MANAGING RISK, PROMOTING GROWTH

Developing Systems for Social Protection in Africa

The World Bank’s Africa Social Protection Strategy 2012-2022

OVERVIEW
Social protection is a powerful way to fight poverty and promote growth. A growing body of evidence from African countries shows that social protection directly reduces chronic poverty and vulnerability, as these programs enable poor households to meet their basic consumption needs, protect their assets, and achieve better health, nutrition, and education outcomes. These programs also build households’ productive assets and expand their income-earning opportunities by building their labor market skills and enabling them to engage in higher risk, higher return activities. Social protection contributes to local economic development by improving labor market functioning, stimulating local markets through cash transfers, and creating community infrastructure, and to broad economic growth by boosting aggregate demand and facilitating difficult economic reforms.

Social protection reduces inequality and promotes social stability. Social protection has often been used by governments to shore up their legitimacy, which can promote social stability during periods of crises and difficult economic reforms. African countries that are emerging from conflict situations have used social protection to foster peace and to rebuild their social capital. This is because, for example, labor-intensive public works programs in fragile and violent settings can quickly help stabilize a high-risk situation. Evidence is emerging that social protection can contribute significantly to reductions in inequality, by redistributing income to poor households and supporting their participation in productive activities.

Safety nets are a critical part of a government’s capacity to respond to shocks. The triple crises of 2008 and the 2011 drought in East Africa have demonstrated the vital role that safety nets play in mitigating the impact of shocks on poor and vulnerable households. Across Africa, countries with well-established safety nets were able to scale up these initiatives swiftly to provide assistance to a large number of vulnerable households. African governments need to put in place the prerequisites for scaling up their safety net programs seamlessly, such as robust early warning systems and contingency plans, and ensure that these programs are coordinated with a well-functioning emergency system.

Countries can realize significant benefits by creating an integrated social protection system. Adopting a systems approach to social protection will reduce inefficiencies and ensure more equitable delivery of benefits from safety nets, pensions, insurance, labor programs, and targeted service delivery. This approach is founded on a policy framework that articulates the vision for social protection in a country, thereby guiding the choice of instruments, financing mechanisms, and institutional arrangements for social protection. It draws attention to opportunities to harmonize and expand existing programs in a way that reduces fragmentation and duplication, while also promoting linkages across programs to capitalize on synergies among different types of social...
protection programs. Adopting basic administrative tools can assist programs to harness possible economies-of-scale and administrative efficiencies.

5 **Social protection is affordable in low-income countries despite tight budgets.** While overall spending on social protection in Africa remains low by international standards, experience suggests that social protection programs can achieve national coverage at the cost of only 1 to 2 percent of GDP. While this is only a portion of the financing required to operate a social protection system, it draws attention to what countries can achieve in the short-term. Indeed, one way in which existing social protection spending can be made significantly more efficient would be by reallocating existing financing for inefficient subsidies and ad hoc emergency food aid to predictable safety nets. At the same time, pursuing reforms to social security systems will ensure their fiscal sustainability, while expanding coverage. Notably, the costs of not protecting poor families are very high, are borne disproportionately by women and children, and undermine the productivity of future generations.

6 **The Strategy will be implemented by leveraging partnerships, knowledge, and the World Bank’s financing instruments.** The World Bank will continue to invest in analytical work to fill knowledge gaps and promote an evidence-based dialogue for social protection systems in Africa and further innovation. It will work with governments to build country-owned national social protection systems with the aim of reducing fragmentation in the sector. The Bank also will pay particular attention to institutional development and capacity building by using its lending to increase the coverage of successful social protection interventions. Throughout this work, the Bank will work in coordination with governments, development partners, the private sector, academics, civil society, and beneficiaries.
Much has changed in Africa over the past decade. Economic growth has averaged 5 percent annually over the last 10 years. As a result, the proportion of the African population living in poverty fell from 58 to 51 percent between 1995 and 2005 (Figure 1). Significant gains have been made in a range of social indicators. Primary education enrollment rose from 56 to 75 percent, gender parity in education is close to being achieved. HIV prevalence declined, and child mortality is beginning to fall sharply. Across the continent, several countries are well on their way to meeting most of the Millennium Development Goals.

Despite these gains, rates of chronic poverty remain high. The proportion of the African population living on less than $1.25 a day was still as high as 47.5 percent in 2008 (having fallen from 58.1 percent in 1999). In Tanzania, for example, the poorest 10 percent of the population have not benefitted from recent economic growth, while, in Ghana, the northern savannah area has been left behind in the growth process, with the share of the poor living in the rural savannah increasing from 32.6 percent in 1991/92 to 49.3 percent in 2005/06.

At the same time, millions of people are exposed to a range of well-known risks, which are increasingly exacerbated by new sources of vulnerability. This vulnerability stems from demographic trends, climate change, governance challenges, and Africa’s integration into the global economy, among other factors. In West and Central Africa, a 50 percent increase in food prices alone was estimated to result in a 2.5 to 4.4 percentage point increase in poverty rates. “In West and Central Africa, a 50 percent increase in food prices alone was estimated to result in a 2.5 to 4.4 percentage point increase in poverty rates.”

**FIGURE 1: African Population Living on Less than US$1.25 Per Day (%)**
include orphans, populations affected by HIV/AIDS, widows, and older people with no family support. Africa’s informal support networks are increasingly ill suited to respond to these challenges.

Yet the costs of not protecting poor populations from the negative effects of shocks are very high and long-lasting. For example, children in households in Burkina Faso that experience a negative income shock are less likely than other children to be enrolled in school. The effects of such coping strategies can have lasting negative effects on families’ welfare. Ethiopian households that suffered during the 1984/85 drought continued to experience 2 to 3 percent less annual per capita growth in the 1990s. The negative consequences of reducing investments in children can be irreversible. Malnutrition alone lowers GDP growth by 2 to 3 percent as health care costs for malnourished children increase, and, due to their poor cognitive functioning, they find it difficult to learn.

“African countries have made great strides in establishing and strengthening social protection programs that reduce chronic poverty and respond to these risks and vulnerabilities.”

Social protection (SP) is now regarded among policymakers as a key component of poverty reduction strategies in the region, and dialogue and debate on social protection have continued to expand. In 2009, members of the African Union (AU) endorsed the Social Policy Framework for...
Africa (Box 1). Governments in the region are investing in SP programs that are proving to be effective, and lessons from the design and implementation of these programs are now informing the expansion of social protection across the continent. As a result of the experience of the 2008 food, fuel, and financial crisis and the 2011 drought in the Horn of Africa, the focus has turned to establishing SP programs that can be scaled up quickly in response to shocks. This emphasis is reflected in the growing number of regional organizations and development agencies that are supporting social protection.

However, while spending on social protection is increasing, overall levels of both spending and coverage remain low, except in some middle-income countries. The World Bank’s Social Protection Atlas reveals that only 20 percent of Africans benefit from some type of publicly provided social protection, a far lower share than in any other region in the world. These generally low levels of coverage stand in stark contrast to the widespread nature of poverty in Africa. There are some exceptions, however, with safety nets in Botswana, Ethiopia, Namibia, and South Africa, for example, having high rates of coverage.

At the same time, government implementation capacity remains weak in many areas, strained by the need to coordinate many actors and sectors. Programs tend to be small, donor-funded initiatives, which are often implemented outside of government systems (Figure 2), although there are some exceptions. Overlaps and duplication of effort occur, including in middle-income countries with comprehensive SP systems, because the programs are not generally designed to complement each another. In some countries, weak national monitoring and evaluation systems make it difficult to compare the effectiveness and efficiency of different approaches, although some safety net programs, particularly cash transfers, have been subject to robust impact evaluations.

FIGURE 2: Institutional Setting of Cash Transfer Programs In Africa (%)

The African Union’s (AU) Social Policy Framework (SPF) for Africa moves away from treating social development as subordinate to economic growth and justifies social development as a goal in its own right and indeed as an essential component of economic growth. The SPF recognizes the close-knit relationship between social integration, investment, employment, and poverty.

Regarding social protection, the framework recognizes that, while the exact mix of appropriate social protection tools will differ according to each country’s circumstances, there is a growing consensus that a minimum package of essential social protection should cover: (i) essential health care and (ii) benefits for children, informal workers, the unemployed, the elderly, and people with disabilities.
Social protection programs in Africa are producing a range of positive outcomes for individuals and households, which constitutes a strong argument for increasing investments in these programs. Evaluations of SP programs in Africa, such as cash transfers, public works, and non-contributory pensions, show that:

- **Social protection programs have an immediate and direct impact on chronic poverty** by providing poor households with resources to meet their basic consumption needs, to protect their assets, and to achieve better health, nutrition, and education outcomes. For example, Kenya’s Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Program has resulted in a significantly higher increase in the consumption of basic food and greater dietary diversity by participant households than by non-participant households. Among rural Ethiopian households affected by drought, those households that received regular and predictable support from public works organized by the Productive Safety Net Program (PSNP) were significantly less likely to have to sell their livestock to smooth their consumption than non-beneficiary households.

- **Social protection programs build the productive assets of households and expand their income-earning opportunities** by building their labor market skills and enabling them to invest in their assets and human capital. This has a direct positive impact on their well-being and contributes to increasing their human capital and productivity. The Youth Opportunities Project in Uganda resulted in a significant increase in the number of hours during which participating youths were employed outside of the house. Roughly two years after participating in the project, nearly three-quarters of these young people were engaged in skilled work. The Child Support Grant in South Africa is associated with an increase in the labor force participation of mothers.

- **As a result, social protection has a positive long-term impact on people’s ability to rise out of poverty.** Kenya’s CT-OVC resulted in a 13 percentage point reduction in the proportion of households living on less than US$1 per day. In Rwanda, the government has attributed the decline in poverty from 57 percent in 2006 to 45 percent in 2011 to the Vision 2020 Umurenge Program of public works and cash transfers, along with two other key development programs.

**Social protection also increases productivity and growth.** Social protection investments lead to increased human capital and productivity as a result of better health, more schooling, and greater skills. Social protection also contributes to economic growth in the following ways (Figure 3):

- **Social protection encourages local economic development** by improving labor market functioning and by stimulating local markets by providing cash transfers to households and creating community infrastructure. For example, Ethiopia’s PSNP rehabilitated over 167,000 hectares of land and 275,000 kilometers of stone and soil bund embankments.

In Rwanda, the decline in poverty from 57 percent in 2006 to 45 percent in 2011 has been attributed, in part, to the Vision 2020 Umurenge Program of public works and cash transfers.
and planted more than 900 million seedlings. In Namibia, grocery stores were established even in the smallest village in response to the increase in demand generated by the receipt by the local population of the social pension.

*Social protection contributes to broad economic growth* by boosting aggregate demand and facilitating difficult economic reforms by supporting populations that are negatively affected by such reforms. The successful transition of Mauritius from a single crop economy with high rates of poverty to a high-growth economy with the lowest rates of poverty in Africa has been attributed, in part, to its safety nets, which helped to create the social cohesion necessary to support such a radical reform. More generally, a recent World Bank study of international datasets for the period between 1996 and 2009 found a positive and robust association between safety nets and economic growth.

*Finally, social protection can enhance social cohesion and reduce inequality.* Social protection has been used to foster peace and rebuild social capital in societies emerging from conflict. Sierra Leone has introduced public works targeted to young ex-combatants. Social protection can also facilitate difficult policy reforms and help governments to avoid making bad policy choices. Targeted social protection interventions have been found to directly reduce inequality. Brazil has experienced a remarkable reduction in inequality, mostly driven by a reduction in extreme poverty. Studies have found that Brazil’s Bolsa Familia, the largest conditional cash transfer program in the world, was responsible for one-fifth of this decline in national inequality and had no negative impact on economic growth.

![Figure 3: Ways in which Social Protection Increases Productivity and Growth](image-url)

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<tr>
<th>INSTRUMENTS</th>
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<td>Safety Nets</td>
<td>At the macro level: National Economy</td>
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<td>Pensions</td>
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<td>Poverty Reduction</td>
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<td>Insurance</td>
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<td>Labor Program</td>
<td>• e.g. Improves functioning of the labor market: programs increase ‘employability’ of target groups</td>
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<td>Access to Services</td>
<td>• e.g. Creates local infrastructure: public works build community assets and rehabilitate the natural environment</td>
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<td>• e.g. Accumulates and protects assets: safety nets protect against distressed sales of assets</td>
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The World Bank’s new Africa Social Protection Strategy explains how the World Bank will work with governments and other partners to strengthen social protection systems in order to reduce vulnerability and poverty by helping poor citizens to:

(i) Manage risk and respond to shocks
(ii) Build their productive assets and increase their access to basic services
(iii) Engage in productive income-earning opportunities.

By doing so, the Strategy will contribute to inclusive economic growth and more equitable development outcomes in Africa. Importantly, the Strategy will also help countries to be more prepared to respond to the uncertainties related to crises and shocks in the short term, while building the elements of more comprehensive and sustainable social protection systems in the longer term. This objective builds on the World Bank’s conceptual framework for social protection (Box 2).

"The Strategy will help countries to be more prepared to respond to shocks, while building comprehensive and sustainable social protection systems."

A number of social protection instruments can be used to achieve the objectives of the Strategy. The choice of social protection instruments – and how they will evolve within a social protection system – will vary from country to country and will be determined by the risk and vulnerability profile of the country, the size and characteristics of its vulnerable populations, and the government’s priorities for its social protection system. Yet all social protection systems are comprised of some or all of the following instruments: (i) safety nets; (ii) pensions; (iii) insurance; (iv) labor programs; and (v) targeted service delivery to the poor.

There is much experience with each of these instruments in Africa, although the extent to which this experience has been successful and has been rigorously analyzed varies. The Strategy sets out priorities to enhance the effectiveness of each of these instruments in delivering the resilience, equity, and opportunity functions of social protection in Africa.

**BOX 2: Conceptual Framework for Social Protection**

Social protection systems, programs and policies help individuals and societies to build up their resilience to risks, achieve equity, and avail themselves of opportunities. Thus it promotes economic growth in three ways:

- **Resilience** by insuring households against declines in their well-being from a range of shocks
- **Equity** by protecting them against destitution and promoting equality of opportunity
- **Opportunity** by promoting better health, nutrition, education, and skills development and helping men and women to secure better jobs.
African countries have a long history with safety nets. These have tended to be in the form of humanitarian food aid, food subsidies, or public works. Box 3 describes some lessons that have been learned from the extensive experience with public works in Africa. More recently, however, cash transfers have become the program of choice among many policymakers to respond to chronic poverty, even though many of these programs, particularly in low-income countries, tend to be small and fragmented. A 2010 review identified 123 cash transfer programs in 34 African countries. Evidence suggests that cash transfers (or regular public works) provide more effective safety net support to the poorest households than do other safety nets, although this depends largely on how well the program is designed and implemented. Experience from a number of countries has shown that scaling up established safety net programs can be an effective way to respond to crises. In Ethiopia, for example, the PSNP was scaled up in response to droughts in 2008, 2009, and 2011.

A number of African countries have embarked on pension reforms in recent years to address the limited coverage and shortcomings of their pension schemes. Nigeria has replaced its defined benefit scheme with a defined contribution scheme that is competitively managed. A number of countries have consolidated various formal schemes into one that covers all formal sector workers. Extending pension coverage beyond its traditional focus on the formal sector to the informal sector requires innovations in product design and delivery. Examples from Africa suggest how this might be done (Box 4). Social pensions are popular among many countries, particularly in Southern Africa. Many of these schemes benefit from considerable political commitment, but concerns have been raised about their fiscal affordability and progressiveness given that elderly citizens may not be any poorer, on average, than other population groups.
Driven by economic growth and innovation, insurance markets are growing in Africa. The aim of social protection is to extend the coverage of these insurance products (particularly in life, health and agriculture) to poor populations. While the experience of these three types of insurance throughout Africa varies significantly, there are several common lessons that can be learned about how best to extend insurance products to the poor: (i) how these products are delivered is crucial, particularly in terms of timely payouts, good technical advice, regular, credible information, and appropriate premium rates; (ii) public and private investments in existing institutions need to be leveraged; (iii) insurance products supported by the government need to be market-based; and (iv) achieving high rates of insurance coverage among poor populations will require subsidizing or even entirely covering the cost of their premiums in the short term. Box 5 describes how the coverage of health insurance has been progressively expanded in Rwanda.

The extent to which labor programs are relevant to low-income countries in Africa remains the subject of much debate, despite high levels of unemployment, particularly among young people. In many African countries, what is needed is not job creation per se but the creation of higher productivity and better paying jobs, most often in the informal sector. In these countries, this is more likely to result

BOX 5: Reaching the Poor with Health Insurance in Rwanda

By 2010, an estimated 91 percent of the Rwandan population was covered by health insurance, up from just 7 percent in 2003. This is largely through mutuelles de santé (community health insurance schemes). About 50 percent of mutuelle funding is comprised of annual member premiums, which average US$2 per person per year. The rest of the funding comes from non-mutuelle sources like development partners or the government. These funds subsidize the annual membership fee for 1.5 million “poorest of the poor,” which covers the minimal activity package of essential treatment at health centers. Subsidies for another 1.35 million poor citizens, amounting to an additional US$2 per person, are channeled to the districts to cover health care at the secondary level.

BOX 6: Promoting Youth Employment in Africa: The Emerging Evidence Base

The Youth Opportunities Program (YOP), a component of the Northern Uganda Social Action Fund, provided cash grants to groups of young men and women to enable them to invest in skills training and to set up small businesses. The groups received a lump sum cash transfer of roughly US$7,100 (about US$374 per person), which they were free to spend as they saw fit with no supervision or oversight.

The impact evaluation found that, as a result of the program, both men and women increased their number of hours in employment outside the home by about 25 percent for males and by 50 percent for females. Two years after receiving the grant, nearly three-quarters of the participants were engaged in skilled work compared with just over one-third of controls. Men in particular earned high returns, about US$16 extra per month, equivalent to 55 percent more than the men in the control group. This represents a 3.5 percent monthly return on the average grant size (or about 42 percent per annum). Women, on the other hand, earned low to no returns, even when initial differences in endowments were accounted for.
from promoting labor-intensive economic growth than from supporting labor market programs. However, skills development programs can be useful for increasing skills and qualifications of workers. Some countries have experimented with new ways to increase the supply of training. For example, in Mauritius, the Institute for Training and Development has separated the financing of training from its provision and has introduced the competitive procurement of training services. In Kenya, the introduction of vouchers in the informal sector led to more relevant, higher quality apprenticeships by giving master craftspeople access to new technologies and enabling them to upgrade their skills. A second possible strategy would be to support self-employment and entrepreneurship, which many countries throughout the continent have done. However, few labor programs have been rigorously evaluated so it is not clear how effective they have been. Therefore, a key priority for policymakers moving forward must be to build up a rigorous body of evidence from which lessons can be learned to inform future labor market policies and programs. Box 6 describes some emerging evidence on the impact of labor programs on young people in Uganda.

**Targeted service delivery to the poor is a social protection instrument designed to close the gap in access to basic services.** The main social protection interventions that have been used to achieve this objective are social funds, decentralized service delivery programs, and social care services. Social funds have a long history in Africa in a range of institutional models and have been able to produce good results, particularly for marginalized groups. They have often been the instrument of choice to respond to crises (Box 7) and to be used in fragile states. Recently, this approach has been expanded to channel resources through government systems to promote the equitable delivery of basic services, local transparency and the accountability of service providers. Social welfare services tend to be small in scale and are delivered by a wide range of public bodies, NGOs, and faith-based providers. Given the limited resources and widespread need in Africa, governments should focus on establishing regulatory frameworks and minimum standards for social care services, thus setting the stage for non-governmental and informal institutions to provide these services under government oversight. This approach is being used in the Democratic Republic of the Congo to provide support to street children.

**“A key priority for policymakers moving forward must be to build up a rigorous body of evidence from which lessons can be learned to inform future labor market policies and programs.”**

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### BOX 7: Social Fund Response to Natural Disasters in Madagascar

The *Fonds d’intervention pour le développement* (FID), the agency responsible for the Social Fund and for community development projects in Madagascar, was instrumental in providing support to households after two major cyclones hit the island in 2004. In response to the crisis, the FID quickly modified its operations to focus on rehabilitation and reconstruction efforts. Through cash-for-work projects, the FID provided temporary work opportunities to vulnerable people living in areas affected by the cyclones. Geographic targeting was combined with self-targeting principles (the daily salary was set slightly below the minimum wage), and, in certain cases when demand for work was too high, a rotation system was built in to give everybody who was willing to work a chance to participate. The projects rehabilitated infrastructure and reconstructed community assets that had been damaged or destroyed.
Managing Risk, Promoting Growth

African countries can realize significant benefits by creating integrated social protection systems, an approach which is central to realizing the objectives of this Strategy. A social protection system, which is defined in Box 8, enables governments to reduce chronic poverty more effectively and efficiently and to promote inclusive growth. It can also strengthen a country’s crisis response capacity.

This approach capitalizes on the fact that reducing fragmentation and promoting harmonization can enhance both the performance of individual programs and the overall resilience, equity, and opportunity functions of social protection.

There are several characteristics of a well-functioning social protection system, although the systems will look different in each African country. Also, putting these principles into practice will require different strategies and approaches. The characteristics are:

(i) **Equity**, in terms of benefits and financing of social protection

(ii) **Fiscal sustainability**, including the fiscal cost of subsidies

(iii) **Scalability**, so that the system can respond quickly to growing needs that arise from shocks

(iv) **Compatible incentives** for individuals to work, savings, and participation in insurance and for employers to register their workers and to collect and pay the required contributions.

Social protection systems will evolve according to a country’s characteristics, including its political economy and institutional capacity. One way to map countries’ current conditions is by their level of development. Middle-income countries tend to have a broader range of social protection programs and wider coverage than low-income countries. Similarly, the range of labor market and employment interventions tends to be greater. In contrast, low-income countries tend to have high levels of poverty, but their social protection programs have only limited coverage, and administrative constraints undermine governance arrangements and limit the provision of basic services to the poor. Fragile

**BOX 8: Defining Social Protection Systems**

A social protection system is made up of public policies and programs and private and informal social protection mechanisms that deliver the resilience, equity, and opportunity functions of social protection to reduce poverty and contribute to inclusive economic growth.
states present a particular challenge in that they are in exceptional need of effective programs to reduce vulnerability and stabilize society but have limited national capacity to manage and implement such programs. Clearly, there is a need to tailor the choice of social protection programs to each country’s context. Figure 4 presents a stylized example of the different types of SP interventions that might be appropriate in a range of different country settings. There is no one-size-fits-all solution. Instead, a range of factors particular to each country will define the parameters of the SP system and how it evolves.

**Social protection systems are also shaped by the political economy.** Generally, the politics of social protection reflect the social contract or a set of mutual rights and obligations that bind a citizen to her/his state. Entitlements to social protection in Africa have slowly extended beyond the traditional concern with the economically active population in urban areas and have been encapsulated in law as citizens’ rights in some African countries. Everywhere, social protection entitlements are shaped by ideas of justice, the perceived causes of poverty, and concerns with inequality, among other factors. These values define the objectives, size, and target groups of SP programs. Social protection has often been used by governments to shore up their legitimacy and boost their popularity, while short-term political interest groups can also shape the evolution of SP systems. Social pensions became a key election issue in Lesotho in 2007 (Box 9) as well as in Mauritius where the government’s attempt to turn the universal pension into means-tested support contributed to its electoral defeat.
in 2005. Finally, the growing interest in social protection among development partners and regional organizations influences the terms of the debate within countries.

**Experience has demonstrated the need for countries to have sufficient capacity to plan, coordinate, implement, and deliver social protection programs and to develop policy.** This is particularly the case because these programs usually use the institutional framework of the state. Countries with weak capacity, which tend to be low-income countries, should focus on delivering a few, simple programs and should only add more complex, innovative elements once more capacity has been built. Recent developments in ICT can help to circumvent some of these capacity constraints. Strategies will likely be needed to address the additional capacity challenges faced by fragile and post-conflict states.

Finally, the way in which initiatives are designed and delivered is a key factor in the achievement of development objectives, including those for social protection. Because of this, national SP systems and individual programs must be underpinned by a set of principles that comprise: (i) good governance, which is the foundation of effective development and should be approached from both the demand and supply sides; (ii) a sound evidence base for policies and programming, including analyses of risk and vulnerabilities and of what methods work in various contexts and why; (iii) effective program design and delivery, drawing on international good practice and promoting continued innovation to maximize the impact of SP in Africa (Box 10 describes how ICT can help); (iv) partnerships, as aid coordination is central to strengthening national, government-led social protection systems and building long-term institutional capacity; and (v) country-driven action, because social protection systems need to be embedded in the political economy and tailored to the circumstances that prevail in each country.
There are a number of tools and approaches that all countries can use to develop their SP systems, even though these systems will evolve differently and at varying rates. Most importantly, the aim of these strategies is not to force all SP programs or instruments into a single national program or under one implementing agency. Rather, the strategy is to coordinate and harmonize programs to enable them to deliver the functions of social protection more effectively. Building an effective national SP system is a long-term process that will, no doubt, extend beyond the life of this 10-year strategy.

The first of these approaches involves defining a long-term vision and a coherent set of policies. The aim is to articulate the objectives of SP systems in Africa and how they will deliver the equity, resilience, and opportunity functions of social protection within the context of national goals and priorities. The long-term vision for national SP systems will be informed by policy analysis that takes into consideration the characteristics and size of the most vulnerable groups in the population and existing program coverage. This will guide policymakers when choosing the mix (and sequencing) of SP instruments, their institutional arrangements, and the resulting fiscal requirements as follows (Box 11 describes this process in Mozambique):

- **Social protection instruments.** This vision will define the parameters of the SP system and the types of SP programs that will be used to achieve the objectives of the policy. It also will guide decisions about coordinating existing programs and how best to scale them up to deliver all three functions of social protection.

- **Financing mechanisms.** The aim of an integrated SP system is to ensure that: (i) the desired number of beneficiaries is reached; (ii) programs are financially sustainable and not

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**BOX 11: A Vision for Social Protection in Mozambique**

Analyses carried out by the Government of Mozambique have demonstrated that the continued high rates of poverty in the country require a combination of SP interventions with clear links to social services to enhance human development and productive and income-generating activities. With this conclusion in mind, the government has committed itself to consolidating all current social safety nets into a single system. Following the enactment of the Social Protection Law (2007), in 2010 the government launched the Basic Social Protection Strategy. This is comprised of four elements: (i) Basic Social Action, which involves safety net and welfare programs, mostly social transfers; (ii) Educational Social Action, including the SP programs that aim to increase school enrollment and attendance; (iii) Health Social Action, involving nutrition and other programs; and (iv) Productive Social Action, to help the target population to rise out of extreme vulnerability and poverty through income-generation activities including public works schemes.
an excessive drain on the national budget; (iii) subsidies are progressive; and (iv) any economic distortions, particularly in labor markets, are minimized.

• **Institutional arrangements.** While the choice of institution to oversee social protection will vary from country to country, a large amount of coordination among government ministries (and implementing agencies) will be needed, and the roles and responsibilities of each must be clearly defined.

**The second set of actions that governments can take to improve the functioning of their SP systems is integrating, harmonizing, and consolidating their SP programs.** Based on analysis of existing SP programs and expenditure levels, among other factors, governments may consider the following:

• **Integrate or harmonize similar programs.** This may involve harmonizing the benefits, services, and eligibility conditions of programs that serve the same purpose or target population. Some governments in Africa are currently enacting such reforms in the pension sector by consolidating various formal sector schemes. In a similar vein, in countries with a variety of safety nets, steps need to be taken to rationalize coverage and ensure that benefit levels are equitable (Box 12).

• **Linking and coordinating programs within and across functions.** A complementary strategy would be to build links between programs that deliver the same function (equity, resilience, or opportunity) or those that deliver different functions to maximize synergies, to enable beneficiaries to move between programs and to maximize opportunities for graduation. For example, in Ghana, households enrolled in the Livelihoods Empowerment Against Poverty (LEAP) cash transfer program are automatically eligible also for the National Health Insurance Scheme.

**A third set of actions is to adopt common administrative systems for all SP programs.** All SP programs need core administrative systems for identifying beneficiaries, enrolling recipients into the program, delivering benefits, and managing information. Unifying these systems can yield economies of scale and increase

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**BOX 12: Building a National Safety Net in Tanzania**

A recent assessment of safety nets in Tanzania concluded that, while current programs are somewhat successful in reaching the most vulnerable, they tend to be too small to have an impact on poverty as the transfer levels are too low to make a significant difference to the households that receive them. In addition, many poor households are not covered by these programs. Meanwhile, economic growth, while impressive, is not increasing the incomes of the very poorest fast enough. Under these circumstances, the report concluded that “some form of larger and more effective package of productive safety nets is justified.”

Based on this conclusion, the report suggested ways in which the Government could select a very few cost-effective interventions and operate them on a scale that is large enough to make a difference. To achieve this, the report recommended a phased transition from the current range of small initiatives to a few national programs. In response, the government began the process of creating a permanent safety net targeted to the poor and vulnerable nationwide. The program will provide regular cash transfers to targeted households through public works and directly either with or without conditions to encourage them to invest in the education and health of children and pregnant women. The cash transfer aims to secure minimum household consumption, while the public works will be deployed during the lean season to prevent households from engaging in negative coping behavior. This is the first step in the government’s longer-term reform agenda.
institutional efficiencies, even in low-income countries. Several countries in the region are experimenting with single beneficiary registries, harmonized targeting systems, and unified payment mechanisms, which are increasingly possible given advances in ICT. For example, Lesotho is developing a National Information System for Social Assistance. Over time, these systems can be linked to national databases, such as those for civil registration, or to a range of poverty-targeted programs.

*It is crucial that national SP systems be developed within the broader context of the government’s objectives and policies, including its other sectoral objectives.* Social protection can enable objectives in other sectors to be realized more quickly. For example, public works that rebuild rural infrastructure or increase water conservation can help to further rural development objectives. There is also a growing body of evidence on how SP not only complements but is, in fact, a necessary input to the achievement of a country’s broad development objectives. This is evidenced by the cross-sectoral convergence between social protection, disaster risk reduction, and climate change (Box 13). The increasing focus in many SP programs in Africa on encouraging beneficiaries to graduate from the program also highlights the need for effective cross-sectoral collaboration.

*There is also a growing body of evidence on how SP not only complements but is, in fact, a necessary input to the achievement of a country’s broad development objective.*

**BOX 13: Social Protection and Climate Change**

One area of cross-sectoral convergence is among social protection, disaster risk reduction, and climate change objectives. Establishing scalable safety nets and insurance mechanisms that are underpinned by well-functioning early warning systems can ensure that governments can make timely responses to crises, including climate-related disasters. Also, investments in soil and water conservation made through public works programs can build the resilience of households and communities and promote climate change adaptation. For example, the Rwandan Vision 2020 Umurenge Program is designed to build, strengthen, and protect households’ assets and livelihoods through its public works in order to reduce their vulnerability and increase their resilience.
While promoting social protection systems may seem ambitious, reasonable levels of social protection coverage are achievable in Africa, even if fiscal constraints are tight. While overall spending on social protection in Africa remains low by international standards, a number of large-scale social protection programs are currently achieving impressive coverage. As can be seen in Table 1, the Ethiopia PSNP covers 10 percent of the population at a cost of around 1.2 percent of GDP. The Rwandan mutuelles de santé cover 91 percent of the population, and government and donor contributions to the scheme are equivalent to 1.2 percent of GDP. These and other examples from the continent suggest that the cost of national SP programs ranges from 1.2 to 6 percent of GDP. Further analysis of international experience suggests that high rates of coverage of the poor can be achieved for between 1 to 2 percent of GDP if benefits are kept modest.

A consensus is consolidating around the vital need to scale up social protection systems in Africa, with calls for increased social protection spending. The ultimate spending level in each country will have to be based on an analysis of need and a prioritization of interventions rather than any arbitrary spending level or benchmark. With this

**BOX 14: Lessons from International Experience with Subsidy Reform**

Fuel subsidies are common in Africa. Some subsidy for fuel products was in place in over half of all African countries in 2010-2011, costing an equivalent of 1.4 percent of GDP on average. These costs have grown sharply in countries in recent years and are likely to continue to increase as oil prices remain high. Yet studies have shown that these subsidies overwhelmingly benefit higher-income households. As a result, some countries are looking to international experience to see how such subsidies can be successfully removed.

One such example comes from Indonesia, which abolished its fuel price subsidies and instead adopted more effective SP interventions, including a cash transfer program. Subsidies were costing the government as much as 28 percent of the public budget (in 2008) and were targeted poorly, with the richest 40 percent of households receiving 60 percent of the subsidy. In contrast, the cash transfer reached about 35 percent of the population, was well-targeted, and cost only one-quarter of the fiscal space created by the abolition of the subsidy. Importantly, any potential opposition to the post-subsidy fuel price increase failed to materialize because the cash transfer enabled low-income households to cope with the increase in their living costs stemming from the rise in the cost of the unsubsidized fuel.
in mind, there are several possible and mutually compatible scenarios for funding SP systems in Africa:

(i) **Increase the efficiency of existing social protection expenditure:** Social protection spending should be focused on efficient and effective programs that have been evaluated, proven to be effective and then scaled up. This might include reallocating financing from subsidies to safety nets (Box 14) and reforming current pension schemes financed through general revenues. Consolidating fragmented programs can produce further efficiency gains.

(ii) **Explore innovations in social protection funding:** Some innovative concepts are increasing funding for social protection programs. For instance, macro-insurance can provide governments with resources rapidly, thus enabling them to scale up established safety nets in response to crises. In both Ethiopia and Malawi, weather-indexed insurance at the national level (usually re-insured internationally) has provided funding to the governments to respond to rainfall shocks.

(iii) **Increase domestic resources allocated to social protection:** Recasting social protection as a productive investment that can further the goals of other sectors can help to convince policymakers to invest domestic resources in SP programs. As countries develop risk pooling, social assistance financed through the general budget can gradually be reduced in favor of a greater reliance on social insurance financed through private contributions.

(iv) **Seek external assistance:** External assistance can play a critical role in building basic social protection systems in some countries. However, development partners need to ensure that their support is consistent with national social protection strategies and that they commit to providing long-term and predictable levels of funding.

### TABLE 1: Scale and Fiscal Incidence of Scaled-up Social Protection Programs in Africa

<table>
<thead>
<tr>
<th>Social Protection Program</th>
<th>Number of Beneficiaries (Million)</th>
<th>Coverage (% of National Population)</th>
<th>Average Annual Benefit Level per Household (US$)</th>
<th>Fiscal Incidence (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa: All social security grants</td>
<td>15</td>
<td>30%</td>
<td>450-2,000&lt;sup&gt;1&lt;/sup&gt;</td>
<td>6.0</td>
</tr>
<tr>
<td>Ethiopia: Productive Safety Net Program</td>
<td>8</td>
<td>10%</td>
<td>137&lt;sup&gt;2&lt;/sup&gt;</td>
<td>1.2</td>
</tr>
<tr>
<td>Rwanda: Mutuelles des santé</td>
<td>10</td>
<td>91%</td>
<td>235&lt;sup&gt;3&lt;/sup&gt;</td>
<td>1.2&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td>Lesotho: Old age grants</td>
<td>0.07</td>
<td>3%&lt;sup&gt;5&lt;/sup&gt;</td>
<td>350</td>
<td>3</td>
</tr>
</tbody>
</table>

**International Comparisons**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Beneficiaries (Million)</th>
<th>Coverage (% of National Population)</th>
<th>Average Annual Benefit Level per Household (US$)</th>
<th>Fiscal Incidence (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil: Bolsa Familia</td>
<td>44</td>
<td>25%</td>
<td>84-540</td>
<td>0.5</td>
</tr>
<tr>
<td>Mexico: Oportunidades</td>
<td>28</td>
<td>25%</td>
<td>Range&lt;sup&gt;6&lt;/sup&gt;</td>
<td>0.3</td>
</tr>
<tr>
<td>India: Mahatma Gandhi National Rural Employment Guarantee Act</td>
<td>235&lt;sup&gt;7&lt;/sup&gt;</td>
<td>20%</td>
<td>192&lt;sup&gt;8&lt;/sup&gt;</td>
<td>0.004&lt;sup&gt;9&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Notes:** Data for most recent year available. <sup>1</sup>Value of the transfers depends on eligibility. <sup>2</sup>Equivalent to 40% of the household food basket. <sup>3</sup>Equivalent to total health expenditures. <sup>4</sup>Government/donor contributions to mutuelles. Total health expenditure 10.7% of GDP. <sup>5</sup>100% of the population over 70 years. <sup>6</sup>Depending on multiple grants. Equivalent to 8% of average expenditures of beneficiary families. <sup>7</sup>Based on 47 million households participating in the program and an assumed household size of five. <sup>8</sup>Assuming 100 days of work per household at an average of US$1.92 per day. <sup>9</sup>Calculated by dividing annual expenditure on the program by the country’s GDP in 2010.
IMPLEMENTING THE STRATEGY AND MEASURING RESULTS

The World Bank will work with governments, development partners, regional organizations, and civil society to build country-owned national social protection systems. The World Bank’s convening authority, particularly with Ministries of Finance, can, together with other development partners, ensure that all key ministries are systematically involved in the ongoing policy dialogue on social protection. At the same time, the World Bank will seek to create strong institutional partnerships, in accordance with its commitment to the principles of donor coordination and aid harmonization. Additionally, the Bank will continue its engagement with regional institutions.

The Bank will continue to provide strategic financial support to increase the coverage of successful social protection interventions. A particular focus of the Bank’s lending program over the next decade will be to identify innovative approaches that are appropriate for different types of countries in Africa. The Bank will continue to give support to countries to enable them to cope with shocks, such as the resources it provides through the Rapid Social Response Trust Fund and the Crisis Response Window. At the same time, the Bank will devote more attention to institutional development as well as implementing and monitoring social protection programs.

The success of the Africa Social Protection Strategy will be measured by a set of performance indicators. These indicators are drawn from the World Bank’s Social Protection and Labor Strategy results framework, which reflects the links among the World Bank’s programs and activities under the Strategy, changes in country outcomes that can be directly attributed to the World Bank’s engagement, and changes in medium- and long-term country development outcomes. The Africa Social Protection Unit in the World Bank will be responsible for reporting on the progress made in implementing this Strategy.