations: other models are required too. As a result, the rich country model of basing social protection primarily on social security systems linked to formal employment is not applicable in Africa; but, as we discuss below, expanding formal social insurance systems, possibly in combination with micro-insurance, might be a building bloc towards more comprehensive social protection.

<sup>281</sup> Platteau 1991; Fafchamps and Lund 2003.

<sup>282</sup> Azam and Gubert 2006; Barrett et al. 2001.

<sup>283</sup> Morduch 1999.

<sup>284</sup> Charmes, 2010

**Table 5.1: Informal employment in status in employment, countries and regions, 1990s and 2000s.**

Regions/countries	Percentage self-employed in informal employment
Years	1990s–2000
Sub-Saharan Africa	71.7
Benin	95.4
Burkina Faso	86.9
Chad	92.7
Guinea	95
Kenya	42
Mali	(78.1)
Mauritania	72.8
Mozambique	63.3 (73.2)
South Africa	25.2 (20.8)
Latin America	61.2
Southern and South Eastern Asia	57.4

Source: Charmes 2010.

### **5.1.2 A continuing role for safety net programmes as part of emergency responses.**

The second feature of existing social protection in Africa relates to policy measures designed to deal with transient livelihood distress, usually linked to some crises. The famine and emergency programmes so common in recent decades are typical. These ‘safety net’ programmes are mainly food aid and humanitarian assistance – providing food, temporary shelter, potable water and basic health services to ‘victims’ of civil war and environmental crises. Such programmes are important for survival, but they usually are temporary and generally have limited relevance for long-term social protection systems. They do not create permanent obligations (governments) or rights (for individuals).

In rare cases, the long-term need for support in the wake of emergencies has given rise to more systematic approaches, transforming safety net programmes into more comprehensive social protection schemes with features that move far beyond disaster relief. To take a prominent example, the largest public works programme in Africa at the centre of the Productive Safety Net Programme (PSNP) in Ethiopia has its roots in a drought in 2002–03, and the risk of famine was generally averted through relief operations of the government with donor support. The PSNP now routinely provides cash – or food-for-work – in the lean season to about 8 million people.

While, this is not typical practice, similar opportunities arose in the wake of the food and fuel crises in 2007–09, when many countries instituted or expanded safety net programmes, including public works (as in South Africa, Tanzania, Nigeria and

Ethiopia).<sup>285</sup> But their long-term form and functioning as part of more durable and comprehensive social protection mechanisms remain to be seen.

### **5.1.3 A move towards targeted social assistance programmes through pilots**

Despite the continuing dominance of safety net programmes as part of emergency responses, some policymakers recognised the need to shift the focus from transient to chronic poverty, not least when a significant part of emergency responses appear oriented to the same recipients every year. Accordingly, a social assistance approach arose, using ‘poverty targeting’, aimed at reaching individuals persistently unable to achieve basic food security. Along this perspective, one would anticipate the support required by chronically poor families and provide regular transfers to them.

Related to this shift was a move from food to cash transfers. This was motivated by the recognition that cash can be delivered more efficiently than food, was more supportive of the development of local food markets, preserved recipients’ sovereignty of choice in spending and could benefit from innovative use of electronic technologies for secure and low cost delivery. Several pilot projects, such as the Kalomo project in Zambia in 2004 and Food and Cash Transfer (FACT) in Malawi in 2005–06, correspond to this approach. The Hunger Safety Net Programme in northern Kenya is also part of this line of thinking, as is the Livelihoods and Empowerment Against Poverty (LEAP) in Ghana, albeit funded by the Ghanaian government and incorporating conditions for benefits. While these projects increase the capacity to reach and ameliorate situations of chronic extreme poverty through cash transfers, they also reveal limits of targeting costs and political leverage.<sup>286</sup>

Until now, many of these programmes were in fact just pilot projects, usually financed by donors and implemented by non-governmental organisations (NGOs), and scaling up has not been systematic even when results appeared positive. Indeed, because of fears of dependency and concerns about the fiscal sustainability of the budget allocation necessary to address chronic poverty in this way, governments have proved reluctant to scale up or institutionalise these poverty targeted transfers. The attitude also reflects the lack of political support of these schemes in a large part of the population almost as poor as the potential recipients but that does not benefit from them.

### **5.1.4 A push towards universally provided support**

Fully scaled-up publicly funded social transfers to specific and well-defined population groups are universal in the sense that they apply to all citizens who meet

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<sup>285</sup> World Bank 2010.

<sup>286</sup> Ellis 2010.

the eligibility criteria to receive benefits. Part of the literature refers to them as ‘categorical’ since they cover a well-defined category of individuals rather than the whole population. This approach to social protection, rooted in an orthodox view of social security, corresponds to providing protection in relation to major life-cycle risks (old age, childhood and disability).

Following this line, a group of southern African and island states (Botswana, Lesotho, Mauritius, Namibia, Seychelles, South Africa, Swaziland) have non-contributory universal or very lightly targeted social pensions, and in some cases child grants and disability benefits, as legislated rights.

Compared with the poverty-targeted approach, these transfers overcome important social and political limits. Their (near) universality stimulates wider support in the population among the better off as well as the poor, avoids the socially divisive interpersonal comparisons that arise with targeted transfers, and provides political leverage. But the very same universality means that they have a higher cost, because individuals who do not require such transfers nevertheless receive them. And imperfect definitions of categories can leave gaps in the social protection system.

## 5.2 Expanding social insurance through existing formal sector schemes or micro-insurance

Most low-income Sub-Saharan African countries have long had contribution-based social insurance systems, often modelled on systems developed in colonial times. Their key feature is that very few people are covered by formal social insurance schemes: not more than 5% to 10% of the workforce – principally in the form of pensions for civil servants and employees of large (formal) private enterprises.<sup>287</sup> In parallel, micro-insurance initiatives are offering market-based solutions to social insurance for the poor, premium-based and tailored to their needs. The constraints of just expanding existing formal sector schemes are considerable, but building up contribution-based systems, possibly in conjunction with market-based micro-insurance schemes, can complement efforts to expand social assistance.

### 5.2.1 Building on formal sector social protection systems

Most contributory systems cover government and other formal sector workers which are still a low proportion of the labour force (table 5.1). The result is that these systems cover a lower proportion of the labour force in Sub-Saharan Africa than in any other region of the world; the poor, the informal and the rural are largely excluded.

<sup>287</sup> In some middle-income SSA countries, such as Mauritius and South Africa, social insurance coverage varies between 40% and 60%, comparable with middle-income countries in Asia, Latin America and North Africa.

With formal-sector social security so limited, one option would be to expand it to cover a large share of the population. This is difficult as most of the African labour force is either self-employed (as farmers or in the informal sector) or has unwritten labour contracts in the informal sector. Consider Namibia. The Social Security Act of 1994 gave self-employed workers the possibility of voluntarily joining the social security system. But because informal employers cannot offer the legally required employer's contribution, a double contribution by workers is required, resulting in low uptake.

Some schemes try to integrate formal sector social insurance with more broad-based social protection. An example is Ghana's Social Security and National Insurance Trust, which created the Informal Sector Fund. Previously, the social security system excluded 80% of the nation's labour force. An initial Trust scheme was based on voluntary contributions and gave informal workers increased old-age security via pensions. But inadequate incentives and poor awareness contributed to low uptake. Having later identified strong demand in the informal sector for retirement savings, the Trust rolled out a pilot in June 2005. Following its apparent success, it then created the Informal Sector Fund in February 2008. The fund's success stems from provisions that enable participants to use their savings as collateral and have access to micro-credit for productive purposes.

In some contexts it may well be possible to integrate formal sector social insurance programmes into a larger legal and social protection framework, to include groups otherwise excluded. This has been possible for domestic workers in South Africa, where – as a result of legislative changes – more than 600,000 domestic workers were registered with the Unemployment Fund between 2003 and 2008. Greater public awareness of the expanding rights framework and willingness to comply with and use the new mechanisms explain this extension (box 5.2).

**Box 5.2 Extending social protection to non-formal sector workers: The international quest for an alternative**

*By Marius Olivier, Director of International Institute for Social Law and Policy*

In 2006 the International Labour Conference adopted the Employment Relationship Recommendation 198, which contains a number of clauses relevant for coverage extension to the informal sector. The Recommendation requires the adoption of measures by member states to:

- Combat disguised employment relationships (clause 4(b)).
- Ensure protection to employed workers in relationships involving multiple parties (clause 4(c)).
- Ensure effective protection to workers affected by uncertainty regarding the existence of an employment relationship (clause 5).
- Use measures to help determine the existence of an employment relationship and to distinguish between being employed or self-employed (clause 11).

The Recommendation has limited application because it does not cover all relationships where work is being performed. For example, work performed under a genuine independent contract is not treated as an employment relationship.

Alternative conceptual and institutional arrangements, linked to appropriate regulatory responses, are clearly discernable. Progressive statutory adjustments in various jurisdictions in both developed and developing countries are increasingly extending the scope of application of labour law to persons who work in a dependent or subordinate relationship. However, deliberate revision of the social security laws to affect this change is required, to ensure that this conceptual widening would also apply to social security.

Extending social security coverage to those who work informally should also recognise that a range of complementary institutional measures is needed to achieve meaningful extension of protection. Merely extending existing social insurance arrangements without adjusting them to the special informal economy context has not proved particularly successful, as some experiences in Africa show. Social assistance measures are crucial, also (ideally) as a bridge towards extending social insurance over the longer term. South Africa's old-age grant followed by the systematic introduction of social insurance-based pension arrangements is an interesting example.

Successful informal and self-initiated (bottom-up) arrangements are equally important, if institutional frameworks are large enough and organised. Widescale extension of coverage to the whole or most of the informal economy may be possible and even required – if the instruments are carefully selected and fine-tuned, the extension and the measures to achieve same have been thought through, consultative and public awareness approaches have been adopted and the required institutional and fiscal capacity is in place.

By contrast, sectoral approaches embedding tailor-made solutions, provisions and prescriptions for a particular group of workers in the informal economy could extend coverage. This can often be done only progressively.

Successful extension requires that the affected group must be large enough, fairly homogenous in its characteristics, and clearly in need of protection, as with South African domestic workers. Even so, political will, policy determination and public awareness and persuasion, backed by consultative approaches and, where possible, some measure of international support, are at the core of extending protection.

It might also be necessary to develop specialised contribution modes, eligibility criteria and benefit packages for the informal economy as a whole or for particular sectors individually. Contributions would have to accommodate the limited ability of poor workers and those who work intermittently. Topping up small contributions of poor workers with government subsidies is crucial, as with community health insurance in Tanzania. In addition, it could be helpful to develop flexible income scales to calculate contributions.

For benefits, it is important to consider tailor-made packages, which provide for a minimum range and level of benefits for informal workers (this could be done on a sectoral basis). This applies to both state-initiated and self-initiated group-based schemes. It might also be prudent to sequence the extension of benefit arrangements. Again, some benefit arrangements for domestic workers in South Africa are useful examples.

*Source:* Olivier 2009.

Healthcare coverage is another active area for initiatives, building on formal sector schemes. For many in informal or self-employment, basic healthcare is usually the first social security priority.<sup>288</sup> Across SSA, governments recognise the importance of universal health care access but also the need for sustainable financial models. So, reaching universal healthcare coverage through social protection is likely to require an

<sup>288</sup> van Ginneken 2010.

appropriate mix of compulsory contributory social insurance schemes, with mechanisms to include the informal-economy population, and tax-based social assistance for those whose incomes preclude their own contributions,<sup>289</sup> combined with considerable tax and aid-based funding of the healthcare infrastructure and many of its costs.

Some countries have tried to reach universal health insurance through a mandatory scheme, inscribed in national legislation.<sup>290</sup> In Rwanda, contributions are not dependent on the employment status, and virtually universal coverage has been attained; the case of Ghana is discussed further below.<sup>291</sup> Gabon is also following this route. Before the civil war, Côte d'Ivoire used the same approach.

Many other countries aim at universal coverage, but without insuring every category. A standard model separates mandatory insurance for the formal sector, voluntary insurance for groups able to pay in the informal sector, and fee exemptions or equity funds for the poorest. Such systems can be found in Kenya, Mali, Senegal and Tanzania. Some formal health schemes have been opened to others beyond the initial beneficiaries. In Kenya, the National Hospital Insurance Fund was originally providing mandatory hospital insurance for civil servants; it was subsequently opened first to private sector workers and, more recently, to groups whatever their economic status. Tanzania is considering similar plans.

The success of these schemes is mixed, because opening them for others outside the formal sector without active attempts to enroll and include new members is unlikely to work, even though the benefit package would appear to help many. Furthermore, the success of social insurance initiatives in the health sector always depends on the quality of the health service provision. Even in the more expansive compulsory schemes in Ghana and Rwanda, contributions account for less than 10% of the health budget.<sup>292</sup>

### ***5.2.2 Expanding market-based and community-based social insurance***

Another model starts from more market-based and community-based systems, rather than from existing formal sector systems. Especially in health, such systems have been actively explored in recent decades. Inspired by European social health insurance systems, many African countries began developing models of community based health insurance (CBHI), mostly from the late 1980s.

CBHI is managed by community organisations broadly defined, and including schemes run by health facilities, NGOs, trade unions, local communities, local

<sup>289</sup> Ron 2010.

<sup>290</sup> Letourmy 2010.

<sup>291</sup> Annycke 2009; Samson 2009.

<sup>292</sup> Letourmy 2010.

government or co-operatives – to share the financial risk of individual healthcare expenditure and facilitate the entry of low-income households to the health care system.<sup>293</sup> Individuals voluntarily join a not-for-profit organisation and pay regular premiums for access to health services or cost reimbursements. They usually decide collectively on the services and the contributions. In most cases, there is no fiscal protection or any government intervention to underwrite these risks (box 5.3).

**Box 5.3 Community based health insurance in Africa**

In SSA the majority of the CBHIs came into existence to respond to political instability, economic constraints and the absence of formal social protection for vulnerable populations. Due to a strong francophone tradition, the “Mutuelles de Santé” are more common in West and Central Africa than in other parts of the continent. In Senegal CBHIs have a very long tradition; in the Democratic Republic of the Congo and Guinea, the “Mutuelles de Santé” emerged in the second half of the 1980s mainly because of the withdrawal of government financing to the health sector and the consequent need for other resources. All existing mutual schemes in Benin, Ghana, Kenya, Mali and Uganda were set in the 1990s. In Ghana and Kenya they originated from the need to stabilise hospital revenues after user fees proved unsatisfactory and government subsidies had declined.

Most African CBHIs are small, with around 100 beneficiaries on average. Despite several thousand of them, their small size implies low coverage: only an estimated 8.2% of the target population. Although often building on values of traditional solidarity, they are insurance groups. A large part of the premium is used to pay health claims: administrative costs stand around 5–10% of total CBHIs expenses.

Mutual organisations have the potential to address many of the challenges associated with insuring the poor. These schemes, thanks to their simplicity, accessibility and local management, reduce adverse selection by grouping people according to their risk level and insuring them as a group. They also have a history of relatively democratic governance by providing their members the chance to participate in group meetings and elect scheme officials, and by providing volunteer service. In these ways, they can increase healthcare access to low income rural and informal sector workers, improving community health standards and preventing health risks.

Some disadvantages might hinder their successful scaling up. Much of the evidence has pointed to weak management capacity, limited resources that can be mobilised, high start-up costs, frequent exclusion of the ultra poor, and generally a small risk pool, so that insurance is costly or often not sustainable.

*Source:* Tabor 2005; Jutting 2009.

CBHI schemes are examples of micro-insurance, typically defined as schemes offering an insurance product accessible to low-income households. They can be offered by micro-finance institutions, community-based or other mutual schemes, banks, private commercial insurers and NGOs. They offer the equivalent of contribution-based social protection, but use market-based or community systems. A recent estimate by the International Labour Organization–Micro-insurance Facility, based on a survey of more than 500 schemes, suggests that around 15 million people in Sub-Saharan Africa, or 2.6% of the population living under \$2 a day, were covered by micro-insurance.<sup>294</sup> About 56% of the total was in South Africa, where funeral and

<sup>293</sup> Jutting 2009.

<sup>294</sup> Matul et al. 2010.

life insurance is widely sold even to poor families. Credit life (using life insurance to insure micro-finance loans) represents the lion share of the remaining 6.5 million micro-insurance policies in the rest of Sub-Saharan Africa, followed by life insurance, with less than 2 million health insurance policies (including CBHI) and only small numbers of property or agricultural insurance.<sup>295</sup>

These small numbers reflect the difficulties of using insurance-based models to include the poorer groups. As chapter 2 discussed, some of the problems are well-known but not easily addressed: insurance is a difficult concept and requires considerable consumer education and understanding. It also requires trust as clients first part with their money in the expectation that a payment will occur if the insured bad outcome arises. These problems, not unique to micro-insurance, are likely to affect any attempts to expand voluntary contribution social insurance. With more micro-finance institutions showing an interest in these products and gaining experience with credit life, more varied insurance products for the poor are likely to emerge and be on offer.

Governments and donors could stimulate these schemes. One route, already mentioned, is to make them mandatory as well as heavily subsidised, as part of a push to expand universal coverage, as in Ghana and Rwanda. Short of such support, expanding voluntary systems using insurance principles remains important. Indeed, it may be an essential step in developing sustainable social protection systems. First, the need for regular premiums may make special treatment of some of the poorest important, but to avoid undermining the sustainability of the risk pool, these would require government or donor support. Second, assistance could be provided to broaden the risk pool, including pooling the risks of different schemes,<sup>296</sup> facilitating access to reinsurance by private insurance companies and underwriting the sustainability of schemes using fiscal or aid resources. Third, governments or donors could commit to support such schemes against collapse due to large covariate shocks, such as drought or during economic crises, by underwriting their capital or other means.<sup>297</sup> At least as important as direct support, appropriate regulation and monitoring would help, as would technical and administrative expertise.<sup>298</sup>

### 5.3 Learning from African examples on the road to social protection

This section briefly reviews five examples of social protection programmes in Sub-Saharan Africa, chosen not because they must be put in place everywhere, but because they satisfy some of the preconditions for success, and address real problems in ways

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<sup>295</sup> Matul et al. 2010.

<sup>296</sup> Tabor 2005, p.49.

<sup>297</sup> Jutting 2009.

<sup>298</sup> Tabor 2005, p.49.

that appear to respond to the context. They illustrate what is feasible in moving towards more comprehensive social protection systems in Africa (table 5.2).

**Table 5.2 Lessons from selected social protection programmes in SSA**

Country Name	Description		Preconditions				Impact		
	Programme	Description	Financial sustainability	Administrative and institutions	Political commitment	Linkages and synergies	Poverty	Inclusion – exclusion	Externalities
Lesotho	Old Age Pensions (OAP) 2004	Universal non-contributory old-age pension	Estimated to less than 2% of GDP	Administered by the Ministry of Finance and Developing Planning, with a special unit solely responsible for such work	Rose entirely from the domestic political agenda until becoming an entitlement through the Old Age Pension Act in 2005	Part of the poverty reduction strategy and Lesotho 2020	No clear evidence on poverty, but similar schemes in South Africa had substantial effects for the elderly and their households	Boosts elderly inclusion in the household and the community	Increases household food and health security. Has little impact on asset building
Kenya	Home-grown School Feeding programme (HGSF) 2008	School feeding	In 2009 the finance ministry allocated about \$5 million	Managed by the Ministry of Education, in co-operation with the World Food Programme	High. Government took over the programme previously managed by World Food Programme	Linking social sector policies with social protection	Positive impact on children's diet quality, health, learning capability and performance, school attendance	Only the neediest district are targeted in arid and semi-arid areas	Positive spillovers on education and employment
Ethiopia	Productive Safety Net Programme (PSNP) 2005	In cash and in kind transfer (conditional on working on public works scheme)	Government covers only 8% of total budget (accounting for 1.2% of GDP) while nine donor agencies provide the rest	Administered by districts. Cash is disbursed to participants in districts with higher administrative capacity, while food is disbursed in 'low capacity' districts with weak markets	High	Part of an integrated <i>Food Safety Programme</i> implemented by the state, including household asset building and community investment	Modest but relevant average impacts, improving food security (by 11%), livestock holdings (by about 7%) and households' ability to cope with emergency. Those paid in cash only fared poorly compared with those paid in food or in both. Larger effects on asset accumulation for those receiving substantial and complementary support.	Excluded labour-constrained poor households due to an inability to meet conditions for work hours/days	Good impact on food security, but only moderate asset accumulation
Ghana	National Health Insurance Scheme (NHIS) 2003	Social insurance	Financed from domestic taxation (70–75%); formal sector contribution (20–25%) and informal sector premia (5%).	Regulated by the central NHI Council, which manages the NHI Fund. Operationalised in regions and districts	Originated from the National Health Insurance Act passed in 2003.	One pillar of the Social Protection Strategy, linked to the provision of cash transfers through LEAP	Reduced out-of-pocket expenditures for health	Mostly excludes people from the poorest quintiles	Health security improves productivity
Rwanda	Vision 2020 Umurenge Programme (VUP) 2008	Public works and cash transfers	Absorbs 50% of the national budget for social protection	Builds on the participatory community-based approach of Ubudehe	Strongly committed to reduce poverty and vulnerability through an integrated social protection strategy	One pillar of the country's poverty reduction strategy 2008–12	Payments are used to satisfy basic consumption needs and stimulate savings. The number of extreme poor among beneficiaries has fallen from 40.6% to 9%.	In the first phase of implementation a number of extreme poor were excluded	Foster employment opportunities off farms; improve the (formal) market economy

### 5.3.1 Contribution-based social protection for better health in Ghana

Ghana's National Health Insurance Scheme (NHIS) has adapted a typical social health insurance model by building upon elements of CBHI to include informal workers. Pre-existing CBHI schemes, diffused in 57 of 138 districts, influence and inform the national insurance scheme.<sup>299</sup>

The NHIS is an intermediate form of health insurance, involving social insurance financed by contributions from formal (and to less extent informal) sector employees and by government coverage for those unable to contribute. Implemented in 2005, its goals are providing all citizens access to quality healthcare, minimising out of pocket expenditures, reducing the causes of mortality and thus contributing directly to achieving Millennium Development Goals–4, 5 and 6. It offers a package that covers about 95% of the country's total reported health problems. Participation has risen considerably from 6.6% of the population in 2005 to 66.4% in June 2010. This is largely due to informal sector workers and people exempt from contributing (those under 18 and above 70, respectively 29.2% and 55% of participants).

Empirical evaluations cast doubts on targeting effectiveness. The programme tends to include a larger number of beneficiaries from the wealthier quintiles of the population rather than from the poorest.<sup>300</sup> One reason is the high cost of enrolling.<sup>301</sup> Indeed, only small share (2.3%) of the indigent ('core poor') is included. With the number of people below the poverty line at about 28%, the gap is considerable.<sup>302</sup>

In 2000 the National Patriotic Party came into power with the promise to eliminate user fees and create national insurance, which could cover 50–60% of the population in 10 years and universal coverage after that.<sup>303</sup> A ministerial taskforce on healthcare financing led in 2003 to the passing of the National Health Insurance Act (N. 650).<sup>304</sup> Using the existing CBHIs as platforms led to a hub-satellite model with a central authority and national fund regulating and subsidising (but not controlling) a national network of CBHIs.<sup>305</sup> The NHIS is about 70% financed by taxation, through a national insurance levy of 2.5% in the V.A.T. of goods and services. About 25% is

<sup>299</sup> Rajkotia 2007.

<sup>300</sup> Mensah et al. 2010; Brugiavini and Pace 2010.

<sup>301</sup> This result is confirmed by Asante and Aikins 2009, who also find that limited information about the programme is one of the main factors affecting uptake, especially in rural areas.

<sup>302</sup> Witter and Garshong 2009. Still, another selection bias emerging from empirical analysis is a significant discrimination among educated and non-educated people, with the former more likely to enroll. USAID 2009; Mensah et al. 2010.

<sup>303</sup> R4D 2010.

<sup>304</sup> Only Mali (1996) then Senegal (2003) had a law on mutual societies applied to health sector. But following a rule promulgated by the UEMOA in 2009, most of French-speaking African countries are working to have their own law (Letourmy 2010, p.11).

<sup>305</sup> R4D 2010, p.3. The Act 650 of 2003 makes specific reference to the fact that NHIS should build districtwide insurance schemes. Regional and district offices have been created with the aim of decentralising the functioning of the programme.

financed by 2.5% of the social security contributions paid by employees in the formal sector and by money from the fund. The remainder is financed by a premium based on ability to pay, targeted to workers in the informal sector, with the premium varying across districts.<sup>306</sup>

Financial sustainability has been an issue since the beginning. In a ‘pure’ insurance scheme the budget grows with the number of members – but in NHIS it grows with a rise in national consumption.<sup>307</sup>

Enrolment increases the number of users who received healthcare services from a trained medical provider and beneficiaries use more prevention, such as regular checkups or stronger recourse to prenatal care, reducing self-treatments.<sup>308</sup> Service efficiency has also improved, drastically reducing the number of days spent in hospital.<sup>309</sup> In addition, reducing out-of-pocket spending, by about half in some districts, is one of the biggest achievements so far.<sup>310</sup>

*Lessons.* The case of NHIS shows how guaranteed universal access to health can be rapidly implemented if political ownership is strong in the process. Ghana’s government sees social protection as an investment in social services, and its national strategy seems to reflect rising demand from the population. Unlike other countries that tried to build universal health systems (such as Benin and Senegal), it took advantage of community-based systems and this contributed to the extension of the scheme to the informal sector.

### 5.3.2 *Universal benefits for vulnerable groups: social pensions in Lesotho*

The Lesotho Old Age Pension (OAP) programme – entirely home-grown and financed – shows that even low-income countries can provide regular cash transfers to specific categories of the population,<sup>311</sup> through a harmonised and integrated pension system.

This universal non-contributory scheme, announced by the Lesotho Congress for Democracy in April 2004, officially started six months later. In January 2005 it was formally legislated as an entitlement in the Old Age Pensions Act, making Lesotho one of seven Sub-Saharan African countries to provide universal non-contributory pensions, and the only least developed country (with Nepal).<sup>312</sup> Purely home-grown, its introduction is clearly related to, and modelled after, the social pensions in

<sup>306</sup> Premiums have been computed by dividing national annual user fees by total population (a figure of about \$4 per capita per year). In addition, given that the number of exempt to non-exempt was in the order of 1:1 the figure was doubled to achieve \$8 (Rajkotia 2007).

<sup>307</sup> Witter and Garshong 2009.

<sup>308</sup> Mensah et al. 2010; Brugiavini and Pace 2010.

<sup>309</sup> USAID 2009.

<sup>310</sup> Asante and Aikins 2009.

<sup>311</sup> Ellis et al. 2009.

<sup>312</sup> Ellis et al. 2009; Devereux et al. 2005, p.23.

neighbouring South Africa. In March 2009, there were 78,064 registered recipients,<sup>313</sup> 60% of them women.<sup>314</sup>

Eligibility is based on age and citizenship: all registered citizens over 70, not receiving any other form of pension benefit, are entitled to a monthly grant, which in 2004 was equal to 150 Maloti (\$25), two Maloti above the national poverty line. During the 2007 general election Old Age Pensions became part of the political battle, and with the re-election of the Lesotho Congress for Democracy the Finance Minister announced a 33% increase in the cash transfer (to 200 Maloti, then \$29 a month). A further increase (to 300 Maloti, \$42) was approved in April 2009. Both the age target and the value of the cash transfer in Lesotho differ considerably from other countries with non-contributory pensions. In Botswana pension grants are more restrictive with a 220 pula (around \$32) benefit to resident citizens over 65, while in Namibia the retirement age is 60, and the amount is around \$60 (500 NAD). In South Africa it is more generous at R1080 (around \$130) for eligible pensioners above 60.

When the old age pensions were introduced, Lesotho was facing declining remittances, high unemployment and high HIV/AIDS infections. The government gave prominence to social protection in the Lesotho National Vision 2020 and the Poverty Reduction Strategy. The pensions – as well as free primary education, subsidised medical treatments and cash transfers to the poorest – are part of an ‘egalitarian, redistributive philosophy of the government’.<sup>315</sup>

In contrast with the supply-driven processes in South Africa and Namibia, where social pensions were introduced to respond to given needs and to support specific interest groups or to safeguard governments’ political positions,<sup>316</sup> the non-contributory Old Age Pension in Lesotho appears to have been driven by equity concerns, with strong government support and motivated by regional geopolitics. It had been part of political Manifesto of the Lesotho Congress for Democracy (and its predecessor) since 1993.<sup>317</sup>

Self-reliance has been emphasised: during parliamentary debate the Minister of Finance explicitly expressed his intention to remain independent of external financing by claiming that Lesotho could not ‘depend on getting foreign aid to pay pensions’.<sup>318</sup> The pensions continue to be entirely financed out of domestic resources, and the donor community was informed of their formal provision only during the registration process in October 2004.

The cost of the programme, estimated at about at Maloti 205 million in 2008/2009 and Maloti 288 million in 2009/2010, might not be a serious burden on the budget, as tax

<sup>313</sup> APRM 2010.

<sup>314</sup> Devereux et al. 2005, p.23.

<sup>315</sup> Pelham 2007, p.18.

<sup>316</sup> See Pelham 2007, p.7.

<sup>317</sup> Nyanguru 2007.

<sup>318</sup> Pelham 2007.

revenues remain high.<sup>319</sup> But sustainability depends on demographic trends, HIV and AIDS dynamics, and on the stress of recent crises on the national budget.<sup>320</sup>

In Lesotho the old age grant is administrated by the Ministry of Finance and Developing Planning, and a special independent unit has sole responsibility of ruling it. Generally, as in Namibia, social pensions are managed by social ministries (often weaker).<sup>321</sup>

Many studies point out that social pensions reduce poverty among older people and their households, though robust evidence is not available for Lesotho. A small study of 215 pensioners interviewed after the introduction of the pension scheme<sup>322</sup> suggests that poverty declined. More robust evidence for a similar programme in South Africa shows that it reduces poverty, improves nutrition outcomes for children living with pensioners and has few disincentives.<sup>323</sup>

The elderly, once dependent on other household members, become resource providers<sup>324</sup> and participate more in their households and communities. Part of the pension contributes to family welfare by covering educational costs. A regular cash flow, it also enables households to increase their access to short-term credit for goods, repaid as soon as the pension money comes. According to the African Peer Review Mechanism Lesotho report, many people feel “that the old age pension is playing a major role in reducing poverty as well as the dependence [of the elderly] on other household members”.<sup>325</sup>

If benefits are to be scaled up, administrative capacity would have to be strengthened (such as more personnel). Moreover, given their low life expectancy, senior citizens argue for a reduction of the age of targeted population, in line with the programmes in Namibia, South Africa, and Swaziland. However, this would require a substantial fiscal effort and could undermine sustainability.

*Lessons.* Old age pensions reduce poverty and enable families with pensioners to reduce their vulnerability and enhance their health and human capital, particularly important in countries with high HIV/AIDS rates. The fact that pensions became an electoral issue shows that citizens have now started seeing old age grants as a right and welfare assistance as a state duty. Thus the social contract is redefined, with the state expected to deliver on its end of the contract by providing a minimum level of protection to its citizens. In return, the state’s ability to respond to some of its most vulnerable citizens’ needs might bolster its legitimacy. Indeed, the establishment of

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<sup>319</sup> According to the African Economic Outlook 2010, Lesotho displays the highest tax effort index, which measures how well the country is doing in term of tax collection.

<sup>320</sup> APRM 2010.

<sup>321</sup> Devereux et al. 2010.

<sup>322</sup> Bello et al. 2007.

<sup>323</sup> See Woolard et al. 2010 and chapter 4 for a summary on the evidence.

<sup>324</sup> Nyanguru 2007.

<sup>325</sup> APRM 2010, p.185.

the old age pensions by Lesotho Congress for Democracy (and promise of an increase) played a major role on its re-election in 2007. A survey confirmed that many voters had chosen the party to support based on its commitment to the Old Age Pension programme.<sup>326</sup>

### 5.3.3 *Developing social protection systems in Rwanda*

Framing social protection programmes within a national plan stands out clearly in Rwanda, where the government is strongly committed to reducing social, economic and structural weaknesses and relies on social protection as a pillar of its long-term development strategy. This strong commitment resulted in the specific provisions for the protection of survivors of the genocide and children by two articles (14 and 23) of the new constitution adopted in 2003. The administrative features, with decentralised units, make Rwanda a benchmark.

Government efforts to strengthen social protection culminated in 2010 with the national social protection strategy (not yet adopted). It aims to achieve the objectives set by Vision 2020 and the Economic Development and Poverty Reduction Strategy, covering 2008-2012. According to this strategy, providing social protection to all strengthens the social contract between the government and its citizens.

Rwanda can count on an already well-developed set of social protection programmes, including universal health insurance (covering 91% of the population), free education, social transfers such as a pension scheme, the Vision 2020 Umurenge Programme (VUP), the support to survivors of the genocide and the “one cow per family” programme. Central to this system is administrative decentralisation, driven by the Ministry of Local Government, Good Governance, Community Development and Social Affairs. *Ubudehe* enables the community to identify area-specific programmes and vulnerable individuals or households within their community.<sup>327</sup>

Over the next 20 years, Rwanda’s national social protection aims at building a system including a social protection floor, greater access to public services for the poor and vulnerable and more participation of informal sector in the contributory social security system.<sup>328</sup> Over the medium term, it aims at reinforcing existing programmes as well as establishing a universal old age grant for people over 65. The government allocated about 4.7% of the budget to the social protection sector in 2009/2010, an amount expected to reach 4.9% in 2010/2011 and 5.1% in 2011/2012.<sup>329</sup>

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<sup>326</sup> Devereux et al. 2010.

<sup>327</sup> *Ubudehe* is a traditional practice and culture of collective action to solve community problems.

<sup>328</sup> The social protection floor, which will build on the existing programmes, will include an old-age grant, a disability grant, a child grant and cash for work programme.

<sup>329</sup> Government of Rwanda 2009 in McConnel 2010.

The VUP, central in the national strategy, has three core initiatives to redirect social protection programmes to vulnerable populations: public works, the Ubudehe credit scheme and direct support. Currently supported by the Department for International Development (DFID), the World Bank and the European Union, it was launched as a pilot in 2008 with the public work component, followed in 2009 by the cash transfer. The credit scheme was the last to be implemented, in February 2010. Rapidly scaling up, the VUP is meant to cover all sectors<sup>330</sup> of the country by 2013.<sup>331</sup>

The public works component, intended for people able to work, builds on the community-based participatory approach of *Ubudehe* and embodies the decentralisation objectives and structures outlined by the government. Communities identify beneficiaries and propose community projects. In the first phase, 30 sectors were selected for their socio-economic characteristics.<sup>332</sup> In each sector beneficiaries are chosen for two main criteria. First, the household must fall within one of the bottom two *Ubudehe* categories (those in abject poverty and the very poor), identified in a national participatory poverty assessment. Second, the total land holding of the household should not exceed 0.25 hectare. During the first phase of the implementation, targeting was badly conducted, with many extremely poor excluded.<sup>333</sup>

The VUP registers eligible households for direct support or public works for an initial period of 12 months, after which their status is reassessed. If they no longer satisfy the eligibility criteria, they graduate from the programme and stop receiving assistance. The 2010 national strategy of social protection – realising that not all households can graduate out of poverty after a one year of work – plans to create an employment guarantee scheme, which will guarantee 100 days of work a year, with wages below market.<sup>334</sup>

Investment in social protection has increased since the VUP. According to the government, VUP will need \$72 per person each year.<sup>335</sup> In the first year of the pilot the programme cost an estimated \$44 million. Public works capture about half the total in salaries and equipment, while the rest goes for the credit scheme (30%) and the cash transfer (20%).

The government claims that the programme promotes off-farm employment by improving productive capacities.<sup>336</sup> Indeed, money distributed among the poorest should monetise and eventually formalise the economy. A first programme review,

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<sup>330</sup> A sector (Umurenge) is an administrative entity below the district level. The population of Rwanda is distributed in 30 districts and 416 sectors.

<sup>331</sup> Devereux and Ndejuro 2009.

<sup>332</sup> Government of Rwanda 2007.

<sup>333</sup> Devereux and Ndejuro 2009.

<sup>334</sup> The daily wage for public works ranges between RWF 700 and 1,000 (about \$2) a day.

<sup>335</sup> Government of Rwanda 2007.

<sup>336</sup> Government of Rwanda 2007.

commissioned by DFID in December 2009, showed that a large part of the income transferred to beneficiaries satisfies basic consumption needs.<sup>337</sup>

A rapid assessment of VUP programme by Kimetrica International Limited (July 2010) reported that the VUP also encourages savings. About 55% of the beneficiaries saved part of their VUP benefits, using them to acquire food commodities (53.3%) and to purchase productive assets such as livestock (24.5%), farm inputs (18.3%) and education (13.1%). The same report stated that the number of beneficiary householders belonging to the ‘most vulnerable’ category dropped dramatically from 41% to 9%. Indeed, the first official results of the monitoring and evaluations activities presented in September 2010 show that extreme income poverty fell from 39% in 2006 to 34.5% in 2009, substantially attributable to the programme.<sup>338</sup> Poverty reduction has been higher in male-headed households (-6%), while female-headed households had no significant reduction (-0.4%), raising questions about gender specificities in the programme.<sup>339</sup>

*Lessons.* This is one of the most notable examples of a programme entirely rooted into the national development strategy with a strong commitment by the central government. This has also led donors to harmonise and to align themselves to the position of the government, keeping a role but avoiding fragmentation. The country has taken advantage of its highly decentralised administrative structure and developed an innovative approach to targeting (the *Ubudehe* approach), which tends to improve the overall efficiency of interventions, avoiding overlapping and thus making a better use of resources.

### **5.3.4 Targeted rural support on a large scale: Productive Safety Net Programme in Ethiopia**

The Ethiopian Productivity Safety Net Programme (PSNP) is a conditional transfer in cash and/or in kind of food grains based on public works.<sup>340</sup> It also includes a small component of unconditional direct transfers to those unable to work, such as children, the elderly, HIV infected. More than 80% of beneficiaries receive transfers in exchange for work, less than 20% direct support.<sup>341</sup> The PSNP aims to reduce poverty in the short run, and expand asset growth in the long run. With more than 8.3 million beneficiaries, it has a budget of about \$500 million, the biggest public works scheme in Africa, and the largest outside Africa.

<sup>337</sup> Devereux and Ndejuru 2009.

<sup>338</sup> Asselin 2010 in Hartwig 2010.

<sup>339</sup> Hartwig 2010.

<sup>340</sup> In the last decades Ethiopia has suffered from food insecurity, making it one of the largest recipients of emergency food aid in Africa. The emergency approach has had limited impact protecting assets and mitigating drought shocks to the incomes of millions.

<sup>341</sup> Gebru et al. 2010.

The government has a firm commitment to agricultural development and a strong desire to move from emergency appeals to predictable social protection for the rural poor.<sup>342</sup> It contributes more than 8% of the PSNP budget (about 1.2% of GDP), while nine donor agencies provide the rest. The European Commission's contribution (second largest) has been €160 million since 2006.<sup>343</sup>

Eligibility is based on continuous food shortages for at least three months over the previous three years – and thus on continuous relief over that period, and on adult able-bodied members who also work for nonworking members. The food ration covers the energy requirements of the average family of six, offering 1,800 kcal per head per day. The wage rate, below market, is set at a transfer equivalent of 3 kilograms of cereal in cash, or in a ‘full’ food basket (cereal plus some pulses and oil), in return for eight hours a day, five days of work per month per each household member. The same amount of food is made available for unconditional support transfers to those unable to work.<sup>344</sup>

Projects have an upper limit of 20% administrative and capital expenditure:<sup>345</sup> the programme operates, especially in the highlands, during the ‘hunger season’ in eight regions.<sup>346</sup> The PSNP is complemented by food security schemes for credit, investment, and agricultural technical support through a Household Asset Building Programme, and a Community Complementary Investments programme, all under the government’s umbrella of the Food Security Programme (FSP) to improve participants’ lives enabling them to graduate from the PSNP. A household has graduated when, in the absence of receiving PSNP transfers, it can meet its food needs for all 12 months of a year and withstand modest shocks. However, reluctance among the participants to leave the PSNP is widespread because of weak incentives.<sup>347</sup>

A special feature of the PSNP as a public works programme, addressed primarily to food insecurity, is its dual mode of payment in cash or in food. Some studies suggest that PSNP targeting excludes labour-constrained poor households. Evidence on this issue is weak. In any case, during lean, labour-surplus seasons, when employment availability through PSNP matters most, there is practically no market for private employment in PSNP regions. And marginal farmers, mostly food-deficit producers, and landless labourers are equally likely to seek entry into PSNP projects.<sup>348</sup>

According to recent assessments, the PSNP protects assets, in that the beneficiaries show significantly more growth in income and assets than non-beneficiaries; however, the evidence is based on non-representative panel data.<sup>349</sup> Income growth and asset

<sup>342</sup> Devereux and Guenther 2009.

<sup>343</sup> World Bank 2009.

<sup>344</sup> Sharp et al. 2006.

<sup>345</sup> Devereux 2006.

<sup>346</sup> Hobson 2009.

<sup>347</sup> IDL Group 2010.

<sup>348</sup> Koohi-Kamali 2010.

<sup>349</sup> Sabates-Wheeler and Devereux 2010; Devereux and Guenther 2009.

growth (livestock) over 2006-08 for those receiving wages in food were 59% and 62% respectively, though no similar effect was detected for participants receiving only cash. Using a larger and nationally representative panel data survey, Gilligan and other colleagues suggest more modest (but relevant) impacts for the PSNP, also between 2006 and 2008: an increase in food security by 11% (measured by the increase in the number of months the household can satisfy food needs) and a 7% increase in livestock holdings.<sup>350</sup> These effects, while relevant, are well below those anticipated. This may be related to the irregular payments in this period of the scheme, as well as higher household saving than anticipated. Effects are larger for those who receive a large transfer from PSNP or support from other components as part of the FSPs.

There is some evidence of limited crowding out of private transfers, but little evidence of a disincentive for labour participation. A study by Save the Children<sup>351</sup> in the Amhara region between January 2007 and February 2008 indicates that the price of maize rose from 2 to 3 birr a day. The government responded with a rise in the PSNP wage rate from 6 to 8 birr a day. But maize prices continued to rise, and at the end of the 2008 PSNP transfer in July, the 8 birr wage rate secured only 1.2 kg of cereal on local markets – a 56% loss in purchasing power for the poorest and most food-insecure households in rural Amhara over just seven months. Evidence on the local market responses in food insure regions to food price increases do not support the PSNP cash approach in this period.

The Southern Nations, Nationalities, and People's Region, hardest hit region during the 2008 food price increases, illustrates this point. It had been one of the PSNP's most successful regions, shifting almost entirely to cash transfers in 2007, only to suffer a large nutrition and child mortality crisis under the 2008 food price inflation. This resulted in PSNP participants' very strong preference for food payments.<sup>352</sup>

Usual worries about possible development of dependency syndrome have been dispelled by empirical evidence.<sup>353</sup> They find no evidence that the PSNP leads to disinvestment in livestock or trees. On the contrary, the number of livestock and trees increases for household in the PSNP.<sup>354</sup> On the downside, Gilligan and colleagues<sup>355</sup> report relatively low participation rates in the public works component, problems with timely payment of wages, and less joint participation in PSNP and other food security programmes than anticipated – all pointing to administrative problems in managing this large scheme.

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<sup>350</sup> Gilligan et al. 2009.

<sup>351</sup> Save the Children 2008.

<sup>352</sup> Sabates-Wheeler and Devereux 2010.

<sup>353</sup> Andersson et al. 2009.

<sup>354</sup> Ibid.

<sup>355</sup> Gilligan et al. 2009.

*Lessons.* As a public works programme to address food insecurity, the PSNP is a good example of a safety net programme that has been transformed into a social assistance scheme. It has had an impact on poverty reduction and income growth and on asset protection and accumulation. Its direct support also promotes the social inclusion, targeting some of the most marginal groups, such as orphans. Part of its predictability comes from the continuing backing from donors.

Suitably modified, it could be emulated by other SSA countries on smaller scale, possibly confined to the most food insecure regions. If food security is the main aim, the food-cash payment feature should not be discarded lightly. But implementation elsewhere in SSA would require some indexing of cash to food payment to avoid disparity. One example is Malawi's FACT project. Its innovative feature, index-linking the monthly cash transfers to the previous month's market prices of food to maintain food-cash parity, minimises the impact of food price inflation.<sup>356</sup>

### **5.3.5 Reaching children when vulnerable: school feeding in Kenya**

In the Kenya Home-Grown School Feeding programme (HGSF) local and international entities are collaborating to break the intergenerational cycle of hunger and poverty. It targets benefits to both children and local farmers, with secondary beneficiaries including traders and local cooks, thus stimulating the local economy through public procurement to a local school.

The World Food Programme (WFP) has managed such interventions in Kenya for the past 30 years. It has gradually transferred the programme management to the government, converting an emergency response to poverty and hunger into a durable intervention. In 2008 the Ministry of Education, with the WFP, launched the HGSF – to alleviate hunger while supporting education. The government's taking over the programme can be read as a declaration of commitment, and when the WFP left aside a few covered districts, the government included them.

The government aims at assuming the responsibility to feed half a million of primary school children and cover 50,000 children more every year – in arid and semiarid districts. The cost of a school meal in Kenya was 11 KES per student per day in 2008, and 12.4 KES in 2009.<sup>357</sup> Beneficiary schools receive from the government 7 KES per student as a cash transfer at the beginning of the term. The cash is transferred directly to schools for local purchases of food produced by small-scale farmers.

The School Management Committee in each assisted school procures food to supply lunchtime meals. It also sets the school policy, assists the headmaster in managing school affairs and promotes fundraising and school enrolment. A subcommittee deals

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<sup>356</sup> Devereux 2008.

<sup>357</sup> Reported in WFP 2010.

with food storage and hires staff for food preparation. All this links local communities and schools.

For targeting, the government and the WFP identify where destitute people are located and how to reach them. In view of the reduced resources for school feeding, some priority districts are identified according to a weighted indicator comprising education, poverty and food insecurity. The method ensures proper targeting to the neediest districts, and is used every year to re-target the programme.

In 2009 the Ministry of Finance allocated KSH 400 million (about \$5 million), and the Japanese Government Counterpart Fund added KSH 150 million (\$1.8 million). The same government funds were to be allocated in 2010. To keep the prices of basic food items affordable, the government has created incentives to increase food production by investing in the agricultural sector and sustaining smallholder farmers.<sup>358</sup>

No impact assessment of this programme exists at this stage. Previous programmes in Kenya had a positive impact on children's diet quality, health school attendance and learning capability and performance. It is expected that the HGSF could have a similarly positive impact.<sup>359</sup>

*Lessons.* School feeding programmes can contribute considerably to children's health and schooling attendance and performance. The programme creates a fixed and predictable demand for food from local markets, creates opportunities for the community to interact with school activities, raises the income of a significant number of small-scale farmers and increases employment in various communities. School meals allow households to save a part of their annual income, and the food bought directly from small-scale farmers empowers farmers and community groups, contributing to local development.

#### **5.4 Lessons from the case studies**

These cases show that it is politically, fiscally and administratively feasible for low-income Sub-Saharan African countries to provide social protection programmes on a scale and scope previously thought out of reach. This suggests that there is room for more Sub-Saharan African countries to consider introducing similar programmes that match their fiscal and administrative capacities.

Specific country conditions, including political commitment and prior experience, dictate the scope for tailored solutions. Political will is crucial not only to initially trigger the programme but also to commit to sustainable social protection schemes and to scale them up in the long term.

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<sup>358</sup> USAID 2009.

<sup>359</sup> WFP 2010.

In some cases, the government's commitment was driven primarily by the need to address the main vulnerabilities affecting the population, in view of achieving long term resilience. In Lesotho the Old Age Pension was introduced to reduce the elderly's burden, while indirectly supporting their households. In Ethiopia, the PSNP aimed at overcoming dependence on emergency relief, providing predictable support to reduce chronic poverty and protect assets by promoting agriculture as the backbone of growth.

Putting social protection at the heart of the national development agenda can also affirm the social contract between the state and its citizens, thus bolstering the government's legitimacy. In Ghana, the flagship health insurance programme rose from an electoral promise to a rights-based entitlement, protecting the vulnerable while enforcing government accountability. The political benefits of commitment to social protection have proved significant: in Lesotho the Old Age Pension contributed to the government's re-election.

Addressing vulnerability, accelerating progress towards growth and development and reaping electoral benefits might act as incentives to the current surge in political commitment, notably the establishment of comprehensive national social protection strategies across SSA. In Ghana the NHIS cannot be isolated from the wider political process that led to the National Social Protection Strategy in 2007. In post-conflict countries such as Sierra Leone and Rwanda social protection is deemed instrumental to reconciliation and state-building: both countries have prioritised social protection in their Poverty Reduction Strategy Papers and have recently developed National Social Protection Strategies. In Mozambique the National Basic Social Security Strategy 2010-2014 is at the centre of a comprehensive legal and institutional framework to promote an integrated approach to social protection.

Other countries are rapidly moving in this direction. Mali launched a national forum in 2009 to reinforce the government's commitment to social protection. Kenya envisages a flagship social protection fund as part of the government's 2030 Vision.

Such political commitment should be complemented by adequate institutional and administrative capacity. And programmes should be affordable and financially sustainable, avoiding perverse incentives. Public agencies need to build up services and infrastructure networks, manage the programme transparently, optimise co-ordination among stakeholders and keep administrative costs low. Institutional power-balance and co-ordination – both horizontal and vertical – have proven keys to success. In Lesotho, the Ministry of Finance – amongst, if not the most powerful – launched and managed the Old Age Pensions. In Zambia, conversely, the Ministry of Community Development and Social Services supported the scaling up of the Kalomo pilots to a National Social Cash Transfer scheme. But it has faced "challenges to provide leadership on social protection to other players because of the weak space it

occupies in Zambia's institutional architecture" as well as its own internal weaknesses.<sup>360</sup>

Co-ordination among ministries is often problematic. Kenya faces challenges in administering its social protection programmes, with lead responsibility for social protection given to the Ministry of Gender, Children and Social Development, but with continuing debate about whether this is the right place institutionally. Several ministries implement various social protection interventions, without an efficient and agreed co-ordination mechanism. In Rwanda, by contrast, the VUP is embedded in a system based on subsidiarity: policies are formulated at the centre, administered by sub-districts and implemented by the villages.

Adequate solutions combined with high administrative capacity can reduce organisational costs per unit of transfer and improve implementation. In Lesotho's Old Age Pensions, administrative costs account for a small part of total (2%). But, in Mozambique the food subsidy suffers from very high administrative costs (30%) because of inadequate funding and low number of beneficiaries. Non-contributory old age pensions may therefore be particularly attractive as an entry point for more comprehensive social protection. Administrative burdens and costs are relatively low, political support is likely and disincentive effects are rather low.

Appropriate design, targeting and delivery are also key to success, because they directly affect costs and effectiveness. Malawi's FACT delivered transfers half in-cash and half in-kind, and to keep food purchasing power stable throughout the drought season, linked the transfers to local food price movements. Moreover, disbursements were decided by household size (small, medium, large). Ethiopia's PSNP, linked to a long history of food insecurity, provides a partial solution to such vulnerability. An innovative cash transfer in Kenya is trying to boost school enrolments as a 'social vaccine' against AIDS, addressing the unique vulnerability caused by the infection risks of young people in Eastern and Southern Africa (box 5.3).

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<sup>360</sup> Chiwela 2010, pp. 3-4

#### Box 5.4 Cash transfers for schooling to fight HIV

Early marriage and female child brides are major causes of the HIV disparity gap in the teen age group. The Zomba Cash Transfer Programme is a two-year randomised, ongoing conditional cash transfer scheme targeting young girls – in school *and* recent dropouts. It led to large increases in school enrolment, especially among those not in school at the baseline (17.2% among the control group, but 61.4% among treatment); the beneficiaries in the treatment groups were 3-4 times more likely to be in school. The treatment group dropouts were 5.1% less likely to have become pregnant over the past year, a statistically significant reduction of over 30%. Conditionality is, by and large, *not* important. The impact comes mainly from the transfers. (The transfers had a \$0.50 administrative cost of monitoring attendance for every \$1 transferred.) Varying the amount of transfer had *no* significant impact on behaviour – suggesting that such programmes should be relatively cheap to finance since a modest payment can be almost as effective at inducing school attendance as more substantial amounts. These results are important for SSA where cash transfers are likely to become more common and the risk of HIV infection is disproportionately high for young women.

Source: Baird et al. 2009.

To minimise gross inclusion/exclusion errors, the community-based approach – where communities take primary responsibility for identifying eligible beneficiaries – can be a valid alternative to top-down targeting that might not meet local needs and might waste resources. The Ubudehe approach in Rwanda shows that decentralisation can contribute to the overall efficiency of interventions and avoid overlapping. Ghana points in the same direction: taking advantage of the pre-existing community-based systems contributed to a successful targeting and consequent extension of the scheme to the informal sector. Nevertheless, it still suffered from considerable exclusion of the poorest.

For delivery, one of the main distinctions is between ‘pull and push mechanisms’.<sup>361</sup> The former requires beneficiaries to reach defined locations to collect their transfers – the latter allows recipients to receive their transfers at their convenience, both in time and place. The push mechanisms are becoming more common, as the increasing diffusion of information technologies facilitates access to the poor. The South African government uses the Sekulula debit card to distribute social grants to recipients in some provinces. Kenya and Tanzania started a mobile-phone money transfer service to facilitate loan repayments by micro-finance borrowers.

Pull mechanisms have higher opportunity costs, as they require beneficiaries to travel to the selected pay-point and face security risks: in Nigeria, robberies on the way home from the bank increased. But, when delivery is delegated to a well-developed network such as the post office, as in Lesotho, opportunity costs decline because the cash transfer collection is not time consuming, as pay-points are diffused.

Affordability is often perceived as the greatest obstacle by governments. Indeed, the ministries of finance often express concerns over the value and sustainability of

<sup>361</sup> Devereux 2008

investing in social protection rather than in more productive activities, as in Tanzania or Mozambique.<sup>362</sup>

Some social protection programmes might prove effective, but at too high a cost. Breastfeeding schemes are one of the most effective in reducing infant mortality. But existing evidence from Ghana, Madagascar and Zambia shows that their costs are still too high to make them affordable and financially sustainable.<sup>363</sup>

For many low-income countries in Sub-Saharan Africa, the complete package in the UN social protection floor is not affordable, especially if revenue-raising capacity remains low and administrative costs are high. But elements of the social protection floor are fiscally affordable in most low-income Sub-Saharan African countries. Again, starting with non-contributory old age pensions, child grants or public works could be a good entry point. More would be feasible if governments raised their tax/GDP ratios (itself desirable), reallocated resources within their budgets or obtained reliable external support.

#### **Box 5.5. Affordability of social protection in Sub-Saharan Africa**

The fiscal cost of expanding social protection schemes in Sub-Saharan Africa has long been seen as a major impediment to implementing social protection. But recent experience in other parts of the developing world as well as experience in Sub-Saharan Africa with various social protection schemes (including cash transfers and free health care) suggests that the affordability needs a fresh look. An expansion of social protection in middle-income African countries is feasible, as the Southern African countries demonstrate. But a package of social protection initiatives might also be affordable in low-income Sub-Saharan African countries.

Given the limited experience on the costs of a package of basic social protection benefits in low-income countries, the International Labour Organization (ILO) undertook simulation studies for 12 low-income countries to estimate its cost.<sup>364</sup> The package includes free basic health care (estimated on a cost basis), a child benefit (15% of per capita GDP up to \$0.50 a day (PPP), targeted income support to the poor and unemployed, and pensions for disability and old age at 30% of GDP per capita up to \$1.00 (PPP) paid to 1% of the working-age population and all people 65 and over.

Aspects of this package have been implemented in some African countries, but the complete package nowhere. In South Africa, for example, grants (at a level much higher than envisaged in the ILO basic package) for children, the elderly and the disabled have been implemented, but there is no general unemployment and poverty support, or a free essential health care provision. The elements of the social protection package are costed for a range of countries (see box table 1). One may challenge some of the assumptions of the costing exercise. In particular, the employment/poverty support to be provided via an employment scheme is costed to cover only 10% of the working age population, which may be too little to cover all unemployed and poor in active age; 1% of the population claiming disability is very low and leads to the question how people would be screened for inclusion into the programme; the costs of the basic health package is much lower than estimated by the World Health Organization Commission on Macroeconomics and Health for an essential package in low income countries. Lastly, the assumption of administrative costs that are purely proportional to the pay-out in the case of cash transfer programmes appears problematic; clearly, there will be fixed costs for setting up cash transfer programmes, and the variable costs are likely to be lower than the assumed 15%. As a result, poor countries with smaller pay-outs will face higher administrative costs per beneficiary than richer countries with larger programmes. In a sensitivity analysis we consider two alternatives on

<sup>362</sup> ERD questionnaires.

<sup>363</sup> Chee and Makinen 2006.

<sup>364</sup> See ILO 2008.

administrative costs. One assumption that they are a fixed \$5 (at exchange rates) per capita per year plus 10% of cash transfer pay-outs; the second is that there are US-\$10 (PPP) per capita per year which is actually considerably lower than the first assumption (particularly in very poor countries) and reflects the fact that much of the fixed administrative costs are wage costs which are lower in poorer countries.

The costs of the elements of the basic package plus administrative costs (using ILO and alternative assumptions) are in box table 1. The alternative assumptions on administrative costs make a significant difference in low-income countries. In total, the costs of the package are between 5% and 12% of GDP in the countries listed, a sizable sum requiring a considerable increase in existing social security spending, currently around 0.5-2% in the countries here.<sup>365</sup> Even if all public health spending is included (which would not be all available for reallocation towards the social protection floor), current spending is considerably below the resources required.

The difficulty of implementing the full package is also apparent if it is set against domestic resource mobilisation and aid flows. The tax/GDP ratio in the countries listed is 10-18%. With this resource envelope, introducing all elements of the social protection package in some countries is not feasible in the short term. But gradual implementation of the package based on national needs, priorities and affordability is an option.

These tax/GDP ratios are clearly very low and need to be increased in the medium term to address many government spending needs, including social protection. Donor resources are similar in magnitude to tax revenues and could thus, in the short to medium term, supplement insufficient tax revenues. So expanding social protection to the level envisaged by the ILO could rely on donor support or donor support (as well as domestic expenditures) could be reallocated from other spendings. For example, if one adds all public health spending to the spending on social security (last column of box table 1), actual spending approaches the level in some countries. If one considered other social sector and non-social sector (e.g. education, defense, spending on administration), reallocations might allow further expansions of social security spending. There clearly is some scope for reallocation but this would require careful country-specific assessments of social sector (and non-social sector) spending priorities and needs.

**Box 5.5 Table 1. ILO basic social security and fiscal realities in Sub-Saharan Africa**

	Estimated costs of basic social security as percentage of GDP (2008)												Social Protection plus health spending, latest year				
	Universal pensions	Basic health care	Child benefit	Social assistance/employment scheme	transfers (ILO)	Admin. costs, cash (USD, ILO)		Alternative 1 Admin. costs (current USD)		Alternative 2 Admin. costs (current US\$)		GNI per capita (current USD)	Total	ODA 2006	Tax 2006	Estimated basic social protection expenditure 2010	
						Admin. costs, cash (USD)	Admin. costs, cash (ILO)	1 Admin. costs (current USD)	1 Admin. costs (current US\$)	2 Admin. costs (current USD)	2 Admin. costs (current US\$)						
Burkina Faso	1.1	5.5	2.8	0.6	0.7	2.6	6.8	5.1	440	10.6-12.1	14.1	11.1	11	4.9			
Cameroon	0.8	2.6	1.8	0.4	0.4	4.0	7.6	6.5	990	6.0-6.8	9.2	11.1*	0.6	2.0			
Ethiopia	1.0	3.6	2.8	0.6	0.4	1.0	5.7	2.3	170	8.8-12.1	14.6	10.7*	1.3	9.6			
Guinea	0.6	1.5	1.5	0.3	0.4	1.2	5.8	2.0	400	4.4-5.9	4.9	n.a.	0.4	0.8			
Kenya	0.9	3.0	3.0	0.6	0.7	3.5	7.3	5.9	580	8.2-9.5	4.1	18.3	1.6	3.0			
Senegal	1.1	2.5	2.0	0.5	0.5	3.8	7.5	6.8	760	6.6-7.6	9	16.1*	0.6	3.6			
Tanzania	1.1	1.4	3.1	0.6	0.7	2.1	6.4	5.5	350	7.9-9.7	14.2	n.a.	2.1	4.5			

Source: ILO (2008)<sup>366</sup>; WDI 2009; IMF international statistics.

<sup>365</sup> The ILO estimates the increase to be between 0.9 - 9.6% in the countries concerned.

<sup>366</sup> ILO (2008) analyses the costs of a basic social security scheme consisting of: Universal primary health care; basic old-age and disability pension; basic child benefits for the first two children; basic social assistance providing a 100 day employment guaranty to the poorest decile of the working age population. Universal primary health care costs estimation are based on a ratio of 300 medical staff to 1000,000 population and medical staff wages are indexed in line with GDP per capita growth (where no separate data on wages in the health sector was available, it was assumed that health staff average wage equals teachers' average wage. The health staff wages were assumed at a minimum of three times GDP per capita indexed in line with per capita GDP growth). The basic pension scheme is assumed at a level of 30% of the GDP per capita (maximum \$1 (PPP) per day). Child benefits are assumed at a

*Note: Based on data from 2000. The alternative administrative costs assumption 1 is based on US\$5 fixed delivery costs per capita plus 10% of cash transfer; the alternative assumption 2 is US\$10 (PPP) fixed administrative costs per capita, while the ILO assumption is a 15% cash transfer (with no fixed costs).*

*On actual spending on social security. Second to last column includes estimates from ILO (2008) on actual spending on basic social security. The last column includes public social security expenditure plus total public health expenditure. Sources: Statistical Annex table 18 in ILO. 2010. World Social Security Report 2010-2011: Providing coverage in times of crisis and beyond (Geneva). Source for data from Kenya 2008: IMF Government Finance Statistics (Health and Social Protection), World Development Indicators (GDP and exchange rate)*

A roll-out of the full basic social security floor may thus not be currently fiscally feasible for many SSA countries. But scope exists for progressively introducing the elements of the social protection floor in low-income Sub-Saharan African countries. The following options merit careful country-specific analysis and discussion:

1. To the extent that donor support for social protection can be substantially and sustainably increased, a phase-in of the full package is feasible in the medium term in many countries; but weak country ownership of existing donor-supported pilot programmes needs to be addressed (see chapter 6).
2. To the extent that countries with unsustainably low tax/GDP ratios can raise their tax revenue levels in the medium term, phasing in the full package might be feasible in the medium term with domestic resources.
3. To the extent that existing (domestic and donor-financed) social sector spending can be partly reallocated towards the social security floor, a phase-in of the full package can also be feasible in the medium term.
4. Elements of the package are easily affordable for almost all Sub-Saharan African countries. In particular, universal non-contributory pensions are affordable in virtually all contexts. And in many contexts, some public works programme as well as basic coverage to provide free health care for a core package of interventions is likely to be affordable. Such programmes are likely to be more sustainable if they are driven by national governments, funded with own resources, with donors playing only a supporting role.

Even when political commitment and ownership of social protection are strong, donor support may be important, to the extent that domestic resource mobilisation is low. In Ethiopia the government provides only the 8% of the total budget for the PSNP. In Malawi, although the government commitment to food security was high, the FACT programme was entirely financed and implemented by donors because of the government's lack of resources and limited capacity to deal with the 2005-06 food crisis. But in Kenya, when the rapid increase in food prices led the WFP to scale down its support, the government absorbed its programme into a home grown one – to avoid welfare losses and took ownership of the school feeding commitment.

In sum, the cases selected as well as the evidence in box 5.4 shows that some types of large-scale social protection programmes are affordable in SSA. Social pensions in Lesotho, though relatively costly in terms of GDP (2%), have been entirely covered by tax-based resources, quite high in the country. The NHIS in Ghana, now covering a large part of the population, relies on different sources of finance, all domestic.

level of 15% of GDP per capita, (maximum \$0.5 (PPP) per day). Basic social assistance to targeted poor and unemployed are assumed at a level of 30% of GDP per capita (maximum \$1 (PPP) per day). Benefits are assumed to be provided to 10% of the working-age population for 100 days per year.

Indeed, affordability depends on a society's willingness to finance social policies through taxes, budget reallocations and contributions. Political will and affordability thus go hand in hand.

## Chapter 6: Supporting Social Protection in Sub-Saharan Africa: From Donorship to Partnership<sup>367</sup>

### Main Message: From donorship to partnership

In Sub-Saharan Africa, donors have exerted significant influence on the social protection agenda. However, they often lack understanding of the domestic processes in which their interventions are embedded, undermining the ownership and sustainability of their initiatives—so new approaches are needed.

A shift from donorship to partnership requires international actors to align behind partner country efforts and priorities in a coordinated way, to provide predictable funding that promotes sustainability and to invest in building capacity and facilitating learning.

Approaches and support need to be tailored to each context—from unstable countries in situation of fragility to states with entrenched social protection—according to partner country demands and vulnerable people's needs.

Adapting to the changing development landscape and to the growing relevance of South-South cooperation is key.

### 6.1 The donors' role: international partnerships for social protection

#### 6.1.1 The supporting role of development assistance

##### 6.1.1.1 Between solidarity and interest: rationale for donor engagement

There is a case for the North's responsibility in ensuring a measure of "welfare world",<sup>368</sup> with aid conceived not as charity but as a "transfer of wealth required to redress distributive injustice".<sup>369</sup> In this light, redistribution should take place not only

<sup>367</sup> This chapter draws on the European Report on Development "Questionnaire on social protection in EU development policy" which was circulated in the field. 39 questionnaires were completed by practitioners from 11 EU donors (Belgium, European Commission, France, Germany, Ireland, Italy, Luxembourg, Spain, Sweden, The Netherlands, United Kingdom), covering 23 developing countries in SSA and elsewhere (Afghanistan, Belarus, Bolivia, Burkina Faso, Cambodia, Democratic Republic of the Congo, El Salvador, Ethiopia, Ghana, India, Indonesia, Kenya, Lesotho, Mali, Mozambique, Nepal, Paraguay, Rwanda, Senegal, Tanzania, Ukraine, Vietnam and Zambia).

<sup>368</sup> Mitrany 1975, p.219.

<sup>369</sup> Beitz 1979, p.172.

in countries but also between them: aid for social protection fits particularly well with this global distributive justice perspective (box 6.1).

#### Box 6.1 A distributive justice perspective

The issue of justice in international relations is “broader than that of distributive justice...but the problems of international distributive justice are by far the most troublesome”.<sup>370</sup> Indeed, distributive justice raises fundamental questions about the structural roots of global inequalities, the extent to which they ought to be addressed, by whom and how. In essence, can and should domestic principles of distributive justice – notably enshrined in Rawls’ *Theory of Justice*<sup>371</sup> – be extended globally?

The answer depends utterly on the worldview adopted, broadly ranging from Hobbesian to Kantian, from realist to cosmopolitan. On the cosmopolitan side of the spectrum, Beitz argues that “international economic interdependence lends support to a principle of global distributive justice similar to that which applies within domestic society”.<sup>372</sup> In an interdependent world, economic and social cooperation transcend borders, producing benefits and burdens with distributive implications, and creating a new basis for international morality. Therefore, “the role of a principle of distributive justice would be to specify what a fair distribution of those benefits and burdens would be like”,<sup>373</sup> extending the Rawlsian veil of ignorance and difference principle globally.

In the current global architecture, however – with authority, legitimacy and sense of community still firmly rooted in the sovereign nation-state – the idea of a global redistribution agency with its own permanent tax-base appears remote. Therefore, the international aid structure stands as an embryonic international fiscal system by default, with grant transfers of official development assistance (ODA) akin to “pure redistribution of global income”.<sup>374</sup>

But international aid mostly redistributes between countries rather than between peoples. Whether it actually benefits the poorest and most vulnerable – redressing the greatest distributive injustices – essentially depends on domestic social policies. Research shows that aid’s distributional impact is somewhat equality-enhancing, especially for the poorest decile.<sup>375</sup> Yet, “estimates of the effect of redistribution through aid are dwarfed when compared to the extent of redistribution that takes place *within* countries that are equipped with effective redistribution schemes”.<sup>376</sup>

Insofar as it directly supports and strengthens domestic redistribution, international assistance to social protection – especially if it were to be financed by an innovative tax or fund – could thus become a crucial instrument of global distributive justice. Its impact would, however, remain dependent on the reform of other policies such as trade, key to addressing the underlying causes of rising global distributive inequality.

The widening gap between the world’s richest and poorest – 10% of the population receives 85% of the total world wealth<sup>377</sup> – also calls for international redistribution through aid, as increasing inequality may lead to global instability and insecurity. To avoid repercussions on their own shores (terrorism, illegal migrations, conflicts), developed countries have a vested interest in supporting developing countries on their path to resilience. Support to social protection contributes to international stability by improving the welfare of the South’s poorest and most vulnerable.

<sup>370</sup> Hoffmann 1981, p.141.

<sup>371</sup> Rawls 1971. Later on, Rawls disagreed with Beitz’ position, and advocated a much more restrictive application of his own theory beyond the domestic realm (Rawls 1999).

<sup>372</sup> Beitz 1979, p.144.

<sup>373</sup> Ibid, p.152 and 176.

<sup>374</sup> Bourguignon et al. 2009, p.1. Aid can be conceived as both a global safety net and a redistribution mechanism, acting as a “permanent instrument of international regulation” (Naudet et al. 2007, p.103).

<sup>375</sup> Bourguignon et al., p.1 and 5.

<sup>376</sup> Ibid, p.5.

<sup>377</sup> Ortiz 2007, p.63.

Furthermore, by building on the African momentum and making social protection an integral part of their development policies, international partners could seize a previously missed opportunity and reap the dividends of improved development aid performance. Not investing in social protection means that health, hunger and education in particular (but not only) are significantly and negatively affected and that this in turn is a drag on national economic growth. Conversely, supporting social protection is key to accelerating progress towards the Millennium Development Goals (MDGs) and inclusive development. Social protection is therefore a central tenet of a “global social contract”<sup>378</sup> that would benefit donors and recipients.

#### *6.1.1.2 The case for international support to social protection in Sub-Saharan Africa*

To implement the recommendations of the Social Policy Framework for Africa (SPF) – specifically those pertaining to social protection – African partners mention the need for “technical and financial support” from their development partners.<sup>379</sup> First and foremost, “strengthened development partner support for sustainable financing of social protection”<sup>380</sup> is important, particularly in SSA countries where aid dependency is high and fiscal space low. When the domestic economy is not resilient enough to fund social protection programmes, donors can make a difference by relaxing the affordability constraint.

Based on the International Labour Organization (ILO) costing exercises, the potential for external financing of social transfers exists *a priori* in terms of the mere magnitudes: for instance, a 50% co-financing of a basic transfer package could be accommodated,<sup>381</sup> provided however that donors meet their aid pledges to Africa (doubtful for many)<sup>382</sup> and allocate a sizable portion of their aid to social protection (not yet the case).<sup>383</sup>

More sustainable and predictable donor financial support is thus necessary to help SSA countries cope with the growing demand for social protection. Donors can provide not only money but also support through technical assistance, capacity-building and lesson-sharing. Moving from donorship to partnership, they can offer a combination of knowledge, technical assistance and funding, tailored to partner countries’ needs. In doing so, they could play a helpful supporting role.

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<sup>378</sup> Birdsall 2008.

<sup>379</sup> African Union 2008, section 3.2.5.

<sup>380</sup> Ibid, section 2.2.3.

<sup>381</sup> This paragraph draws from Holmqvist 2010.

<sup>382</sup> See chapter 1, section 1.6.1.

<sup>383</sup> The amount of ODA allocated to social protection—to the extent that is measurable—remains quite low. According to OECD statistics, 1.6% of total DAC-ODA is allocated to computer reservation system code 16010 (social welfare services). However, the exact proportion allocated to social protection is problematic, even more in SSA. (OECD-POVNET 2010).

While a role for international development partners is envisioned in the SPF, it is emphatically stressed that their support should always be aligned with African processes and priorities (African Union, regional, country and local).<sup>384</sup> The ideal would be sustainable demand-driven donor engagement, aligned with country-owned strategies and harmonised around joint financing mechanisms. Needless to say, the reality of external support to social protection diverges substantially from this scenario.

### ***6.1.2 The modalities and politics of international assistance to social protection***

Development partners have a range of options to best tailor their interventions to the needs of the partner countries, and to their own agendas. Until now, they have tended to favour three approaches – piloting social transfers, providing budget support and building capacity.

#### ***6.1.2.1 Social transfer pilots***

Social transfers have generally been adopted across the donor community as the policy instrument of choice. Donors, both bilateral and multi-lateral, have promoted and financed a large number of pilots across SSA, with a preference for cash transfers. Many social transfers are funded, designed and implemented exclusively by donors (Hunger Safety Net Programme and OVC Cash Transfer in Kenya; Social Cash Transfers in Zambia; Mchinji, Food and Cash Transfer [FACT] and Dowa Emergency Cash Transfers [DECT] in Malawi, etc), while others (Productive Safety Net Programme [PSNP] in Ethiopia, Programa Subsídio de Alimentos [PSA] in Mozambique, Livelihood Empowerment Against Poverty [LEAP] in Ghana, Vision 2020 Umurenge Programme [VUP] in Rwanda, etc) are government-led with donor support. The distinction is not always clear-cut as situations might evolve: for example the Mozambican PSA, exclusively domestically financed for almost 20 years, is now relying on donor funding to strengthen and scale up this domestically embedded programme.

For donors, social transfers are seen as a cost-effective and pragmatic means to directly deliver resources to the poor. The small-scale pilot experiments are expected to provide persuasive evidence of the positive impact of such transfers, convincing governments to take over financing of the programmes and scale them up at the national level. However, celebrated pilots such as Kalomo in Zambia and Mchinji in Malawi have been successful in addressing poverty among targeted groups, but have typically not been adopted by governments or taken to scale. Donor-funded transfers rarely, if ever, graduate from donor-led small-scale evidence-building pilots with an expiry date to sustainable government-led national social provisioning schemes.

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<sup>384</sup> See African Union 2008 and Taylor 2009.

Without denying their positive impact on some people's lives, externally driven pilots are thus quite problematic. While they allow for donor and non-governmental organisation (NGO) 'flag planting' and useful lessons, they tend to 'create temporary islands of access to internationally financed social welfare', at the cost of both ownership and sustainability.<sup>385</sup>

#### 6.1.2.2 *Budget support*

Another option is to provide governments with general (linked to the implementation of a national development strategy) or sector (linked to the implementation of a specific sector strategy) budget support.<sup>386</sup> From an aid effectiveness perspective, budget support is in line with, and indeed facilitates, the implementation of the Paris and Accra Aid Effectiveness Agendas. From an affordability perspective, it might directly provide cash-strained governments with the means to deliver on the ILO 'basic package' (or other social protection schemes). From a social contract perspective, it provides the best opportunity for ownership of social protection systems, with the government accountable not only to donors, but also to its own citizens.

Several development partners already resort to budget support to fund social protection schemes and systems in SSA. In Mozambique, Department for International Development and the Netherlands provide funding through what is best described as sector budget support: the funds are allocated between delivery of the PSA cash transfer and institutional capacity-building for the National Institute of Social Action, which implements the PSA, and to less extent for the Ministry of Women and Social Action (MMAS). In Tanzania, the German Development Cooperation (GDC) provides budget support and participates in the health basket in the framework of the Tanzanian-German Program to Support Health. In Rwanda, the European Union (EU) delegation is part of a team currently preparing a sector-wide budget support to social protection.

But budget support is no panacea. For instance, while it is theoretically conducive to ownership, it "gives donors a right of scrutiny and dialogue/assessment in respect of

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<sup>385</sup> Devereux and White 2010.

<sup>386</sup> "Budget support is the transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country, and consequently used in accordance with the public financial management system of the partner country. The EU only provides budget support to countries that meet the following three eligibility criteria, derived from the legal frameworks governing EU support to each region: when there is in place or under implementation a) a well defined national (or sectoral in the case of SBS) policy and strategy; b) a stability-oriented macroeconomic framework; c) a credible and relevant programme to improve public financial management. All disbursements are conditional on continued adherence to these three standard eligibility criteria (reflected in the "general conditions"), and may also be subject to "specific conditions" reflecting performance criteria and indicators (often focused on results) in priority areas" European Commission 2010 p. 3.

the partner country's whole budget"<sup>387</sup> – which might be construed as direct interference in sovereign affairs given the “intrinsically political nature of the national budget”.<sup>388</sup> Furthermore, there are some fiscal concerns about the direct provision of budget support for social protection, which may lead to unsustainable levels of recurrent spending.<sup>389</sup> Governance and public financial management issues may also arise, particularly in ‘fragile’ or ‘difficult’ countries, where state institutions are either incapacitated or illegitimate.<sup>390</sup>

To deliver on its promise, budget support needs to be underpinned by a credible aid contract, with the link between funding and results established. By shifting the focus from inputs to measurable outcomes, the “managing for results” approach fosters a “performance culture” aimed at strengthening mutual accountability and improving decision-making. The European Commission has been among the pioneers: in the so-called ‘MDG contract’ for instance, outcome results indicators serve as a basis for assessing progress and allocating variable tranche disbursements.<sup>391</sup>

The Centre for Global Development “Cash-on-Delivery” (COD) approach has taken some additional steps in refining the idea of paying for results. The core idea is a contract which defines a mutually desired outcome and a fixed payment for each unit of progress towards it. The contract is all about results; choices about how to reach these results are left to the partner and disbursements are made upon delivery and after independent monitoring.<sup>392</sup> Building on this literature, Holmqvist suggests the architecture of a COD-aid contract for social transfers as a potential improvement for budget support. Such a contract would combine three attractive features:

- A credible burden-sharing formula over time that provides predictability for partner countries and an exit strategy for donors.
- A hands-off approach by donors that respect partner countries’ ownership of design and implementation.
- Clarity over results that aid money has paid for, which may be communicated to the donors’ home constituencies.

This approach would require a long-term engagement by donors, aligned with country-owned strategies, and harmonised around a joint financing mechanism.<sup>393</sup>

<sup>387</sup> European Commission 2008a, p.21.

<sup>388</sup> European Commission 2010, p.8.

<sup>389</sup> Penrose 2010.

<sup>390</sup> European Commission 2010, p.14. Few donors provide budget support to countries in situation of fragility. The European Commission, the African Development Bank, the International Monetary Fund and the World Bank are currently working on a “common approach paper”.

<sup>391</sup> Based on European Commission 2008b; European Commission 2010 p.10; OECD 2008b, p.6-8; *Paris Declaration on Aid Effectiveness* “Managing for results”.

<sup>392</sup> Birdsall and Savedoff 2010. See also: [http://www.cgdev.org/section/initiatives/\\_active/codaid](http://www.cgdev.org/section/initiatives/_active/codaid)

<sup>393</sup> Holmqvist 2010.

**Box 6.2 : A Cash-on-Delivery aid contract for social transfers – what could it look like?**

*Parties:* Country X (the Country) and a group of donor agencies (the Funders).

*Purpose:* The Country has defined increased coverage of social transfers to certain target groups as an essential ingredient in its social protection strategy. The purpose of this contract is to facilitate this expansion.

*Goal:* Long-term and predictable social transfers should be made available to individuals in groups defined by a set of criteria C [i.e. eligibility criteria for different kinds of social transfers defined by the Country: children, unemployed, elderly, disabled...]. Expansion towards full coverage will be gradual, estimated to take X years/decades. [Benefit levels may vary over time and depending on target group and do not have to be predefined in this contract, more than possibly by a ceiling.]

*Baseline:* In year X social transfers to groups defined by criteria C amounted to XXX USD at current value.

*Unit of measurement and payment:* The Funders commit to pay, on an annual basis, the Country 75% of the value of social transfers delivered the previous year over and above the baseline, provided the transfers have reached individuals in groups defined by criteria C. Upon first renewing the contract (after five years) the base line will be adjusted annually, becoming equal to the amount of social transfers paid five years earlier.

Once disbursed by the Funders there are no restrictions on the use of the funds by the Country.

In providing the transfers no discrimination shall be made by the Country based on ethnic, religious or political affiliation of potential beneficiaries. Apart from that the Country is free to set priorities while expanding towards intended coverage (adjusting benefit levels, targeting criteria, conditions, starting with certain subgroups or geographical areas).

*Reporting:* The Country will report on the number of beneficiaries and benefit levels, in a format that facilitates analysis of the information's validity. Reporting should be open to the public.

*Verification:* An independent Verification Agent will assess the report, based on random sampling. The Verification Agent will also assess if the process of delivering transfers have been affected by any form of systematic discrimination not permitted under this contract.

*Term:* The contract term is five years, with the expectation that it will be renewed in five-year increments.

Other possible conditions:

- Cap on benefit levels: benefit levels to fall below some specified ceilings.
- Cap on annual disbursement by Funders.
- More generosity in the start-up phase by financing a lower percentage of social transfers below baseline the first x number of years

#### 6.1.2.3 Capacity-building, technical assistance and dialogue

When designing and implementing social protection schemes and systems, SSA partners often face not only financial constraints, but also technical and human

capacity constraints. Development partners can provide support by focusing on building capacity, offering technical assistance and policy advice and sharing lessons on their own successes and failures. Support to national capacity-building is effectively an indispensable investment in long-term sustainability, crucial to ensuring that schemes and systems will function following the withdrawal of international assistance.<sup>394</sup> Capacity-building includes a wide range of activities and involves an array of stakeholders (ministries, governmental institutions at central and decentralised levels, communities, NGOs, academia).

In this respect, the ILO plays a key role, as “the objective of the ILO Social Security Department is the enhanced capacity of constituents”.<sup>395</sup> This is achieved through the provision of technical co-operation ranging from policy and legal advice on the design of social security schemes and strategies, through actuarial and financial advisory services (actuarial reviews and models, social budgeting, costing assessments), and to national Social Protection Expenditure and Performance Reviews and training at the ILO Turin Centre.

Other development partners also invest in capacity-building, whether when answering specific partner country requests (as for technical assistance or policy advice)<sup>396</sup> or as an institutionalised part of a programme (such as the PSNP). In Mozambique, development partners supporting the PSA provide institutional capacity-building and technical assistance on a range of issues, including enhancing fiduciary risk management capacity, information management systems, monitoring and evaluation, building knowledge and developing an evidence base.<sup>397</sup> In Rwanda the Ubudehe project has a component of capacity-building for decentralised entities staff and local community representatives.<sup>398</sup>

Nongovernmental partners can also contribute. For example, the University of Maastricht has struck a partnership with the University of Zambia and the Ministry of Community Development and Social Services to provide advice on the design of courses on social protection, as well as training for technocrats and policymakers, with a view to build both short-term and long-term capacities.<sup>399</sup>

In recent years, the development of South-South learning has offered “an innovative approach to capacity-building for partner governments”.<sup>400</sup> Chile is sharing its experience through international co-operation,<sup>401</sup> while India-Brazil-South Africa

<sup>394</sup> OECD 2009, p.30.

<sup>395</sup> SEC/SOC website: <http://www.ilo.org/public/english/protection/secsoc/areas/index.htm>.

<sup>396</sup> In Kenya the government is keen to get expertise but also to build its own capacity. There is usually a government official assigned to work alongside the technical assistance provided [Questionnaire].

<sup>397</sup> ERD questionnaires. Development partners: DFID, Royal Netherlands Embassy, ILO, UNICEF.

<sup>398</sup> ERD questionnaire. The EU is one of the main supporters of the scheme.

<sup>399</sup> MCDSS, “Capacity building”: [http://www.mcdss.gov.zm/capacity\\_building.php](http://www.mcdss.gov.zm/capacity_building.php).

<sup>400</sup> OECD 2009, p.30.

<sup>401</sup> See <http://www.fosis.cl/> “Cooperacion internacional”. In Mozambique Fondo de Solidaridad e Inversion Social provides capacity-building to the MMAS, jointly designing a pilot initiative based on the ‘Programa Puente’ model.

countries envisage “improved technical co-operation and transfer of social technology” to Africa.<sup>402</sup> Brazil has already helped Ghana design the LEAP. It has also promoted South-South learning with Guinea Bissau, Mozambique, Nigeria, South Africa and Zambia through the Africa-Brazil Cooperation Programme on Social Development. Recent events such as the Global South-South Development Expo, the Policy Dialogue and a South-South Learning Event on Long-Term Social Protection for Inclusive Growth and the launch of the South-South Learning on Social Protection Gateway conspicuously attest to the growing importance of South-South dialogue.<sup>403</sup>

Indeed, dialogue is also essential to build a strong partnership between partners, share lessons and enhance political will on both sides. It can take place bilaterally or multilaterally, formally or informally, within thematic working groups or at a higher political level. The EU distinguishes political dialogue (on political governance and underlying principles) from policy dialogue (on the role of conditionality and the links to performance and results).<sup>404</sup> Both are necessary and complementary to advance the social protection agenda while ensuring mutual accountability.

#### 6.1.2.4 *Looking forward: innovative support modalities*<sup>405</sup>

Donors could also play a greater role in supporting the high initial and fixed start-up costs of establishing a national-scale social protection programme. This would include national identification systems (such as using smartcards), delivery mechanisms (through the retail sector using point-of-sale devices, or through telecommunications and cellphone providers), and independent monitoring and evaluation.

These could all have a significant and far-reaching impact. For instance, identification systems could be used for other purposes (such as health records, voter registration, driving licenses); the issuing of point-of-sale devices would strengthen the private retail sector; using telecommunications would improve connections and market information. Using the private sector where it has a comparative advantage could reduce government capacity constraints. Improving monitoring and evaluation would strengthen local research capacity and the quality of debate, and most important independent evaluations would enhance credibility and trust in the programmes. For example, innovative methods such as randomisation could be explored to test the effectiveness of particular design options, programmes or packages (box 6.3).

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<sup>402</sup> IPC-IG 2010, p.5

<sup>403</sup> The Expo (<http://www.southsouthexpo.org/>) took place in November 2010 in Geneva and the Gateway (<http://south-south.ipc-undp.org/>) was launched in October 2010 during the Policy dialogue and South-South Learning Event in Johannesburg (<http://pressroom.ipc-undp.org/about/3-day-workshop-on-social-protection/>).

<sup>404</sup> European Commission 2010, p.9.

<sup>405</sup> We are indebted to Nicholas Freeland for his suggestions on these issues.

### Box 6.3 Randomised control trials and social protection programmes

In the last 10 years, randomised control trials (RCTs) have become an integral research tool for development economists to test the effectiveness of social programmes. Understanding the effect of a programme on a population means to answer: How would individuals who participated in a programme have fared in its absence? How would individuals who did not participate in a programme have fared in its presence? The RCT approach is based on the random assignment of individuals to treatment and control groups. The random assignment of treated individuals makes it possible to obtain an unbiased estimate of the effect of the programme on the outcome – that is, the treatment effect.

Kremer and Miguel<sup>406</sup> evaluated the effect on educational achievement of providing deworming drugs in schools. They proved that deworming reduced school absenteeism in treatment schools by one-quarter. Moreover, it substantially improved the health and school participation of untreated children. The programme, cheaper than alternative ways of boosting school participation, is currently being scaled up in India, Kenya, Madagascar and Tanzania.<sup>407</sup>

Kremer, Miguel and Thornton<sup>408</sup> investigated the effect of a merit scholarship programme in Kenya: girls who scored well on academic exams at the end of 6th grade had their school fees paid and received a cash grant for school supplies over the next two years. The results show that girls eligible for the scholarship registered substantial gains in academic exam scores. The experiment also provides evidence of positive externalities: girls with low pretest scores, unlikely to win scholarships, improved their test scores in the treatment schools.

RCTs have also evaluated health care. Dupas and Cohen<sup>409</sup> tested the impact of distributing insecticide-treated bednets on the incidence of malaria. They randomised the price at which prenatal clinics could sell anti-malarial insecticide-treated nets (ITNs) to pregnant women showing that – contrary to the hypothesis that cost sharing reduces the waste of resources on those that will not use the product – women who received free ITNs are not less likely to use them than those who paid positive prices. In a recent project, Dupas<sup>410</sup> randomly provided information to teenagers in Kenya on the relative risk of HIV infection by partner's age. The campaign reduced teen pregnancy by 28% among treated girls, a proxy for the incidence of unprotected sex.

Karlan and Zinman<sup>411</sup> investigated whether expanding access to credit to support consumption helps borrowers, particularly when loans are extended at high interest rates to higher risk consumers. They found that 26% of treated household reported an improvement in food consumption, suggesting a positive effect for credit in short-term expenses

In summary, there are multiple of avenues for support, which should complement each other in appropriate and tailored ‘packages’. But the art of providing assistance is contested terrain: for example ‘advice’ can be perceived as an imposition, and ‘dialogue’ as a monologue. Despite the already significant efforts invested, “success to date has been patchy”,<sup>412</sup> notably because external and internal actors are often at odds. It is thus important to draw lessons from the failures, difficulties and relative successes in overcoming differences.

<sup>406</sup> Kremer and Miguel 2010

<sup>407</sup> See the ERD background note by Corno for complete references.

<sup>408</sup> Kremer et al. 2009.

<sup>409</sup> Dupas and Cohen 2010.

<sup>410</sup> Dupas 2009.

<sup>411</sup> Karlan and Zinman 2010.

<sup>412</sup> Devereux et al 2010.

## 6.2 Lessons from implementation

### 6.2.1 Misguided donor attempts and disagreements<sup>413</sup>

In the last decade, instances of donor and government disagreements showcase the sometimes wide schism between their respective preferences, priorities and constraints. For instance, several SSA governments have recently engaged in major state-led initiatives, choosing to eschew external (financial or technical) assistance rather than support donor-initiated schemes perceived as less appropriate to their needs and priorities. In Lesotho and Swaziland, social pensions for all older citizens were introduced respectively in 2004 and 2005. These home-grown initiatives were initially met with a degree of hostility from donors, who instead advocated for emergency cash transfers in the aftermath of the drought. The pensions are now hailed as successes, as they have quickly become appropriated by both government and citizens and ‘positively politicised’,<sup>414</sup> in contrast to the donor-driven schemes.

In Malawi and Zambia, the governments chose to invest in agricultural inputs – the Input Subsidy Programme in Malawi and the Targeted Food Security Pack and Fertilizer Support Programme in Zambia – with the aim of achieving household and national food security by promoting small-holder production. In Malawi, the government reintroduced subsidies on fertilizers and maize in 2005, after international partners had recommended they be abandoned.<sup>415</sup> The Input Subsidy Programme focused not on the most destitute, but on the poor farmers who at least had some land and the ability to work the plots, thus guaranteeing a return on their investment in the form of more efficient grain output. It was entirely funded and driven by the government, while donors strongly resisted and chose instead to implement and support the Mchinji, FACT and DECT social transfer schemes.<sup>416</sup> In the end, the subsidy programme was deemed a success with strong political and popular support, while the transfers proved efficient but failed to garner domestic support.<sup>417</sup> International partners eventually came around to support the subsidies, even though this type of ‘productive’ intervention does not conform to the conventional portfolio of social protection instruments they promote.

The lesson of these four stories appears clear: social protection programmes should emerge from domestic policy processes and reflect indigenous political agendas and priorities – even if they fall outside ‘conventional wisdom’ – rather than being

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<sup>413</sup> This section draws on ERD commissioned papers by Adesina, Devereux and McCord.

<sup>414</sup> See case study on Lesotho in chapter 5; Devereux 2010.

<sup>415</sup> In 1987 international financial institutions imposed the Fertiliser Subsidy Removal Programme, with dire consequences. In the late 1990s a group of donors introduced ‘Starter Packs’, which were scaled down to a ‘Targeted Input Programme’ in 2002 and abandoned in 2004 (Devereux and White 2010).

<sup>416</sup> FACT ran in 2005–06; DECT in 2006–07.

<sup>417</sup> Devereux and White 2010, p.58–59.

parachuted in from outside. As already stressed, donor-driven initiatives rarely become government-led interventions.

### ***6.2.2 Piloting, scaling up and sustainability<sup>418</sup>***

A more nuanced look into the Zambian case shows that it might become an exception to the rule. In 2004 the Kalomo District Social Cash Transfer Scheme was introduced with financial and technical support by the GDC and Care International. It was then expanded to five pilots, and is widely celebrated in the (Northern) social protection discourse. While Kalomo may be presented as a success story, the government has preferred to allocate its limited domestic resources to its own schemes, rather than take responsibility for the pilots and scale them up. Indeed, donors have found an ally in the Ministry of Community Development and Social Services (MCDSS), but they have had to grapple with enduring resistance from the Ministry of Finance and National Planning (MOFNP) – due to concerns regarding the creation of dependency and lack of sustainability as well as a preference for more productive investments.

In recent months, however, dialogue has strengthened around the fifth and sixth national development plans and the MOFNP has also begun to ‘buy-in’ the pilots. DFID and Irish Aid, responding positively to a government request, introduced an extended medium-term financing commitment, which guarantees financing of the pilot for 10 years. Stimulating a shift in the government’s response, this has resulted in the development of a medium term financing plan, wherein government financing increases incrementally to cover the majority of programme costs by the end of the donor financing period. Providing both funds and capacity-building, DFID, Irish Aid, ILO, United Nations Children’s Fund (UNICEF) and now Finland are therefore set to support and accompany the Social Protection Expansion Programme.<sup>419</sup>

The Zambian case suggests that a credible extended donor commitment can have an impact on government willingness to take on the future liabilities implied in adopting cash transfer pilots. While it is too soon to tell, it may provide the all-too-rare example of a donor-initiated pilot gradually transitioning into a government-owned scheme.

### ***6.2.3 Building a donor-government consensus***

From a donor government perspective, the lessons from the PSNP in Ethiopia are most valuable. Indeed, it is mostly funded by a group of external partners (more than 90%),<sup>420</sup> is fully implemented by the government and was jointly designed by both.

<sup>418</sup> This section draws on insights from DFID and Irish Aid advisers in Zambia (ERD questionnaire).

<sup>419</sup> Finnish support was approved in November 2010 (see appendix).

<sup>420</sup> EU, World Bank, USAID, WFP, DFID, Sida, Irish Aid, the Netherlands, CIDA.

As such, it is “a live example of the opportunities and challenges facing donors and governments as they seek to forge consensus over social protection”.<sup>421</sup>

While all partners, spun by different incentives, initially agreed on the necessity of the programme, the process leading to its implementation was fraught with disagreements. Within the donor group, views diverged on food transfers, conditional cash transfers (CCTs) versus unconditional cash transfers (UCTs) or entitlements versus productive features.<sup>422</sup> Not without difficulty, donors nonetheless agreed on key ‘red lines’, which in turn led to strong disagreements with the government. Two main clusters of divergence emerged. First, the government wanted to launch the PSNP directly at scale and implement it through its own structures, whereas donors favoured a phased rollout with extensive NGO involvement. Second, donors advocated for UCTs, while the government insisted on CCTs in return for public works, advocating ‘productive’ rather than ‘welfare’ features.<sup>423</sup>

Ultimately, the PSNP was the product of an eminently political bargaining process, with the government managing to impose its vision (launch at scale and through its structures) while allowing for compromise (the PSNP is 80% conditional on public works but there is a 20% unconditional element) and quelling donor fears (by establishing a dedicated budget line through which funding could be earmarked). For their part, international partners established a donor group and strong co-ordination mechanisms to “suppress their individual voices in favour of the collective”.<sup>424</sup> The result is a programme that is owned domestically, while being funded by external partners (through pooled resources and multi-year financing) that also provide technical assistance and capacity-building in a unified stream.

Not only an accomplishment in itself, the PSNP has also raised the profile of social protection in Ethiopia, laying the foundations for fruitful – if sometimes contentious – dialogue between partners, with strong government leadership. The government has designed and established a National Platform for Social Protection in 2009, and the Growth and Transformation Plan for 2011–2015 is expected to flag changes in the social security system as a priority.<sup>425</sup> While results of these latest developments are still to materialise, the PSNP might have been the first step in an incremental transition towards a broader social protection system, led by the government and supported by international partners.<sup>426</sup>

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<sup>421</sup> IDL, p.4.

<sup>422</sup> Gebru et al. 2010, p.335. Because of its close cooperation with the government and its food first approach, relations between the World Food Programme and other international partners were often strained (*ibid*, p.341).

<sup>423</sup> Devereux and White 2010, p.67.

<sup>424</sup> Gebru et al., p.335.

<sup>425</sup> Mentioned in ERD questionnaires completed by EU, DFID, Irish Aid and Sida advisers. But it appears that the social security system is meant to cover only the formal sector.

<sup>426</sup> It should however be acknowledged that Human Rights Watch published a report on how in which the PSNP is specifically mentioned as being “vulnerable to political capture” and instrumentalised to discriminate against opponents and reinforce political control. [Human Rights Watch 2010].

#### 6.2.4 Supporting social protection systems

On the ‘ideal’ scenario outlined at the beginning of this chapter, supporting partner countries’ efforts to build their own comprehensive strategies and systems of social protection is the most adequate approach. It implies a combination of the various aid modalities tailored to country needs, and most important, aligned behind domestic policy processes and priorities. While this remains mostly an ideal to strive for – and depends decisively on partner countries’ own engagement – a shift in this direction is perceptible in a few countries.

A good example is Rwanda, which is moving towards a comprehensive social protection system.<sup>427</sup> In recent years strong government initiative and commitment seem to have been usefully complemented by a real dialogue with development partners, and their support to home-grown programmes such as the VUP and Ubudehe. In the framework of this dialogue, development partners have contributed to the preparation of the *National Social Protection Strategy*, which charts the course of a future partnership for social protection with the government.

The strategy notably foresees the implementation of “enhanced coordination” mechanisms, which would require development partners to regularly report their social protection interventions to district authorities, to ensure that they are aligned with district priorities. At the national level, the strategy envisages the development of a “sectorwide funding mechanism” which will “ensure that funding is aligned to government priorities and will enable donors to engage over the whole sector”.<sup>428</sup> The government and its development partners are currently drafting a memorandum of understanding for a sector budget support to social protection, attesting to the quality of the partnership on the path to a Rwandan social protection system.<sup>429</sup>

While probably the most advanced, Rwanda is not an isolated case. In Ghana the *National Social Protection Strategy* (NSPS) and LEAP “emerged from several years of partnership and dialogue”,<sup>430</sup> not only with the traditional development partners in the Vulnerability and Exclusion Working Group, but also with Southern partners (Brazil, South Africa, Turkey, Zambia) that provided expertise and assistance. In Mozambique the recently adopted *National Basic Social Security Strategy 2010–2014* and Poverty Reduction Strategy Paper Working Group on Social Action provide a solid framework “to define common strategies promoting the agenda for the expansion of Basic Social Protection”.<sup>431</sup> In Burkina Faso development partners are providing support to the government on its path towards a national policy of social

<sup>427</sup> See chapter 5. This paragraph is based on the National Strategy for Social Protection (May 2010 draft) and on three EU (COM, DFID, GTZ) field advisers’ answers to the ERD questionnaire.

<sup>428</sup> Government of Rwanda, MINALOC 2010, §4.4 and §6.2.

<sup>429</sup> In his opening remarks for the First National Consultation of the Civil Society of Rwanda on Social Protection (20 October 2010), the Government of Rwanda representative credited ‘development partners that without exception have worked through their institutions to align on government’s vision’.

<sup>430</sup> ERD questionnaire.

<sup>431</sup> Mausse and Cunha 2010.

protection.<sup>432</sup> In Uganda DFID, Irish Aid and UNICEF have engaged in a five-year co-ordinated partnership to support the recently launched Expanding Social Protection Programme, to develop and implement “a coherent and viable national strategic and fiscal framework for social protection”.<sup>433</sup>

In sum, all the reviewed experiences, whether successes or failures, point towards one cardinal lesson: international assistance to social protection works better when it complements rather than supplants local efforts and initiatives. There can be no sustainable success without strong domestic ownership, backed if necessary and whenever possible by co-ordinated and aligned development partner support. To achieve this, the donor community ought to be more self-reflective and tackle outstanding challenges.

### 6.3 Challenges for the donor community

#### 6.3.1 *Supporting without driving: ownership and sustainability*

##### 6.3.1.1 *The fuzzy boundaries between donor support, influence and interference*<sup>434</sup>

Donor intervention through aid is problematic, whichever the sector. Donors and partner countries have often different and sometimes conflicting priorities and preferences. On targeting, for example, donors have tended to advocate support to various target groups according to their institutional mandates and programming preferences, with popular target groups being the elderly, children and the poorest 10%. These preferences might not be consistent with domestic priorities, as illustrated by Malawi, which chose to favour a potentially productive fringe of the population. ‘Single-issue’ (age, gender, hunger, labour) development actors continually produce evidence to back their advocacy efforts – often stressing the ‘small’ portion of GDP a programme tackling their chosen issue would require – and to blame governments for their ‘lack of political will’.

Donors and governments may also operate under different time constraints. For the country, building a political constituency for social protection takes time, as do the debates and negotiations to agree on a vision and compromise acceptable for all stakeholders. The change can only be incremental, as it was in countries now boasting advanced social protection systems. For donors however, there may be pressure to meet short-term spending targets and to achieve visible results. Donors actively

<sup>432</sup> See box 1.5. and <http://sites.google.com/site/protectionsocialeauburkinafaso/>.

<sup>433</sup> Official ESP website: <http://www.socialprotection.go.ug/>. The ESP was launched in September 2010. It will initially focus on two cash transfers, the Old Age Grant and Vulnerability Family Support Grant, jointly financed by DFID and Irish Aid, with technical support from UNICEF and the World Bank.

<sup>434</sup> This section draws on ERD background papers (Adesina, Hickey, Holmqvist, McCord).

engaged in supporting social protection might thus try to push the agenda at a too fast pace, at the expense of a solid national impulse and contract.

Indeed, social protection pertains to the very social (and fiscal) contract between a state and its citizens.<sup>435</sup> In this light, social protection is at the core of state sovereignty, which means that external intervention is an absolute political minefield. For example, by choosing to work with NGOs rather than through state structures, donors might undermine existing contracts for social protection and affect the domestic social balance.<sup>436</sup> The line between ‘promoting’ social protection in partner countries, and outright attempting to shape (or alter) the domestic social contract from outside is therefore sometimes thin (and blurry).

#### *6.3.1.2 Donor influence and ownership*

Donors seeking to promote social protection have tended to focus on persuading governments to commit to a largely new and externally conceived policy agenda, often inspired by their own social protection experiences and models, and shaped by their own preferences.

As a result, the social protection concepts introduced by the donor community may not be appropriate to the local context and challenges. According to Devereux and White: “The dominance of international actors in designing, financing and even delivering protection in Africa has been responsible for certain biases in the types of programmes implemented and their scale, location and duration … these biases have inevitably resulted in the exclusion of other forms of social protection … In practice, social protection in Africa has become dominated by unconditional cash transfers, often projectised at sub-national level, typically financed by bilateral or multi-lateral donors and implemented by NGOs, and mostly located in anglophone countries”<sup>437</sup>

From the African side, Adesina argues that donor promotion of the social protection agenda is indeed often akin to a “policy merchandising”, whereby donors lobby (or “bully”) a “captive audience” and push for self-serving solutions, undermining a wider vision of social protection in SSA in the process.<sup>438</sup> Even the evidence from donors is considered problematic, as their research can be seen as “self-interested”, or “often thin and suspect”.<sup>439</sup> The promotion of “African success stories” can also be seen as a means to “remove the donor-scent on the schemes” and persuade key ‘champions’ (mostly in the social and welfare ministries) to promote a social protection agenda that is otherwise not domestically appropriated.

Fundamentally, this raises the issue of the relevancy of aid as a tool to promote policy and institutional reforms from the outside. There is an inherent contradiction between

<sup>435</sup> See chapter 3.

<sup>436</sup> Hickey 2010.

<sup>437</sup> Devereux, White 2010, p.55.

<sup>438</sup> Adesina 2010.

<sup>439</sup> Ibid. This point was also raised by a couple of African respondents to an ERD questionnaire.

the donors’ “efforts to promote their own vision of social protection on the one hand, and their efforts to secure government ownership on the other”.<sup>440</sup> Partner governments tolerate external initiatives (such as donor-funded cash transfers) even if they do not reflect their domestic priorities, in part due to power imbalances between government and donors, and in part because they do not have the policy and fiscal space to implement their own. But this tolerance does not necessarily imply ownership, political endorsement or financial commitment.

#### *6.3.1.3 Detrimental impact on sustainability and coherence*

Lack of ownership directly affects the sustainability of many current social protection schemes in SSA. As previously mentioned, governments are reluctant to take over initiatives that they have not initiated. This stems partly from the fact that donors are seen as unreliable and their funding as transient. The threat of donor-faddism is always looming (pushing a priority for several years only to drop it suddenly and move on to another). Thus “there exists a continued perception among some governments that social protection is just another development fad, and a reluctance to institute or support systems that may have to be dismantled if donor funds are withdrawn”<sup>441</sup> As is the case with other support to recurrent spending, the perspective of donor failure (withdrawal without an exit strategy) is particularly problematic given the permanent nature of social protection activities.

These concerns are by no means unfounded. While DFID and Irish Aid have taken over the Kalomo social transfers after the GDC pulled out, other stories do not have such a ‘happy ending’. In Côte d’Ivoire, the World Food Programme had to halve the size of school meals to 460,000 children due to a funding shortfall.<sup>442</sup> In Burkina Faso, when a World Bank financed cash-transfer project came to an end after its scheduled two-year implementation, (former) beneficiaries expressed their worry that things would simply “go back to the way they were”, and that they would fall back into poverty traps and precarious lives after having enjoyed a measure of welfare.<sup>443</sup> Without predictable and reliable long-term commitments, partner governments – and most important the vulnerable populations – are left at the mercy of donor fads, project cycles and financial vicissitudes.

Nor do donors – even the ‘traditional’ ones – form a homogeneous community. They are political actors, who represent different national traditions, and defend different agendas, under their own political constraints and according to their own ideologies. They may advocate different – and sometimes divergent – solutions, often informed

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<sup>440</sup> Adapted from Hickey et al. 2008.

<sup>441</sup> Marcus 2007.

<sup>442</sup> World Food Programme 2010.

<sup>443</sup> The transfer, which ended in June 2010, targeted vulnerable orphans and HIV/AIDS affected persons in Nahouri province. It was implemented by the Comité national de Lutte contre le Sida and benefited 3,250 households. UNICEF and the World Bank are currently looking into options to support a new project (project visit report).

by institutional mandates and priorities rather than the need for coherent government-led programming. There is thus a need to rationalise programming and financing in relation to social protection, and to minimise donor competition around alternative approaches and instruments – in order to address social protection provisioning from a perspective that takes government preferences into account, and does not fragment provision and programming.<sup>444</sup>

### **6.3.2 *Harmonising without undermining ownership***

#### **6.3.2.1 *The burden of donor fragmentation***

One of the main challenges donors have to face is implementing the aid effectiveness agenda. In Rome (2003), Paris (2005) and Accra (2008),<sup>445</sup> donors committed to harmonising their activities, while promoting partner country ownership. But according to the 2008 OECD *Survey on the monitoring of the Paris Declaration*, “some progress has been made, but not enough. Without further reform and further action, it will be impossible to meet the 2010 targets for improving the effectiveness of aid”.<sup>446</sup> The degree of donor proliferation and fragmentation is of particular concern, as there has been no progress since the adoption of the Paris Declaration.<sup>447</sup> On the contrary, it would seem that fragmentation is worsening, especially in low-income countries “which may have the least institutional capacity to cope with costs of fragmentation”.<sup>448</sup> The ensuing aid burden bears disproportionately on aid-dependent partners, often constrained to direct their already scarce (human and financial) resources to dealing with donor-related tasks.

#### **6.3.2.2 *Donor harmonisation in the field of social protection***

Given the fact that few donors are actively engaged in support of social protection, harmonisation is yet to become a major issue. Nonetheless, concerns have already started to arise: in Ghana for example, “while so far donor engagement has been quite joined up and coherent, there is a worry that this might fragment a bit as/if numbers of donors grow - as there are a number of key issues that [we] may not agree on, for example to condition cash grants or not”.<sup>449</sup>

In some countries effective co-ordination and dialogue mechanisms appear to be in place, not only between donors but also between donors and partner country. In Ethiopia, Mozambique and Zambia, donors have pooled their resources and co-ordinated their support to specific projects (respectively the PSNP, PSA and Social

<sup>444</sup> This paragraph draws from McCord 2010.

<sup>445</sup> *Rome Declaration on Aid Harmonization* (2003); *Paris Declaration on Aid Effectiveness* (2005); *Accra Agenda for Action* (2008). Available on [www.oecd.org/dac](http://www.oecd.org/dac) “Aid effectiveness”

<sup>446</sup> OECD 2008a, p.3.

<sup>447</sup> Frot and Santiso 2009.

<sup>448</sup> Ibid.

<sup>449</sup> ERD questionnaire.

Cash Transfers). In Ghana, Kenya and Rwanda working groups currently allow for strong co-ordination and dialogue between parties. As seen previously, these mechanisms are usually linked to high government ownership, and therefore facilitate support to comprehensive social protection approaches.

But in many other countries there is no formal co-ordination mechanism for social protection. The issue might be dealt with in other forums: as in Lesotho, where social protection is mentioned through other co-ordination mechanisms, like the National OVC Coordination Committee, or the different health and food security fora. Even when there is a specific social protection working group, some donors (which do not consider social protection as a sector) might prefer discussing the issue within the working groups of the sectors through which they intervene (health, gender, disability, children's rights). This 'institutionalised fragmentation' proves difficult to overcome.

Furthermore, donor harmonisation goes well beyond the existence (or lack) of formal co-ordination mechanisms. Indeed, it is not uncommon for different donors to be implementing different fragmented programmes with different units of the same ministry working in different policy silos. In such cases, donor fragmentation compounds local institutional fragmentation, subverting coherent policymaking. Coherence is all the more threatened when donors not only implement different programmes but also promote competing visions and instruments, possibly undermining the national effort towards expanding social protection.<sup>450</sup>

#### *6.3.2.3 Harmonisation and ownership: the need for balance*

Both harmonisation and ownership are among the main objectives of the Paris Declaration, but the first can be detrimental to the second. On the one hand, "partner countries expect harmonisation to be led by themselves, and to follow and support alignment to their systems".<sup>451</sup> On the other hand, the donor community has its own incentives to harmonise, and might engage in too much harmonisation too soon, with little involvement from partner countries, themselves unevenly invested in the process. In such a scenario, "giving excessive priority to harmonisation among donors is seen as running counter to ownership".<sup>452</sup>

Furthermore, too much harmonisation might awaken fears of donors 'ganging up' to impose their views on what should be done and how: when donor agencies commit to the same policy line, SSA policymakers can find themselves in a cold place arguing the case against the prevailing – and not always appropriate – social protection discourse.<sup>453</sup> Finding the right balance between harmonisation and ownership is thus not easy: from the donor standpoint, it implies aligning behind a collection of domestic policies not all of which may be a priority, instead of piloting and promoting

<sup>450</sup> This paragraph draws on Adesina 2010.

<sup>451</sup> Woods et al. 2008, p.20–21.

<sup>452</sup> Ibid, p.20–21.

<sup>453</sup> Adesina 2010.

their different organisations' interests.<sup>454</sup> Furthermore, while supporting home-grown domestically legitimate strategies should be the preferred option, the challenge of fragility often calls for alternative solutions.

### **6.3.3 Supporting countries in situation of fragility**

#### **6.3.3.1 Fragile donor engagement**

As chapter 3 highlighted, many of the challenges in delivering social protection in countries in situation of fragility are similar to the challenges in low-income countries – but magnified. This is also true of donor intervention: while providing support is always challenging, it is all the more difficult to find the right balance and approach in countries in situation of fragility, where “international actors can affect outcomes in both positive and negative ways”.<sup>455</sup> In view of “maximising the positive impact of engagement and minimising unintentional harm”, OECD donors have agreed on 10 principles for good international engagement in fragile states.<sup>456</sup>

There is, however, diversity in fragility. While international partners tend to predominantly support social protection in states falling into the “gradual improvement” and “post-conflict/crisis or political transition situations” categories, more difficult environments of “prolonged crisis or impasse” and “deteriorating governance” benefit from less assistance.<sup>457</sup> The focus here is thus mostly on these two latter categories, assessing the possible modalities of support to social protection and attempting to learn from the significant range of solutions already implemented.

#### **6.3.3.2 The scope of support to social protection in countries in situation of fragility**

In countries in situation of fragility – especially those in the midst or aftermath of a conflict – “applying the concept of social protection requires some adaptation of normal usage”.<sup>458</sup> Indeed, the very scope of social protection is broadened, while the array of intervention possibilities is somewhat constrained. International partners may therefore need to deviate from their traditional understandings, adapting their instruments and approaches accordingly.

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<sup>454</sup> As in Rwanda (ERD questionnaire).

<sup>455</sup> OECD 2007.

<sup>456</sup> (1) Take context as the starting point; (2) Do no harm; (3) Focus on state-building as the central objective; (4) Prioritise prevention; (5) Recognise the links between political, security and development objectives, (6) Promote non-discrimination as the basis for inclusive and stable societies; (7) Align with local priorities in different ways and different contexts; (8) Agree on practical coordination mechanisms between actors; (9) Act fast...but stay engaged long enough to give success a chance; (10) Avoid pockets of exclusion. [OECD 2010a].

<sup>457</sup> These are the four OECD categories of fragile states.

<sup>458</sup> Darcy 2004.

For instance, the second principle for good international engagement in fragile countries is to “focus on state-building as the central objective”. But in some cases of conflict or deteriorating governance, the state may very well be part or even the source of the problem, party to the conflict or discriminating against some of its own citizens. So while working with and through the state is usually the preferred solution to promote ownership and reinforce the social contract, international actors may be unwilling to do so when the state is perceived as lacking legitimacy. In other cases the state may not be a viable partner, as it may be too weak (even ‘collapsed’) or have lost control over some or most of its territory.

Therefore, when engaging with the state is impossible or undesirable, alternative bypass solutions need to be devised. Other international and local actors might become the go-to partners to deliver social protection. In this context, “taking context as a starting point” (the first principle for good international engagement) appears fundamental. Paying attention to local perceptions of legitimacy is crucial when deciding whom to work with in fragile situations (the state at centralised or decentralised levels, more unorthodox political arrangements such as local patrons, communities, private sector, local and international NGOs, UN agencies).<sup>459</sup>

A deeply rooted understanding of the local context is also needed when deciding which instruments are most appropriate.<sup>460</sup> It has been argued that despite concerns (for example, on the feasibility and appropriateness of cash transfers), “there is nothing inherent in the fragility of the state that should lead some instruments to being routinely excluded … rather than restricting the range of instruments available the focus should be on adapting them to contexts of fragility”.<sup>461</sup> The wider range of risks and difficult conditions indeed call for an even broader palette of social protection instruments, embedded in a continuum from humanitarian to security interventions. First and foremost, humanitarian aid is often the primary mechanism for providing social protection. Relief in the form of food aid or school feedings might, for example, be among the most appropriate and feasible instruments.

Pushing the envelope further, disarmament, demobilisation and reintegration packages might be construed as a form of social protection, which provide vulnerable populations with transitional safety nets. As evidenced by the attention paid to ex-combatants and survivors of the genocide in the Rwandan social protection system

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<sup>459</sup> OECD 2010b.

<sup>460</sup> See ERD 2009.

<sup>461</sup> Harvey, Holmes and Slater 2007, p.19. Concerns about cash transfers include difficulties in targeting and possible discriminatory effects, risks of corruption and inflation, lack of functioning markets and government capacity, safety threats during delivery, creation of dependency and expectations of long-term support.

and strategy, crises and conflicts produce new categories of vulnerable citizens in need of protection, and whose inclusion is crucial to post-conflict reconstruction.<sup>462</sup>

In sum, supporting social protection in situations of fragility is a daunting challenge, with the problems magnified and the solutions rarefied. External intervention, if not carefully prepared and tailored to the context, might offset fragile balances. But such constraints should not deter donors from providing support in fragile states.

#### *6.3.3.3 Delivering social protection in countries in situation of fragility*

In SSA and elsewhere an array of donor-supported schemes has been implemented. While experiences cannot be merely replicated, these solutions can shed light on the (non-exhaustive) range of possibilities. Further to the examples showcased here, there is certainly much to learn from the African Development Bank's (AfDB) support to social protection, which puts emphasis on fragile states.<sup>463</sup>

#### **Box 6.4 Supporting and delivering social protection despite fragility**

##### *Joint programmes bypassing the state*

The Protracted Relief Programme (PRP) in Zimbabwe and Temporary International Mechanism (TIM) in the Palestinian Territories provide examples of joint support to social protection where the state is not deemed a viable partner. Launched in 2004 by the Department for International Development, the PRP combines humanitarian assistance with longer term livelihoods support through a toolkit of instruments (agricultural support, social transfers, community-based care, access to water and sanitation). A multi-donor venture in its second phase (2008–2013),<sup>464</sup> it is implemented by 21 international and local non-governmental organisations (NGOs), with support from technical partners and UN agencies.<sup>465</sup> Bypassing central government structures, the PRP is estimated to benefit about two million people, 15–20% of the Zimbabwean population. In a similar vein the TIM was established in 2006 to circumvent the Hamas government: under ‘Window III’, the European Commission and other donors provided pooled support in the form of social allowances to an estimated one million vulnerable Palestinians.<sup>466</sup>

##### *Social transfers in crisis or conflict situations*

In Somalia, cash transfers were implemented with success, despite the ‘failed state’ conditions. Both in Northern and Southern Somalia, consortia of international (Oxfam, Action Contre la Faim, Horn

<sup>462</sup> The already established Fonds d’Aide aux Rescapés du Genocide and disability payments for ex-combatants will figure among the building blocks of the social protection floor (Government of Rwanda, MINALOC 2010)

<sup>463</sup> ‘The [Human and Social Development] Department contributes to the reconstruction of socio-economic infrastructure in post conflict settings, with an emphasis on labour-based public works, skills building and employment/income generation. The Bank also works in close collaboration with other development partners in contributing to selected demobilisation, demilitarisation and reintegration efforts to create opportunities for those most affected by conflict’ (<http://www.afdb.org/>).

<sup>464</sup> Further to the £54.8 million provided by DFID, Australia, Denmark, Norway, the Netherlands, the EU and the World Bank will contribute £24million for 2008–13 (House of Commons 2010).

<sup>465</sup> Official PRP website: <http://www.prpzim.info/>. While ‘incremental re-engagement’ is envisaged, no DFID money goes through Zimbabwean government systems at present (House of Commons 2010).

<sup>466</sup> Two direct cash assistance schemes (Low Income Cases and Social Hardship Cases) were implemented under TIM Window III, with a total budget of €425.7 million.

Relief) and local NGOs implemented cash grants and cash for work projects, using remittance or money transfer companies for distribution. Evaluations concluded that the injection of cash was well targeted and beneficial to household and local economies.<sup>467</sup> These examples – along with others such as Save the Children’s cash for work projects in the Democratic Republic of the Congo (DRC) and the National Rural Access Programme in Afghanistan<sup>468</sup> – therefore suggest that cash transfers are feasible even in conflict environments. Furthermore, cash transfers can help address emergencies such as a food crisis (the United Nations Children’s Fund pilot cash transfer in Niger),<sup>469</sup> while hybrid solutions like cash vouchers can provide relief to vulnerable people in unstable situations (the cash voucher fair in DRC).<sup>470</sup> In-kind social transfers can also play an essential role: during the Côte d’Ivoire conflict, World Food Programme school feedings were credited with mitigating the impact of the crisis on children.<sup>471</sup>

*Public works in post-conflict transitions*

In post-conflict situations public works schemes can help literally and figuratively rebuild the country. In Liberia, as in Sierra Leone, the government put particular emphasis on youth employment, because providing economic opportunities to marginalised and destitute youth groups (including ex-combatants) is key to their (re)integration into society, and thereby to social cohesion and stability. With international support both the Sierra Leone National Commission for Social Action (NaCSA) and the Liberia Agency for Country Empowerment have successfully implemented community-based public works projects. In 2010 the World Bank approved financing for two new projects: Youth, Employment and Skills in Liberia and the Youth Employment Support Project in Sierra Leone.<sup>472</sup> The AfDB has also supported the NaCSA in Sierra Leone since 2003, and has recently started implementing a labour-based public works project in Liberia.<sup>473</sup>

In unstable and emergency settings, success is often fragile. While new solutions to deliver relief are continually devised and tested,<sup>474</sup> new obstacles constantly arise. For example, the al-Shabab Islamist group which controls most of Southern Somalia has ordered a ban on mobile phone money transfers, deemed ‘unIslamic’.<sup>475</sup> Such a ban would gravely hinder the transfer of remittances, as well as innovative cash transfer delivery mechanisms. But situations can improve, and countries in situation of fragility can turn into social protection beacons, as with Rwanda. On the path towards rehabilitation and resilience, punctual schemes might provide a springboard for improved solutions (the Palestinian National Cash Transfer Program) or become part of a broader and more ambitious policy framework (the *National Policy Framework for Social Protection* in Sierra Leone). At the very least, supporting social protection

<sup>467</sup> Ali, Toure and Kiewid 2005; Majid 2006.

<sup>468</sup> Harvey, Holmes and Martin 2007, p.10.

<sup>469</sup> UNICEF 2010a. This is the first time UNICEF uses cash (\$40 a month for three months and 30,000 vulnerable families) in an emergency setting.

<sup>470</sup> UNICEF 2010b. In three weeks, 65,000 people displaced by violence received cash vouchers they could use to purchase critical supplies.

<sup>471</sup> WFP 2008.

<sup>472</sup> <http://web.worldbank.org/>. “Projects and operations”.

<sup>473</sup> <http://www.afdb.org/en/projects-operations/project-portfolio/> (consulted in November 2010).

<sup>474</sup> See for example: Harvey et al. 2010.

<sup>475</sup> “Al-Shabab bans mobile phone money transfers in Somalia” 2010 (<http://www.bbc.co.uk/>).

in countries in situation of fragility is an obligation under the humanity principle and a means to provide basic welfare to people living in difficult environments.<sup>476</sup>

#### 6.4 Conclusion

Experience shows that traditional donor engagement has often been biased towards not necessarily appropriate, poorly co-ordinated and financially unreliable types of social protection. Furthermore, donors often lack understanding of the domestic political processes in which their interventions are embedded, undermining the potential for ownership and sustainability of their initiatives.

New approaches are therefore required. Rather than driving the agenda, donors need to become partners accompanying SSA countries' transition towards the establishment of social protection strategies and systems. Such a shift from donorship to partnership would require international partners to align behind partner countries' efforts and priorities in a co-ordinated way, to provide predictable funding allowing for sustainability, and to invest in building capacities and facilitating learning.

Furthermore, roles and approaches need to be tailored to each context – from unstable fragile states to countries where social protection is entrenched – according to partners' countries demand and vulnerable peoples' needs. The traditional donor community also needs to adapt to the changing development landscape and to the growing role and relevance of South-South co-operation. These lessons provide a starting point for EU involvement in support of social protection.

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<sup>476</sup> Harvey, Holmes, Slater and Martin 2007.

## Chapter 7: Social protection for inclusive development: engagement, challenges and recommendations for the EU

### **Main Message: Engagements, challenges and recommendations for the EU**

Given its wealth of social protection experiences, its commitment to the social dimension of globalisation, and its leadership role in development, the EU is well-suited to support social protection in the developing world.

Several EU donors, including the Commission, are already active in supporting country-led social protection initiatives. However, more engagement is needed to overcome persistent challenges and to fully translate the EU's potential comparative advantage into practice.

The ERD identifies seven priorities to enhance and improve EU support to social protection in developing countries: (1) make social protection an integral part of EU development policy, adopting a comprehensive policy framework, tied to concrete time-bound commitments and dedicated resources; (2) promote and support domestic processes laying the foundations for long-term sustainability; (3) assist in tackling affordability by helping to increase domestic revenue mobilisation, providing reliable and predictable aid, and exploring innovative finance options; (4) tailor intervention modalities to specific contexts and needs; (5) support knowledge-building and lesson-sharing; (6) improve the coordination, complementarity and coherence of EU action; (7) strengthen EU partnerships for a progressive social protection agenda.

Given its wealth of experiences and its commitment to development and to the social dimension of globalisation, the European Union (EU) (Commission and Member States) is well suited to support social protection in the developing world. However, more engagement is needed – bearing in mind the lessons outlined in the previous chapter – to translate its potential comparative advantage into practice.

The European social model is characterised by unity in commitment to social protection within a diversity of national experiences in the evolution, functioning and approaches to social protection. EU development partners have acquired a wealth of expertise in (re)building social protection systems, from the 19<sup>th</sup> century early welfare state to the new Member States' transition processes. The Cotonou Agreement and the Africa-EU Strategic Partnership offer platforms to engage with African partner countries on these and their own experiences through political dialogue and mutual learning.

And the EU has ambitious development policy commitments – from the *European Consensus* to official development assistance (ODA) targets – while moving from a donor-beneficiary relationship to a partnership involving contractual approaches and predictable financing.<sup>477</sup> As such, it is potentially well positioned to support partner-led social protection systems integrated within their overall development strategies.

## 7.1 From theory to practice: social protection in EU development policy(ies)<sup>478</sup>

### 7.1.1 *The state of play: budding and diverse EU engagement*

Since each EU donor abides by its own definition of social protection (when it has one), mapping out who does what and where is a daunting challenge. Only the activities of a handful of EU leading donors in social protection – Department for International Development (DFID), German Development Cooperation (GDC), and to less extent the European Commission and Swedish International Development Cooperation Agency (Sida) – are fairly well known and documented. But several other EU players engage in less known, sometimes tangentially related, initiatives that contribute to the breadth and depth of EU support to social protection.

#### 7.1.1.1 *The European Commission*

The European Commission is supporting the design, implementation and reinforcement of home-grown social protection schemes and systems. But the absence of a comprehensive policy position on social protection in the context of its development policy undermines its action and leadership.

The Commission's interventions range from short-term safety nets to social protection policy reform, across the developing world. It supports countries developing or reforming their social protection systems by providing funding and technical assistance, building capacities and engaging in political dialogue. In Afghanistan, it is working with the government, civil society and a number of bilateral and multi-lateral donors to design and implement a social protection system. In Armenia, Kyrgyz Republic and Tajikistan, it provides sector policy support to improve the design, management delivery and effectiveness of national policies in the social protection sector. In Azerbaijan, China, Moldova and Syria, the focus is on reforming existing systems. In El Salvador, the Commission has been supporting the *Comunidades Solidarias* social transfer programme and is formulating a sector budget support for the government's social protection policies. In Paraguay, it backs the implementation

<sup>477</sup> European Commission 2010b p.3, European Consensus on Development 2006.

<sup>478</sup> Most of the information in this section was provided by the EU Commission and Member States.

The ERD team liaised with headquarters to obtain updated and comprehensive information about their activities. In addition, 39 ERD “*Questionnaires on social protection in EU development policy*” were completed by practitioners from 11 EU donors (see note in chapter 6).

of the Social Protection Network shaped around a conditional cash transfer programme for vulnerable families launched by the government in 2006 – and is preparing a social protection sector budget support.

The largest social protection programme supported by the Commission is in Ethiopia, where it has provided close to €100M to the Productive Safety Net Programme (PSNP) for cash transfers to beneficiaries and for capacity-building, and technical assistance. But direct support to social protection elsewhere in SSA is fairly sparse, especially given the EU's commitment to both the social dimension of globalisation and to Africa. In Lesotho the Commission provides funds and technical assistance to the Child Grant Programme for Orphan and Vulnerable Children (OVCs), in collaboration with the United Nations Children's Fund. In Rwanda it has helped finance the Ubudehe community-based programme, and is preparing €20M in sector budget support for social protection. In Burkina Faso, ECHO, the Directorate General of the Commission for humanitarian aid, is set to carry out a cash transfer pilot with the World Food Programme. In addition, a Commission-funded EU–International Labour Organization (ILO) project on Improving social protection and Promoting Employment is under way in Burkina Faso and Ethiopia.

Social protection usually is not considered a focal sector, but there are entry points for the Commission to provide support within the framework of its bilateral co-operation (such as employment and social cohesion, rural development or food security).<sup>479</sup> According to an assessment of the 2007–13 National and Regional Indicative Programmes, priority support broadly related to social issues is foreseen in 23 partner countries (such as social protection, child labour, anti-fraud, decent work and vocational training).<sup>480</sup> And social protection increasingly figures in the EU political dialogue with SSA and other regions.<sup>481</sup>

Although not always specifically oriented towards social protection, innovative EU instruments can also help in protecting the most vulnerable. For instance, the EU Food Facility (€1 billion over three years) supports the establishment of safety nets to maintain or increase agricultural production capacity and meet the basic food needs of the most vulnerable populations in the countries hardest hit by the food crisis. The Vulnerability Flex mechanism (€500 million over two years) supports the most vulnerable and least resilient African, Caribbean and Pacific (ACP) countries at their request to help them maintain priority spending, notably in social sectors.

The Commission is one of the largest providers of budget support, both in proportion (37% in 2009 under the 10<sup>th</sup> European Development Fund) and volume (almost €8

<sup>479</sup> The COM can also provide support through thematic programmes, such as Investing in people.

<sup>480</sup> European Commission 2009, p.109.

<sup>481</sup> See section 7.2.1.2

billion to Africa over 2003-09).<sup>482</sup> The innovative ‘MDG contracts’ hold particular promise to foster sustainable partnerships towards the establishment of social protection systems, given the longer term (six years) predictability of the funding they provide and the contract-based approach they promote. Indicators are agreed on with partner countries in the framework of their national development strategies: in Rwanda four MDG contract indicators are related to social protection.

The profile of social protection seems to be rising at EU level, as indicated by recent EU policy positions<sup>483</sup> and commissioned research (European Report on Development, study on ‘Social Protection in Central America’, concept note on social transfers). The Commission has also started investing in its own capacity-building, raising awareness of this non-traditional sector among its headquarters and delegation personnel (Capacity4Dev, social protection training courses, reference document on ‘social transfers and the fight against hunger’). These initiatives might indicate a much needed shift towards greater EU involvement in the policy and intellectual debate, and a higher priority for social protection in EU development policy in the future.<sup>484</sup>

#### 7.1.1.2 *The Member States*

For Member States the picture is diverse and patchy. A number of EU donors are involved, though it is difficult to determine whether their activities pertain to social protection, given the lack of agreement on how to define and measure ODA for it.<sup>485</sup> Table 7.1 provides a tentative overview of their activities.<sup>486</sup>

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<sup>482</sup> European Commission 2010a, c. The EU provided €13billion in budget support between 2003 and 2009, 56% went to ACP countries and 5% to South Africa. Social protection figures as a priority in general budget support to Cape Verde, while sector budget support is in the pipeline in Rwanda.

<sup>483</sup> See chapter 1 section 1.6.3.

<sup>484</sup> Especially as various consultations (on the modernisation of EU development policy, the future of budget support and the funding of EU external action after 2013) are taking place, ahead of the scheduled *Communication on Modernising European Development Policy* (and potential revision of the *European Consensus*), the 2014-2020 Financial Perspectives and the new programming cycle.

<sup>485</sup> The OECD-POVNET is currently holding discussions on this matter.

<sup>486</sup> See appendix for more details.

**Table 7.1. Social protection in EU Member State development policies**

Member State	Countries	Activities
<b>Germany-GDC</b> (BMZ, GTZ, KfW, Inwent, DED)	Cameroon, Guinea, Kenya, Malawi, Mozambique, Namibia, Rwanda, Tanzania, Zimbabwe Bangladesh, Cambodia, El Salvador, Indonesia, India, Pakistan, Philippines	Micro-insurance, voucher output based approaches, strategies for inclusion for people with disabilities, support and reform of social health protection (P4H member), support to mutual health organisations and basic social protection systems. Financial support, capacity-development and advisory services
<b>United Kingdom</b> (DFID)	Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Sierra Leone, Tanzania, Uganda, Zambia, Zimbabwe Indonesia, Vietnam, Yemen	Pilot social transfers, budget support, capacity-building, systems-strengthening by supporting government-led programmes. Knowledge building, support to research and evidence-generation Support to South-South learning Capacity development (Train4Dev, SP Manual with EPRI)
<b>Sweden</b> (Sida)	Ethiopia, Kenya, Mali, Mozambique, Zambia Bosnia Herzegovina, Belarus, Bolivia, Croatia, Laos, Tadzhikistan, Ukraine	Cash transfers and food security Child and youth welfare, especially in relation to HIV/AIDS Establishment of general structures for social security systems Support to civil society Long-term support to research via UNRISD
<b>France</b> (MFA, AFD, GIPSI)	Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Guinea, Ethiopia, Mali, Niger, Senegal, South Africa, Tanzania Cambodia, Laos, Vietnam	Focus on social health protection (P4H member) Support to design of health insurance schemes (micro-insurance, CBHI) at local, national and sub-regional (UEMOA) levels Budget support, technical assistance, political dialogue
<b>Ireland</b> (Irish Aid)	Ethiopia, Lesotho, Malawi, Uganda, Zambia Cambodia, Vietnam	High level Hunger Task force as entry point for social protection Pilot social transfers, budget support, Disaster Risk Reduction Prg Capacity-building, support to systems
<b>The Netherlands</b> (Minbuza)	Ethiopia, Mozambique	Support to the PSNP and the PSA. Budget support, capacity-building, policy dialogue
<b>Finland</b> (MFA)	Zambia Central Asia, Caucasus, Vietnam	Capacity-building, use of national systems, co-ordination, ICT-based systems, monitoring, maternity protection, unemployment insurance, OSH. Rights and inclusion of persons with disabilities.
<b>Portugal</b> (Ministry of Labour and Social Solidarity)	Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tome and Principe, Timor Leste	Vocation training, institutional capacity development Implementation through local NGOs Support to ILO/STEP programme on social protection in Lusophone Africa
<b>Luxembourg</b> (MFA)	Ghana, Senegal	Support to health mutual funds; Ghana-Luxembourg Social Trust
<b>Belgium</b> (MFA)	Benin, DRC, Mali, Uganda	Budget support, projects, support to NGOs and civil society
<b>Spain</b> (AECID)	Senegal	Protection of youth and vulnerable children
<b>Austria</b> (ADC)		Social transfers, public works, livelihood diversification
<b>Italy</b> (MFA)	Senegal	Support to the <i>Programme intégré de Développement économique et social</i> (PIDES), which is linked to the PRSP and National Initiative for Social Protection.

The extent to which the EU and its Member States make the most of their comparative advantage in the field of social protection is debatable. As evidenced by the absence of an agreed collective EU policy framework and commitment, social protection still appears low on the EU development agenda. So EU support remains mostly fragmented and uncoordinated, leaving many aid orphans without assistance.

## 7.1.2 Building partnerships for social protection: the EU way

EU donors could learn from each other's best practices and innovative approaches, which provide a solid foundation for improved EU engagement. To this end, it is important to focus not only on specific instruments and projects or country experiences,<sup>487</sup> but also on the way the EU and its Member States act – and the partnerships they strike when promoting and supporting social protection in SSA.

### 7.1.2.1 Engaging with civil society

On the path towards comprehensive social protection systems, building ownership is essential, as domestic support is key to encouraging the inception and ensuring the sustainability of social protection initiatives. While insufficient attention has been paid to local grassroots constituency overall, some EU partners have contributed to empowering key civil society stakeholders. In Zambia, Irish Aid and DFID have supported the Civil Society Social Protection Platform, which shaped the social protection agenda and now has a key co-ordination and advocacy role. A twinning project between the Tanzanian Council on Social Development and its Finnish counterpart supports the capacity-building of civil society social protection 'champions'. Many other EU donors, such as Sida and Portugal, also support non-governmental organisation (NGO) projects on various aspects of social protection.

Trade unions and the private sector are also partners. In Benin, Rwanda and South Africa, Belgium supports the *Programme syndical de l'Institut de formation syndicale internationale*, which aims at building trade-union capacity in health and labour security to secure better protection in both formal and informal sectors. In Senegal the Agence Française de Développement (AFD) is experimenting with innovative micro-insurance in partnership with the private sector. In Guinea the GDC is planning public-private partnerships with mining and private companies to develop micro-insurance. All these initiatives complement support to state-led processes, strengthening the state-citizen social contract by building capacities on both sides.

### 7.1.2.2 Co-operating with the International Labour Organization

The ILO provides support to the extension of social protection in SSA and is a forum shaping the international political consensus on social issues and social protection, as with the UN Social Protection Floor (SPF). Embedding EU policies for social protection in the broader ILO framework might therefore confer more legitimacy. Indeed, it was recently decided to extend the scope of the ILO-Commission strategic partnership in the field of development to social protection to ensure that the four pillars of decent work would be covered.<sup>488</sup> The joint 'Improving Social Protection and Promoting Employment' project launched in 2010 is implemented in Burkina

<sup>487</sup> EU donors are involved in a number of best practices analysed in chapter 6.

<sup>488</sup> European Commission 2009, p.105.

Faso, Cambodia, Ethiopia and Honduras. Its objective is to promote, through a national consensus, an integrated strategy of social protection and employment policies within the development framework of these countries.<sup>489</sup>

Several Member States have also struck social protection-related partnerships with the ILO. Belgian co-operation has been funding the Programme de Promotion du Dialogue social en Afrique (PRODIAF), while Portugal supports the ILO/Strategies and Tools against social Exclusion and Poverty programme on the extension of social protection in Lusophone African countries.<sup>490</sup> As for innovative approaches, Luxembourg pioneered the implementation of the Global Social Trust (GST) (box 7.1).

**Box 7.1: The Ghana-Luxembourg Social Trust**

In 2002 the ILO developed the Global Social Trust concept, “based on the values of social justice, international solidarity, equality and responsibility”.<sup>491</sup> The idea is that individuals in developed countries contribute a modest monthly sum as additional voluntary social insurance contributions into a trust fund, which is then used to finance the extension of social protection in developing countries. The Ghana-Luxembourg Social Trust (GLST), launched in January 2010, is the first.

The GLST pilot is a means-tested conditional cash transfer to poor pregnant women in four area councils of Dangme West. Co-financed by the Luxembourg government (two-thirds) and OGB-L Solidarité Syndicale, a workers union non-governmental organisation (one-third), the programme is a collaborative effort between OGB-L, the ILO and the government of Ghana, from design to implementation.

Embedded in the wider Ghanaian social protection system, the GLST uses existing local structures whenever possible. It is strongly linked to the Livelihood Empowerment Against Poverty scheme, whose methodology and poverty ranking were used to target beneficiaries. The underlying idea is to develop the project in a way that would facilitate transition towards government ownership. Ultimately, the objective is therefore to persuade the government – by demonstrating the favourable impact of the pilot – to take over and scale up implementation and financing at the end of the five-year project cycle.

#### 7.1.2.3 Supporting a regional approach

Given their own regionalisation experience, the EU and its Member States have long promoted regional integration through development co-operation. The Commission has been providing financial and technical support to Regional Food Security and Risk Management programme, which aims at helping IGAD region countries develop social protection frameworks and strategies. In September 2010 the AFD approved a project to increase health insurance coverage and support Union Economique et Monétaire Ouest Africaine member states in designing and implementing social health protection national strategies and systems, with a strong focus on building

<sup>489</sup> Internal document forwarded by the EU.

<sup>490</sup> PRODIAF ([www.prodias.org/](http://www.prodias.org/)) focuses on Francophone Africa and is also supported by France. Centro de Informação em Protecção Social ([www.cipsocial.org/](http://www.cipsocial.org/)) provides information in Portuguese.

<sup>491</sup> GLST brochure, available on [www.solidaritesyndicale.lu/glst.php](http://www.solidaritesyndicale.lu/glst.php). See also ILO 2005.

regional capacities.<sup>492</sup> Such initiatives are particularly important, as regional approaches may be needed to tackle social protection challenges that transcend national borders (such as pastoralists in the Horn of Africa). And regional organisations can sustain the Pan-African momentum and support their Member States.

#### 7.1.2.4 Supporting South-South co-operation for social protection

As seen in chapter 6, the extent to which ‘traditional’ donors cast themselves as policy directors and purveyors of technical assistance for social protection is controversial. Furthermore, the shift in the donor landscape and the rising demand for South-South co-operation on social protection call for repositioning. In this light, EU development partners have started to act not only as direct providers of assistance and advice but also as facilitators.

In particular, DFID supported the South-South transfer of knowledge between the Brazilian Ministry of Social Development and fight Against Hunger, and its government counterpart in Ghana, leading to the Livelihood Empowerment Against Poverty programme. Following this success, the DFID-backed Africa-Brazil Cooperation Programme on Social Development was launched in 2008 to further strengthen Africa-Brazil co-operation in social protection. And the ‘South-South Learning on Social Protection Gateway’ was launched in 2010, once again with support from DFID.

GDC provides funding to the Chilean Fondo de Solidaridad e Inversion Social (FOSIS) to develop its horizontal and triangular co-operation potential.<sup>493</sup> In addition, France has committed to support the SPF Initiative by promoting South-South co-operation and triangular co-operation between Argentina, Brazil, Mexico and countries in Africa and Asia.<sup>494</sup> These blossoming ‘EU-South-South’ initiatives not only constitute a first step in addressing the shift in the donor landscape, but also in implementing the African Union Social Policy Framework recommendation on “taking advantage of South-South co-operation and regional and international best practice”.<sup>495</sup>

From leading donors to niche players, and best practices to innovative experiments, there is much to learn about the mostly unknown and untapped potential of EU support to social protection, in SSA and elsewhere. To make the most of this potential however, EU partners should tackle the challenges outlined in chapter 6 and overcome more EU-specific obstacles.

<sup>492</sup> *Projet d'appui à l'extension de la couverture du risque maladie dans les États membres de l'UEMOA* (PACRM). The main partner of the project will be the Direction de la Santé, de la Protection sociale et de la Mutualité of the UEMOA Commission.

<sup>493</sup> This cooperation led to the production of a *Modelo de Transferencia para la Cooperación Horizontal y Triangular* CD-ROM, which aims at facilitating sharing of the FOSIS experience.

<sup>494</sup> This is included in the new 2010 framework partnership agreement between France and the ILO.

<sup>495</sup> African Union 2008, §2.2.3 “Recommended actions”

## 7.2 Challenges in expanding and improving EU support to social protection

### 7.2.1 *The (ir)relevance of the EU*

#### 7.2.1.1 *A demand-driven approach: perspectives for the EU in Sub-Saharan Africa*

In SSA, development aid provides the EU with a “lever to advance social concerns”<sup>496</sup> and its own ‘social’ vision of globalisation.<sup>497</sup> However, despite the EU’s wealth of expertise and experiences in social protection and their potential for lesson-sharing,<sup>498</sup> an excessively Euro-centric perspective (assuming that the EU has an inherent and prevalent comparative advantage) should be eschewed. As acknowledged by EU donors, resorting to the “model” terminology and approach is ill advised, and runs counter to ownership. Furthermore, while there is growing interest for social protection in SSA, it is not necessarily directed towards the specific European brand of social protection or towards EU donors as partners.

The European social model is the product of specific processes under distinctive sets of conditions, which differ from those in SSA. The dominance of the informal sector, the scarce fiscal resources and challenges such as the HIV/AIDS epidemics call for a different set of answers, which also vary from country to country. In this sense, while the EU has interesting stories about social protection, they certainly are not the only stories, and not necessarily the most relevant. Africans may be more interested in learning from social experiences that have worked well in other SSA countries, and that can be adapted to their local situation and their limited resources and capacity.

Latin American and Asian experiences – the wealth and breadth of which have been broached in chapter 4 – are increasingly in demand, as demonstrated by the surge in South-South learning events and schemes. The most relevant experiences and support may thus very well come from developing partners (African or otherwise), as well as from non-EU ‘traditional’ partners, particularly multi-lateral. The challenge therefore lies in bridging the EU’s “capability-expectations gap”<sup>499</sup> in support to social protection not only by improving its capabilities, but also by taking a hard look at what partners actually expect of the EU.

In line with ownership, EU support and advice should therefore be demand-driven, wherever and whenever possible. Experiences from the field show that there is indeed significant demand for EU assistance.<sup>500</sup> Interest may lie in specific aspects of EU

<sup>496</sup> Eichhorst et al. 2010.

<sup>497</sup> See chapter 1, section 1.6.3

<sup>498</sup> See boxes 3.6 and 4.4.

<sup>499</sup> Famously coined by Christopher Hill (Hill 1993).

<sup>500</sup> This section is based on insights from the literature, discussions during ERD conferences and two ERD questionnaires (African stakeholders and EU practitioners’ perspectives).

social protection systems. For example, a team of Senegalese government officials recently went on a study tour in Italy, to observe and learn from the framework and mechanisms aimed at protecting vulnerable children. The Tanzanian-German Programme to Support Health is an example of institutionalised partnership geared towards a specific component of the social protection toolbox.<sup>501</sup> Overall, demand for technical assistance and capacity-building is strong. In Rwanda for example, EU partners responded to a government request for long-term technical assistants in Programme Development and Management, Finance and M&E.

EU partners' value added may also stem from their activities in other developing countries. DFID, with extensive experience in supporting social protection across SSA, can act as a broker, sharing lessons and best practices from countries with similar levels of development and challenges. Likewise, other EU donors with experience in SSA or other regions – GDC in Asia, Sida in Eastern Europe, the Commission in Latin America – can directly mediate South-South learning.

#### 7.2.1.2 *Engaging through political dialogue*

Part of the EU's comparative advantage lies in the breadth and depth of its institutional partnerships. Demand for exchanges on social development and social protection appears to be growing, from SSA and other partners. For instance, social protection figured high on the agenda of the last Asia-Europe Meeting (ASEM). At the October 2010 Summit, ASEM leaders called for "further sharing of experiences and for technical assistance in implementing social welfare policies".<sup>502</sup> Social protection has been identified as one of the six priorities of the EuroSocial II Programme on social cohesion, which enables exchanges between EU and Latin American policymakers. And a China-EU high-level roundtable on social security is held annually in the framework of the Social Security Reform Cooperation Project.

Social protection is also included in the political dialogue with India-Brazil-South Africa countries, within the framework of their respective strategic partnerships with the EU. The *South Africa-EU Strategic Partnership Action Plan* (2007) suggests that a dialogue could be initiated in the area of social policy, including the Decent Work Agenda. The second *EU-India Action Plan* (2008) recommends increasing "exchanges in the fields of sustainable extension of social protection". And the *Brazil-Union Strategic Partnership Joint Action Plan* (2008) commits to a host of social protection-related activities, such as the "intensification of exchanges on South-South co-operation based on the Brazilian model of access to equitable basic social protection systems", and the strengthening of "co-operation and dialogue in the field of social security systems, especially by extending them to atypical and precarious

<sup>501</sup> Within the framework of the programme (<http://www.tgph.or.tz>). Interventions include capacity development and long-term technical support at central, regional and district levels.

<sup>502</sup> ASEM 2010, p.6.

workers”.<sup>503</sup> These dialogues bring the EU/South/South ‘trialogue’ full circle, as all parties (SSA, emerging South, EU) have grown more interested in exchanges on social protection.

Indeed, Article 25§3 of the Cotonou Agreement states that “cooperation shall promote and support the development and implementation of policies and of systems of social protection and security in order to enhance social cohesion and to promote self-help and community solidarity”. In the 2010 second revision of the Agreement, a specific provision was added on improving health systems, including supporting safety nets.<sup>504</sup>

The “Strategic Partnership on Migration, Mobility and Employment” has become a forum for discussion on employment and decent work, including social protection, in the framework of the Joint Africa-EU Strategy and its first Action Plan (2008-2010).<sup>505</sup> The second Action Plan (2011-2013) envisages to further enhance dialogue on the implementation of the Ouagadougou Action Plan and the global Decent Work Agenda. The AU and EU Commissions notably commit to jointly launch a project with the objective of extending social protection coverage in particular in the informal economy. They will organise an event to allow the exchange of experiences between relevant experts and other key stakeholders including governments, the private sector, social partners, civil society and international organisations.<sup>506</sup> But even though the dialogue holds much promise, progress has been limited thus far.<sup>507</sup> So the challenge is not simply to make social protection a cornerstone of the partnership – the challenge is to actually deliver on it.

## 7.2.2 *Policy coherence for development*

### 7.2.2.1 *Social protection in the wider coherence framework*

The EU’s commitment to Policy Coherence for Development (PCD) is enshrined in the Treaties,<sup>508</sup> the *European Consensus on Development* and numerous agreed policy documents and conclusions at EU and OECD-DAC level. The *EU 2009 Report on Policy Coherence for Development* emphasises that “the challenge of extending social protection in both formal and informal economies needs to be addressed, which also means improving coherence between policies in the trade, financial and

<sup>503</sup> *Brazil-European Union Strategic Partnership Joint Action Plan*, 2<sup>nd</sup> Brazil-European Union Summit, Rio de Janeiro, 22 December 2008, pp.9-10.

<sup>504</sup> *Partnership Agreement ACP-EC*- Signed in Cotonou on 23<sup>rd</sup> June 2000, revised in Luxembourg on 25<sup>th</sup> June 2005; *Second Revision of the Cotonou Agreement*-Agreed consolidated text, 11 March 2010.

<sup>505</sup> For example, a “Workshop on Employment, Social Protection and Decent Work in Africa - Sharing experience on the informal economy” was organised in Dakar, Senegal, on 30 June - 2 July 2010.

<sup>506</sup> African Union -European Union. 2010, p.62 and 64.

<sup>507</sup> European Commission 2009, p.109; Bossuyt and Sherriff 2010; Bello 2010.

<sup>508</sup> Article 208 if the Treaty on the Functioning of the EU: “... The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries”.

social/development sectors and institutions at all levels".<sup>509</sup> Indeed, the external dimension of EU policies may have more impact on social protection in SSA (detrimental or beneficial) than EU development policy itself.

For example, trade reforms can in some instances increase labour market vulnerabilities in the short term by increasing the share of informal employment.<sup>510</sup> Globalization based on trade openness can therefore hinder the provision and expansion of social protection in SSA. Indeed, informality makes social protection all the more necessary (informal workers are among the most vulnerable), but also all the more daunting to implement (most of the existing schemes cannot be easily extended to the self-employed and informal economy). Openness can also impose limitations on government capacity to build fiscal space, and in particular lower spending on such items as social insurance, when it is most needed to mitigate higher exposure to external shocks.<sup>511</sup>

Beyond trade, policies ranging from the revision of property rights (with implications for land access and use, fishery rights, water access, mining) to those for migration (with demand for skilled immigration leading to brain drain) can affect redistribution and social protection in SSA.

#### 7.2.2.2 EU response and responsibility

Thus far, the EU's response to concerns about the impact of globalisation on employment, working conditions, income and social protection has focused mostly on promoting decent work and core labour standards through trade policy instruments at bilateral and multi-lateral levels (as with the GSP+). While this is certainly necessary, such standards do not apply to the informal economy, and therefore do not protect an overwhelming majority of the African population. More attention should thus be paid to the sequencing of the EU's response, as support to endogenous reform and active labour policies is needed to cushion the short-term costs (increase in informality) and ensure the transition towards long-term benefits (more resilient economies).

As regards other challenges, the *2010-2013 Policy Coherence for Development Work Programme* envisages a number of responses – setting principles for responsible investment in agricultural land, lowering costs of transfers for remittances, setting EU principles for the recruitment of health workers and carrying out Sustainability Impact Assessments – which constitute a modest first step in addressing and preventing incoherence.

Policy coherence is, however, an utterly sensitive political issue, with accountability towards EU stakeholders (such as agricultural and fishery lobbies) tending to prevail over development considerations. To translate the EU's commitment to PCD into

<sup>509</sup> European Commission 2009.

<sup>510</sup> Bacchetta et al. 2009.

<sup>511</sup> OECD, ILO, WB 2010, p.25.

practice, greater political commitment and co-ordination are needed at Member State and EU level. And an approach resting on improved understanding of linkages and costs as well as on collectively agreed impact assessments could accelerate progress.

While the EU and its Member States certainly should improve their coherence, a wider engagement of the global community is required. Like the EU, emerging donors (and powers) have a responsibility to ensure that their external policies do not adversely affect other developing countries, hindering their transition towards resilient economies and inclusive societies. But policy coherence remains low on the global development agenda, and ‘new’ donors rarely subscribe to the OECD-DAC’s soft law. Considering its commitment to the social dimension of globalisation, the EU hence has a role to play in pushing PCD to the forefront of the global agenda, particularly in the framework of the G-20.

### **7.2.3 *Division of labour and aid effectiveness***

#### **7.2.3.1 *EU commitment to the aid effectiveness and division of labour agenda***

EU donors have committed to an ambitious division of labour and aid effectiveness agenda, at international (*Paris Declaration* and *Accra Agenda*) and EU (*Code of Conduct on Division of Labour and Development Policy, Operational Framework on Aid Effectiveness*) levels.<sup>512</sup> In practice, implementation of these commitments remains politically thorny and operationally daunting, and progress has generally been slow. Fragmentation and proliferation still prevail, often at the cost of coherence, ownership and overall development impact.

Even so, EU donors are moving forward, notably in the context of the Fast Track Initiative on Division of Labour (FTI-DoL), to identify problems and propose a roadmap to remedy them.<sup>513</sup> In SSA Ethiopia was the first country to be extensively reviewed (donor mapping, fragmentation table, sectoral matrix): the exercise showed that donors’ involvement is not always aligned with their self-assessed comparative advantage, or with the significance of the aid relationship as perceived by both donors and recipients. An EU Action Plan to address these issues has been drafted by the Commission and will be discussed with the Ethiopian government. A similar process is under way in Mali (where a number of withdrawals and delegated co-operations have already occurred). Rwanda and Sierra Leone should be next.

#### **7.2.3.2 *Social protection in the framework of in-country division of labour***

<sup>512</sup> Paris Declaration on Aid Effectiveness (2005); Accra Agenda for Action (2008); Council of the European Union 2007; Council of the European Union 2009.

<sup>513</sup> The FTI-DoL aims at accelerating the implementation of the EU Code of Conduct in selected pilot partner countries. Within the framework of the initiative, EU lead and supporting facilitators have been identified for each partner country. The EU Fast Track Initiative is being implemented in 32 partner countries, 18 of which are in Sub-Saharan Africa. (Council of the European Union 2009).

These processes have concrete implications for EU support to social protection. For the time being, only a few EU donors are active in social protection. This of course means that more engagement is needed, but also provides EU partners with the opportunity to adopt ‘good’ practices – as in Mozambique, where DFID and the Netherlands support the Programa Subsídio de Alimentos by jointly channelling funds and aligning on government systems<sup>514</sup> – from the outset, while they are progressively getting more involved. More broadly, the move towards EU joint programming – and the proposal for progressive synchronisation of EU and national programming cycles based on partner country development strategies and own cycles<sup>515</sup> – could allow for a more concerted EU effort in support of comprehensive social protection systems, while promoting partner country ownership.

The EU aid effectiveness agenda also raises the issue of whether social protection should be considered as a sector. There is certainly a case to be made about the suitability of the sector approach to social protection issues. Clearly identifying social protection as a sector might help prioritise the issue and secure spending. It could also improve coherence of the overall approach to social protection, as well as its integration within the wider development framework. At country level, it would facilitate the establishment of working groups and enhance the quality of policy dialogue. In fact, the EU *Green Paper on the future of budget support* specifically identifies social protection as a relevant area for sector policy dialogue.<sup>516</sup>

But given the EU donors’ commitment to concentrate their active involvement in a maximum of three sectors per country,<sup>517</sup> adopting a sector approach poses the risk of eviction. Indeed, in a context of streamlining, it might be difficult to ensure that social protection figures among the chosen sectors, as it is not yet a widespread priority on the development agenda. The most appropriate way to deal with this issue may therefore very well be to align with partner priorities at country level. As stressed in the *Code of Conduct*, “appreciation of what constitutes a sector should … match the definition of the partner country, that should have identified the sector as a priority in its poverty reduction strategy or equivalent”.<sup>518</sup> A good example is Rwanda, where the National Social Protection Strategy clearly advocates for a sector-wide approach, backed by joint budget support.

Within donor policies, social protection might be promoted as a cross-cutting issue, with multiple entry points to allow for spending, including budget support whenever possible and appropriate. Such an approach would require a strong overarching EU

<sup>514</sup> DFID and The Netherlands provide budget support through a Single Treasury Account. Along with ILO and UNICEF, they signed a MoU with the government in 2008, which includes joint support to institutional development. The government only submits one report to all partners.

<sup>515</sup> Council of the European Union, 2010a, §33.

<sup>516</sup> European Commission 2010a, p.9.

<sup>517</sup> But the Code is “voluntary, flexible and self-policing” and donors can still intervene through budget support. (Council of the European Union 2007).

<sup>518</sup> Ibid. “Guiding principle 1”.

policy framework and co-ordination mechanisms, which would ensure overall coherence and unequivocally put social protection on EU donors' agenda.

#### 7.2.3.3 *Support to social protection and cross-country division of labour*

Another key challenge is the cross-country division of labour. Indeed, “aid as it is currently allocated generates inequity in its distribution”,<sup>519</sup> characterised by a high concentration in ‘darling’ countries, while many others are ‘orphans’. Such is the case for 15 African fragile states, which are expected to experience a fall in country programmable aid over 2009-10, some of them (Chad, Côte d’Ivoire, Liberia, Togo) to the extent of about 20%.<sup>520</sup> In the field of social protection, imbalances are particularly glaring: international support (including EU) tends to focus on a handful of ‘darlings’ (Ethiopia, Ghana, Kenya, Malawi, Rwanda, Zambia) that have the potential of becoming ‘success stories’. Meanwhile, many of the most in need – often countries in situation of fragility whose weak capacity to domestically afford social protection has been further undermined by the crises – get scarce, if any, support.

The EU has explicitly committed to tackling this challenge in the *Code of Conduct*, the *Operational Framework* and recent Council Conclusions.<sup>521</sup> For the time being, it was agreed to organise a regular and systematic exchange of information (notably on decisions to enter or exit a country) and to meet each year at expert level “to analyse and discuss the results of the exchange of information with a view to in particular reducing cross-country aid fragmentation and donor proliferation”.<sup>522</sup> This is a timid but important first step, considering that the geographic allocation of aid is often motivated by preferences (historical, commercial, strategic, cultural) integral to states’ sovereign foreign policy prerogatives.

While the EU, given its advanced integration and co-operation, may be the best forum to start dealing with these issues, effective in-country and cross-country divisions of labour also depend on other players’ co-operation (emerging and non-EU DAC donors, foundations and NGOs, vertical funds). In social protection, in-country (*PSNP Development Partner Group*) and cross-country (*Providing for Health*)<sup>523</sup> partnerships often reach beyond the EU. In fact, harmonisation rarely takes place exclusively or primarily at the EU level, instead involving relevant ‘donorwide’ partners. While collaborating with other donors to optimise synergies, the EU should

<sup>519</sup> Piebalgs and Rodríguez Ramos 2010.

<sup>520</sup> OECD 2010. Meanwhile, 6 out of 43 fragile countries receive 51% of total ODA to fragile states [Afghanistan (13.5%), Ethiopia (9.5%), Iraq (9.4%), West Bank and Gaza (7.3%), Sudan (6.6%), Uganda (4.7%)].

<sup>521</sup> See in particular Council of the European Union 2010b.

<sup>522</sup> Ibid.

<sup>523</sup> The *Providing for Health* (P4H) initiative is an international platform (France, Germany, ILO, World Health Organization and World Bank) for dialogue and harmonised collaboration to support low- and middle-income countries in reaching their goals and objectives on social health protection and universal coverage.

strive to assert its role by scaling up its engagement and taking the lead in promoting a progressive social protection agenda in co-operation with SSA partners.

### **7.3 Policy recommendations: moving towards a European approach on social protection for inclusive development**

Globally, the EU (Commission and Member States) is the largest provider of ODA in the world. But social protection is not yet fully on the EU development map, despite the compatibility between the EU's social model based on redistribution and international redistribution aimed at strengthening partner country social models. The EU still does not have a comprehensive framework or strategy to promote social protection as an integral part of development policy. Actors such as the European Working Group on Social Protection and Decent Work in Development Cooperation have been putting pressure to give social protection "the prominence it deserves"<sup>524</sup> in EU development policy, which in turn would lend credibility to its commitment to the social dimension of globalisation.

The EU's lack of collective leadership is reminiscent of its propensity to "punch below" its weight in development policy, mainly due to its difficulty to "speak with one voice". More broadly, the role and standing of the EU and its members in the changing global landscape and governance of the aid system are increasingly challenged. As stressed by the Reflection Group on the future of the EU 2030, "the EU can no longer afford to muddle through".<sup>525</sup> It needs to reposition and (re)define its comparative advantage at the global level, including that in the realm of development co-operation.

The ongoing reflection on the modernisation of EU development policy and spending programmes provides an opportunity to make social protection a key element of the EU's support to inclusive development. Several EU donors, including the Commission, are already supporting country-led social protection initiatives. But there is still much to be done by the EU to overcome persistent challenges, and to make the most of its comparative advantages and collective critical mass. First and foremost, more engagement is needed.

As shown in this Report, social protection is not only a right but also an investment critical to the success of the wider development approach. Tackling vulnerability and inequality has a direct impact on building resilience and achieving inclusive growth. Social protection can thus be a strategic instrument to achieve MDGs targets linked to education, health, gender and poverty outcomes and improve sustainability in many other sectors. It can be a forward-looking tool to address African current and future needs linked to demographic trends, migration, climate change and global instability.

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<sup>524</sup> European Working Group on Social Protection and Decent Work 2010.

<sup>525</sup> Reflection Group on the Future of the EU 2030 (2010), p.35.

It can also be an essential means to reinforce social cohesion and the social contract, thus enhancing political accountability and social stability. In short, it is a key missing piece of the development puzzle, which can significantly improve the impact of EU development policies.

The European Report on Development therefore recommends that the EU enhance and improve its support to social protection in developing countries. To this end, it identifies seven priorities for the EU and its Member States:

***Priority 1: Make social protection an integral part of EU development policy***

The EU should adopt a comprehensive policy framework for social protection, tied to concrete time-bound commitments and dedicated resources. This indispensable step should enhance the visibility of social protection and create opportunities for discussing the EU's collective value added. It could also leverage much-needed EU (Commission and Member States) resources and support.

To this end, opportunities in the pipeline should be seized upon to ensure that the wide array of EU approaches and instruments is geared towards providing long-term, predictable and appropriate support to social protection. Ongoing consultations on the modernisation of EU development policy, the future of budget support and the funding of EU external action after 2013<sup>526</sup> offer the chance to prioritise and embed social protection in EU policies and instruments in the future. The setting-up of the European External Action Service (EEAS) and of the new Commission Directorate General in charge of development policy and implementation (DEVCO), as well as the implementation of the *Joint Africa-EU Strategy Action Plan 2011-2013*, provide further opportunities to translate the EU's budding commitment to social protection into practice.

Specific attention should also be paid to building capacities of EU staff, particularly in the field. Joint Commission-Member States training sessions could raise awareness and foster common understandings of social protection within the EU, while facilitating dialogue with SSA partners.

***Priority 2: Promote and support domestic processes***

To ensure ownership and lay the foundations for long-term sustainability, the EU should promote the implementation of an African-owned social protection agenda at continental, sub-regional and national levels, starting with the AU *Social Policy Framework*. When and where possible, the EU should support comprehensive social protection systems embedded in a rights-based framework.

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<sup>526</sup> Public consultations on the *EU development policy in support of inclusive growth and sustainable development. Increasing the impact of EU development policy* and on *The future of EU budget support to third countries* Green Papers; public consultation on *What funding for the EU external action after 2013?*. Feedback received on the *Africa-Europe 2020: 1.5 billion people, 80 countries, two continents, one future* Communication can also play a role.

As a minimum, EU partners should ensure that their interventions are consistent with domestic priorities and needs, minimising donor micro-management and policy intrusion. Appropriate donor roles might include the provision of technical and financial assistance to build capacities at all levels (national, provincial and local; governmental and non-governmental) and to support the high initial and fixed start-up costs (such as establishing systems for identification, registration, targeting, delivery and monitoring and evaluation).

Strengthening domestic constituencies is also key to building ownership. The EU should promote multi-stakeholder participatory approaches, and support domestic social protection champions (government officials, parliamentarians, non-state actors). In doing so, it should use both formal and informal channels, and enhance dialogue with potential ‘veto’ players, for instance in Finance Ministries.

***Priority 3: Assist in tackling affordability***

Since domestic resource mobilisation is critical to the sustainability of social protection programmes, the EU should support SSA partners on the path to tax reform and revenue collection. Policy dialogue on the financial and fiscal aspects of social protection (tax reform, budget allocations, donor exit strategies) as well as broader public financial management issues is paramount.

Development aid can also act as a catalyst for social protection and inclusive growth by relaxing the affordability constraint in a transition phase. First and foremost, EU donors need to honour their ODA commitments (0.7% of GNI by 2015), despite the global financial crisis and ensuing budget constraints.

Given the EU’s leadership in innovative finance so far, it is well placed to explore innovative financing options for social protection, such as the replication potential of the ILO GST concept. More broadly, the feasibility of a Social Protection Fund for Africa that “ring-fences aid and other donor support for specific high-priority programmes”,<sup>527</sup> could be explored, in collaboration with the African Development Bank (AfDB). Such a solution could leverage additional funds while enabling a widespread effort across the continent. When assessing these options, specific attention should be paid to their impact and design: new vertical funds or pilots should not be at the expense of co-ordination, alignment and ownership.

Donor commitments should be credible, and their funding predictable and reliable, especially when donors choose to support recurrent spending. Long-term commitments as in Zambia or innovative instruments like the EU “MDG contracts” provide positive examples in this regard. Special attention should be paid to domestic fiscal sustainability. An exit strategy should be devised and agreed on from the outset to avoid creating islands of welfare prone to donor fads and vicissitudes.

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<sup>527</sup> Taylor 2009.

#### ***Priority 4: Tailor intervention modalities to specific contexts and needs***

There is no “one size fits all” for support to social protection in SSA. Approaches should be informed by a deep-rooted understanding of the local contexts and underlying politics, to assess both what is most appropriate and what is feasible.

This Report suggests that a package including budget support, policy dialogue and capacity building might be most appropriate to promote ownership and support social protection systems fully integrated with an overall national development strategy. But the feasibility of budget support depends on local conditions, with public finance management and governance being critical issues. Budget support should be underpinned by a credible aid contract between mutually accountable partners, with a focus on results. To enhance the quality of dialogue, sectorwide budget support might be preferable. Innovative solutions such as 'Cash on Delivery' contracts could also be explored.

Donor-driven pilots should be limited, because they rarely, if ever, prove sustainable. Pilots do, however, remain useful to evaluate or experiment with options or kick-start schemes for future scaling up, and they should be embedded in domestic processes, preferably state-led. Working through and with the state should indeed be favoured to reinforce the social contract. But support should also be provided to informal and community-based schemes (such as *mutuelles de santé* in West Africa), that can be built on in the framework of a wider system (as in Rwanda).

In countries in situation of fragility, paying attention to local perceptions of legitimacy (whom to work with) and extending the social protection palette (from humanitarian to security) is crucial. The sequencing of interventions should be agreed on by the international community, whose support can be pooled. An agenda focusing on emergency assistance and transfers, public works, input supplies and basic healthcare might be a first priority, before tackling the longer-term challenge of building state capacity for implementing social protection schemes.

Overall, monitoring and evaluation are keys to ensuring accountability and facilitating learning. To enable scaling up or replication, assessing impact is crucial, as is identifying best practices and bottlenecks in existing schemes. EU donors should allocate appropriate resources to monitoring and evaluation and improve impact evaluation techniques. They could support the use of innovations in robust impact assessments, including piloting with baseline and follow-up surveys in areas that benefit from the pilot and control areas. Where feasible, the use of randomisation in testing the effectiveness of particular packages,<sup>528</sup> design options or staggered scaling up could be considered.

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<sup>528</sup> For example see Corno 2010.

To improve decision-making and better tailor programme design, the EU should also explore solutions to improve the accuracy and timeliness of poverty and vulnerability data, including through support to the UN Global Pulse Initiative.

#### ***Priority 5: Support knowledge-building and lesson-sharing***

EU donors should commission and support research into the various impacts and benefits of social protection for development, to feed the learning process and enable evidence-based investments and decision-making. Further studies are needed to show the impact of social protection on growth and vulnerability in the medium-term (notably the ability of the poor to build assets and sustainably escape poverty), but also on political stability, social cohesion and the social contract. The scope of research should be widened to a broader diversity of experiences (beyond 'darling' donor schemes), using a multi-disciplinary approach. Surveys of local perceptions and needs would also contribute to appropriate decision-making and design. Results of these initiatives should be disseminated among policy-makers.

Most important, EU donors should support Africa's capacity to further develop its own analysis and thinking on social protection. Funding local research would enhance the legitimacy and relevance of the knowledge produced and allow for easier dissemination (in national or local languages, for instance).

Embedding social protection in the Africa-EU dialogue at all levels (bilateral, regional, continental; political and policy dialogue) is essential to facilitate lesson-sharing and to enhance political will on both sides.

EU Member States should also share lessons of their experiences in social protection by putting together easily accessible information (the *European Transition Compendium* is a good example) and organising study tours, conferences and workshops in response to partner country demands.

Given the increasing relevance of South-South learning, the EU should provide support when southern partners request it, building on examples of good practice. An ambitious triangular partnership for learning on social protection could be envisioned, in the form of regular exchanges between the relevant stakeholders in the various EU political dialogues and strategic partnerships. The EU should also contribute to best practice guidelines based on the implementation of social protection mechanisms in developing countries, as agreed by the G-20 in Seoul.

#### ***Priority 6: Improve the co-ordination, complementarity and coherence of EU action***

EU support to social protection should fully comply with the aid effectiveness agenda and with EU treaty obligations.

An EU-wide "social protection and development" network of experts (from development ministries and agencies, labour and social affairs ministries, civil

society) should be established, bearing in mind that complementarity with OECD-POVNET is essential. A first important task for the network would be to map EU assistance to social protection. Such an initiative would not only facilitate lesson-sharing and exchanges of best practices, but also usher in better divisions of labour by highlighting gaps and overlaps and identifying comparative advantages.

Key to this effort is an agreement on whether to approach social protection as a sector. This Report suggests that mainstreaming social protection as a cross-cutting issue might be more appropriate, but the EU position should be further informed by discussions in this new EU network, with the OECD-POVNET network and with partner countries.

Implementing the *EU Code of Conduct* should provide an opportunity to rationalise programme development and support at country level. The EU should take the lead in co-ordinating with the wider donor community, within and beyond the Development Assistance Committee of the OECD, and in co-operation with partner countries.

EU cross-country division of labour should be improved, paying particular attention to tackling the ‘orphans’ (especially in situations of fragility). In this respect, given its global presence, the Commission has a key role to play, as do EU donors with ties to forgotten countries.

Improving policy coherence for social protection is also crucial. Further to the implementation of the *2010–2013 Policy Coherence for Development Work Programme*, the EU should commission research to assess the impact of policies such as trade, migration and agriculture, on social protection in developing countries. More political will is needed to translate the EU’s commitment to PCD into practice, and to promote it credibly in the wider development community (such as the Fourth High Level Summit on Aid Effectiveness, G-20, Fourth UN Conference on the Least Developed Countries LDC-IV).

#### ***Priority 7: Strengthen EU partnerships for a progressive social protection agenda***

Support to social protection has been limited in the EU’s external action, in particular in the framework of its commitment to the social dimension of globalisation and decent work. The EU should work closely with strategic partners to promote a progressive international agenda for social protection and fairer globalisation. Supporting the ILO and other UN agencies involved in social protection is crucial, given their experience and legitimacy in the field.

The EU should also support and co-operate further with the AU Social Affairs Department and the AfDB’s Human and Social Development Department, important for feeding and sustaining the African ‘social’ momentum.

In light of its experience and given its emphasis on regional integration in development policy, the EU should advance the case for regional co-operation in social development and social protection, building on the existing momentum and instruments.

Partnerships with the private sector could also advance the social protection agenda. With proper co-ordination and policy-design, the EU can leverage private actions. New and innovative public-private partnerships should be explored.

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In summary, the time is ripe for a new Africa-EU social protection agenda. There is a growing consensus on the benefits of social protection, and the post-crisis environment, as well as the likely risks linked to climate change, call for a renewed and enhanced partnership.

Social protection programmes can, if some preconditions hold, have a positive impact on inclusive growth and poverty reduction, reaching large parts of the population and eliciting broad political support. And if well designed, they can complement informal community-based systems as well as market-based solutions. Regular, independent and robust evaluations are crucial for the generation of credible evidence of the programmes' achievements. This in turn is key to securing support (less susceptible to political alteration), and therefore political sustainability and success.

Achievements so far show that with commitment, vision and support, building up social protection is feasible in Sub-Saharan Africa, even in low-income countries. The choice of specific new programmes or the scaling up of existing schemes is, however, country specific and depends on partner countries' demographic, geographic and economic contexts, as well as on their political commitment and priorities.

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