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MANAGING RISK, PROMOTING GROWTH

Developing Systems for Social Protection in Africa



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



THE WORLD BANK



Human Development Africa

MANAGING RISK, PROMOTING GROWTH: DEVELOPING SYSTEMS FOR SOCIAL PROTECTION IN AFRICA

**The World Bank's Africa Social Protection Strategy
2012–2022**

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FOREWORD

Africa is increasingly dynamic and is growing rapidly. The region has experienced a decade of strong economic growth and of sustained progress towards meeting the Millennium Development Goals.

Annual economic growth in Ethiopia, Ghana, Rwanda and Uganda averaged over 6.5 percent in 2005–10. Twelve countries have experienced falls in child mortality of more than 4.4 percent a year, and many countries (such as Cape Verde, Ethiopia, Ghana and Malawi) are on track to meet the MDGs. The private sector is increasingly the engine of growth and the success of information, communication technology (ICT), especially the use of mobile phones, shows how the public sector can enable the rapid growth of an industry. As a result, the lives of African men and women and boys and girls are changing for the better as literacy rates rise and health outcomes improve. Across the continent, these gains are reflected in a strong sense of optimism among the population.

At the same time, the benefits of economic growth have not always reached the poorest people, and, as a result, chronic poverty still remains high. And, men and women across the continent remain vulnerable to a range of shocks like drought, conflict, and ill health. The droughts in the Horn of Africa and Sahel in 2011 were stark reminders of this vulnerability. Climate change, population pressure, and an increasingly integrated global economy mean that, for many Africans, life is becoming more uncertain. As a result, there

is a pressing need for countries to establish and expand social protection systems.

A growing number of African governments are investing in safety net programs that are proving to be effective. The Independent Evaluation Group has concluded that safety nets lead to a net increase in short-term household income and reduce the number of people in poverty. This experience is informing the continued expansion of safety nets across the continent. The number of cash transfer programs in Africa has risen from only a few programs in middle-income countries before 2000 to an estimated 120 programs in 2012. At the same time, countries are reforming their pension and health insurance systems with the aim of making these more responsive to the needs of the population, including the poor. Ongoing reforms in Ghana and Kenya, for example, suggest how pension systems can be extended to the informal sector. In Rwanda, the coverage of the *mutuelles de santé* (community health insurance scheme) has reached 91 percent of the population. There is also growing interest among policymakers on how social protection programs can promote employment, particularly among young people, and build social cohesion in post-conflict settings.

The World Bank's Africa Social Protection Strategy 2012–2022 provides a roadmap for how the World Bank will work with client governments to strengthen social protection systems in Africa. The Strategy was developed through broad-based consultation with client governments,

development partners, civil society and academics. We believe that implementing this Strategy will increase the effectiveness of social protections

systems in Africa and, as a result, contribute to reducing poverty and vulnerability.

A handwritten signature in black ink, appearing to read 'Makhtar Diop', with a stylized, flowing script.

Makhtar Diop,
Vice President for Africa Region

AFRICA SOCIAL PROTECTION STRATEGY 2012–2022: MAIN MESSAGES

1. 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.

2. Social protection reduces inequality and promotes social stability. Social protection has been used by governments to help strengthen the social contract, 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 protections can contribute significantly to reductions in inequality, by redistributing income to poor households and supporting their participation in productive activities.

3. 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 humanitarian response system.

4. 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.

EXECUTIVE SUMMARY

Social Protection is Needed More than Ever in Africa

Much has changed in Africa over the past decade.

Economic growth has averaged 5 percent annually for a decade. As a result, the percentage of the African population living in poverty fell from 58 to 51 percent between 1995 and 2005. Significant gains have been made across a range of social indicators. Primary education enrollment rose from 56 to 75 percent, and gender parity in education is close to being achieved. HIV prevalence declined and there is evidence that 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 and millions of people are vulnerable 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. For example, the vast majority of Africans still make their living from the land which means that they are particularly vulnerable to weather, natural disasters, and climate shocks and that food insecurity is a daily reality for millions. Within these broad trends, some groups are particularly vulnerable to the negative effects of shocks and persistent poverty, and tend to include orphans, populations affected by HIV/AIDS, widows, and the elderly 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. Because of this, social protection will remain at the forefront of social policy in Africa for the foreseeable future.

African countries have made great strides in establishing and strengthening social protection programs for poor and vulnerable populations.

Social protection is now regarded among policymakers as a key component of poverty reduction strategies in the region, and dialogue and debate on social protection has continued to expand. Governments are investing in social protection 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. The focus has recently turned to establishing scalable social protection programs that can respond effectively to shocks, based on the experience of the 2008 food, fuel, and financial crisis and the 2011 drought in the Horn of Africa. Such commitments are reflected in the growing number of regional organizations and development agencies 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. These generally low levels of coverage stand in stark contrast with the widespread nature of poverty in Africa. At the same time, overall

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, although there are some exceptions, particularly in middle-income countries. 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.

Social Protection Contributes to Development Outcomes

A growing body of evidence demonstrates that individuals and households experience a range of positive outcomes from social protection. Evaluations of social protection 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, protect assets, and achieve better health, nutrition, and education outcomes. For example, Kenya's Cash Transfer for Orphans and Vulnerable Children Program (CT-OVC) resulted in significant increase in the consumption of basic food and greater dietary diversity among participant households compared with 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-PSNP 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. For example, the Youth Opportunities Project in Uganda resulted in a significant increase in the number of hours that 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 longer-term impact on people's ability to rise out of poverty.* In Rwanda, for example, 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 increases productivity and growth. The direct impacts on household well-being contribute to productivity and economic growth as 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:

- *Social protection encourages local economic development* by improving labor market functioning, stimulating local markets through cash transfers, and creating community infrastructure. For example, Ethiopia's PSNP rehabilitated over 167,000 hectares of land and 275,000 kilometers of stone and soil bunds embankments 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 of social pensions among the population.
- *Social protection contributes to broad economic growth* by boosting aggregate demand and facilitating difficult economic reforms, through the provision of support to populations that are negatively affected by such reforms. The successful transition of Mauritius from a monocrop 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 contributed to creating 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 increase 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 that target young ex-combatants. Social protection can also facilitate difficult policy reforms and help governments avoid bad policy choices. To respond to food price rises, Senegal employed general price subsidies that cost 3 to 4 percent of GDP and tended to benefit the non-poor. In contrast, the IMF estimates that a comprehensive cash transfer would cost around 1 percent of GDP. 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 *Bolsa Familia*, the largest conditional cash transfer program in the world, was responsible for one-fifth of this decline in national inequality, while having no negative impact on economic growth. Social protection has advanced and will continue to advance inclusive economic growth in Africa.

A Strategic Direction for Social Protection in Africa

The Africa Social Protection Strategy outlines the vision for the World Bank's work in social protection over the next decade. Its main objectives are 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.*

Social protection systems, programs and policies help individuals and societies to build resilience to risks, achieve equity, and avail of opportunities. Thus it promotes economic growth through three functions:

- Resilience through insuring against the effects of drops in well-being from a range of shocks
- Equity through protecting against destitution and promoting equality of opportunity
- Opportunity through promoting better health, nutrition, education, and skills development and helping men and women secure better jobs.

By doing so, the Strategy will contribute to inclusive economic growth and more equitable development outcomes in Africa. Importantly, the Strategy will also support countries to be more prepared to respond to 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.

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 among countries, determined by the risk and vulnerability profile of a country, the size and characteristics of the 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 rigorously analyzed varies. For each of these instruments, the Strategy develops priorities to enhance their effectiveness in delivering the resilience, equity, and opportunity functions of social protection in Africa.

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. More recently, however, cash transfers have become the program of choice among many

policymakers to respond to chronic poverty, even though many 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 the quality of program design and implementation. More recently, experience from a number of countries has shown that scaling-up established safety net programs can be an effective crisis response mechanism. In Ethiopia, for example, the PSNP was scaled-up in response to drought 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 (Cape Verde, Ghana, Nigeria, Sierra Leone, and Zambia) 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. In Ghana, the Informal Sector Fund of the Social Security and National Insurance Trust operates a voluntary contributory pension scheme for self-employed citizens. As of late 2011, the Fund had 90,000 members. Social pensions are popular among many countries, particularly in Southern Africa. Many of these schemes enjoy considerable political commitment but concerns have been raised regarding their fiscal affordability and progressiveness, as elderly citizens may not be poorer, on average, than other population groups.

Driven by economic growth and innovation, insurance markets are growing in Africa, particularly for life, agriculture, and health insurance. Social protection aims to complement other sectoral investments in these insurance products (particularly in health and agriculture) to promote their extension to poor populations. While the experience of these three types of insurance in Africa is very different, there are a number of common lessons for the extension of

insurance products to the poor: (i) delivery, in terms of timely payouts, good technical advice, and regular, credible information is crucial, in addition to appropriately setting premiums; (ii) investments in existing institutions need to be leveraged; (iii) insurance products supported by the government need to adhere to market-based approaches; and (iv) achieving high rates of insurance coverage among poor populations will require subsidizing or even entirely covering the cost of premiums in the short term. The Rwandan government has progressively increased the coverage of health insurance through *mutuelles de santé*, with 91 percent of the population enrolled by 2010. To extend coverage to poor households, in 2011, the government fully subsidized the membership fees for the poorest households.

The applicability of labor programs to low-income countries in Africa remains the subject of much debate. In many African countries, the issue 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 depends on promoting labor-intensive economic growth while the effectiveness of labor programs may be limited. There is potential, however, for skills development programs to complement effort in the education sector to increase the skill set of workers. Recent reforms to state-sponsored training systems, together with experiments with training funds and vouchers, suggest some means of effectively increasing the supply of training. In Mauritius, the Institute for Training and Development 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 area of possible focus is to support self-employment and entrepreneurship. Yet, while countries across the continent have invested in diverse activities to promote the demand for labor, including supporting entrepreneurship and self-employment, few of these have been rigorously evaluated.

Targeted service delivery to the poor is a social protection instrument that aims 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 for the vulnerable. Social funds have a long history in Africa, employ a range of institutional models, and have been able to produce good results, particularly for marginalized groups. They often have been the instrument of choice to respond to crisis and in fragile states. Madagascar deployed its social fund to effectively respond to two major cyclones that hit the island in 2004. Recently, this approach has been expanded to channel resources through government systems to promote the equitable delivery of basic services and promote 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. This approach is being used in the Democratic Republic of the Congo to provide support to street children, particularly girls.

Promoting a Systems Approach to Social Protection

African countries can realize significant benefits by creating an integrated social protection system. A social protection system enables governments to respond more effectively and efficiently to chronic poverty and 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 with these characteristics will look

different across African countries. And, 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 the growing needs that arise from shocks
- iv. *incentive compatibility* to promote work, savings, and participation in insurance by participants and for employers to register their workers, as well as collect and pay the required contributions.

Social protection system will evolve by a country's characteristics, including its political economy and institutional capacity. One way to map countries' current conditions is by level of development: middle-income countries tend to have a broader range and deeper coverage of social protection programs than low-income countries, including wider coverage of their formal social insurance schemes. 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 limited coverage of their social protection programs, and administrative constraints undermine governance arrangements and limit the provision of basic services to the poor. Fragile states present a particular challenge in that they need effective programs to reduce vulnerability and stabilize social structures but have limited national capacity to manage and implement such programs.

Differences in current conditions suggest the need to tailor the choice of social protection programs to country context. This suggests, for example, that fragile states might consider safety nets that consist of cash or in-kind transfers delivered through NGOs. A low-income country might aim to provide regular, seasonal public works or cash transfers, while a middle-income country may consider a means-tested social transfer system. For pensions, a fragile state might consider a social pension through community-based initiatives, while a low-income country might reform its contributory schemes while promoting savings for the informal

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.

sector and a middle-income country might expand its multi-pillar pension system. For labor programs, a fragile state might pursue temporary jobs through public works; a low-income country might look to promote skills development, especially in the informal sector; and a middle-income country might embark on employment services, job search assistance, and labor regulation. There is no one size fits all solution. Instead, a range of factors particular to each country will define the parameters of the social protection system and how it evolves.

Social protection systems are 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 transformed into citizens' rights in some African countries. Everywhere, social protection entitlements are shaped by ideas of justice, perceived causes of poverty, and concerns with inequality, among other factors. These values define the objectives, size, and target groups of social protection programs. Social protection has often been used by governments to shore up their legitimacy and boost their popularity, while short-term political interests also shape the evolution of social protection systems. Once established, social protection programs can themselves set in motion a unique political dynamic. 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 sufficient capacity to plan, coordinate, implement, and deliver social protection programs and to develop policy. This is particularly the case because these systems are usually built within the overall institutional framework of the state. However, institutional capacity across African countries is varied, with generally higher levels of capacity within national systems than is currently dedicated to social protection policies and programs. Countries with weak capacity, which tend to be low-income countries, should focus on managing the delivery of a few, simple programs and should only add more complex,

innovative elements once more capacity has been built. Innovations, notably in ICT, can offer a viable means to circumvent capacity constraints. Pointed strategies will likely be needed to address the capacity challenges of 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 social protections 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 social protection in Africa; (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.

Towards Stronger Social Protection Systems

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 social protection 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 social protection 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 social protection 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 social protection 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:

- *Social protection instruments.* This vision will define the parameters of the social protection system and the types of 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 social protection system is to ensure that: (i) the desired number of beneficiaries is reached; (ii) programs are financially sustainable and not 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 social protection systems is integrating, harmonizing, and consolidating their social protection programs. The starting point for these actions is policy analysis, which assesses the existing coverage, expenditure levels, impact, efficiency, interaction, and effectiveness of all social protection programs to identify gaps and areas where reforms are necessary. These analyses also can assess the equity of financing and benefits (including redistribution), which involves grappling with questions of eligibility, equity, and fairness, particularly in situations of widespread

need. Based on this analysis, governments may wish to consider the following actions:

- *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.
- *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 and to enable beneficiaries to move between programs and to maximize opportunities for graduation.

A third set of actions is to adopt common administrative systems for all social protection programs. All social protection 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 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. Similarly, some countries are adopting common systems for collecting insurance contributions, disseminating information, and monitoring and evaluating the performance of SP programs. 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 social protection 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 provide critical support to farmers, thus

helping to further rural development objectives. There is also a growing body of evidence on how social protection 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. 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. Yet these objectives cannot be achieved by a single social protection program alone and instead require links between different types of initiatives (such as safety nets and labor market programs) or between safety nets and other sectoral investments (such as with agricultural programs to promote rural livelihoods).

Social Protection is Affordable in Africa

A reasonable level of social protection coverage is 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. The Ethiopia PSNP covers 10 percent of the population, at a cost of around 1.2 percent of GDP. The Rwanda *mutuelle des santé* covers 91 percent of the population; 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 social protection 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.

Consensus is consolidating on 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 be based on an analysis of need and a prioritization of interventions rather than any arbitrary spending level or benchmark. With this in mind, there are several possible and mutually compatible scenarios for funding social protection 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 may include reorienting financing for subsidies to safety nets; reforming emergency food aid systems to deliver a predictable safety net; and reforming current pension schemes financed through general revenues. Consolidating fragmented programs into a system can deliver further efficiency gains.
- ii. *Explore innovations in social protection funding:* Innovative concepts are leveraging international resources to increase funding to social protection programs. For instance, macro-insurance provides resources rapidly to governments, thus enabling a scale-up of established safety nets in response to crisis.
- iii. *Increase domestic resources allocated to social protection:* Recent economic growth and debt relief has created some fiscal space in Africa although all areas of public services have significant deficits and compete fiercely for internal resources. Recasting social protection as a productive investment that can further sectoral goals can help convince policymakers to invest domestic resources in the respective programs. As countries develop risk pooling, social assistance financed through the general budget can shift gradually to 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.

Implementing the Strategy and Measuring Results

The World Bank will work with governments, development partners, regional organizations, and civil society to help build country-owned national social protection systems. The World Bank's con-

vening authority, particularly with Ministries of Finance, can, together with other development partners, ensure that all key ministries systematically are involved in ongoing policy dialogue on social protection. At the same time, the World Bank will seek to create strong institutional partnerships, including a 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 promote knowledge generation and dissemination to broaden and deepen the knowledge base on social protection in Africa. To advance this agenda, the Bank, with others, will generate new information, learn from international good practices, and facilitate the sharing of knowledge among African countries. A priority for this work will include addressing knowledge gaps in certain areas, including on how to respond to the problem of youth unemployment in Africa. It will continue to use social protection assessments as well as the traditional poverty assessments to place facts on the table for dialogue around SP and to identify the target groups for social protection assistance and areas for financing reform. The growing experience with social protection in African countries highlights the opportunities for South-South learning within and beyond the continent.

The Bank will continue to provide financial support strategically to increase the coverage of successful social protection interventions.

A particular focus of the lending program over the next decade will be to identify innovative approaches that are appropriate for different types of countries in Africa. The Bank's newest form of lending—results-based lending (program for results or P4R)—may be particularly well suited to building social protection systems. The Bank will continue to provide support to countries to enable them to cope with shocks, such as that provided through the Rapid Social Response Trust Fund and the Crisis Response Window. At the same time, experience shows that capacity building is critical for the success of social protection programs. The Bank will therefore devote more attention to institutional development to build national capacity for policy dialogue, as well as implementing and monitoring social protection programs.

The success of the Africa Social Protection Strategy will be measured through a set of performance indicators. These indicators are drawn from the World Bank's global Social Protection and Labor Strategy results framework, which follows an approach that reflects the link between the World Bank's programs and activities under the Strategy, changes in country outcomes that can be directly attributed to World Bank 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.

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For more information on the World Bank work in social protection in Africa, go to: <http://www.worldbank.org/afr/sp>

ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome	IMF	International Monetary Fund
ALMPs	Active labor market programs	IPRES	Social Insurance Institute for Old Age Pensions
APSP	Africa Platform for Social Protection	LEAP	Livelihood Empowerment Against Poverty
AU	African Union	LICs	Low-income countries
CCT	Conditional cash transfer	LM	Labor markets
CDD	Community driven development	M&E	Monitoring and evaluation
CPIA	Country Policy and Institutional Assessment	MDGs	Millennium Development Goals
CSOs	Civil society organizations	MFI	Microfinance Institute
CT-OVC	Cash Transfer for Orphans and Vulnerable Children	MICs	Middle-income countries
DDR	Disarmament, demobilization, and reintegration	MIS	Management information system
DFID	UK Department for International Development	NGO	Non-governmental organization
DRR	Disaster risk reduction	NSF	National Savings Fund
FID	Fonds d'intervention pour le développement	OSA	Occupational Scheme Account
FNR	National Retirement Fund	P4R	Program for results
GDP	Gross Domestic Product	PBS	Protection of Basic Services
GFRP	Global Food Crisis Response Program	PMT	Proxy means test
HIPC	Heavily Indebted Poor Countries	PRP	Protracted Relief Program
HIV	Human immunodeficiency virus	PRSP	Poverty Reduction Strategy Paper
IDA	International Development Association	PSNP	Productive Safety Net Program
IEG	Independent Evaluations Group	RA	Retirement Account
ICT	Information communication technology	RBL	Results-based lending
ILO	International Labour Organization	REC	Regional Economic Communities
		RSR	Rapid Social Response
		SF	Social fund
		SIS	Informal Sector Fund
		SN	Safety net

SNNIT	Social Security and National Insurance Trust	UN	United Nations
SP	Social protection	UNICEF	United Nations Children's Fund
SP&L	Social protection and labor	VUP	Vision 2020 Umurenge Program
SSD	Social services delivery	WB	World Bank
TA	Technical assistance	WHO	World Health Organization
UCT	Unconditional cash transfer	YOP	Youth Opportunities Program

SOCIAL PROTECTION IS NEEDED MORE THAN EVER

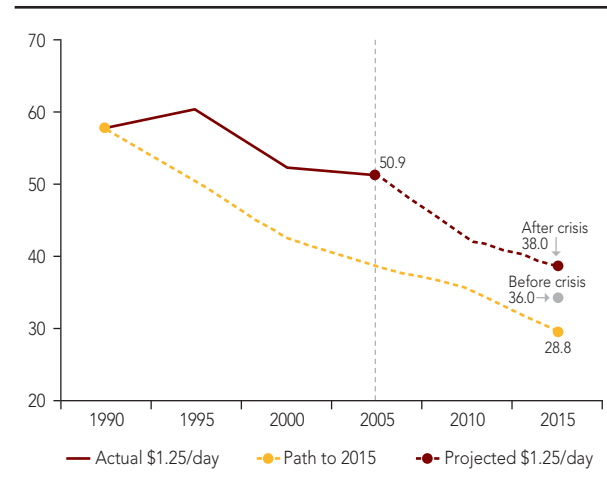
Changing Context of Risk and Vulnerability in Africa

Much has changed in Africa over the last decade. Between 2000 and 2008, African economies grew at twice the pace they did in the 1980s and 1990s, averaging 5 percent annually. Although rates varied across the continent, growth was rapid in most African countries. As a consequence, the percentage of the African population living in poverty fell from 58 to 51 percent between 1995 and 2005 (Figure 1.1).¹

Significant progress also was made in improving most social indicators during this period.² Primary education enrollment rose from 56 to 75 percent, and gender parity in education is now close to being achieved. HIV prevalence declined, and evidence indicates that child mortality is beginning to fall sharply. Access to clean water is now a reality for 60 percent of households, up from only half at the beginning of the decade.

Social protection will need to remain at the forefront of social policy in Africa for the decades to come and will evolve in response to the region's changing circumstances. This will be the case because rates of chronic poverty remain high and people across the continent remain vulnerable to a range of well-known risks that are increasingly being exacerbated by new influences, as described below.

FIGURE 1.1: African Population Living on Less than US\$1.25 Per Day (%)



Source: World Bank (2011a).

Chronic poverty remains high in Africa despite a decade of strong economic growth. In Tanzania, for example, the poorest 10 percent of the population have not benefited 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. More generally, poverty

¹ World Bank 2011a.

² World Bank 2010c.

rates remain high in many countries. An estimated 48 percent of the population in Mali lives below the poverty line. Even in good times 22 percent of households in Niger and 23 percent in Cameroon require assistance to meet their minimum consumption needs. These findings point to the fact that economic growth and productive employment may not be enough to reach the chronically poor³ and instead targeted support through SP programs will be an important ingredient in any national poverty reduction strategy to both meet the immediate needs of poor populations and strengthen people's ability to rise out of poverty.

The global economy is likely to remain volatile for some time and can undermine gains in poverty reduction. It is estimated that the combined impact of increased food and fuel prices and global financial distress increased poverty rates by 4.2 percent on average, although the impact on rural areas may have been even greater.⁴ 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. African countries will need to be prepared for future global economic downturns that affect all open economies. And being prepared means that they will need to have programs in place that can be scaled up quickly to meet the short-term rise in the numbers of poor.

Economic growth in Africa has not generated sufficient formal employment opportunities, particularly for young people. Although the private sector is increasingly dynamic, the formal sector is growing from a small base. For the foreseeable future, the informal labor market will offer far more employment opportunities than the formal sector. Many of the instruments for social protection in the world today are geared towards formal employment situations in industrialized countries. Workers in the informal sector tend to have less stable and lower incomes and tend not to be covered by basic social protection. This is particularly the case for women, who are less likely to be employed in the formal sector, work fewer hours, and earn less than men and thus tend to benefit less from social security schemes.⁵

This employment challenge is exacerbated by the demographic reality that 7 to 10 million

young Africans enter the workforce every year.

Africa's total fertility rates are the highest in the world, driven by a lack of access to health services, low education rates for women, and social norms and customs including early marriage. As a result, Africa has the youngest population of any region in the world, with 200 million people or 20 percent of the population being between 15 and 24 years old. This age group accounts for 60 percent of the unemployed, with young women being particularly affected. As 70 percent of African youths live in rural areas where employment opportunities are scarce, many of them have migrated to cities looking for work. These high urban migration rates have the potential to lead to political and social unrest. Therefore, SP programs that increase employment and productivity for young people are a priority.

The vast majority of Africans still make their living from the land, which means that they are particularly vulnerable to weather, natural disasters, and climate shocks. Across Africa, the agricultural sector employs 65 percent of the labor force and generates 32 percent of gross domestic product (GDP) growth.⁶ Food insecurity continues to be a daily reality for millions, as the vast majority of agricultural land is rain-fed. Estimates suggest that global warming could result in a 4 to 5 percent reduction in annual per capita income in Africa through its negative effects on agriculture.⁷ In the longer term, droughts, natural disasters, and climate shocks will continue to affect the region with long-term consequences. In Côte d'Ivoire, the school enrollment rates of both girls and boys fell in response to drought, with those for boys falling the most.⁸ Introducing and extending safety nets can strengthen disaster risk reduction (DRR) approaches and further global climate change adaptation objectives.⁹

³ World Bank 2011a.

⁴ World Bank 2011a.

⁵ World Bank 2011e.

⁶ World Bank 2007.

⁷ This refers to warming of 2°C (Nordhaus and Boyer 2000 in World Bank 2010e).

⁸ World Bank (2011e)

⁹ This point is discussed further in section 5.

Over one-quarter of the region's population lives in countries that are fragile or conflict-affected. These countries are politically unstable, resulting in weak governance and limited capacity to deliver services. The effects are stark: fragile states have made the least progress toward the Millennium Development Goals (MDGs). They also are often struggling with the negative effects of violence, which last long into the future: with the onset of civil war in Burundi in 1993, real incomes dropped to 1970s levels.¹⁰ In these settings, restoring confidence in post-conflict states requires the delivery of “early, tangible results” by governments. Social protection instruments, such as public works and targeted service delivery programs, have been identified as an effective means of deliver these early results.

Despite recent expansions in the availability of infrastructure and services, a significant portion of the population still lacks access to basic services. This contributes to poor health outcomes and continued low levels of education. The Africa region has the highest under-5 mortality rate in the world and has made almost no progress in reducing the maternal mortality rate.¹¹ Despite declines in the prevalence of HIV-AIDS and despite the growing coverage of treatment services, over two-thirds of all people living with HIV in the world live in Africa, and women account for 60 percent of all adult HIV infections.¹² This shows the ever-growing burden that HIV-AIDS, and ill health generally, place on families and other traditional networks of care. Both supply-side actions (for example, social funds in poor areas) and demand-side programs (such as, cash transfers) will be needed to achieve the health and education MDGs.

Some groups are particularly vulnerable to the negative effects of shocks and persistent poverty. Social and political factors unique to each country increase the vulnerability of specific populations, including religion, ethnicity, and residence among other factors. Poverty assessments from across the continent consistently have identified orphans, populations affected by HIV-AIDS, widows, and the elderly with no family support as being particularly vulnerable to chronic poverty. These populations generally require SP measures that are tailored to their specific needs and circumstances.

Africa's reliance on informal support networks increasingly is ill-suited for these challenges. African societies have long-standing informal solidarity networks that give households a level of protection in times of shocks. These traditional systems include intra-family transfers, gift giving, labor-sharing arrangements, burial and funeral societies, and informal credit and savings schemes. While informal solidarity has been an important part of social risk management strategies for African households, these informal safety nets are ineffective in times of covariate shocks and exclude the very poorest households.¹³ Migration similarly provides a SP function for households, through remittances, for example. Remittances to Africa from its diaspora have been rising, reaching US\$40 billion in 2010. While these resource flows tend to be countercyclical for receiving households, they can decline during economic crises in the migrants' host countries. Nonetheless, this base of informal social protection should be taken into consideration in the design of formal SP strategies and programs.

Finally, the cost of not protecting poor households from the negative effects of shocks and chronic poverty are very high and last long into the future, with infants and children, especially girls, particularly in poorer countries, being disproportionately affected.¹⁴ For example, children in households in Burkina Faso that experience a negative income shock are less likely than other children to enroll in school. The effects of these coping strategies have lasting negative effects on 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 children incur

¹⁰ World Bank 2010h.

¹¹ Based on available data, the maternal mortality rate decreased by only 1.8 percent between 2000 and 2005 in Africa (UNICEF, n.d.).

¹² World Bank 2011e.

¹³ Tamiru 2012.

¹⁴ World Bank 2011a and 2010c.

increased health care costs and, due to their poor cognitive functioning, find it difficult to learn.¹⁵

Evolution of Social Protection in Africa

Over the last ten years, social protection has become a key component of poverty reduction strategies in the region and is debated in the corridors of all African capital cities. Poverty Reduction Strategy Papers (PRSPs) from many African countries have laid out SP responses to risks, vulnerability, and chronic poverty. At least one-third of African countries have developed a SP strategy¹⁶ and national policymakers increasingly are recognizing that social protection consists of more than just safety net programs.

The dialogue and debate on social protection (and its definition) in Africa has continued to expand, particularly in response to the global economic crisis in 2008 and again during the recent drought in the Horn of Africa. In 2009, members of the African Union (AU) endorsed the Social Policy Framework for Africa (Box 1.1). A growing number of multilateral and bilateral donor agencies actively are seeking to support SP policies and programs in Africa as an effective way to reduce poverty, promote inclusive growth, and advance human rights.¹⁷ And, momentum is growing among civil society organizations (CSO) to advocate for improved social protection; the African Platform for Social Protection (APSP), a pan-African network of CSOs promoting social protection, was established in 2008 and is currently active in 25 countries.¹⁸

These policy advances have been accompanied by increasing investments in social protection programs in Africa. Economic growth and debt reduction have created some fiscal space for countries to meet the social protection needs of their populations.¹⁹ With support from development partners, governments have been investing in SP programs that have had demonstrable results (see section 2), and this Africa-specific implementation experience has informed the scaling up of SP programs across the continent.

However, the World Bank estimates that, although spending on social protection is increas-

ing, overall levels remain low.²⁰ This general low level of spending is reflected in the very low coverage of SP programs in most African countries. The Bank's Social Protection Atlas²¹ reveals that only 20 percent of Africans benefit from some type of publicly provided social protection, far lower than any other region in the world. These generally low levels of coverage are in direct contrast to the high levels of need due to widespread poverty. Many programs address this challenge by adopting poverty or categorical targeting criteria.²²

There are, however, exceptions in the region. For example, spending on social protection in South Africa was equivalent to 4.8 percent of GDP in 2009/10, with roughly 44 percent of all households receiving at least one social grant. This amount was 1.6 percent in Botswana, while, in Namibia, social grants cost roughly 1.8 percent of GDP. Expenditure on social assistance in Mauritius is equivalent to 4.4 percent of GDP. In Ethiopia, a national safety net program currently reaches about 7.5 million people (9 percent of the population), costing 1.2 percent of GDP.

At the same time, overall government implementation capacity remains weak in many areas,

¹⁵ Garcia et al. 2008.

¹⁶ Van Domelen 2010a and 2010b.

¹⁷ Notably, at times, views on the objective and design of these policies and programs differ (Van Domelen 2010b).

¹⁸ For more information, please see: <http://www.africasp.org/>

¹⁹ Debt reduction, supported through the Heavily Indebted Poor Countries (HIPC) program and the Multilateral Debt Reduction Initiative launched in 2005, also has contributed to this fiscal space. To the 14 African countries that have reached the HIPC completion point, IDA 14 and 15 provided an estimated US\$2 billion in debt relief, with over US\$23 billion expected throughout the life of the program.

²⁰ These estimates are reported in the absence of consolidated data.

²¹ The Social Protection Atlas is a multi-functional research tool developed by the Human Development Network Social Protection of the World Bank consisting of country-level data on 10+ key indicators of social protection from the latest national household surveys.

²² Section 5.1 discusses the targeting of safety nets and section 6 considers this discussion within the context of social protection systems.

BOX 1.1: Social Policy Framework of African Union

In October 2008 in Windhoek, Namibia, the African Union (AU) articulated a Social Policy Framework (SPF) for Africa. The framework moves away from treating social development as subordinate to economic growth and justifies social development as a goal in its own right and indeed an essential component of economic growth. The SPF recognizes the close-knit relationship between social integration, investment, employment, and poverty.

The AU Social Policy Framework is founded on the following pillars: social protection; basic infrastructure; education (including vocational training); health (including endemic diseases); population and development (including gender); community participation; agrarian reform; and labor markets.

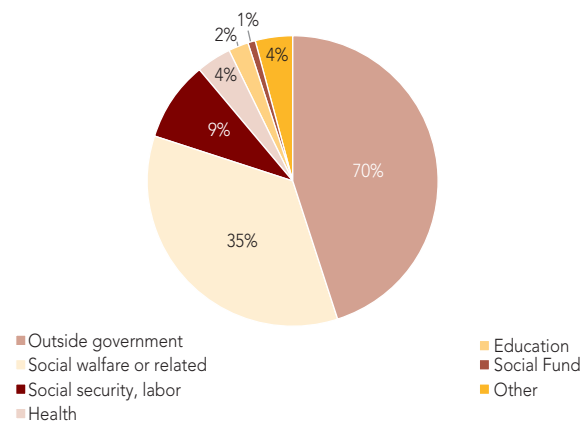
Regarding social protection, the framework recognizes that, while the exact mix of appropriate social protection tools will differ according to each country's circumstances, there is a growing consensus that a minimum package of essential social protection should cover: (i) essential health care and (ii) benefits for children, informal workers, the unemployed, the elderly, and people with disabilities.

strained by the need to coordinate many actors and sectors. Social protection in most countries remains fragmented between different ministries and donors. Many programs are small, donor-funded initiatives implemented outside of the government system; and those implemented by the national governments, including a number of pilot programs, are often overseen by social welfare ministries, which typically have not benefitted from the same kind of sustained capacity building as the core sectoral ministries such as health and education (Figure 1.2). Overlaps and duplication of effort occur, including in middle-income countries with comprehensive SP systems, because the programs generally are not designed to complement each another.

The lack of effective monitoring and evaluation (M&E) systems in most countries makes it difficult to compare the effectiveness and efficiency of different approaches. These constraints are amplified in fragile and post-conflict states that are struggling to build or rebuild their institutions. These weaknesses in M&E are systematic across sectors and do not only affect social protection. Indeed, despite these general limitations, SP programs have, in many cases, been subject to robust impact evaluations. This evidence-base has been critical to advancing the understanding of social protection in Africa (see section 2). Box 1.2 describes the lessons that the World Bank has learned on social protection in Africa that have informed this Strategy.

There is still a debate about the goals and objectives of social protection programs and

FIGURE 1.2: Institutional Setting of Cash Transfer Programs In Africa (%)



Source: Garcia and Moore (2012).

the value of investing scarce resources in them. Some policymakers argue that their countries are too poor for programs that they deem “luxuries” or that these programs are handouts with no fundamental development impact. There are also concerns that social transfers might create dependency among populations that historically have relied on informal, community-based safety nets. Those who hold this view prefer not to scale up existing SP projects.

On the other side, a growing movement, grounded in international treaties and national

²³ Aspects of social protection are identified as a basic human right in such international conventions as

BOX 1.2: Lessons from the World Bank's 2001 Africa Social Protection Strategy

The World Bank has learned several lessons from its experience in implementing social protection programs in Africa that has informed the development of this current strategy. The correlation between social protection and economic growth was not made as clear as it might have been, leading many decision-makers to believe that these programs largely were handouts rather than productive investments. Thus investments in social protection were seen as being made at the expense of other productive investments.

Experience shows that it takes time to design and build robust SP programs in African countries, particularly when institutional capacity is weak. Moreover, given the predominance of small, pilot programs, most African countries were ill-prepared to respond quickly and effectively to crises. There is a need to move beyond transitory SP mechanisms to establishing the institutional base of more complete national SP systems. Despite strong demand by governments and some foundational analytical work, support to labor market initiatives was virtually absent until the most recent fiscal year.

In the African context, the challenge is to design policies and interventions appropriate for highly informal economies. Social insurance has remained a little-explored issue (less some technical assistance on pensions and health insurance) even though such programs are the mainstay of social protection in middle income and developed countries.

obligations, is approaching social protection as a human right.²³ The constitutions of Kenya and South Africa, for example, articulate the right to social security and social assistance. According to this view, adopting SP programs to reduce the vulnerability of all citizens to falling into poverty and to ensure their basic consumption is a cornerstone of any country's human rights agenda. This approach is embedded in the recent creation of the United Nations Social Protection Floor Initiative that calls for a minimum "social protection floor."²⁴

the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Economic, Social, and Cultural Rights, and the 1989 UN Convention on the Rights of the Child.

²⁴ An international partnership has formed to explore the implementation of a social floor. The lead agencies of the Social Protection Floor Initiative are the ILO and WHO. Cooperating agencies include the FAO, the IMF, the World Bank, the OHCHR, the UN Regional Commissions, UNAIDS, UN-DESA, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNODC, UNRWA, WFP, WMO, and several bilateral agencies.

SOCIAL PROTECTION CONTRIBUTES TO DEVELOPMENT OUTCOMES

A growing body of evidence from robust impact evaluations and other analytical work demonstrates the positive impact that SP policies and instruments can have on development outcomes in Africa. These instruments include safety nets (such as cash transfers and public works), pensions, insurance, labor programs, and targeted service delivery (including social funds).

The section below mobilizes this evidence to discuss the range of impacts that SP programs have had in Africa, each illustrated with examples from specific initiatives. Notably, SP programs often achieve myriad impacts that span the topics considered below and, thus, the single examples cited should not be considered an exhaustive discussion of each program's impacts.

Direct Impacts on Households

Reducing household poverty and vulnerability. Social protection programs, such as cash transfers, public works, and non-contributory (or “social”) pensions provide poor households with resources to meet their basic consumption. This can reduce the extent to which they need to resort to negative coping responses such as reducing their food consumption, selling their productive assets, pulling their children out of school, or foregoing medical care, all of which have the effect of keeping the household in a longer-term poverty trap. Examples of the positive impacts social protection can have include:

- *Improvements in consumption, income, and food security.* Kenya's Cash Transfer Program for Orphans and Vulnerable Children (CT-OVC) resulted in significant increases in the consumption of basic foods by participant households compared with non-participant households and in a 13 percentage point reduction in the proportion of households living below US\$1 per day.²⁵ 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.²⁶
- *Protection of household assets.* Safety net programs help households to protect themselves against the adverse effects of shocks.²⁷ 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-PSNP households.²⁸ During the 2007/08 drought in Swaziland, children in households that received cash and food support had better

²⁵ Ward et al. 2010.

²⁶ See, for example: Rwandans reject the poverty trap, available at: <http://www.newtimes.co.rw/news/index.php?i=14895&a=49863#>.

²⁷ IEG 2011.

²⁸ IFPRI/CSA 2009.

dietary diversity scores than children in households that received only food aid.²⁹

- *Better health, nutrition, and education outcomes.* There is evidence that the receipt of social pensions by older persons in South Africa has a positive effect on the health and nutritional status of other members of the household. For example, girls in households with a pensioner have significantly better weight-for-height indicators than girls in households that do not receive the transfers. A recent study of a program of cash transfers paid to girls aged 13 to 22 in Malawi found that the recipients stayed in school longer and had a 60 percent lower prevalence of HIV-AIDS than those in control groups.³⁰ In Kenya, young people, particularly young men, in households participating in the CT-OVC Program were found to have postponed their sexual debut.³¹ In Rwanda, the community-based health insurance scheme, which covers 92 percent of the population, is associated with more use of health services and greater protection against catastrophic health expenditure.³² Furthermore, cash transfers have been found to increase school enrollment and expand the use of health services in almost all countries where they have been introduced.

Building productive assets and expanding income-earning opportunities. Social protection programs not only respond to immediate emergencies but can help households to build their productive assets. To the extent that SP interventions can help the poor to accumulate tangible productive assets and not just cover their current consumption, their growth prospects are enhanced. Social protection programs also give workers a chance to gain experience and thus help them to build a skill set. Social funds and the decentralization of service delivery expand access to economic and social infrastructure and services at the community level. Instruments to mitigate risks also can translate into greater agricultural productivity, the creation of new businesses, or the expansion of economic activity. Examples of these impacts include:

- *Improved employment outcomes.* The Youth Opportunities Project, a component of the Northern Uganda Social Action Fund, resulted in a significant increase in the number of hours

that participating youths were employed outside the home—by about 25 percent for males and 50 percent for females. Roughly two years after participating in the project, nearly three-quarters of these young people were engaged in skilled work.³³ The Child Support Grant in South Africa has been associated with an increase in the labor force participation of mothers.³⁴ Further evidence from South Africa demonstrates that when an older person begins receiving a social pension, the likelihood of the working age adults living in the same household being employed increases. This is because social pensions enable adults to migrate in search of work by providing resources to both support migration and to care for the children who remain in the household.³⁵ Notably, a female pensioner in a household is associated with greater labor migration among working age men and women, while a male pensioner promotes labor migration for men only.

- *Building labor market skills.* The *Jua Kali* voucher program in Kenya mentored girls and informed them about the economic returns to trades that traditionally were male-dominated, which resulted in a 10 percent increase in the number of girls choosing to enter these “male” trades.³⁶ The Northern Uganda Social Action Fund provided young people a grant to pay for the costs of vocational training and business start-up: the vast majority of participants invested in vocational skills and assets, translating to 389 more hours of training as compared with the control population. As a result, on year later, participants were twice as likely to be engaged in skilled employment and reported an increase in profits than the control group. This second finding, however, was only among male participants.³⁷

²⁹ Devereux, Jere (2008) in DFID 2011.

³⁰ Ozler 2010.

³¹ Handa 2012.

³² Saksena et al. 2010.

³³ Blattman et al. 2011.

³⁴ Williams (2007) in OECD-DAC 2009.

³⁵ Ardington, Case, and Hosegood 2007.

³⁶ Hjort (2009) in World Bank 2010d.

³⁷ Blattman et al. 2011.

- *Increased investments.* Studies from India and Africa show that, because poor households deploy their assets more conservatively than wealthy households, their return on assets is 25 to 50 percent lower.³⁸ Households in many countries use transfers to purchase inputs and to implement and redeploy labor to increase on-farm production. Ethiopia's PSNP illustrates this point. The government's Household Asset Building Program (HABP), which invests in households' assets to increase food security, improved agricultural productivity only slightly when implemented alone. However, households that received support from both the HABP and PSNP experienced a 38 percent increase in their maize yields. In Namibia, the social pension is reported to have enabled pensioners to access credit.

protection also can be important. This is often either unknown to policymakers or is underemphasized when a case is being made for social protection.³⁹ Figure 2.1 shows how these economic effects of social protection manifest themselves at the household, meso, and macro levels.⁴⁰

As discussed in the previous section, SP interventions have a direct impact on the well-being of households. These gains accrue when households use social transfers not only to make direct investments in household well-being but also to avoid detrimental risk-coping strategies. While these gains are intrinsically valuable, they also contribute to improved productivity and economic growth. This is because social protection leads to increased human capital and productivity as a result of better health, more schooling, and greater skills. In economic growth models, human capital is considered

Links to Overall Economic Growth and Increased Productivity

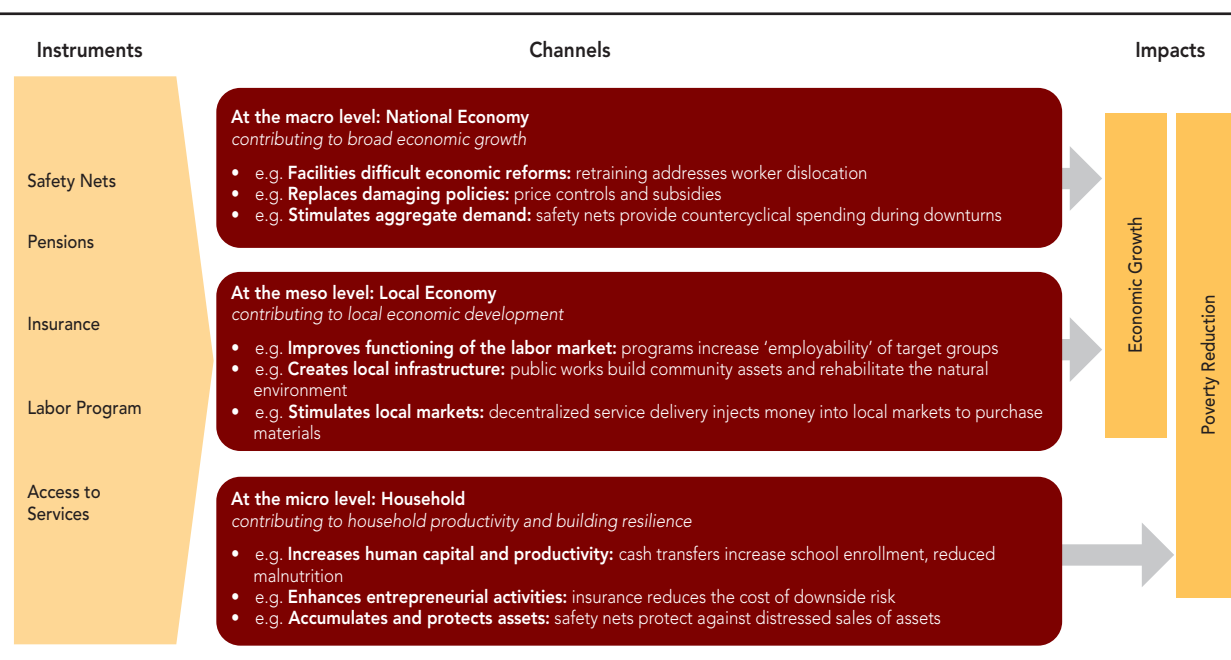
While the significant impact of social protection on households is now widely recognized, the experience of the last 10 years has shown that the productive aspects and economic effects of social

³⁸ As reported in Alderman and Hoddinott 2008.

³⁹ For example, IEG (2011) found that no growth argument was used to encourage the adoption of SP in up to 40 percent of the World Bank country programs (2000–2010) that were examined.

⁴⁰ Please see Yemtsov and Zaman (2011) for a more detailed treatment of these issues.

FIGURE 2.1: Ways in which Social Protection Increases Productivity and Growth



to be a factor of production that makes a direct contribution to economic growth.⁴¹

Social protection interventions also strengthen livelihoods through asset protection and accumulation and by facilitating increased entrepreneurial activities. This second effect is achieved by enabling poor men and women to take on more investment risk, and thus receive higher returns on investments, and relax credit and liquidity constraints.

Social protection also contributes to economic growth at the meso level by:

- *Improving the functioning of the labor market.* Labor market programs and policies help to spur economic growth by creating more capacity and enabling more flexibility among the workforce and by increasing the productivity of each worker. Skills training, job search support, and apprenticeships all enhance the employability of the workforce and increase labor market participation rates.
- *Stimulating local markets.* Public works and programs that decentralize service delivery inject money into local markets by purchasing local materials but also through the demand-stimulating effects of local employment. Furthermore, by increasing incomes, social pensions and cash transfers may promote markets in remote areas. In Namibia, for example, grocery stores were established even in the smallest village in response to the increase in demand generated by the receipt of social pensions among the population.
- *Creating local infrastructure.* The relationship between investments in infrastructure and economic growth is well-documented.⁴² According to one study, the difference in how effectively infrastructure resources are used explains almost 25 percent of the growth differential between Africa and East Asia.⁴³ Social protection programs, like public works and social funds, create basic infrastructure either as a way to generate temporary employment with productive benefits or to build community assets. For example, the PSNP's public works rehabilitated over 167,000 hectares of land and 275,000 kilometers of stone and soil bund embankments and planted almost 900 million seedlings. All of

these activities will mitigate the effects of future droughts.⁴⁴

- *Building resilience to climate change.* Notably, the channels through which social protection contributes to growth at the micro and meso level can be leveraged to help households and countries respond and adapt to climate risks. This is because, for example, SP programs that enable households to invest in assets and adopt higher risk, higher return activities can be harnessed to promote alternative livelihoods that are less vulnerable to the negative effects of climate change. Additionally, community-level infrastructure created through public works, if designed within a climate-sensitive planning framework, can enhance adaptive capacity among communities.

Social protection contributes to broad economic growth at the national level when programs are large enough in scale to affect national indicators but also more directly by:

- *Boosting aggregate demand.* Spending on safety nets is often increased during economic downturns not only to protect the poor but also to bolster aggregate demand and aid economic recovery.⁴⁵ A recent International Monetary Fund (IMF) study showed that, in all economies, a discretionary stimulus package of 1 percent of a country's GDP is associated with GDP increases of about 1.1 to 1.2 percent.⁴⁶ 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.⁴⁷
- *Facilitating difficult economic reforms.* Economic reforms often create winners and losers and incur transitional costs that SP measures can help to diminish. Programs that provide worker retraining

⁴¹ Mankiw et al. 1992.

⁴² World Bank 1994.

⁴³ Hulten 1996.

⁴⁴ World Bank (2010f)

⁴⁵ Developed countries have long used counter-cyclical public spending on infrastructure and services as an effective tool to provide a foundation for rapid recovery and job creation.

⁴⁶ World Economic Outlook 2008.

⁴⁷ Zaman and Tiwari 2010. We note that this association does not imply causality.

and severance packages have been important elements in the restructuring of industries and public enterprises, making it possible to introduce more efficient productive arrangements. The successful transition of Mauritius from a mono-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 extensive system of social insurance and safety nets, which contributed to creating the social cohesion necessary to support such a radical reform.⁴⁸

When the contribution of social protection to economic growth is considered together with its positive impact on the labor productivity and well-being of the poor, there is a strong case for governments to invest in social protection as a means of promoting inclusive economic growth in Africa.

Links to Social Cohesion and Inequality Reduction

In addition to enhancing economic growth, SP programs can increase social cohesion and reduce inequality. This can have a transformational effect on societies that are grappling with entrenched poverty, social exclusion, and high inequality. While reducing inequality is an end in itself, evidence indicates that more equitable societies grow faster and, thus, reducing inequality can promote economic growth.

Strengthening social cohesion. 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 have been identified as a quick way to stabilize a high-risk situation.⁴⁹ Sierra Leone has introduced public works that target young ex-combatants. The expansion of cash transfers in Kenya, which has been backed by significant fiscal allocations from the public budget, has been attributed, in part, to the government's desire to promote stability following the 2008 civil disturbances.⁵⁰

As mentioned above, social protection can facilitate difficult policy reforms and help governments avoid bad policy choices, such as using safety nets to protect poor populations from the negative effects

of rapidly rising food prices rather than introducing general price subsidies. In this way, social protection can make reforms seem fairer, creating broader political support for difficult reform processes.

Reducing inequality. Targeted SP interventions can directly reduce inequality. Old age pensions in South Africa have reduced the poverty gap ratio between the richest and the poorest citizens by 13 percent.⁵¹ At the same time, the country's comprehensive system of cash transfers has doubled the share of national income that the poorest 20 percent of the population receives.⁵²

In one of the most notable examples globally, Brazil has experienced a remarkable reduction in inequality—driven largely by a reduction in extreme poverty. Studies have found that *Bolsa Familia*, the largest conditional cash transfer (CCT) program in the world, was responsible for one-fifth of this decline in national inequality, while having no negative impact on economic growth.⁵³

Carefully designed SP programs are producing evidence of a reduction in gender inequality by promoting girls' education and the use of health services by women and girls and by facilitating women's entrance to the labor market. Cash transfer often are provided to women (mostly mothers), which can increase their bargaining power within their home.⁵⁴ In Ethiopia, women participating in PSNP public works reported that this work had improved their standing and respect in communities. Older women in South Africa receiving a social pension are more likely to be the primary decision-maker in their households.⁵⁵

⁴⁸ Roy and Subramanian (2001) in OECD-DAC 2009. A second, well-known, example of this approach comes from Indonesia, where a series of difficult economic reforms was complemented by safety nets, which helped to build legitimacy for the reforms (see Sumarto 2007).

⁴⁹ World Bank 2010h.

⁵⁰ McCord 2009a.

⁵¹ Global Action on Aging, <http://www.globalaging.org/>

⁵² Samson et al. (2004) in DFID 2011.

⁵³ Soares and Ribas 2006.

⁵⁴ DFID 2011. This evidence is largely from Latin America. Providing cash transfers to mothers, often in return for them taking their children to school or the health center, also has been described as reinforcing gender roles within households. See, for example, Moylenueux 2007.

⁵⁵ Ambler 2011.

THE OBJECTIVES AND CONCEPTUAL FRAMEWORK OF THE AFRICA SOCIAL PROTECTION STRATEGY

The Objectives

The Africa Social Protection Strategy outlines the vision for the World Bank's work in social protection over the next decade. The main objectives of the Strategy are to support the strengthening of SP systems to *reduce vulnerability and poverty* by supporting poor citizens to: (i) *manage risk and respond to shocks*; (ii) *build their productive assets and increase their access to basic services*; and (iii) *engage in productive income-earning opportunities*. By doing so, this Strategy will contribute to inclusive economic growth and more equitable development results in Africa.

Importantly, the Strategy will support countries to be more prepared to respond to uncertainties related to crises and shocks in the short term, while building the elements of more comprehensive and sustainable SP systems in the longer term.

Social protection systems, programs, and policies help individuals and societies to build resilience to risks, achieve equity, and avail of opportunities.⁵⁶ This is done by providing basic income support to the poor and minimizing the risk of households suffering from adverse events while enhancing opportunities for a better future. A number of principle SP instruments can be used to achieve the objectives of this Strategy:

Safety nets are non-contributory transfer programs targeted to the poor and vulnerable. These include such programs as cash transfers, public works, and in-kind support like fee waivers and school feeding.⁵⁷

Pension systems provide a minimum income level during old age. They include contributory or non-contributory programs (the latter are often called “social pensions”).

Insurance is designed to protect the well-being of households and businesses in the face of adverse events. The types most relevant to social protection in the African context include programs that aim to improve the access of the poor to insurance products, such as those for health and agriculture.

Labor programs and policies promote employment and productivity, particularly among Africa's youth, in the formal and informal sectors. These include, among others, initiatives to enhance the skills of the workforce and to support entrepreneurship and self-employment.

⁵⁶ See the draft World Bank Social Protection and Labor Strategy 2012–2022.

⁵⁷ Safety nets also are referred to as social assistance. The term safety nets is used here for consistency, as this is the terminology used in other regions of the World Bank.

Targeted programs to increase the access of vulnerable groups and communities to basic services.⁵⁸ This is particularly applicable in those African countries where such SP-led programs as social funds, disarmament, demobilization, and reintegration (DDR) interventions in post-conflict situations, decentralized service delivery programs, and targeted support to vulnerable groups like street children have a strong track record.

Social protection programs apply equally to:

The **chronic poor**, as even in good times these households are poor and require assistance to meet their minimum needs.

Individuals or households **vulnerable** to life events or shocks that might reduce their well-being, including economic crises or natural disasters.

Those with **special circumstances**, including people with disabilities, older people, orphans, and street children.

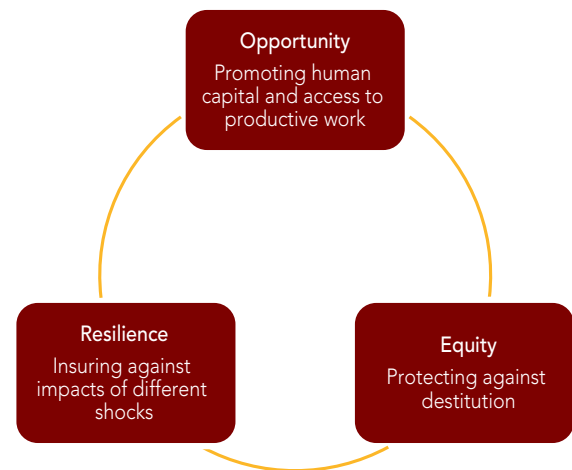
Conceptual Framework

The Africa Social Protection Strategy is firmly grounded in the conceptual framework for the World Bank's Social Protection and Labor Strategy, which describes how social protection reduces poverty and contributes to sustainable, inclusive growth through three functions—equity, resilience, and opportunity (Figure 3.1).⁵⁹

Resilience reduces the likelihood that adverse shocks will have negative consequences for individuals and households, thereby preventing them from falling into poverty. This is largely achieved through social insurance mechanisms such as unemployment and disability insurance and by supporting poor individuals to access markets for, among others, weather-based insurance that aim to minimize the loss suffered by households that have experienced a shock.

Equity aims to guarantee individuals and households a minimum level of well-being and can reduce the socioeconomic harm that results from acute inequality. This helps promote equity, by protecting poor individuals and families from irreversible and catastrophic losses of human capital, and

FIGURE 3.1: Conceptual Framework for Functions of Social Protection



Source: World Bank (2012).

contributes to laying the foundation for equality of opportunity, notably by helping families feel secure enough to invest in their and their children's future. These initiatives include safety nets (such as cash transfers and public works), social pensions, school feeding, and other efforts to extend access to basic services to the poorest.

Opportunity aims to enable men and women to pursue productive livelihoods. This can be done by building their skills and promoting their employability, investing in their human and physical capital (and that of their children), and enabling individuals to take more innovative and productive—but riskier—investments. These instruments can include labor market programs, targeted service delivery projects, cash transfers, and the infrastructure resulting from public works programs.

⁵⁸ Of course, increasing funding to basic services may similarly increase the access of poor and vulnerable groups. However, the main difference between these approaches is that one has this as an explicit objective while the general program may not.

⁵⁹ See the draft World Bank Social Protection and Labor Strategy 2012–2022. These goals are consistent with the first Social Protection and Labor Strategy of the World Bank and the 3P framework of prevention, protection, and promotion used in the SPL literature.

Many SP instruments are designed to deliver two or more of these functions. For example, well-designed public works not only provide employment to smooth income and consumption, thus enabling households to invest in productive assets and engage in high-risk/high-return activities, but also create community assets through, for example, road building and the conservation of soil and water that creates a basis for economic growth. Food distribution and nutritional supplements not only save lives today but ensure a healthier workforce in the future. All three functions—equity, resilience, and opportunity—should be present in any effective SP system.

It is worth emphasizing that social protection is part of a range of policies and programs to reduce chronic poverty and promote inclusive growth. Economic growth, investment in human and physical capital, and a sound investment climate are all crucial to achieving permanent reductions in poverty. Thus, social protection needs to work alongside

sectoral investments. For example, cash transfers facilitate the attainment of education and health sectoral goals. This is particularly important when constraints to accessing services are largely on the demand side, with transfers providing resources for the poorest households to be able to access existing services.

This is reflected in the World Bank's Africa Strategy issued in 2011 (*Africa's Future and the World Bank's Support to It*) with its two central pillars: (i) competitiveness and employment, and (ii) vulnerability and resilience. The Strategy recognizes the entwined nature of economic growth and vulnerability particularly given Africa's exposure to macroeconomic shocks and idiosyncratic shocks such as health, natural disasters, disease, food shortages, conflict, political violence, and climate change. To address these vulnerabilities, the Strategy calls for support to safety net and health system reforms as well as in smoothing the effects of macroeconomic shocks.

CROSS-CUTTING PRINCIPLES OF THE AFRICA SOCIAL PROTECTION STRATEGY

A wealth of experience from across Africa has shown that to achieve development objectives—including those for social protection—it matters how initiatives are designed and delivered. Therefore, this section discusses a set of principles that are crucial to ensuring the efficiency, effectiveness, and impact of social protection in Africa. The principles are: (i) good governance; (ii) a sound evidence base for policies and programming; (iii) effective program design and delivery; (iv) partnerships; and (v) country-driven action. These apply equally to individual SP instruments and to SP systems more broadly.

Good Governance

The World Bank's Africa Strategy explains that good governance is the foundation for effective development and that it should be approached from both the demand and supply sides. This is particularly important in the case of social protection as safety nets and other SP initiatives often constitute a regular interaction between poor citizens and the state. Social protection has been found to affect the political process by influencing voting behavior and creating support for political parties.⁶⁰ These outcomes are the result both of client satisfaction with SP outcomes and of patronage politics. Thus, SP programs that inform citizens of their rights and obligations

and treat them with respect have the potential to positively influence the broader good governance agenda, while those that encourage the continued existence of patronage networks can undermine such gains. This points to the central need for strong accountability mechanisms to be included in SP interventions as the target population usually consists of people who are least able to hold decision-makers and service providers to account.

Accountability, and good governance more generally, already is promoted in many SP programs in Africa. For example, social funds have been at the forefront of using community-driven development approaches that transfer control over resources and decisions to the local level and involve citizens in monitoring and evaluating the activities and outcomes of interventions. The Malawi Social Action Fund Project III uses a community scorecard process that allows local people to play a key role in assessing the performance of services and public agencies. This process helped to identify ghost workers and payment problems in Malawi's public works program. The Protection of Basic Services (PBS) Program in Ethiopia builds civic engagement by using such methods as participatory budgeting, the monitoring of public service delivery, and citizens' report cards for feedback on the performance

⁶⁰ DFID 2011.

of basic services. A range of innovative approaches also is used in SP programs to further social accountability, including the use of information and communication technology (ICT). The challenge is to consolidate this work and to learn lessons from experience in other sectors to develop a more coherent approach to strengthening accountability and good governance.

A Sound Evidence Base

To be effective, SP systems need to be informed by sound analysis of risks and vulnerabilities. There also needs to be a clear understanding of what methods work in various contexts and why. This is particularly important in the case of ongoing efforts to scale up SP programs in Africa and to convince governments to invest scarce fiscal resources in national SP efforts.

A menu of tools exists to produce the evidence needed to design and implement effective SP programs, including sector reviews and results-based frameworks.⁶¹ Strong monitoring and evaluation of SP projects is critical to ensuring that lessons are continually learned from how they are being implemented and to inform program management decisions (see section 9). In particular, rigorous impact evaluations, which typically have been carried out on cash transfers, social funds, and flagship programs like Ethiopia's PSNP, Ghana's Livelihoods Empowerment Against Poverty (LEAP), and Kenya's CT-OVC, should be extended to other key SP interventions. This includes the first generation of youth employment operations.

Efficient Program Design and Delivery

Drawing on international good practice in the design and implementation of projects and programs can maximize the impact of social protection in Africa. Much can be learned from initiatives in African countries and in low- and middle-income countries worldwide. At the same time, however, international experience has repeatedly demonstrated that it is critically important to the success of SP

interventions to have sufficient planning, coordination, and delivery capacity in place as any program's impact is highly dependent on how it is implemented in practice. For instance, the results of Ethiopia's PSNP showed that households that received full and timely transfers benefitted greatly from the program, while the program's impact was muted when its payments were delayed.⁶² This demonstrates the need to invest significant resources in the physical and human capacity of national SP system and under certain circumstances to opt for alternative solutions such as contracting out services to non-governmental organizations (NGO) or private sector firms.

While much can be learned from ongoing projects in Africa and elsewhere, there is also a need to continue to look for ways to increase the efficiency of SP programs by reducing costs, streamlining procedures, and increasing transparency. Box 4.1 describes how ICT is being used in this regard.

Partnerships

Aid coordination is of central importance to the SP agenda in Africa because of the current fragmentation of SP programs and the need to strengthen government-led SP systems and programs for long-term institutional sustainability. The international community is committed to harmonizing its aid as elaborated in the Paris Declaration and the Accra Agenda. This is reflected in the World Bank's Africa Strategy, which identifies partnerships as the main implementation instrument. Program-based approaches that promote coordination and complementarity are particularly important in the area of social protection, which is inherently cross-sectoral and is benefitting from the increasing engagement of a large number of development partners.

At the same time, because social protection is inherently cross-sectoral, given the nature of risks and vulnerabilities, ensuring that a population has

⁶¹ See, for example, Safety Nets and Transfers, Monitoring and Evaluation.

⁶² World Bank 2010a.

BOX 4.1: Leveraging ICT for Efficient Social Protection Program Design and Delivery

Ongoing revolutions in ICT, especially in mobile phone technology and the use of biometrics, offer a range of opportunities to improve the quality, transparency, and accountability of service delivery among African countries. Social protection is well positioned to harness these advances. Such innovations can enable SP programs to overcome chronic shortages in implementation capacity to target poor populations in hard-to-reach areas, by leveraging mobile phone networks to make payments, for example. Nigeria's Kano CCT for Girls' Education is testing the use of mobile phones for distributing transfers in a limited capacity environment. Using technology also can provide stronger assurance that the cash transfers will reach the intended recipients, by making payments directly into bank accounts or using SMART card technology. In Kenya, biometric systems are being used in both the Hunger Safety Net and CT-OVC Programs to improve the registration of beneficiaries and to ensure the security of their payments. Such approaches have the added advantage of promoting financial inclusion of the poor. In Rwanda, safety net transfers are provided directly into beneficiaries' bank accounts to link poor households to financial services. These same technologies also are being used to strengthen transparency and accountability through, for example, loading complaints using short-message services (SMS) or crowd-sourcing information to track investment in basic services.

effective SP coverage requires considerable coordination among government ministries. Graduating households from safety net programs, that is, improving their livelihoods to the extent that they no longer require regular support, requires that safety net transfers be coordinated with investments in livelihoods, such as through microfinance, extensions support in rural areas, and job search assistance. Recognizing this, the Government of Ghana initiated the Social Protection and Livelihoods Technical Committee, which coordinates pro-poor interventions implemented by all government ministries, departments, and agencies.⁶³

Country-driven Action

To be sustainable, SP systems must be embedded in the political economy of each country and, as such, must be part of the political and civic debate that determines the evolution of public policy. In many countries, the development of national SP strategies has created the basis for country-driven action. In others, civil society organizations (CSO) are mobilizing to demand social protection from below.

The form that social protection will take in the countries of Africa will differ according to, among other factors, the political economy and the country's conceptualization of individual and state

responsibilities. In countries that have enshrined the right to social protection in their constitution or other legal framework, mandating a SP floor can be an effective way to put these rights into practice. In others, social protection is seen as an essential tool for achieving greater equity and poverty reduction. Increasing understanding among policymakers of the economic benefits of social protection is further building the case for the introduction of specific SP instruments. Therefore, SP systems (as discussed in the section 6) will evolve respectively as part of continued discussions about the social contract in each country.

While the institutional framework for social protection is bound to differ between countries, the country-driven approach requires that governments assume a greater management function than external agencies (such as NGOs), even in fragile states.⁶⁴ It also requires increased capacity building in the government ministries responsible for social protection and detailed analysis and consideration of the fiscal sustainability of SP programs. This includes a commitment to increasingly

⁶³ Personal communication with Hon. Antwi Boasiako-Sekyere, Deputy Minister, Ministry of Employment and Social Welfare, Ghana.

⁶⁴ This commitment is laid out in World Bank 2011a, page 13.

moving financing for social protection on-budget to strengthen governmental oversight and accountability.⁶⁵

⁶⁵ “On-budget” refers to funding that is part of the national budget process and includes both government resources and those from development partners.

SOCIAL PROTECTION INSTRUMENTS

The choice of social protection instruments—and how they will evolve within a SP system—will be determined by the risk and vulnerability profile of a country, the size and characteristics of the vulnerable populations, and the government’s priorities for its SP system. In addition, the available implementation capacity and the speed of the required response may mean that a particular instrument has to be selected rather than other instruments. Wherever evidence is available on the relative effectiveness of different instruments, this should be taken into account when choosing and designing the best instrument for the country in question. Sections 6 and 7 consider these issues further.

All SP systems are comprised of a set of SP instruments: (i) safety nets; (ii) pensions; (iii) insurance; (iv) labor programs; and (v) targeted service delivery to the poor.⁶⁶ In the sub-sections that follow, we describe the objective of each of these instruments and how each has been implemented in Africa before identifying the key issues that should guide the design and implementation of these programs over the coming decade.

All SP instruments deliver the equity, resilience, and opportunity functions of social protection, but many programs simultaneously deliver all of these different aspects. What matters most is that, while social protection is most often associated with a basic equity agenda, its effects have a positive longer-term impact on people’s ability to rise out of poverty.

Safety Nets – Smoothing Consumption, Preventing Destitution, and Building Assets

Safety nets are “non-contributory transfer programs targeted in some manner to the poor or vulnerable.”⁶⁷ They aim to provide: (i) predictable assistance to chronically poor households to meet their basic consumption needs; and (ii) temporary support in response to shocks to prevent vulnerable households from falling into deeper poverty. While fulfilling the equity and resilience functions tend to be the primary goals when delivering safety nets to vulnerable populations, evidence increasingly demonstrates that safety nets can have an opportunity function as well.

⁶⁶ This list of instruments reflects those that are considered to provide a SP response to risk and vulnerability. Notably, social pensions, which are often discussed under the category of safety nets, are considered under pensions. This is to promote a view of a pension system, which includes a social pension (zero pillar) with contributory pensions schemes. For those instruments that are multi-sectoral in nature, such as health insurance, the discussion in the sections that follow considers the contribution of SP to realizing the instruments’ objectives. This reflects the position of the World Bank and may differ from approach adopted by countries, the African Union, and others.

⁶⁷ Grosh et al. 2008. While this definition applies to social pensions as well, these are discussed in the section on pensions since they constitute the “zero pillar” of any pensions system.

The main types of social safety nets are as follows:

- **Cash transfers** provide recipients with resources to enable them to maintain a minimum level of consumption. These include child grants, disability benefits, targeted income support, and conditional cash transfers.⁶⁸
- **Public works programs** provide access to employment to recipients who are able to contribute their labor in return for benefits. To assist the poor and vulnerable, public works provide temporary or seasonal employment opportunities. Public works also create public goods in the form of new infrastructure, improvements to existing infrastructure, or the delivery of services.⁶⁹ When carefully designed, such investments can improve the resilience of households and communities to climate change and other disasters.
- **In-kind safety nets** help recipients to access food, health services, education, housing, energy, and other basic goods and services. In-kind safety nets include food-based programs (such as humanitarian relief and school meals), other forms of in-kind assistance (such as fee waivers for education and health services), and general subsidies for basic goods like food, energy, and housing. Even when subsidies are universal, they benefit different members of the society, depending on their consumption patterns.

African Experience with Safety Nets

Cash transfers have become increasingly popular among African policymakers based on the success of these programs in reducing poverty and building human capital in other parts of the world. This is bolstered by growing evidence that providing cash to poor citizens in ways that are transparent and accountable can be effective. A 2010 review identified 123 cash transfer programs that have functioned since 2000 in 34 out of the 47 African countries reviewed.⁷⁰

These cash transfer programs have had a variety of objectives such as reducing poverty and food

insecurity, meeting short-term consumption needs, encouraging extended families to care for AIDS orphans, repatriating refugees, and encouraging human capital investments, among many others.

Many of these programs have been small-scale, short-term projects. As such, most have fewer than 50,000 beneficiaries and are focused on a limited geographical area. In contrast, middle-income countries, such as, Botswana, Cape Verde, Mauritius, Namibia, and South Africa, have well-established national cash transfer programs. South Africa's Child Support Grant, for example, reaches 8 million children under the age of 14. There is also a growing trend towards national safety nets in some low-income countries including Ghana and Kenya.

Short-term or pilot programs can be implemented either within or outside of government systems. Institutionalized, long-term programs are often located within a ministry or department of social welfare. Many programs are implemented in a decentralized way. Some of the evidence suggests that cash transfers can be delivered with relatively low administrative costs.

Cash transfer programs in Africa have tended to be unconditional (UCTs) rather than conditional. Conditional cash transfers require recipients take certain actions to receive the cash transfer, such as using basic health services or sending their children to school. Interest in CCTs has been growing in Africa. Of all of the cash transfers initiated since 2000, 25 percent were conditional, and since 2007, 43 percent of established programs have been CCTs. However, many national cash transfer programs, such as the child grants in Namibia and South Africa, are unconditional.

Behind these figures is a heated debate about whether it is appropriate and even feasible to put conditions on transfers in the African context (Box 5.1). Therefore, creating an evidence base on the relative effectiveness of CCTs and UCTs in Africa is essential.

⁶⁸ These objectives are shared with vouchers and other near-cash programs.

⁶⁹ del Ninno et al. 2009.

⁷⁰ Garcia and Moore 2012.

BOX 5.1: To Condition or Not in Africa?

Many conditional cash transfer programs (CCTs), particularly those in Latin America, make the receipt of the benefit conditional on households taking certain actions to invest in their human capital. The rationale behind this is to break the intergenerational transmission of poverty. In most CCTs, the mother or student in the household receives the cash transfer. Debate continues on the appropriateness of replicating these programs in Africa. The main elements of this debate concern:

Impact: Both CCTs and UCTs increase the ability of households to obtain services, such as those for health and education, by providing households with additional income (see section 2 for a review of these impacts). Recent analysis has begun to disentangle the effects of the cash transfer from the conditions. An experimental study on adolescent girls in Malawi found that the CCTs resulted in better secondary school outcomes (lower dropout rates and higher attendance rates and test scores) than UCTs, while the UCTs resulted in lower levels of teenage pregnancy and marriage than CCTs. The UCT benefited girls who had dropped out of school, while attending school was the condition for receiving the cash transfer under the CCT part of the experiment. These differential effects, although specific to this study on adolescent girls, suggest more broadly that the choice of an unconditional or conditional cash transfer should be driven by the specific context of each country, what policymakers want to achieve, and who they want to target with the program.

Efficiency and feasibility: Concerns have been raised about the feasibility of implementing CCTs in Africa, given the generally lower coverage and poorer quality of social services and limited implementation capacity compared with Latin America. For CCTs to succeed effectively, well-funded health and education services have to be in place and to have the ability to increase supply in response to the demand generated by the CCT. Managerial capacity also is needed to ensure coordination among government ministries and to manage the data.

Political economy: Ultimately, however, what may matter most in this debate is the political economy in each country. In Latin America, CCTs are often framed as putting into operation the *social contract*, as these programs enable poor households to realize their rights to health and education. In contrast, among African countries, basic income support is sometimes cast as a right of citizenship (i.e., Kenya and South Africa) regardless of the recipients' own actions. At the same time, the use of conditions is sometimes seen among policymakers to strengthen the direct impact of the transfers on human capital development, while some communities view conditions as "co-responsibilities" that they themselves deem to be important and are not, necessarily, imposed from outside. Critically, as illustrated in the case of Malawi, a government's policy priorities matter in framing this debate, as CCTs and UCTs may have different outcomes among various target groups.

The operational experience of cash transfers in Africa reveals that:

- In general, cash transfers reach the intended beneficiaries and yield a range of *positive effects* in terms of greater consumption and increased school and health facility attendance (see section 2). There is some evidence that the impact of cash transfers can differ depending on whether the transfer is provided to male or female household members and that providing the transfer to mothers can have a greater positive impact on children, particularly girls.
- All cash transfer programs are *targeted* in some way to a specific poor or vulnerable population. The most common targeting methods are: categorical (based on criteria such as age or specific conditions), community-based, proxy means test (PMT) to identify poor households, or a combination of these.⁷¹ Targeting outcomes are influenced more by how well the program is implemented than by the choice of targeting

⁷¹ A number of studies are underway in different countries to assess the relative effectiveness of these different methods.

method, although using a mix of methods can make targeting more effective.⁷² There continue to be concerns among policymakers about the effectiveness of poverty targeting as compared with universal categorical targeting in places where poverty rates are particularly high. Budget constraints, nevertheless, can trigger a need for targeting on some basis.

- Paying transfers in cash has created opportunities for *innovation* that were not previously possible with in-kind transfers, such as using banking systems and cell phone technology.
- Strong, transparent systems with robust *accountability* measures are critical to gaining and retaining broad-based support for cash transfers.
- To ensure that cash transfers have their intended impact, they need to be *regularly adjusted for inflation* as high food price inflation can deteriorate significantly the real value of the transfer. Evidence suggests that targeted cash transfers neither distort prices in areas with well-functioning food markets nor cause general food price inflation.

Labor-intensive public works have a long history in Africa. In contrast with cash transfers (and other forms of social protection), public works programs are more prevalent in Africa than in other regions, except for South Asia.⁷³ Currently, more than 520 public works programs are operating in 45 African countries (an average of 12 per country).

In Africa, public works have been used to meet a variety of objectives. Food-for-work programs often have been used to respond to droughts like those that ravaged West Africa in the early 1970s and Ethiopia in the early 1980s. In addition, public works programs have been used to reintegrate ex-combatants into the economy and to restore infrastructure in post-conflict situations as well as to promote employment and skills development.

A recent review of public works in Africa found that almost all projects are short-term in nature, aiming to provide a temporary safety net or to increase demand for labor by making construction sector activities more labor-intensive.⁷⁴ Only 20 percent of projects have been implemented at a

meaningful scale. In most countries, line ministries, public enterprises, and NGOs are all involved in providing public works. While the majority of public works projects have provided food transfers to participants, a trend is growing towards the use of cash transfers in public works programs.

Policymakers and implementers increasingly are interested in how to use public works to enhance the provision of quality public goods.⁷⁵ Experience from Ethiopia demonstrates how the investments made in community assets by public works programs can support local economic development, thereby contributing to reducing poverty. Achieving the dual objective of providing a safety net function while investing in local infrastructure is particularly attractive in the context of scarce resources. Experience shows, however, that balancing these twin objectives can be challenging.

When capacity is sufficient and based on sound design, public works also can be used to promote disaster risk reduction and climate change adaptation. Productivity-enhancing public works can have environmental benefits, such as soil and water conservation, that can mitigate the impact of climate change on poor, rural households. In addition, public works respond effectively to disasters because these programs provide support to affected households while at the same time rebuilding local infrastructure.

Some of the salient lessons learned from this experience are:

- Public works support must be *timely and predictable* to constitute an effective safety net.
- There are *positive synergies between these programs and agricultural production*, with many rural public works programs focusing on soil and water conservation as well as basic road and market infrastructure development.
- Public works programs are most effective when the infrastructure meets local needs as defined

⁷² Coady et al. 2004.

⁷³ del Ninno et al. 2009.

⁷⁴ McCord and Slater 2009.

⁷⁵ The political economy of social protection, including safety nets, is discussed further in section 6.

through *participatory local planning processes* and, in rural areas, when the work is timed to avoid competition with agricultural activities.

- The design and implementation of public works can do more to promote the *participation of women* than the use of quotas. For example, public works sites can be located close to women's homes, and can provide child care facilities and allow flexible working hours.
- To create infrastructure of adequate quality, *sufficient non-labor resources* must complement those spent on creating employment.

The third type of safety net, **in-kind transfers**, consists of interventions ranging from general price subsidies and humanitarian assistance to school feeding, and fee waivers.

Price subsidies have been used in many countries in Africa to increase access to food and other essential commodities.⁷⁶ They tend to be expensive, often distort economic incentives, and may not benefit poor populations unless they support commodities that are consumed in larger proportion by the poor. General prices subsidies in Senegal cost up to 4 percent of GDP. Malawi's fertilizer subsidy program provided productive support to poor and non-poor farming households at a cost of 6.6 percent of GDP in 2008/09. In Burkina Faso, fuel subsidies cost an estimated 0.7 percent of GDP, and over 80 percent of benefits are captured by the non-poor.

School feeding programs can be found in most African countries. Their effectiveness depends on how they are delivered (for example, as in-school feeding or take-home rations), on their targeting, and on any associated costs. School feeding programs tend not to be as well targeted as cash transfer programs.⁷⁷ Targeting these initiatives to poor children can be difficult in areas that have not achieved universal school enrollment, especially as enrollment rates tend to vary between urban and rural areas and between boys and girls. Additionally, meals are provided to children when school is in session, which may or may not coincide with periods when these children or their families are most in need of safety net support. School feeding programs often have higher non-transfer costs than other safety nets, and thus have higher total program costs.

Evidence suggests that school feeding programs reduce short-term hunger and increase school enrollment and attendance, but appear to have little impact on improving the nutrition of school children or their learning outcomes.⁷⁸ Carefully designed programs, on the other hand, can make a significant contribution to increasing gender equity in education, and programs that source food locally can enhance demand for food, which is hoped to have multiplier effects on the local economy. Experience from a small school feeding program in Togo suggests that this type of program may provide safety net support in fragile and post-conflict states where implementation capacity is weak.⁷⁹

Humanitarian relief has been the most prevalent form of direct assistance given to many poor, rural households in Africa. In areas suffering from chronic food insecurity, this relief has been institutionalized in "permanent" rather than emergency programs. While this response has been quite effective in protecting recipients against famine and loss of life, it has been much less able to protect livelihoods and reduce chronic poverty. Instead, the prevalence of food aid may have discouraged agricultural production in some areas, and concerns have been raised about its cost-efficiency and timeliness.⁸⁰ In addition, emergency food aid is often off-budget and/or not delivered through government systems, which can limit its transparency and accountability.

Priorities for Safety Nets in Africa

Following this review of the experience of safety nets in African countries, we have identified the

⁷⁶ Grosh et al. 2008.

⁷⁷ Bundy et al. 2009. School feeding programs target schools and then provide meals to all children in the selected schools.

⁷⁸ Grosh et al 2008. Debates concerning food aid can apply to school feeding programs as well, many of which recently have been reformed to source food locally and employ local people.

⁷⁹ Andrews et al. 2011.

⁸⁰ Samson (2009) in OECD-DAC 2009.

following priorities for safety nets within African SP systems over the coming years.

Apply a systems approach to safety nets. The priorities detailed below sit within the broader emphasis of this Strategy on SP systems. Because of this, a focus for all safety net programs should be on (i) building links among programs to harness synergies between safety nets, other SP instruments, and sectoral investments; and (ii) establishing and strengthening operational systems that could be extended to other programs with a view to promoting a systems approach. These points are elaborated upon in section 6. Additionally, in line with the principles of this Strategy, of key importance continues to be contributing to the evidence base on what safety nets can achieve and how they are best implemented in different contexts.

Emphasize the opportunity aspects of safety nets. Safety nets often are viewed only in terms of their equity function in averting further destitution in the face of shocks and ensuring minimum consumption. However, beyond this immediate stabilization effect, safety nets also increase human capital, build infrastructure, and create employability, which builds a much stronger justification for this public spending. There is a risk, however, that emphasizing the opportunity aspects of safety nets over the equity function can lead to groups being targeted that are less poor or in need of long-term predictable support than would otherwise be the case.

Reform food aid systems to deliver a predictable safety net. In countries (and areas) that already are receiving regular inflows of food aid, this should be transformed into a predictable, coherent safety net. Evidence shows that predictable safety nets can have a significantly greater positive impact on chronically food-insecure households than emergency food aid.⁸¹ Significant cost savings and other benefits also can be associated with shifting to cash transfers, even in fragile states; the appropriateness of this decision will depend on local circumstances. Furthermore, moving these resources on-budget would increase government oversight concertedly, making the agencies implementing the safety nets more accountable to governments and citizens.

Consolidate and scale up cash transfers. The range of experience with cash transfers in African

countries demonstrates that this instrument can be an effective safety net. These programs, which tend to be small, short-term pilots, need to be scaled up to become national programs. A key aspect of this process will be to establish robust targeting, governance, and accountability mechanisms. The adoption of such innovations as the use of mobile phones and ICT promises to significantly expand the coverage of cash transfers into currently hard-to-reach areas.

Expand the use of regular and predictable public works to reduce chronic poverty. Public works will continue to be deployed as the safety net of choice in many countries. To reduce chronic poverty, public works should provide longer periods of employment to those in need, for example, through the “employment guarantee schemes” that currently exist in South Asia (and to some extent in Ethiopia).⁸² This approach would be organic to countries in fragile situations.⁸³ Such predictable public works should replace the current tendency for public works to provide a single short episode of temporary employment, which is more appropriate for responding to temporary disruptions in the labor market or other shocks.

Support the creation of quality assets through public works. Public works have the additional benefit of being investments in community assets that can support local economic growth and poverty reduction. For this to happen, resources and technical skills are required to ensure that the infrastructure is of adequate quality and that the works are integrated into local investment planning.

Integrate school feeding programs into national education policies. When the scope for implementing alternative safety net interventions are limited, school feeding programs can provide some benefits to poor children. In these circumstances, steps need to be taken to improve the targeting and increase the cost-effectiveness of interventions and to ensure that the transfers are provided when households are in need. Given the important education benefits of school feeding programs, these programs need to be “owned” by the Ministry of

⁸¹ See, for example, World Bank 2010a.

⁸² McCord and Slater 2009.

⁸³ World Bank 2010h.

Education and need to be fully integrated into national education policies to be sustainable.

Build long-term scalability and crisis response capacity. The food, fuel, and financial crisis of 2008 demonstrated the vital role that safety nets play in mitigating the impact of shocks on poor and vulnerable households. Throughout the region, countries with established, well-functioning safety nets, from public works and cash transfers to school feeding programs, 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 programs effectively, such as robust early warning systems and contingency plans. In many countries, these safety net programs need to coordinate with the established humanitarian response system to ensure that households are protected adequately against a range of shocks.⁸⁴

Pension Systems – Addressing Old Age Poverty and Vulnerability

Pensions can be either contributory or non-contributory (the latter are often called social pensions), or a combination of the two.⁸⁵ The aim of a pension scheme is to ensure that recipients have a minimum income level during their old age, and thus reduce poverty among older people. It is increasingly clear that pensions also can mitigate the negative impact of shocks on the elderly and their families, thus preventing them from falling into poverty, and that they are used by older people to promote the well-being of all of their family members, particularly children.

African Experience with Pensions

The vast majority of countries in Africa spend less than 1 percent of GDP on pensions and fewer than 10 percent of older people receive a contributory pension (Table 5.1).⁸⁶ Despite this low ratio, pensions are a significant fiscal concern in many countries since the revenues earmarked for these

TABLE 5.1: Coverage of Social Security Schemes In Sub-Saharan Africa

Country	Recent year	% of Labor Force
Cape Verde	2004	26.2%
Central African Republic	2003	1.5%
Gambia, The	2004	3.6%
Ghana	2004	12.0%
Guinea-Bissau	2004	2.0%
Kenya	2005	7.6%
Lesotho	2005	4.2%
Mauritius	2000	51.6%
Niger	2005	1.9%
Nigeria	2004	1.9%
Rwanda	2004	4.8%
Senegal	2003	5.3%
Sierra Leone	2004	5.5%
Tanzania	2006	4.3%
Uganda	2004	10.1%
Zambia	2006	10.8%

Source: Dorfman (2010).

programs (and tax revenues in general) are also generally low in the region.⁸⁷

Formal sector pension schemes. The largest formal sector pension schemes cover civil servants. The schemes have been affected by a demographic hump arising from the rapid growth of the civil service in the 1960s and 1970s and the subsequent contraction in the 1980s and 1990s.⁸⁸ In addition, both mandatory and voluntary contributory social security schemes cover the formal private sector. These formal sector pension schemes are often characterized by:

- *Limited coverage, fragmentation, and inequities.* The already-low rates of coverage of formal pension systems declined even further

⁸⁴ See Marzo and Mori 2011.

⁸⁵ This section draws on “Background Paper to the Africa Social Protection Strategy: Pensions and Old Age Income Security” and benefitted significantly from discussions with the pension team in the Human Development Social Protection of the World Bank.

⁸⁶ Palacios and Pallarès-Miralles 2000.

⁸⁷ Palacios and Pallarès-Miralles 2000.

⁸⁸ Katarikawe 2005.

during the 1980s and are currently stagnant.⁸⁹ They tend to cover less than one-fifth of the labor force and are restricted to salaried workers. Overall coverage rates mask a situation where many different schemes cover specific professional groups, thus resulting in unnecessary competition, high administrative costs, a lack of portability, and labor market distortions. For example, in Tanzania six public pension schemes service essentially the same market, yet altogether they cover only about 5 percent of the labor force. Women have fewer assets in formal pension schemes because they have lower earnings, work fewer hours, and participate less in the formal sector than men.⁹⁰ Inequities arise from the financing of expensive contributory schemes for civil servants, which is typically a regressive use of scarce public resources.⁹¹

- *A fiscal drain and a weak basis for financial sustainability.* Low benefits coupled with weak investment returns have forced countries to increase the contribution rates for social security schemes, even through many schemes cover young populations and currently have a cash flow surplus. At the same time, the growing number of civil service retirees is putting greater demands on fiscal resources, with spending on civil service pensions having doubled in some countries during the 1990s. Contingent liabilities also arise from underfunded mandatory private sector and occupational schemes for employees of public enterprises and authorities.⁹²
- *High administrative costs.* The cost of administering mandatory pension schemes in Africa, which varies from 12 percent in Mauritius to 100 percent in Kenya, is higher than in any other region of the world due to low coverage and inefficiencies in data management and operational procedures.
- *Lack of credibility.* Poor investment performance, weak oversight, and limited transparency have undermined the credibility of pension schemes in many African countries. Returns in countries such as Kenya, Tanzania, and Zambia have been negative in real terms. Other policy decisions, such as the discretionary indexation

of civil service schemes, have undermined the predictability of formal pensions. Pension oversight and regulations are often weak. In some cases, this has resulted in poor compliance.

In response to these constraints, various countries have enacted pension reforms in recent years. Nigeria has replaced its defined benefit scheme with a defined contribution scheme that is managed competitively. Ghana has adopted an opt-out provision by which some funds currently allocated to the defined benefit scheme can be placed in a competitively managed defined contribution account. A number of countries (including Cape Verde, Ghana, Nigeria, Sierra Leone, and Zambia) have consolidated various formal schemes into one that covers all formal sector workers. Parametric reforms—those that involve changes to the benefits formula—have been pursued in Cape Verde, Senegal (Box 5.2), and Zambia and are being considered in Kenya and Uganda.

Several governments have taken steps to improve the management of pension reserves. In Ghana, this has involved outsourcing investment management to licensed investment managers, an option that also is being considered in Tanzania. In Botswana and Namibia, professional managers have been hired for pension reserve funds. Other countries have taken steps to strengthen regulation and oversight by, for example, establishing an independent pension regulator (as in Kenya), strengthening the regulatory authority, and improving the oversight of public schemes.

Expanding pension coverage to the informal sector. It is now generally recognized that it is difficult to extend social insurance schemes, which are funded through payroll tax deductions, to the entire labor force, which includes informal sector workers. This is of particular importance in African countries where up to 85 percent of total employment is in the informal sector. As a result, governments will need to find other ways to develop appropriate pensions and savings products, perhaps through

⁸⁹ Holzman et al. (eds) 2009.

⁹⁰ World Bank 2011e.

⁹¹ Stewart and Yermo 2009.

⁹² This section draws extensively on Dorfman 2010.

BOX 5.2: Pension Reform for Long-term Financial Sustainability: The Case of Senegal

Social security legislation in Senegal requires that all employers offer pension plans to their employees. The Social Security Fund supports two organizations: (i) the Social Insurance Institute for Old Age Pensions (IPRES), which covers private employees and roughly one-sixth of civil servants, and (ii) the National Retirement Fund (FNR) for all remaining government employees. By 2003, the accumulation of significant arrears threatened the sustainability of the system.

In 2004, the Government of Senegal began reforming the pension schemes to correct systemic and institutional problems. Contribution and benefit rules were restructured to ensure the financial sustainability of the schemes. These reforms raised the retirement age from 55 to 60 years, decreased the accrual rate, increased the averaging period, and changed the employer and employee contribution rates. Other reforms were enacted in 2006, including indexing the pensions to inflation and opening a notional account for the current defined benefit schemes. To further strengthen the governance of the system, the government established an Interim Supervision Committee to oversee the Social Security Fund and an oversight agency for the funding process.

As a result, the deficit of the Social Security Fund was eliminated by early 2008. The government is considering expanding domestic funding and diversifying investments both domestically and overseas to secure the long-term viability of the system. It also is examining the feasibility of creating both voluntary and mandatory individual accounts.

Source: Samson (2009)

voluntary micro-savings and contributions, to promote income security in old age for informal sector workers.

Emerging evidence on how to extend pension schemes to the informal sector suggests that the basic requirements would include allowing flexibility in terms of contributions and withdrawals, targeting those who are capable of making extra savings and providing them with incentives to do so, and using a broad range of service providers appropriate to the informal sector such as post offices, credit unions, and money transfer agents (see the example of Ghana in Box 5.3).⁹³ Mandating the portability of pension benefits is also important to allow workers to change occupations, and to migrate, and provide better access to pensions for widows.⁹⁴

Social pensions. A number of African countries (generally those higher up the income scale) offer social pensions, which readily increase pension coverage among elderly citizens.⁹⁵ Botswana, Lesotho, Mauritius, Namibia, the Seychelles, and Swaziland provide a basic pension to all of their citizens above a certain age, while Cape Verde, Liberia, Senegal, and South Africa pay pensions to poor, elderly citizens.⁹⁶ Other low-income countries such as

Kenya and Sierra Leone are piloting targeted social pensions.

Social pensions can have a significant positive impact on poverty. One study found that South Africa's social pension reduced the poverty gap by 54 percent among households that included older people, while the poverty gap almost disappeared among older people living alone.⁹⁷ Many of these schemes are backed by considerable political commitment, but concerns have been raised about their fiscal affordability and progressiveness, as elderly citizens may not be poorer, on average, than other groups in the population.⁹⁸

⁹³ Hu and Stewart 2009.

⁹⁴ Holzman et al. (eds) 2009.

⁹⁵ Ibid.

⁹⁶ These are targeted using a means test, with the exception of Zimbabwe, which provides support to elderly citizens who are institutionalized. Sources: Personal communication with Montserrat Pallares-Miralles, and Garcia and Moore 2012. For example, Mauritius pays a universal pension out of the public budget to anyone over 60 years old. In South Africa, a means-tested old age grant is available to eligible beneficiaries over the age of 60 and reaches over 2 million households.

⁹⁷ Samson 2006.

⁹⁸ Kakwani and Subbarao. (2005).

BOX 5.3: Extending Pensions to the Informal Sector in Ghana

Roughly 80 percent of Ghanaians in the labor force work in the informal sector. Until 2004, the Social Security and National Insurance Trust (SNNIT) operated a contributory pension scheme for informal workers that had low rates of coverage. This was attributed, in part, to the structure of the program, which made it difficult for contributors to draw on their savings to meet short-term needs and which had few additional benefits.

In response to strong demand for retirement savings schemes for informal workers, the SNNIT established the Informal Sector Fund (SIS) in February 2008, based on the success of a pilot started in May 2005. The SIS aims to provide attractive retirement savings options to informal workers as well as valuable financial services. The SIS had 90,000 members by late 2011 and is expected to reach its targets of 2 million members by 2013 and 5 million by 2015.

The scheme is open to self-employed citizens between the ages of 15 and 59. The SIS is a voluntary contributory pension scheme. There are no fixed rate contributions. Contributions are credited in equal parts to two individual member sub-accounts: (i) the Occupational Scheme Account (OSA) and (ii) the Retirement Account (RA). Informal sector workers can participate as organized groups or as individuals.

Members may make periodic withdrawals from the OSA after they have made five months of initial contributions, provided that the account has a credit balance. The RA funds are only accessible in the event of old age, disability, or death. Members may use their contributions as partial collateral to secure credit from financial institutions and to access small loans to start a business or buy a house. Members also are entitled to old age pensions as well as disability and survivors' benefits. The SIS has partnered with the HFC Bank and Bofo Microfinance Services to meet members' current business and personal financial needs.

Source: Samson (2009).

Priorities for Pensions in Africa

Even though momentum is currently behind reforming and expanding pensions, a range of reforms still is needed to establish equitable, affordable, and sustainable pension systems in Africa. This section discusses the priorities for this next phase of reforms. The best reform options will differ from country to country depending on the existing pension system, the specific nature of the reforms required, and the enabling environment.

Integrate a multi-pillar approach. African countries will need to take a comprehensive approach to providing social protection for the elderly. The policy dialogue on elderly assistance programs also must discuss how best to regulate contributory social insurance and/or voluntary private pensions. The various instruments that together can affect old age income security need to be viewed as an integrated system and should include some combination of the following elements: (i) *Zero Pillar* – non-contributory social pension financed by the state; (ii) *First Pillar* – mandatory contributory social insurance scheme

with contributions linked to earnings and with the objective of replacing some portion of the worker's lifetime pre-retirement income; (iii) *Second Pillar* – a mandatory defined contribution plan with independent investment management; (iv) *Third Pillar* – voluntary schemes in many different forms (such as individual savings, employer-sponsored plans, or defined benefit or defined contribution schemes); and (v) *Fourth Pillar* – informal support (from within the family), other formal social programs (health care or housing), and other individual assets (home ownership).⁹⁹ While the aim is to pursue a portfolio approach specific to the needs of each country, sound governance and transparency, including effective oversight, will be essential in all countries to underpin the system's financial soundness and the public's confidence in the system.

Reform mandatory contributory schemes. Existing contributory schemes need to be reformed to make them fiscally affordable and not wasteful of scarce resources that could otherwise be allocated

⁹⁹ Dorfman 2011.

to better-targeted poverty programs. Such reforms also can reduce the number of households that need to be supported by non-contributory schemes. These reforms should focus on making the system: (i) fiscally sustainable and adequate with respect to the level and predictability of benefits; (ii) affordable in terms of the contribution levels of individuals and employers and in terms of the budgetary resources of the state; (iii) robust enough to withstand economic, political, and demographic shocks; and (iv) equitable while also improving welfare outcomes.¹⁰⁰ This is likely to involve the need to redesign defined benefit and provident funds, improve the governance and management of public pension reserves (to increase transparency, build public confidence, and limit political influence, specifically on pension fund investments), and harmonize pension schemes in different sectors to promote labor mobility. These reforms should give workers a greater incentive to enroll in contributory schemes, resulting in higher coverage rates among formal sector workers. Making pension benefits portable between countries within Regional Economic Communities (RECs) also can promote labor mobility.

Expand pensions to the informal sector. It is vital to find ways to give informal sector workers access to a pension given the magnitude of the informal sector to the African workforce. The most promising way to extend pension coverage is by encouraging voluntary contribution arrangements or saving schemes. To the extent that informal sector workers tend to be poor, governments also may wish to judiciously consider social pensions.

Introduce non-contributory social pensions. Currently, social pensions are politically popular in some countries and are seen by their proponents as an effective way of reducing poverty among specific vulnerable groups. In contrast, others argue that social pensions are often fiscally unaffordable and poorly targeted and that resources budgeted for transfers might have more impact in terms of reducing poverty if they were targeted to other vulnerable groups such as children. A World Bank study found the case for a universal social pension to be weak in terms of both welfare (measured in terms of poverty reduction) and fiscal affordability.¹⁰¹ However, the report did conclude that a much stronger case is to be

made for social pensions that are targeted to particular elderly groups. Targeting social pensions to poor people aged 65 and older can maximize the extent to which such transfers can reduce poverty both nationally and among the elderly. Policymakers should ensure that they make their decisions based on poverty and vulnerability assessments, a consideration of fiscal affordability, and a careful weighing of the opportunity costs of providing transfers to the elderly as opposed to other poor or vulnerable populations.

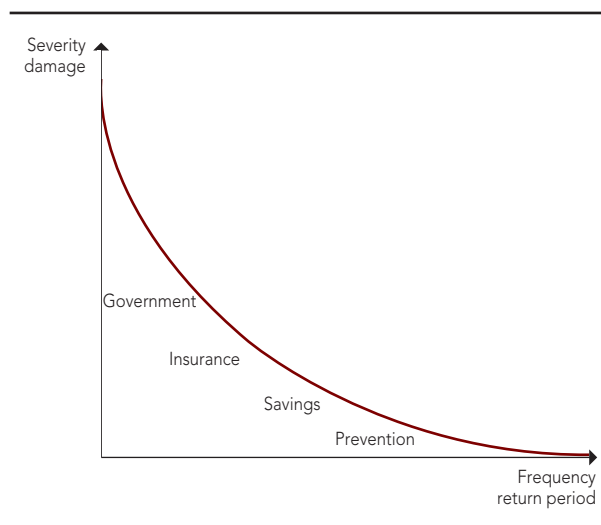
Comprehensive Insurance Systems – Managing Risk and Vulnerability

Insurance spreads risk across large population groups, mitigating the effects of adverse events on any individual, household, or enterprise. As such, insurance helps contributors to avoid destitution, smooth their consumption, protect their assets, and pursue high-return economic activities and investments, by enabling institutions and households to take on riskier, more profitable investments.¹⁰² In

¹⁰⁰ For a detailed discussion of these concepts, please see the World Bank pension conceptual framework: http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNoteConcept_Sept2008.pdf

¹⁰¹ Kakwani and Subbarao 2005. The authors note that, in a typical country in the sample of 15 African countries, “a universal social pension for all of the elderly above 65 years of age would cost about 2 percent of GDP, a level comparable to, or higher than, the current levels of spending on health care. Increasing the age cut-off to 70+ or 75+ might lower costs, but few would be eligible for the pension, and it would have little impact on poverty reduction at the national level.” A more recent study explored the potential impact universal pensions could have on poverty among older people in Latin America. The authors conclude that a universal minimum pension would substantially reduce poverty among the persons and that such schemes have much to be commended in terms of incentives, spillover effects, and administrative simplicity, but they have a high fiscal cost. See: Dethier, Pestieau, and Ali 2010.

¹⁰² This section benefitted significantly from discussions with World Bank and CGAP colleagues working in the areas of weather-based insurance, micro-insurance, and health insurance.

FIGURE 5.1: Risk Layering

Source: World Bank (2011c).

this way, insurance delivers both the resilience and the opportunity functions of social protection.

Insurance is one strategy on a continuum of risk management options (Figure 5.1). Households might deal with small, frequent events by taking preventive actions or by using their savings, while rare catastrophic events (severe earthquakes or droughts) might cause governments to initiate a response. In between these two extremes, a range of insurance products exists to respond to risks of varying degrees and intensity.

Insurance should thus be seen as an integral part of a SP system. Social insurance already tends to include disability (often together with pensions) and unemployment insurance, although limited to formal sector workers in middle-income countries (MIC). This approach also covers only a fraction of insurable risks.

Integrating a focus on promoting the access of poor households to insurance mechanisms into national SP systems in low- and MICs can prevent shocks from having negative consequences for households that would otherwise require publicly funded support from, for example, a safety net. Expanding access to insurance for the poor as part of a national SP system can ease the pressure on governments to provide non-contributory schemes. It also can encourage households to adopt

alternative, more productive livelihoods that can help to lift them out of poverty.

Driven by economic growth and innovation, the historically small insurance markets are developing and growing in Africa. With support from governments, NGOs, and others, these markets are beginning to expand to previously “uninsurable” populations such as farmers, pastoralists, and informal workers through investments in ICT and regulation reform. It is important to add a SP focus to these efforts. This means paying explicit attention to promoting the access of the poor to insurance markets through innovative design and the (selective) use of subsidies, for example. While not all risks are insurable and not all people can be covered by market-based insurance solutions, experience shows that poor households are willing to pay for good services that work when needed. Such initiatives would complement (and be complemented by) efforts in other sectors to enhance access to insurance for all households.

Given this specific focus on poor populations in Africa, three types of insurance will be of particular interest in terms of furthering social protection in the coming decade: life, weather, and health insurance. The key SP goal for insurance should be to support the extension of each of these types of insurance to poor populations.

African Experience with Insurance

Formal market-based insurance instruments in Africa are still relatively underdeveloped,¹⁰³ although there are some historical precedents such as cooperative insurance and community-based health insurance schemes. The recent rapid growth in micro-insurance still only covers 2.6 percent of the population living on less than

¹⁰³ To mitigate risk, African households typically have used a variety of traditional and non-market mechanisms including crop diversification, off-farm employment, and labor migration. Social solidarity networks, including funeral societies and the West African mutual aid *tontines*, have served as informal insurance mechanisms.

US\$2 a day in 32 countries.¹⁰⁴ Index-based insurance is being experimented with in various countries to manage the effects of covariate shocks on rural livelihoods. However, while currently small, the number and size of these programs has increased considerably in recent years. As a result, the vast majority of African households are uninsured against most risks.

Life insurance is the most common form of micro-insurance in Africa. Roughly 80 percent of individuals covered by micro-insurance hold life insurance products, although the overall coverage of micro-insurance in Africa is very low. Adding informal insurance, for example, through funeral associations, would increase this figure.¹⁰⁵

Life insurance coverage tends to be partial. For example, in South Africa, where funeral insurance is available, households are more likely to use savings, income, and borrowed money to pay for a funeral than the funeral insurance, which covers less than 20 percent of expenses.¹⁰⁶

The rapid expansion in life insurance (as with micro-insurance generally) has been facilitated, in part, by the extension of the microfinance model into the area of insurance. Many microfinance institutions (MFIs) provide life insurance services to their members, in part because it is relatively easy to provide. However, the life insurance that they provide is mainly a way of insuring the loan (“credit life insurance”) rather than providing income support to the family in the case of the policyholder’s death. The value of credit life insurance to the dependents of the borrower is minimal.

In contrast, long-term life insurance, which offers greater protection to policyholders, appears to be rare. Those schemes that do exist are of little value to poor populations because of inflation and poor returns.¹⁰⁷ The complexity of long-term life insurance products presents difficulties for current micro-insurance providers who tend to be equipped only to provide short-term products.

Agricultural insurance traditionally has consisted of crop insurance that covers farmers against multiple shocks and pays out against losses the insurer assesses by observing harvest yields. The cost of such assessments are considerable for small-scale

farming, and give farmers little incentive to invest in their livelihoods.

Index-based insurance overcomes many of these limitations. Index-based insurance pays out fixed sums to farmers when an independently observed trigger (often rainfall, livestock mortality rates, or crop yields) shows that an insured event has occurred. Under the index-based scheme, payouts can be calculated and disbursed quickly as it is not necessary to verify each household’s specific loss. This reduces administrative costs and, hence, lowers the price of the insurance.¹⁰⁸ Box 5.4 describes how technology is enabling the expansion of weather-based insurance in Kenya.

Agricultural insurance can aim to protect the livelihoods and assets of poor households or to promote the uptake of new technologies by farmers. These different objectives have implications for the design and delivery of indexed products. Insurance that aims to protect livelihoods from catastrophic events will need to be subsidized and delivered through public institutions (or NGOs). In contrast, promotional insurance should be channeled through private intermediaries and can be unsubsidized.¹⁰⁹ Generally, however, efforts to expand the coverage of insurance for poor populations through SP-led interventions may complement (or indeed be initiated by) the agricultural sectoral.

Health insurance is integral to achieving the goals of the health sector and is embedded within discussions on health financing. National health care financing strategies may adopt health insurance as a means of widening access to quality health services and protecting the population from the financial burden of ill health. This second goal is shared with the protective function of social protection. Within this common goal, SP questions arise (and complement health sector-led initiatives)

¹⁰⁴ The survey defines micro-insurance as “an insurance product accessible either by price or delivery channel to people earning less than approximately US\$2 per day.” Matul et al. 2009.

¹⁰⁵ Roth et al. 2007.

¹⁰⁶ Financial Diaries (2005) in Churchill (ed) 2006.

¹⁰⁷ Roth et al. 2007.

¹⁰⁸ Hess and Hazel 2009.

¹⁰⁹ Ibid.

BOX 5.4: Harnessing Technology to Extend Weather-based Insurance to Rural Kenyans

In Central and Western Kenya, farmers who plant at least one acre can access a weather-indexed micro-insurance policy to protect themselves against significant financial loss from drought or excess rain. “Kilimo Salama,” a partnership between the Syngenta Foundation for Sustainable Agriculture, UAP Insurance, and Safaricom, provides farmers with an option to make insurance purchases of seed, fertilizer, and other inputs from agricultural companies within the partnership. This option costs the farmer roughly 5 percent of the price of the input; the partner companies then match this, thus covering the full 10 percent premium. By early 2011, roughly 22,000 farmers had enrolled in the scheme. Registered agro-dealers are equipped with a camera phone that scans a special bar code at the time of purchase. This registers the policy with UAP Insurance through Safaricom’s mobile data network. A text message is then sent to the farmer’s mobile phone confirming the insurance policy. Local weather conditions are tracked through a network of 30 weather stations, which have been equipped with automated, solar-powered systems that communicate with Safaricom’s 3G network. This enables these stations to provide uninterrupted information on local weather conditions. Should this system indicate a drought or other extreme weather condition, all farmers registered to that station receive an automatic payout. This is done automatically through M-PESA a mobile money transfer system to the farmer’s mobile phone.

when considering how to scale up health insurance in a way that benefits poor populations.

Many African countries are seeking to expand public, private, and community-based health insurance programs to pool the risks associated with health shocks. Often, countries have established health insurance schemes for formal sector workers, but these tend to be small in scope with limited benefits. In Namibia, for example, roughly 30 percent of individuals are enrolled in medical aid funds, although the likelihood of being covered is 70 percent for the richest quintile and only 5 percent for the poorest.¹¹⁰

Efforts to reform such schemes and to adopt new initiatives to expand coverage to poor populations, particularly using community health insurance, are growing.¹¹¹ In West Africa alone, the number of functional community health insurance schemes (*mutuelles de santé* in the francophone countries) is estimated to have grown to over 600, an eight-fold increase since the late 1990s.¹¹²

Among low income countries, Rwanda and Ghana are leading the way. Gabon, Kenya, Nigeria, and Sudan have begun to scale up their national health insurance schemes. Tanzania recently passed a law merging its major health insurance schemes in the hope of strengthening health system capacity and extending coverage to all of the population. Ethiopia has been preparing to launch social health

insurance nationwide and will soon start piloting community-based health insurance. In Senegal, Benin, and Mali, *mutuelles de santé* are covering a growing share of the population.

Despite the impressive gains in health insurance coverage in Ghana and Rwanda, the extent to which these schemes are reaching poor populations differ markedly. In Ghana, health insurance coverage is more than twice as high among the richest 20 percent of the population as among the poorest 20 percent. In contrast, Rwanda has achieved impressive coverage of the poor using community-based health insurance and targeted subsidies (Box 5.5).

While the small size of most community health insurance schemes results in high transaction costs, limited risk pooling, and unsustainable coverage

¹¹⁰ Escobar et al. (eds) 2011.

¹¹¹ Community health insurance covers a wide variety of health insurance arrangements with differences in terms of ownership, management, membership, services provided, and financial coverage. However, all of these factors share five characteristics: community-based social dynamics and risk pooling; inclusive risk-sharing where membership premiums are independent of individual health risks; participatory decision-making and management; non-profit character; and voluntary affiliation. Source: Soors et al. 2010.

¹¹² Soors et al. 2010.

BOX 5.5: Reaching the Poor with Health Insurance: the Experience of Rwanda

Since 2000, the Government of Rwanda progressively has increased the coverage of health insurance among the population through *mutuelles de santé* (community health insurance schemes). Health insurance is mandatory for all citizens, and, for most, the *mutuelles* are the only viable option. By 2010, an estimated 91 percent of the population was covered, up from just 7 percent in 2003.

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* insurance funds, charitable organizations, NGOs, development partners, and the Government of Rwanda. Specifically, 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.

There is some suggestion, however, that poor households still find it difficult to pay the annual membership fee. In mid-2011, the government reformed the annual membership fee to take into account “capacity to pay.” Citizens will be categorized into three groups. The fees for the poorest households will be fully subsidized by the government, and the higher-income groups will be allowed to pay their fees in installments.

Independent evaluations have found evidence of increased access to and use of health care among beneficiaries, as well as lower levels of out-of-pocket spending. Specifically, catastrophic expenditures have declined by 17 percentage points. The creation of the *mutuelles* has coincided with an increase in average life expectancy from 48 to 52 years despite the continued AIDS epidemic. Numbers of deaths in childbirth and from malaria also have declined.

of expensive risks like surgeries and chronic disease, these schemes typically have suffered less from fraud and inefficiencies than centralized state-led health insurance systems. They are also one of the few ways to reach lower-income populations, particularly in rural areas, as well as informal sector workers.

The experience of African countries with insurance has yielded the following operational lessons:

- Setting premiums at the right level is only one aspect of extending insurance to poor households. Experience has shown that *delivery*, in terms of timely payouts, good technical advice, and regular, credible information (for index-based insurance, this includes reliable and timely data on index values) is crucial to the successful expansion of insurance.
- To deliver insurance in a cost-effective way, investments in *existing institutions* need to be leveraged. For life insurance, this may include networks of microfinance institutions and community-based organizations like those supported by social funds, while index-based insurance to protect livelihoods may use existing publicly provided safety nets. Concurrently, the delivery

of promotional agricultural insurance will seek to leverage the private sector and agricultural supply systems.

- Experience has shown that it is critical that insurance products supported by governments adhere to *market-based approaches* including having an actuarially sound design and rating methodology.
- Achieving high rates of insurance coverage among poor populations, such as for health and agricultural insurance to protect livelihoods, will require *subsidizing or even entirely covering the cost of premiums* in the short term.¹¹³ Determining which groups to subsidize, to what extent, and for how long is ultimately a political question but needs to be informed by a sound understanding of poor populations, including their location and employment status,

¹¹³ The need for subsidies is likely to decrease as households become more confident about the insurance mechanisms (such as index-based agricultural insurance) and as higher incomes increase access to social insurance arrangements. This second point is discussed further in section 7.

and the possible implications of such subsidies for labor markets.

Priorities for Insurance in Africa

In the next 10 years, innovations in insurance and expanding coverage across Africa will continue apace. If governments dedicate their attention to promoting the access of poor populations to insurance, this will significantly improve the delivery of social protection and yield important gains in poverty reduction and economic growth. The burgeoning experience with these instruments in Africa suggests a number of priorities.

Build insurance instruments into national SP systems. National SP systems aim to provide a continuum of risk management options, and insurance plays an important role in this. Some of the demand for safety nets after a crisis could be handled more effectively by encouraging the purchase of insurance to mitigate risks. For example, weather-based crop insurance can help farmers to survive any loss of agricultural production due to poor rains, thus reducing their need for emergency food aid or other short-term coping measures. In this way, promoting the uptake of insurance by poor households as one of a menu of SP instruments can ensure that a higher share of poor households is covered by the SP system. In turn, this enables governments to target scarce public resources to the poorest of the poor.

Bundle insurance with other financial services or with targeted SP programs. This can be an effective way to reach poor households and to harness the synergies between insurance and other financial services to promote the livelihoods of the poor. For example, life insurance could be bundled with credit or agricultural input lending could be coupled with a weather insurance policy.

Leverage SP programs for outreach, targeting, and the delivery of insurance. It is increasingly clear that many of the constraints to expanding insurance access to poor households can be addressed, at least in part, in a cost-effective manner by using existing SP delivery mechanisms. For example, established targeting mechanisms can be

used to identify those poor households who are eligible for subsidized health insurance. Also, existing payment mechanisms can be used to pay weather-indexed insurance claims to beneficiaries.

Labor Programs – Facilitating Access to Employment and Income

The functioning of the labor market is a topic that is broader than social protection and is rooted in the overall structure and functioning of the economy, the educational system, and regulations that affect labor demand and supply. Within this broader context, volatility in employment and income and the entrenched vulnerability of certain groups that constrains their access to jobs are central to the SP agenda. Structural issues facing Africa, such as the youth bulge and the transformation from rural to urban and from subsistence, smallholder agriculture to services and industry are key SP issues.

As such, social protection-related labor programs aim to encourage employment creation, enhance productivity and employability, help workers to manage risks and move within the labor market, and ensure decent working conditions.¹¹⁴ A subset of these programs consists of active labor market programs (ALMPs), which are “social expenditure (other than education)...[that aim to increase] the beneficiaries’ prospect of finding gainful employment or to otherwise increase their earnings capacity in the formal and informal sectors.”¹¹⁵ This can be achieved by:

- Supporting the job matching process (employment services and job search assistance)
- Enhancing the skills of the workforce (training and retraining)
- Creating demand (public works, enterprise creation, and self-employment)

¹¹⁴ World Bank Labor Markets website, accessed June 6, 2011. The discussion in this section benefitted significantly from a discussion on the social protection response to labor markets in Africa with World Bank colleagues from PREM and FPD.

¹¹⁵ Auer et al. 2008 in World Bank 2010d.

- Changing the structure of demand (employment subsidies and affirmative action clauses).

Labor regulations aim to protect workers' rights while maintaining labor market flexibility and to establish an environment conducive to the creation of productive employment.¹¹⁶ Examples of labor regulations include a minimum wage, mandated benefits (maternity leave or disability benefits), employment protection (severance pay or advance notices), and unemployment insurance.

The extent to which this type of SP instrument is applicable to low-income African countries is the subject of much debate, as these interventions were derived from experiences in high- and middle-income countries in Latin America and OECD. This is because of the unique characteristics of economic growth and labor markets in African countries, which are more likely to be informal and dependent on agriculture.

In many countries, with most of the adult population employed, the issue is not job creation *per se* but the creation of higher productivity and better-paying jobs, most often in the informal sector. At the same time, women and men have different patterns of economic activity, with women being more likely than men to be engaged in low-productivity activities, unpaid family employment, or the informal sector.

Overall, in these countries, creating employment and enhancing productivity and employability depends on promoting labor-intensive economic growth, and this in turn depends on overcoming the binding constraints to enterprise development. This requires a multi-sectoral response to improve the generally weak investment climate, which is characterized by limited infrastructure, a poor business environment, and insufficient technical skills in the workforce.¹¹⁷

In this context, the potential for labor programs to be effective may be limited. This is simply because a functioning labor market is a prerequisite for labor programs to succeed. While formal labor markets exist in all African countries, those in low-income countries tend to be small and employ skilled workers who are often better-off than those in the informal and agricultural sectors.

Moreover, the supply of labor typically far outstrips demand, and thus programs that aim to improve the clearing function of the labor market may have little value added and may yield few, if any, benefits for the poor.

At the same time, however, shortages in technical and “soft” skills are well-recognized constraints to economic growth and diversification. Therefore, there is potential for skills development programs to complement efforts in the education sector to increase the skill set of the workforce in the long term. A second area of possible focus is to support potential entrepreneurs to start new businesses and to improve the productivity of existing enterprises, as many people earn their living from micro and small enterprises or are self-employed.

African countries have experimented with a wide range of different labor programs over the years, but few have been subject to rigorous evaluations. As a result, there is little quantitative evidence of their impact. This will begin to change, as an increasing number of evaluations are under preparation.

As a result, in the decade to come, the most useful types of labor programs in SP terms are those that promote skills development among poor and vulnerable men and women. There is an urgent need to pursue a broad research agenda on these kinds of interventions.

African Experience with Labor Programs

Labor programs. As discussed above, the aim of labor programs, specifically ALMPs, is to enhance the employability of workers. This can be done in a number of ways, the most obvious being *skills development*.¹¹⁸ Assessments of state-sponsored training systems in Africa have found that they do not always focus on the skills that are most needed by the economy. They also tend to involve high costs, and

¹¹⁶ World Bank Labor Markets website.

¹¹⁷ World Bank 2011a.

¹¹⁸ This section draws extensively on Johanson and Van Adams 2004.

their effectiveness and efficiency in delivering skills has been limited.

Reforms introduced in many African countries in the last decade have shown significant promise, including new governance arrangements for state-sponsored training systems and the introduction of national coordinating bodies and national training authorities. Initiatives that have strengthened the autonomy and accountability of individual training institutions have increased the relevance and improved the quality of their skills development programs. Governments move away from financing inputs for training and towards financing education institutions based on their performance and outcomes has given these providers a further incentive to improve. In Mauritius, for example, the Institute for Training and Development separated the financing of training from its provision and has introduced the competitive procurement of training services.¹¹⁹

Non-governmental organizations are an increasingly important source of skills development in Africa; based on the limited information available, these providers tend to be more responsive to markets and more effective in delivering skills development than state-sponsored institutions. The quality of services provided by this sector varies and highlights the need for government regulation and oversight. Training also is provided by enterprises, which tend to be self-financing, self-regulating, and cost-effective. However, as larger enterprises provide more training than smaller enterprises and given that access to such training is selective, these providers generally benefit the better-off more than the poor.

Traditional apprenticeship systems are the most important source of skills training for non-agricultural informal sector workers. These systems provide 80 percent of skills training in Ghana and over 50 percent in Nigeria and Tanzania.¹²⁰ Despite the large number of people trained in this way, the training itself is often of questionable quality because the technologies used are dated, the theoretical aspects of the trade are not taught, and traditional gender roles are reinforced.¹²¹

Experience accrued over the last decade has shown that training funds and vouchers can be an effective way to increase the supply of training in

the informal sector. 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.¹²² To be effective, skills development for the informal sector needs to teach not only technical skills but also life and business management skills. It also needs to be done through a flexible training schedule to make it as easy as possible for trainees to participate.

A second class of labor programs consists of those programs that *promote demand for labor*. Countries all across the continent have invested in diverse activities that aim to promote demand for labor, including microfinance, support for entrepreneurship and self-employment, and labor-intensive public works (see the section on safety nets above for a discussion of public works).

Social protection instruments have been used to support such objectives in some countries, for example, through social funds in Benin and Senegal. The positive synergies are becoming increasingly clear between safety nets and investments in microfinance and entrepreneurship to encourage the development of household enterprises.

There has been little experience in Africa with labor programs that aim to change the structure of demand, for instance, through employment subsidies. Some early evidence indicates that short-term wage subsidies can increase the employment of women, but more rigorous evidence is needed.¹²³ Also, few countries offer public employment services or other initiatives to support job matching, and, in those that do, these tend to be ineffective.

Generally, such initiatives are restricted to middle-income countries. South Africa, for example, is currently considering adopting wage subsidies to promote youth employment and already operates an online employment service. The limited experience in low-income countries can be attributed to the fact that enterprises are able to find workers

¹¹⁹ Garcia and Fares (eds) 2008.

¹²⁰ World Bank 2010g.

¹²¹ Johanson and Van Adams 2004.

¹²² Riley and Steel 1999 in Garcia and Fares (eds) 2008.

¹²³ World Bank 2011e.

relatively efficiently and also to the small size of the formal sector.

Labor market regulations. Most African countries have ratified international conventions on workers' rights and labor standards. The extent of formal labor market regulation in Africa was made clear in a recent survey that found that severance pay is mandated in 90 percent of African countries.¹²⁴ Although regulation is reported to be cumbersome in some countries (for example, in West Africa where payroll taxation is over 20 percent), few firms identified regulation as a key constraint to job creation.¹²⁵ This may be because of weak enforcement.

Priorities for Labor Programs in Africa

Despite an increasing number of promising labor programs in Africa (Box 5.6) at present there is

little robust information available to evaluate their results. Therefore, a key priority for policymakers moving forward must be to build up a rigorous body of evidence that can inform labor market policies and programs.

Insights from international experience also can help to inform labor market approaches in Africa. For example, a number of promising interventions around the world are supporting young people in their transition into work, but these have yet to be tested in African countries. While there may be limitations to these approaches given the current labor market landscape in Africa, policymakers need to consider these international experiences carefully to identify those that may be appropriate for

¹²⁴ Holzman et al. 2011.

¹²⁵ Fox and Oviedo 2008.

BOX 5.6: Promoting Youth Employment in Africa: The Emerging Evidence Base

There are a number of innovative initiatives to promote youth employment across the continent. In Kenya, the government in partnership with the Kenya Private Sector Alliance is helping young people to acquire work experience and skills by creating internships and providing relevant training in the formal and informal sector. A unique aspect of this project is that it is driven by employers and thus well-positioned to provide young people with the knowledge and skills demanded by the market. Similar innovations are being tested in Sierra Leone and Liberia.

Many of these initiatives include rigorous impact evaluations, which will significantly strengthen the body of knowledge on the best ways to promote youth employment in Africa. While the results of many of these evaluations will only become available in the next two years, the recently completed impact evaluation of the Youth Opportunities Program (YOP), a component of the Northern Uganda Social Action Fund, has yielded some insights.

The YOP provided cash grants to young men and women to invest in skills training and in setting up small businesses. Applicants formed groups consisting of roughly 20 to 30 young adults interested in a vocation and submitted proposals for purchasing skills training, tools, and other materials required to start an enterprise. The successful groups received a lump sum cash transfer of roughly US\$7,100, or roughly US\$374 per person, which they deposited in a jointly held bank account and 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 hours in employment outside the home, by about 25 percent among males and by 50 percent among females. Two years after the grant, nearly three-quarters of the participants were engaged in skilled work, compared to just over one-third of controls. Men in particular earn high returns, by about US\$16 extra per month, equivalent to a 55 percent increase over men in the control group. This effect represents a 3.5 percent monthly return on the average grant size (or about 42 percent per annum). Women, on the other hand, earn low to no returns, even when initial differences in endowments are accounted for.

Sources: Blattman et al. (2011) and World Bank (2010h).

different contexts in Africa and to test them rigorously to evaluate their impact.

Recognizing these information constraints, we identify a set of priorities for labor programs in Africa. These priorities will no doubt evolve as more evidence on the impact of current and future labor programs is generated.

Promoting market-based skills development for the poor and vulnerable. Governments should promote the development of a training market with a range of providers teaching quality skills that are in demand on the labor market. In doing so, they should create incentives for providers to improve their performance, for example, by providing them with financing only if they achieve certain outcomes. To leverage scarce public resources, governments should provide skills development in partnership with NGOs and other institutions, while ensuring that the very poor are able to access these services.

Developing skills for the informal sector. To assist the small informal business sector, governments must encourage investments in skills while also widening access to credit, advisory services, and other business services.¹²⁶ One way to use public expenditures on skills development is to provide small businesses with vouchers and other incentives to encourage them to invest in skills themselves. Traditional apprenticeships are another method that has been used to increase skills in the informal sector, but most of these schemes need to be reformed as they have produced only limited results in many countries.¹²⁷

Promoting links with investments in household enterprises and entrepreneurship. Social protection policies and programs in a number of African countries aim to strengthen livelihoods to help households to rise out of poverty. This can be more effectively achieved by implementing safety nets and other SP instruments in conjunction with investments in household enterprises and support for entrepreneurship and self-employment than through these investments alone. While the form that this support will take will vary from country to country, policymakers need to ensure a link between entrepreneurship support, which likely involves a package of interventions (counseling, life

skills training, insurance, credit, and integration into value chains) and national SP systems.

The most immediate needs for action are those that will address short-term issues in the labor market, particularly the large numbers of low-skilled young people with no job. In the longer term, the main way to strengthen livelihoods will be to encourage rapid, labor-absorbing, and broad-based economic growth that attracts investments from the private sector and that particularly stimulates growth in agriculture and rural non-farm activities.

Targeted Service Delivery to the Poor – Ensuring Access and Developing Human Capital

Even though governments have made substantial investments in basic service delivery, deep inequalities in access continue to plague many countries in Africa, and these disproportionately affect poor and marginalized groups. Targeted supply- and demand-side interventions are therefore needed to close the coverage gap and to ensure that the poorest groups benefit from investments in basic services.

In this context, increasing access to quality basic services protects households by guaranteeing them a minimum level of well-being and by reducing their vulnerability to shocks, such as ill health. Even when countries achieve universal coverage of basic services, some groups in society always will need additional support to access these services. These groups include the disabled, people affected by conflict, and street children.

Furthermore, this SP instrument has proven to be particularly effective at delivering results in fragile states and post-conflict settings where state capacity is often weak or does not extend throughout the whole country. This experience is considered in the next sub-section, while the applicability of this instrument to fragile states (and low-income countries in general) is discussed in section 6.

¹²⁶ ILO 2000 in Van Adams 2008.

¹²⁷ World Bank (2010g)

African Experience with Targeted Service Delivery to the Poor

The main SP interventions that have been used in Africa to achieve enhanced service delivery for the poor are social funds, decentralized service delivery programs, and social care services for vulnerable groups.

Social funds have had a significant presence and a long history in Africa. Social funds are agencies or programs that finance community-based sub-projects to reduce poverty and improve human development outcomes for underserved groups. The design of social funds also aims to create stronger local communities by promoting community self-help and social cohesion. This is done by transferring control over resources from central agencies to the communities themselves, which defines a community-driven development (CDD) approach.¹²⁸

Social funds have a range of institutional models. In the early 2000s, most were structured as semi-autonomous public agencies. Concerns were raised about this first generation of programs that this operational autonomy, while creating efficient implementation capacity at the local level, might create parallel systems that would undermine core government capacity. However, their operational effectiveness has enabled them to produce good results, and their demand-driven nature has given a voice to many communities that had been locked out of the development process.

Over time, these programs have increasingly become embedded within national budget and financial systems and have often been groundbreaking in the process of decentralizing power and responsibility to local levels.

Social funds also have been a way to provide community-based safety nets, including public works, cash transfers, and youth employment. The Malawi Social Action Fund has operated a public works component alongside its community grants window, creating a platform for local governments to initiate public works interventions to reduce food insecurity and to respond to shocks. The Tanzania Social Action Fund implemented a community-driven CCT pilot, which is

managed through the community-based institutional structure.

Social funds often have been the instrument of choice to respond to crises (Box 5.7) and to post-conflict situations. They are uniquely positioned to circumvent weak institutional capacity to deliver quick results and build social capital while engaging citizens and communities directly in the development process. The social funds that operate within post-conflict areas, such as in Angola and Sierra Leone, not only have broad poverty alleviation objectives but also aim to contribute to social and economic reconstruction.¹²⁹ In Liberia, for example, the new Youth Employment Projects are operated by the Liberian Agency for Community Empowerment, whose focus has expanded from disarmament, demobilization, and reintegration to include efforts to rebuild basic community infrastructure.

Recently, this approach expanded to channeling resources through government systems to promote the equitable delivery of basic services. The aim is to extend fiscal decentralization and build local government capacity with a view to directly improve basic service delivery to the poor.

Ethiopia's Protection of Basic Services Program (PBS) promotes pro-poor spending on education, health, agriculture, water supply and sanitation, and rural roads to expand access to and improve the quality of local services (Box 5.8). By using existing national systems and accounts rather than creating new or parallel systems, the PBS aims to strengthen core government capacity. Sierra Leone's Decentralized Service Delivery Development Program is similar to the PBS in that it invests in all aspects of service delivery at the sub-national level with a particular emphasis on cross-sectoral needs and uses the country's existing systems for fiscal transfers, internal controls, and audits.

Both of these programs increasingly aim to promote local transparency and the accountability of service providers. This means supporting both supply- and demand-side accountability as a way to

¹²⁸ This approach is known as community-driven development (CDD).

¹²⁹ World Bank Social Funds website.

BOX 5.7: Social Fund Response to Natural Disasters in Madagascar

Cyclones are a regular occurrence in Madagascar and are the main kind of natural disaster that occurs on the island. Each year cyclones of varying intensity strike the island, with each cyclone affecting over 220,000 people, on average. The *Fonds d'intervention pour le développement* (FID), the agency responsible for the Social Fund and Community Development Projects, was instrumental in responding after two major cyclones hit the island in 2004.

The FID transfers funds to community-based organizations and local governments to finance high-priority basic infrastructure works. The majority of the beneficiaries are poor people living mainly in rural areas. The FID also funds: (i) cash-for-work projects targeted to victims of natural disasters or other shocks that create useful community infrastructure or services and (ii) an emergency and disaster relief component that mainly aims to rehabilitate or reconstruct community assets that are damaged or destroyed by cyclones.

In response to the 2004 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 those 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. At the institutional level, the social fund supports the implementation of the government's policy to integrate disaster risk reduction into local and regional development plans.

Source: World Bank (2009b).

improve the quality and increase the sustainability of service delivery.

Social care services, sometimes referred to as social welfare services, address a wide range of needs by providing, for example, foster care, support for people with disabilities, and services for women in distress, refugees, and ex-combatants. In African countries, those most in need of social care services are people affected by conflict, including

demobilized combatants and child combatants, refugees, orphans, and the disabled.

Despite this widespread need in African countries, formal services tend to be small in scale and fragmented in the sense that they are delivered by a wide range of public bodies, NGOs, and faith-based providers. In most areas, the only available support is that extended through communities.

BOX 5.8: Supporting Community-level Initiatives to Improve Basic Service Delivery in Ethiopia

The first phase of the PBS Program in Ethiopia was designed to help citizens and civil society organizations (CSOs) to fully understand the range and quality of services to which they were entitled and, in so doing, make public sector service providers more accountable to citizens.

An evaluation of the program found clear benefits to having a social accountability component within the PBS Program that was underpinned by a strong partnership between the government, donors, and local CSOs. These benefits included the introduction to Ethiopia of effective tools for increasing social accountability. More importantly, this component enhanced the government's own accountability by enabling communities and ordinary citizens to evaluate the quality of, and the ease of access to, public services from the perspective of the end user.

Although the program is still in its early stages, initial feedback from the CSOs that are implementing the social accountability activities indicates that communities already are starting to see modest improvements in basic service delivery, including better dialogue between citizens and local service providers, increased spending on schools, the hiring of additional teachers, and improved school facilities.

Priorities for Delivering Targeted Services to the Poor in Africa

Increasing access to basic services for the poor fulfills the equity, resilience, and opportunity functions of social protection, as it supports a minimum level of well-being, reduces the likelihood that households will be negatively affected by shocks like ill health, and invests in human capital. Based on past experience in African countries, policymakers need to consider a number of priorities with respect to these SP instruments.

Integrating programs that support targeted service delivery for the poor into national SP policies and systems. Experience shows that, while social funds can effectively deliver a range of SP functions, they are often not fully embedded in the national SP system. As a result, many useful synergies and complementarities can be missed.

Maintaining social funds as an important SP instrument, particularly in fragile and post-conflict states. Social funds can deliver a range of SP functions, including public works and cash transfer programs. Social funds are particularly well-suited to supporting informal, community-based

risk management. In fragile and post-conflict environments, social funds are more able than other SP interventions to rapidly establish themselves with strong professional capacity at the central level while simultaneously strengthening communities and local governments.

Using social care services to complement national safety net programs. 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. Added to this is the need to create strong links between social care services and national safety nets. Poor orphans, for example, are best served by a spectrum of services that includes cash transfers, child protection, and access to education and health services, while ex-combatants need a range of services to transition into productive employment. See Box 5.9 for an example of this approach in the Democratic Republic of Congo.

BOX 5.9: Social Care Services for Street Children in the Democratic Republic of Congo

A striking manifestation of the social ramifications of conflict is the growing number of street children in Kinshasa, the capital of the Democratic Republic of Congo. Conscious of the unique vulnerabilities of these children, the government, with support from a number of partners, is seeking to improve the social care services that are available for them, particularly girls.

In response, the Ministry of Social Affairs is strengthening its capacity to set minimum standards, coordinate partner agencies, and monitor and evaluate all initiatives aimed at street children. At the same time, the ministry is outsourcing the provision of social care services for street children to NGOs and faith-based organizations. These organizations are now providing a spectrum of assistance ranging from immediate protection from danger (shelter, medical care, food, and trauma counseling) to long-term living solutions (family reunification or group housing), with a variety of arrangements in between.

These intermediate services include street educators and informal Listening Centers that offer a first point of contact for street children with the “regular” world and caring adults and that can guide the children towards other services that they may need. In addition to immediate protection, transit centers offer access to longer-term assistance such as psycho-social counseling and remedial education classes. Particular emphasis is put on functional literacy and vocational training, including business skills training, as these are crucial for equipping children who cannot (or do not want to) rejoin their families with the skills they need to become productive citizens.

Source: World Bank (2010b).

BUILDING NATIONAL SOCIAL PROTECTION SYSTEMS TAILORED TO COUNTRY CONTEXT

All countries in Africa have experience with some form of social protection, and many are experimenting with programs to further expand them (see sections 1.2 and 5).¹³⁰ Generally, however, these programs operate independently, each with limited coverage and with little or no coordination between them. This results in SP systems that are highly fragmented,¹³¹ and in a paucity of programs capable of being scaled to respond to crisis.

Evidence indicates that countries can realize significant benefits by creating an integrated and coherent SP system. This enables governments to respond more effectively and efficiently to chronic poverty and promote inclusive growth. It also can 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 equity, resilience, and opportunity functions of social protection.

The trajectory for these systems will depend on a country's initial circumstances, including its political economy and institutional context. This section considers these factors and the steps that governments across Africa can take to develop a national SP system.

Characteristics of a National Social Protection System

A social protection system is made up of public policies and programs and private and informal SP mechanisms that deliver the equity, resilience, and opportunity functions of social protection to reduce poverty and contribute to inclusive economic growth and more equitable development outcomes. While acknowledging the important role that private and informal social protection plays in Africa (Box 6.1), in this section, we discuss only public SP systems. This includes the role played by the state in regulating and creating incentives for the effective and equitable provision of private and informal social protection.

Several characteristics are considered vital elements of a well-functioning SP system.

Equity. All citizens should be treated equitably in terms of the benefits of and the financing for

¹³⁰ This section draws extensively on the background paper on social protection systems prepared for the World Bank's Social Protection and Labor Strategy 2012–2022.

¹³¹ This point is discussed at length as it applies to safety nets in section 5.1 and pensions in section 5.2.

BOX 6.1: Informal Safety Nets in Cote d'Ivoire

As discussed in Section 1, African societies have long-standing informal solidarity networks that give households a level of protection against shocks. In Cote d'Ivoire, for example, informal safety nets have been a critical source of support for the population as the country has struggled with political crises and rising poverty rates.

A recent study describes how, when a shock strikes, families in Cote d'Ivoire often turn first to their family and kinship networks for support. Resources are shared based on principles of reciprocity; exclusion from these networks is a sign of utter destitution. If these networks are unable to help, then a family will turn next to a complex web of horizontal networks that include a variety of associations at the village level, such as women or youth associations, and ethnic-based associations in urban centers; faith-based groups and associations of specific groups, such as retirees or handicap associations may be called upon for support at the same time. A final network is represented by a variety of NGOs, although this last option seems to be more accessible to particular categories of vulnerable people, such as the elderly or the blind.

However, these layered networks of informal support mechanisms tend to be unable to protect households from covariant shocks and can be regressive. For example, household surveys indicate that the average private transfer value for the top decile of the population is about five times larger than the average for the bottom four deciles. Also, with poverty and inequality rising in Cote d'Ivoire, it appears that the principle of reciprocity is being applied more strictly. Even relatively well-off households report limiting their assistance to their nuclear family and to the relatives who would be able to reciprocate, "we help those who help, those who have helped and those who could help."

Source: Soko, N'Guessan, Falcy (2010).

social protection. Achieving this goal requires that all existing coverage gaps be addressed, including those between men and women, and that all vulnerable populations be included in the system.

Sustainability. The system must be fiscally sustainable, including the fiscal cost of permanent instruments or programs such as price subsidies, safety nets, and civil service pensions.

Scalability. The system should have the flexibility to respond quickly to the growing needs that arise as a result of shocks and to scale back down after the period of greater need has passed.

Incentive compatibility. Program rules should create incentives for participants to work, save, and participate in insurance and human capital enhancement initiatives, for employers to register their workers in social insurance schemes and to collect and pay the required contributions, and for insurers and SP service providers to deliver efficient, quality services.

In Africa, SP systems with these characteristics will look different across countries, as putting these principles into practice will require different strategies and approaches. These

various trajectories are discussed in the section that follows.

Social Protection Systems: Initial Conditions and Trajectories for Reform

One way to categorize countries' initial conditions and predict how their SP systems might evolve is to consider the characteristics of SP systems by the countries' income level. In Africa, countries are typically either middle-income (South Africa, Cape Verde, or Botswana) or low-income (Benin, Chad, and Mali). Another way to categorize countries and their SP systems is by considering those that are fragile states. Each of these categories is considered in turn below.

Context of Middle-income Countries

Middle-income countries (MIC) typically have a broader range of SP programs with wider coverage than low-income countries (LIC), including wider coverage of their formal social insurance schemes. Most middle-income countries in Africa have a well-developed

set of safety net programs that usually include social pensions and support for vulnerable children, through child grants or school feeding, such as in South Africa and Botswana, respectively. In Mauritius, the contributory pension scheme covers all workers in the private sector earning above minimum wage.

The range of labor market and employment interventions also tends to be greater in these countries because of their larger formal sectors and better functioning institutions. This means that MICs are able to do an effective job of delivering social protection's equity, resilience, and opportunity functions through a range of instruments.

Middle-income countries also tend to have sufficient fiscal space to fund SP programs. As a result, their SP programs are less dependent on donor aid than those in LICs. Namibia spends an estimated 1.8 percent of GDP on social grants annually; this amount rises to 3 percent in South Africa.

While there are exceptions, rates of inequality tend to be higher in MICs in Africa than in LICs suggesting that social protection has a role to play in promoting the redistribution of income through carefully targeted safety nets. For example, with a Gini Index of 74.3, Namibia is among the countries with the highest inequality in the world.

Context of Low-income Countries

Low-income countries (LIC) are usually characterized by high levels of poverty and by the limited coverage of their SP programs. This points to the challenges faced by social protection in these circumstances.

One key reason for the lack of access that the poor have to basic services in LICs is administrative constraints that tend to undermine governance arrangements. In many LICs, responsibility for overseeing social protection is spread across a diverse mix of ministries, which means that there is little coordination. Complex institutional arrangements and weaknesses in basic capacity limit the establishment of new programs or the strengthening of older ones. Weak accountability mechanisms are a particular challenge.¹³² In some areas, community-based

approaches have been adopted in response to these constraints. This has included relying on NGOs to deliver SP services.

Labor markets in these LICs tend to be characterized by high rates of mostly informal employment and very low levels of open unemployment, with labor productivity, on average, tending to be low in all sectors. Underemployment is common and family-based enterprises in agriculture are still the norm in rural areas. Moreover, LICs tend to have a high percentage of young people in their population, and few countries have yet begun their demographic transition. That is, school-leavers and other young people will continue to put significant pressure on the labor market

Low-income countries in Africa have little formal social insurance in large measure due to the limited size of the formal sector. The formal social insurance that does exist tends cater almost exclusively for civil servants. Social protection interventions to extend basic services to vulnerable groups are vital in these countries because of the lack of access of the poor to basic services.

Context of Fragile States

Fragile states are typically—but not always—lower income countries (for example, Côte d'Ivoire, Sierra Leone, and the Democratic Republic of Congo). They are usually in a post-conflict situation or have particularly weak, dysfunctional government systems. Fragile states have many vulnerabilities and are more exposed to risks than other countries. These can include large displaced populations, the reintegration of combatants and child combatants into society, war orphans, people with disabilities (both physical and psychological), the risk of power being captured by elites, economic interests, or organized crime, and high exposure to covariate risks including increases in the prices of important goods, and natural disasters.

Fragile states present a particular challenge in that they need effective programs to reduce

¹³² This sub-section and the next draw on Das and Elder (2011).

BOX 6.2: Delivering Safety Nets in a Fragile State: The Case of Sudan

The Comprehensive Peace Agreement (CPA) signed in 2005 between the Government of Sudan and the Southern Sudan Liberation Movement (SPLM) ended two decades of civil war. The CPA recognized the urgent need to address the wide disparities between regions and states in development and in access to services and opportunities that were the underlying structural causes of conflict. The government and its development partners provided significant resources to support these efforts.

One of the projects that these resources finance is the Community Development Fund Project (CDFP), which channels funds directly to local communities. The CDFP was designed to align its structures with those of the government so as not to undermine government capacity. To this end, all staff members (except the manager) in the Local Implementation Units (LIUs) are government employees. These staff will be transferred back to the local government planning units (together with project resources) when the CDFP ends.

The CDFP is managed centrally by a Project Implementation Unit, which oversees the LIUs. LIUs were established in each of the targeted localities/districts and are in charge of implementation together with local governments, communities, community-based organizations (CBOs), and NGOs. Communities are responsible for identifying and prioritizing their needs through Community Action Plans that are prepared in a participatory manner with support from CBOs, NGOs, and LIUs. Communities also contribute to implementation and management of project activities. CBOs and NGOs help communities to build their capacity and provide technical support in the implementation of projects. Local government in the form of the Locality Steering Committees reviews and approves the consolidated Community Action Plan for the district, oversees the implementation of projects, ensures human resources and recurrent costs are allocated to project-funded schools and health facilities, and, together with the state government, oversees the allocation of government staff to LIUs.

vulnerability, stabilize social structures, and ensure that these countries do not slide back into conflict. However, fragile states may have limited national capacity to implement such programs, which suggests a possible role for NGOs and community-based organizations. Social funds may be able to direct resources to local governments and communities, and when designed carefully, they also can build national capacity (Box 6.2 describes how the Community Development Fund Project in Sudan was designed to support government capacity).¹³³

In this context, SP systems can be built on the foundation of disarmament, demobilization, and reintegration (DDR) and community rebuilding programs as the initial post-crisis or post-conflict humanitarian response becomes a more structured approach to social protection.

Matching Social Protection Interventions to Country Context

Figure 6.1 presents a stylized example of the different types of SP interventions that might be appropriate

in these different country settings. The figure shows the range of choices available within the same type of SP instrument depending on the income level of the country in question and whether or not it is a fragile state.

These examples also suggest how countries could move towards a more integrated and coherent SP system. For example, LICs could implement a nationwide cash transfer program (and/or regular seasonal public works) that would establish the basic systems for identifying and targeting recipients, keeping accurate and up-to-date records, and making benefits payments. It may be necessary to keep these relatively simple and to invest resources in ensuring that there is sufficient capacity to implement and sustain them.

These programs could then be used as a foundation to extend the available menu of SP services. Beneficiaries could be automatically enrolled in agricultural or health insurance. As more institutional capacity is built (and as fiscal space allows), the SP

¹³³ OECD-DAC 2009.

FIGURE 6.1: Social Protection Instruments in Different Country Contexts

	Safety Nets	Pensions	Insurance	Labor Programs	Targeted service delivery
Middle-income countries	National, proxy-means tested social transfer systems	Expand multi-pillar pension system	Expand formal disability & accident insurance	Employment services; job search assistance; labor regulation	Support marginalized groups to access quality services
Low-income countries	Regular seasonal public works; cash transfers to select groups	Reform contributory schemes; promote savings for informal sector	Index-based agricultural insurance; targeted support to extend health insurance poor	Skills development, especially for informal sector	Targeted support to increase access to quality services for the poor
Fragile states	Cash & in-kind safety nets through NGOs or community-based organizations	Social pensions through community-based initiatives	Community-Based Health Insurance	Temporary jobs (public works), demobilization & reintegration	Rebuilding basic infrastructure and services

Source: Authors (2012).

system could be expanded to provide pensions to informal sector workers.

In contrast, most MICs with established social security schemes need to focus on reforming and coordinating programs to increase the efficiency and equity of the system. Thereafter, these programs need to be expanded to encompass the informal sector and to develop links with labor programs. Inequities in access to basic services can be reduced by introducing programs targeted to marginalized groups to increase their access to quality services and by using labor programs strategically to develop their skills.

In fragile states, providing regular (seasonal) labor-intensive public works or programs that are linked to a longer-term national strategy, such as the Feeder Road Program in Mozambique, can stabilize societies by creating jobs and providing poor and marginalized populations with a predictable source of income.¹³⁴ Skills training (plus second chance programs for those who did not complete primary education) can help ex-combatants and at-risk youth find productive work. Job creation programs that aim to increase women's economic empowerment can yield significant positive benefits in

post-conflict settings.¹³⁵ The challenge is to establish the building blocks of an integrated SP system early to avoid the mistakes made by some countries like establishing social insurance schemes that only cover the formal sector or civil servants.

These basic building blocks, which are discussed in detail in section 6.3, include: defining the long-term vision for social protection, which influences the choice of instruments, financing mechanisms, and institutional arrangements; integrating and harmonizing similar types of SP programs and strengthening coordination among programs that aim to deliver the different functions of social protection; and, establishing and strengthening basic administrative tools that can be shared across programs.

There is no single approach to social protection, even within similar types of countries or sub-regions of Africa. As the sections below will illustrate, a range of factors particular to each country will define the parameters of the SP system and how it evolves. Box 6.3 describes this evolution in

¹³⁴ World Bank 2010h.

¹³⁵ Ibid.

BOX 6.3: Evolution of the Social Protection System in Mauritius

Mauritius enacted its first major social protection legislation in 1902. A means-tested pension for persons 65 years of age and older was introduced in 1950. Targeting this pension to the poorest older people created resentment among the general population and was therefore replaced in 1958 with a universal pension. In 1961, the government passed the Family Allowances Ordinance in response to the *Titmuss* Report (1960) on social policy and population growth. This Ordinance paid a child allowance to poor households with at least three children under 15 years of age. This legislation was passed following heated debate and was said to provide poor relief without addressing population growth.

After a brief period of re-targeting the old age pension to poor older people, the pension was again made universal in 1976 and renamed the Basic Retirement Pension. This was the zero pillar of the newly established National Pensions Scheme, which also included: (i) a contributory pension under a social insurance scheme and (ii) payment of industrial injury.

The Government introduced, in 1983, the Unemployment Hardship Relief Action to provide assistance to poor households with unemployed heads and modernized the Social Aid Act to simplify how benefits were calculated. By 1983, the Social Aid Act provided social assistance benefits to: (i) households with heads (or to individuals) who are unable to earn a living because of illness or disability; (ii) abandoned or single women, with at least one dependent child, who are unable to earn a living; (iii) poor families of prisoners; and (iv) households with heads who are poor and have to cater for the needs of one or more severely disabled children. This expansion of Social Aid had occurred gradually as new Social Aid initiatives were proposed in the annual government budget.

In 1991, tripartite negotiations to increase salaries in response to rapid price inflation agreed to a lower salary increase provided that employers paid into a newly created Employees Welfare Fund (EWF). The EWF was subsequently replaced by the National Savings Fund (NSF), a provident fund for employees of both the private and public sector. To date, NSF is seen by trade unions being owned by workers, although it is financed through contributions from employers.

While attempts have been made (notably in 1993 and 2006) to replace the long-standing subsidies for rice and flour were replaced with a Food Aid Allowance for low-income households, rapid food price inflation has resulted in the reintroduction of these subsidies. Finally, in 2004, the government proposed to reintroduce the means-tested targeting to the social pension; this contributed to their electoral defeat in 2005. The ruling Alliances election manifesto led to the establishment the Ministry for Social Integration and Economic Empowerment, which aims to enhance the quality of life of the vulnerable groups through greater social justice and human development.

Mauritius. Therefore, while this section presents some possible choices for the three broad country categories, *social protection in Africa has been, and will continue to be, a reflection of each country's national social protection strategy*. This country-specific approach, in which social protection emerges from national politics and local priorities, is the best way to establish a sustainable SP system in any country.

Political Economy Context for Social Protection

Social protection systems, and their evolution, are shaped by the political economy. Throughout the

world, the establishment and expansion of SP systems is a process that is shaped by political systems, institutions and ideas of justice, the role of the state, the causes of poverty, and concerns about inequality or redistribution.¹³⁶ The process is far from linear; policymakers decide to extend social protection for a wide range of reasons, sometimes as a result of their concern about inequality or shocks or in response to citizens' action or when a government recognizes the need to solidify its support among key constituencies.

¹³⁶ European Union 2010. Political commitments cannot be divorced from fiscal considerations and so this section should be read in conjunction with section 7.

Generally, this process reflects the social contract or a set of mutual rights and obligations that bind citizens to their state.¹³⁷ In this view, the legitimacy of a state rests on how it responds to the needs of its citizens.

Entitlements to social protection in Africa slowly have expanded beyond the traditional concern with the economically active population in urban areas (those eligible for formal social security schemes) to include the elderly in some Southern African countries and other vulnerable groups, such as households caring for orphans and vulnerable children and the chronically poor.

Such entitlements have been transformed into citizens' rights in the constitutions of South Africa and Kenya, while in other countries legislation protects citizens' right to a specific intervention such as a pension.

Social protection entitlements are shaped by ideas of justice, perceived causes of poverty, and concerns with inequality, among others. These values define the objectives, size, and target groups of SP programs. For example, concerns that safety net programs can promote dependence and distort the labor market have been expressed, to varying degrees, by different constituencies across the continent, even though very few programs provide a benefit that is greater than 20 percent of an individual's or household's income. This view, together with the desire to minimize a country's long-term fiscal liabilities, can lead policymakers to design programs that are limited in size with benefits set low enough to maintain recipients' incentive to work and to encourage them to graduate from the program. This view also can lead policymakers and the public to believe that the working poor should not be entitled to receive support from safety nets, which should instead only be targeted to, for instance, people with disabilities, older people, or orphans.

Social protection has often been used by governments to shore up their legitimacy and boost their popularity (for example, by reversing rising inequality in South Africa, defusing a political crisis in Kenya, and mitigating rising food and fuel prices in Mali). Public investments in social protection in fragile and post-conflict states, such as in northern

Uganda and Sierra Leone, are often driven by the desire for peace and reconciliation.

Governments' short-term political interests also shape the evolution of SP systems. It is not uncommon for African governments to increase public spending in an election year as a way to shore up their political support. In Zambia, for example, the ruling party (Movement for Multi-party Democracy) solidified its support in rural areas during the 2006 election by pledging to raise the fertilizer subsidy to 60 percent.¹³⁸ Social pensions became a key election issue in Lesotho in 2007 (Box 6.4) as well as in Mauritius where the government's attempt to reform universal pensions and turn them into means-tested support contributed to electoral defeat in 2005.

When this motive is in operation, higher levels of spending may not automatically benefit the poor but rather those groups that can influence the political party's success. This points to how informal institutions and relations like those of special interest groups can shape the design and implementation of SP systems.¹³⁹ In these situations, the provision of categorical benefits, such as child grants, may be preferred by governments as they can create broad-based political support for such schemes, while more narrowly targeted programs may suffer from lack of support among the middle class.

BOX 6.4: Pensions and Politics in Lesotho

During the 2007 election campaign in Lesotho, the old age pension was a major issue, with the main opposition party promising to increase the monthly payment from M150 to 500 (US\$25 to 83). The ruling party, which was subsequently elected, responded to this promise by pledging to reconsider the payment level. A survey of voters revealed that, for many of them, their support for a political party was determined by their position on the old age pension. The first budget following the election included an increase in the monthly pension payments of 33 percent.

Source: European Union 2010.

¹³⁷ Hick (2010) in European Union 2010.

¹³⁸ Devereux and White 2010.

¹³⁹ Hicky 2007.

BOX 6.5: Social Discourse is Important – Press Coverage of *Bolsa Familia* in Brazil

Since its launch at the end of 2003, the *Bolsa Familia* Program has been reported on extensively in Brazil's vibrant and independent media. Overall, the media has been broadly supportive of the concept of CCTs as a social policy instrument to reduce poverty and inequality. However, the press' disposition towards the program was affected by perceptions of the quality of implementation. This was witnessed most clearly in 2004, when the government initiated a rapid scale-up in program coverage before key operational systems were fully mature. During this time, the press picked up on a range of implementation weaknesses that sparked significant public debate on how to improve the program. The government took the critique of the program seriously and invested significantly in improving the various operating systems. The media responded to these improvements favorably, with a strong increase in the number of positive articles on the program.

Source: Lindert and Vincensini (2010).

Once established, SP programs can themselves set in motion a unique political dynamic (see, for example, Box 6.5).

Information on how participants use their cash transfers can either confirm or confound the view that these transfers create welfare dependence and can affect whether beneficiaries are seen as being deserving of transfers. If there is robust evidence that SP programs are having a positive impact, then this can increase public support for the role played by the state in reducing poverty and vulnerability, which happened in Mexico and Brazil and is starting to happen in Africa. At the same time, robust evidence of a program's efficiency and effectiveness can protect it from patronage politics and electioneering.

Regional and international dynamics also can influence national debates. The African Union's Social Policy Framework for Africa articulates the obligation of states to provide a "minimum package of essential social protection" that can be "broadened and deepened as more fiscal space is created." This is echoed in the United Nations (UN) Social Protection Floor Initiative, which proposes that all states should have a national Social Protection Floor comprised of measures to enable the poor to access basic health, nutrition, education, and housing services and to a basic income that will allow them to live with dignity.

Finally, the growing interest in social protection among development partners influences the terms of the debate within countries. To date, development partners have tended to support small-scale

pilots (mostly cash transfers) as a way of demonstrating the potential effectiveness and impact of social protection in Africa.¹⁴⁰ The proliferation of pilot programs, as in Zambia, can be counterproductive to the evolution of national SP systems. Instead of funding discrete initiatives, development partners should coordinate in providing support to national programs that already are established parts of the political discourse and the broader political economy. This will ensure that these programs are more than a passing development trend.

Institutional Capacity for Social Protection

Another factor that shapes national SP systems is the country's institutional capacity. This is the case partly because SP systems are built within the overall institutional framework of the state. It is also due to the fact that building systems is an evolutionary process, with the introduction of more complex, integrated programs becoming possible once institutional capacity has grown.

The dynamics within a government can play a role in how the SP system evolves. Ministries of Social Development and/or Labor, which tend to oversee social protection, are often weak, and

¹⁴⁰ Devereux and White 2010. See, for example, Garcia and Moore 2012. The manner in which donor agencies approach social protection is often influenced by the political economy of social protection in their home countries.

their capacity to successfully lead on SP issues is only gradually being strengthened. Additionally, they tend to have less authority than Ministries of Finance, which are gradually viewing social protection as a productive investment and becoming less concerned about the long-term fiscal liabilities generated by such programs (see section 7).

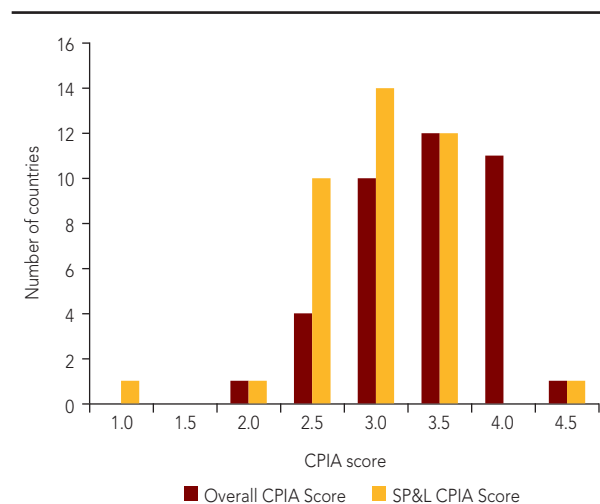
Experience from across the continent has demonstrated the importance of implementation capacity in planning, coordinating, and delivering successful SP programs and for policy development. This has at least two implications for SP systems: (i) the need to build capacity to support the design, delivery, and evaluation of SP systems continues to be vital in most countries in Africa; and (ii) the design of SP systems (and individual programs) needs to be tailored to suit existing capacity.

Each year the World Bank rates national capacity in social protection and labor programs as part of its Country Policy and Institutional Assessment (CPIA) scoring exercise. The CPIA evaluates the institutional and policy environment across a range of areas of public policy of countries that receive International Development Association (IDA) financing, including social protection. As such, it is a relatively consistent and comparable measure across countries.

Figure 6.2 presents the 2009 CPIA scores for Africa, both the overall score and the composite scores for social protection and labor. These scores are presented on a scale of 1 to 6, with 1 being the least advanced and 6 being the most advanced institutional and policy environments (although no African country has scored above 4.5 for either measure). The Social Protection and Labor (SP&L) score is compiled by assessing elements related to social safety nets, the protection of core labor standards, labor market regulations, community-driven initiatives, and pension and old age savings systems.

The 2009 CPIA results have two implications for the Africa Social Protection Strategy. First, the overall level of policy and institutional development of African countries (as measured by the overall CPIA index) is higher on average than the level of development of their social protection and labor national systems (as measured by the SP&L CPIA index). This implies that there is room to increase

FIGURE 6.2: Africa CPIA Scores – Overall and Social Protection and Labor, 2009



Source: World Bank (2011f).

Note: CPIA ratings scale from 1–6, 1 being the least advanced.

existing national capacities. Second, the scores of the SP&L CPIA index differ widely between countries. Those with scores of 4 and above (Cape Verde, Mauritius, and the Seychelles) provide possible examples of how SP systems might be improved in the African context.

Countries with weak capacity, which are often also low-income countries, should focus on managing the delivery of a few, simple programs and should only add more complex, innovative elements once adequate capacity has been built. Specific tasks, like enrolling beneficiaries or making benefit payments, can be contracted out to NGOs or the private sector. Countries also can adopt already-established systems to pay benefits using locally available agencies like banks and microfinance institutions, among others.

Innovations, particularly in ICT, can sometimes help to circumvent capacity constraints in these countries. For example, it might be possible to use mobile phone networks to make payments to previously hard-to-reach populations.

Fragile and post-conflict states face particular capacity constraints. They tend to have very weak government systems. Also, development partners may be reluctant to fund public programs because of systemic weaknesses in government systems or because the government does not control all of the

country's territory. In these cases, governments may need to involve NGOs and UN agencies and to expand and improve efficiency of existing temporary programs.

Building Social Protection Systems

Social protection systems will necessarily vary among African countries and will evolve at different rates. However, there are a number of tools and approaches that all countries can use to develop their SP systems. These are discussed in the sub-section below. At the same time, it is useful to reference the experience of national SP systems in other parts of the world, such as in Latin America, as this experience can provide important insights to African governments in terms of possible options for SP reforms (Box 6.6).

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 increase the coordination and harmonization among programs 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 ten-year strategy.

Long-term Vision and Policy Coherence

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 the SP system and how it will deliver the equity, resilience, and opportunity functions of social protection within the context of national goals and priorities. The long-term vision for the national SP system must fit within the broader legislative environment, which may include the right to social protection, as well as being in tune with the country's development objectives.

BOX 6.6: Pathways to National SP Systems: Examples from Latin America

Several countries in Latin America have made substantive progress in consolidating and reforming SP programs into a national SP system in recent years. Their two main challenges were to consolidate current social insurance programs, while extending their coverage and optimizing the use of social assistance programs in urban areas. Core elements of building coherent and fiscally sustainable SP systems entailed:

In terms of *social insurance*, countries with defined contribution pension schemes have focused on controlling administrative charges, regulating workers' investment portfolios during their transition into retirement, and the design of the payout phase. In countries like Brazil and Argentina, transparent subsidy arrangements were implemented that make clear what part of the value of pensions is financed by contributions and what part is subsidized. With regards to *health insurance*, the main challenges were to extend quality basic health services and financial protection to the whole population and to integrate parallel public social insurance health programs and national health systems to reduce duplication and costs.

As part of the overall development of more coherent SP systems, LAC's targeted *social assistance* based on large-scale CCT programs are being strengthened in four major areas, mainly related to the further development of the successful CCT model: (i) coordinating between CCTs and (a) the supply-side in health and education and (b) the social welfare system; (ii) refining procedures for enrolling and "graduating" beneficiaries in a timely fashion; (iii) adapting programs to urban settings; and (iv) strengthening the crisis response capacity of the programs.

In terms of *employment programs*, building integrated interventions have focused on a packet of services including training, employment services, skills recertification, income support or wage subsidies, and programs to support the self-employed.

While this experience provide instructive examples of pathways to create more coherent and comprehensive national SP services that can provide insights to African policymakers, a range of factors determine which policy interventions are viable in the short and medium term.

Several factors including policy analysis that takes into consideration the characteristics and size of the most vulnerable groups in the population and existing program coverage will guide policymakers when choosing the mix (and sequencing) of SP instruments, their institutional arrangements, and the resulting fiscal requirements. Box 6.7 describes this process in Mozambique.

The analyses of the existing coverage, expenditure levels, impact, efficiency, interaction, and effectiveness of all SP programs within a given country makes it possible to identify gaps and areas where reforms are necessary. These analyses also can assess the equity of financing and benefits (including redistribution), which involves grappling with questions of eligibility, equity, and fairness, particularly in situations of widespread need. Conducting such policy analyses is also an opportunity to consider the costs and benefits of expanding effective interventions and reforming existing programs.

Social Protection instruments. This vision will define the parameters of the SP system and the types

of SP programs (as detailed in section 5) 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 an excessive drain on the national budget; (iii) subsidies are progressive; and (iv) any economic distortions, particularly in labor markets, are minimized. Section 7 considers these questions in more detail.

Institutional arrangements. As discussed in section 6.2.6, the institutional arrangements behind a SP system are predicated on existing administrative structures. While the choice of institution to oversee social protection will vary from country to country, a high level of coordination among government ministries (and implementing agencies) will be needed, and the roles and responsibilities of each must be clearly defined.

BOX 6.7: A Vision for Social Protection in Mozambique

Mozambique is one the poorest countries in the world, with more than 50 percent of the population living in poverty and high levels of vulnerability as a result of macroeconomic, food prices, and climatic and natural shocks. Following a period of strong economic growth and poverty reduction, poverty rates have stagnated since 2008 and most human development indicators are below those of other low-income countries in Africa. Extremely poor and vulnerable households are highly exposed to both seasonal shocks (like the annual dry season) as well as frequent but unpredictable non-seasonal shocks (like cyclones, floods, or significant variations in fuel or food prices).

Analyses carried out by the government demonstrated that the response to this situation required a combination of SP interventions with clear links to social services to enhance human development, as well as productive and income-generating activities. In this framework, the country currently is committed to the consolidation of a social safety net as a system following a mid-term process. This is founded on the Social Protection Law (2007), which has three pillars: Basic Social Action (social safety nets and assistance programs), Compulsory Social Action (social insurance), and Complementary Social Action (for the self-employed). Following the enactment of the Social Protection Law, in 2010 the government launched the Basic Social Protection Strategy. This is comprised of four prongs: (i) Basic Social Action, which involves safety net and welfare programs, mostly social transfers; (ii) Educational Social Action, including the SP programs seeking to increase enrollment and attendance; (iii) Health Social Action, involving nutrition and other programs; and (iv) Productive Social Action, to be designed as the strategy to help the targeted population exit extreme vulnerability and poverty based on income-generation activities including public works schemes.

The process is being led by the Ministry of Women and Social Action and its implementing arm the National Institute for Social Action. Funding for the new strategy is expected to come from a rationalization of the Social Assistance budget, gradual elimination of selected subsidies and support from the development partners.

Having established these arrangements, there is likely to be a need for significant long-term investments in national capacity to manage and, where appropriate, implement SP programs, including the systems and capacity required to scale up programs. These will include investments in the skills needed to communicate the aims of the SP system, its target groups, instruments, and, most importantly, results to build broad-based support for SP initiatives.

Integrating, Harmonizing, or Coordinating Programs

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.

The first step is to ensure that *policy analysis identifies* any constraints to the SP system. For example, the government's institutional capacity may not be sufficient to implement the proposed program design or the proposed target group generally may not be regarded as being deserving of such support.

On the basis of this analysis—and the broader policy vision—governments can consider taking the following actions to improve the performance of a SP program or set of programs:

Integrate or harmonize similar programs. In almost all African countries, several different programs exist that serve the same purpose and the same group of people but with varying benefit levels, such as pensions, health insurance, or safety nets. Most of these programs have limited coverage.

This fragmentation creates problems of equity and efficiency, as does the limited coverage of these programs. Equity considerations arise as population groups are treated differently—or not included at all, especially when higher-income workers receive a larger share of subsidies than low-income workers. Inefficiencies arise from the duplication of administration systems and the overlap of programs among a given population group.¹⁴¹ Either

harmonizing the benefits, services, and eligibility conditions of these programs or consolidating them into a single coherent program would address these issues. Which of these options is most feasible and practical will depend on the country context. However, in both scenarios, policymakers need to ensure that the program(s) could gradually extend its coverage of the vulnerable population and could be scaled up rapidly in response to shocks.

Specific examples of such reforms are explained in the section on pensions, where we note the benefits of a multi-pillar system. 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 6.8 describes how Tanzania is in the process of consolidating and reforming their programs to create a national safety net.

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 and to enable people to move between programs and maximize opportunities for graduation.

One example of developing links between programs that deliver the same function exists in Ghana. Households enrolled in the Livelihoods Empowerment Against Poverty (LEAP) cash transfer program are automatically eligible for the National Health Insurance Scheme. Also, in Ethiopia and Rwanda, households participating in public works programs are given priority for receiving microfinance loans to enable them to build household assets with the objective of helping them to rise out of poverty and to graduate from the safety net program.

There is also a need to consider how the design of existing programs affects incentives and thus the behavior of beneficiaries. For example, non-contributory transfers that are not properly linked to the contributory social insurance program can

¹⁴¹ Robalino et al. 2012.

BOX 6.8: 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, the coverage of the current range of safety net programs excludes many poor households. Concurrently, 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 that Tanzania 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. This would start with a reformulation of existing programs to increase their impact and cost-effectiveness. This would be followed by a restructuring of the current *overall package* of programs as they enter their next phases to ensure that they function together and to lay the basis for their eventual amalgamation into a single national system. The final step would be the establishment of a sustained, unified national program, which would, over time, become part of the routine operations of the government.

In response, the government is beginning to create 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 (UCTs or CCTs) to encourage investments in the education and health of children and pregnant women. The aim of the cash transfer is to secure minimum household consumption, while the public works will be deployed during the lean season to prevent households from engaging in negative coping behaviors. This is the first step in the longer-term reform agenda.

Source: Smith (2010).

give workers an incentive to work in the informal sector.¹⁴²

Setting Up Basic Administrative Tools

All SP programs need core administrative systems for identifying beneficiaries, enrolling recipients into the program, delivering benefits, and managing information. The best choice of tools and systems for each country and program will depend on various factors, particularly the available institutional capacity. While low capacity environments may suggest the need for low technology, simple solutions, this does not always need not to be the case. For example, it is clear from the experience of Kenya and Zambia that some low-income countries can establish a management information system (MIS) early in the life of a program, which then evolves with, and facilitates the expansion of, SP programs.¹⁴³ In addition to these key administrative systems, all countries will need well-functioning early warning

systems that can trigger the automatic scaling up of programs in response to shocks.

Unifying the systems across SP programs can exploit economies of scale and increase institutional efficiencies even in low-income countries.¹⁴⁴ Notably, many middle-income countries currently are grappling with how to streamline overlapping administrative systems. In South Africa, for example, there have been calls for reforms to the social security administration to reduce duplication, reduce administrative costs, and improve access for

¹⁴² Robalino et al. 2012.

¹⁴³ Ben Davis, Senior Economist personal communication.

¹⁴⁴ Of course, this assumes that the “common operational systems” function reasonable well. Indeed, one of the benefits of adopting common systems is that program implementers (and policymakers) can invest in ensuring that the single system works well, rather than spreading attention and resources thinly across various initiatives. For example, a meta-review of targeting concluded that targeting outcomes are influenced more by how well the program is implemented than by the choice of targeting methods.

clients. Where such duplication exists, harmonizing these systems can be a first step in the process of integrating and expanding the programs themselves.

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. Similarly, some countries are adopting common systems for collecting contributions, disseminating information, and monitoring and evaluating the performance of SP programs. For example, Ghana is adopting a common targeting mechanism based on a new proxy means test (PMT) and a single beneficiary registry.¹⁴⁵ Also, Lesotho is in the process of developing a National Information System for Social Assistance.

The increasing adoption of computerized MISs in SP programs means that the country's social protection MIS can then be linked to and cross-referenced with other government databases (the tax system) as already is the case in South Africa. Also, Uganda is developing a national household database linked to the birth and death registries that provides each individual with a unique personal and household number.¹⁴⁶

Social Protection Systems and Graduation within the Context of Sectoral Goals

National SP systems must be developed within the broader context of the government's objectives and policies, including its other sectoral objectives. As outlined above, social protection can enable other sectors to realize their objectives more quickly. For example, public works that rebuild rural infrastructure or increase water conservation can provide critical support to farmers, thus helping to further rural development objectives.

Moreover, there is also a growing body of evidence on how social protection not only complements but is, in fact, a necessary input to the achievement of a country's broad development objectives, as SP support can promote productivity and growth while contributing to equity and social cohesion. This points to the need for government

ministries to collaborate and coordinate to achieve broad development objectives.

The increasing focus on graduation among many SP programs in Africa highlights the need for effective cross-sectoral collaboration. Graduation aims to improve the livelihoods of beneficiaries to the point that they no longer require predictable safety net support and thus contributes directly to national poverty reduction goals. This echoes many aspects of the "activation" agenda currently very prominent in MICs, which aims to facilitate the movement of people into productive jobs. Yet, these objectives cannot be achieved by a single SP program alone and instead require linkages across different types of SP initiatives (i.e., safety nets and labor market programs) or between safety nets and other sectoral investments (i.e., with agricultural programs to promote rural livelihoods). This poverty reduction agenda draws attention to two areas of cross-sectoral collaboration: climate change, and health and education.

Social Protection and Climate Change

One area of cross-sectoral convergence is among social protection, disaster risk reduction, and climate change objectives. At its simplest, this relationship is illustrated by the fact that establishing scalable safety nets, and insurance mechanisms, which are underpinned by well-functioning early warning systems, can ensure a timely response 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, Rwandan Vision 2020 Umurenge Program (VUP) of public works and unconditional cash transfers is designed to build, strengthen, and protect assets and livelihoods through its public works in order to lower vulnerability and increase resilience.

¹⁴⁵ Ablo 2011.

¹⁴⁶ HelpAge International 2011.

Social Protection, Health, and Education

A second area of convergence is between social protection and health and education. This is because, again at its most simple, social protection can enable households to access these services by providing them with the resources to purchase school uniforms, text books, and medicines, for example (see section 2). These resources to households

complement sectoral investments in building health clinics and schools and in training teachers and medical staff. Social protection infrastructure also can be leveraged to disseminate health-related information, such as on nutrition. Finally, there is some evidence that participation in SP programs can reduce the likelihood that people engage in risky behavior that can increase their vulnerability to HIV/AIDS.

A FISCAL FRAMEWORK FOR SOCIAL PROTECTION IN AFRICA

Historically, countries in Africa have spent little on social protection, both in comparison with other regions in the world and in relation to the continent's needs. Recently, economic growth and other positive economic trends along with debt cancellation are opening up some fiscal space for governments to fund more SP initiatives in the region. Increasing the efficiency and effectiveness of existing SP expenditures while at the same time generating more internal and external resources can create an adequate fiscal basis to fund more extensive SP systems in the countries of Africa.

Existing Expenditures on Social Protection

Overall spending on social protection remains low in Africa by international standards. Table 7.1 shows that public spending on social security averages 2.8 percent of GDP in Africa (excluding health expenditures).¹⁴⁷ This is about half the world average of about 5.7 percent. In the higher-income countries in the world, higher levels of spending are possible because of the existence of contributory social security programs with broad coverage.

Because of the far lower levels of per capita GNP in African countries, average per capita spending on SP in Africa is only US\$32 compared with a global per capita average of US\$500. The regional average disguises significant variations within Africa, from highs of over 12 and 8 percent of GDP in the

TABLE 7.1: Public Social Security Expenditure Excluding Health Expenditure (% of GDP)

Region	Regional Average ^a
Western Europe	17.98
Central and Eastern Europe	14.08
North Africa	11.02
CIS	9.93
North America	8.98
Latin America & Caribbean	7.63
Middle East	7.09
Asia and the Pacific	3.65
Sub-Saharan Africa	2.81
World	5.72

Source: Global Extension of Social Security Database (2011).

Note: Includes pensions, disability benefits, family allowances, work injury compensation, unemployment benefits, and other public support.

^a Weighted by population, latest available year.

Seychelles and South Africa respectively to lows of under 0.5 percent of GDP in Chad, Sudan, Guinea, Niger, Uganda, and Zimbabwe. While it may not be necessary or desirable for African nations to

¹⁴⁷ This includes benefits extended for sickness, unemployment, old age, employment injury, family and maternity allowances, maternity and invalidity benefit, and survivors' benefits plus other income support and assistance programs, including conditional cash transfers. It does not include broader social protection expenditures such as humanitarian assistance, active labor market programs beyond unemployment assistance, or price subsidies.

TABLE 7.2: Scale and Fiscal Incidence of Scaled-up Social Protection Programs in Africa

Social Protection Program	Number of Beneficiaries (Million)	Coverage (% of National Population)	Average Annual Benefit Level per Household (US\$)	Fiscal Incidence (% of GDP)
South Africa: All social security grants	15	30%	450–2,000 ^a	6.0
Ethiopia: Productive Safety Net Program	8	10%	137 ^b	1.2
Rwanda: <i>Mutuelles des santé</i>	10	91%	235 ^c	1.2 ^d
Lesotho: Old age grants	0.07	3% ^e	350	3
International Comparisons				
Brazil: <i>Bolsa Familia</i>	44	25%	84–540	0.5
Mexico: <i>Oportunidades</i>	28	25%	Range ^f	0.3
India: Mahatma Gandhi National Rural Employment Guarantee Act	235 ^g	20%	192 ^h	0.004 ⁱ

Sources: World Bank (2009a); Bello et al. (2007); Samson et al. (2005); Lane (2009); Niño-Zarazúa (2010); Bobonis (2009); and Subbarao (2003).

Notes: Data for most recent year available.

^aValue of the transfers depends on eligibility.

^bEquivalent to 40% of the household food basket.

^cCalculated using US\$47 per capita with an assumed household size of five. Equivalent to total health expenditures.

^dGovernment/donor contributions to *mutuelles*. Total health expenditure 10.7% of GDP.

^e100% of the population over 70 years.

^fDepending on multiple grants. Equivalent to 8% of average expenditures of beneficiary families.

^gBased on 47 million households participating in the program and an assumed household size of five.

^hAssuming 100 days of work per household at an average of US\$1.92 per day.

ⁱCalculated by dividing annual expenditure on the program by the country's GDP in 2010.

replicate the extensive pension provision and contributory systems that exist in wealthier countries, particularly in Europe, their current low levels of spending on social protection mean that the frequent shocks affecting the region force millions of Africans into destitution.

Despite the average low levels of spending across Africa, there are a handful of large-scale SP programs with significant coverage in specific countries. Table 7.2 presents four of these: Ethiopia's Productive Safety Net Program, South Africa's system of social grants, the old age pension scheme in Lesotho, and Rwanda's national health insurance program. All of these programs operate at the national level and cover a substantial portion of their target population, whether that is the entire population as in the case of Rwanda's national health insurance program or a specific population group as is the case with Lesotho's old age social pensions. The cost of such large-scale programs ranges from 1.2 to 6 percent of GDP. Table 7.2 also provides some international comparisons that generally show that it

is possible to achieve national coverage for a target population with a single program for 1 to 2 percent of GDP. Notably, however, Brazil, Mexico, and South Africa cover roughly 30 percent of their population, but the cost of these programs ranges from 0.3 percent in Mexico to 6 percent of GDP in South Africa.

Funding Social Protection Systems in Africa

There is a growing international consensus on the vital need to scale up SP systems in Africa to meet the MDGs, reduce extreme poverty, and foster broad-based economic growth. International agreements and declarations such as the African Union's Windhoek Declaration of 2008 and the United Nations' Social Floor Initiative have called for the increases in SP spending needed to scale up a core set of essential SP programs in African countries.

The ultimate spending level in each country will be based on an analysis of need and a prioritization

BOX 7.1: Using General Subsidies to Respond to Shocks – The Experience of Senegal

Over the past decade, in common with many other African nations, Senegal has experienced internal and external shocks that have adversely affected its economy and have significantly impeded poverty reduction. Senegal experiences periodic drought and rainfall shortages (including a major drought in 2002 and rainfall shortages in 2005 and 2006), which have affected over 5 million people because employment still is concentrated in agriculture and 80 percent of agriculture is dependent on rainfall. As a small, open economy, Senegal is vulnerable to exogenous economic shocks in the form of international price increases and general global economic slowdowns, most recently as a result of the 2007/09 food, fuel, and financial crises.

The government has adopted several broad policies to mitigate the social costs of these shocks. To support rural farmers, it has used interest rate subsidies and debt write-offs. In response to the economic crisis, the government has extended general price subsidies on key staples such as rice, wheat, and milk and on fuel and electricity.

These policies have been expensive, rising from 0.5 percent of GDP to support a relatively small percentage of farmers in times of drought to 3 to 4 percent of GDP to protect citizens from increases in the prices of basic consumer goods. A good deal of this expense benefits the non-poor. These instruments often create negative economic incentives that can reduce productivity and impede economic development over the longer term. For example, price subsidies introduce market distortions that can reduce incentives for domestic supply responses or undercut nascent markets for local suppliers when they only are applied to imports, while difficulties in timely payments caused market disturbances and uncertainty. Moreover, implementing the subsidies has not been without administrative costs and challenges, including the need to enforce the administered prices.

In comparison, the government's expenditures on its current social safety nets (social assistance) varies between 0.2 and 0.5 of GDP. The IMF has estimated that a comprehensive CT program in Senegal would cost around 1 percent of GDP.

of interventions rather than any arbitrary spending level. The objective should not be to reach a benchmark funding level but to achieve the most appropriate coverage of SP services.

There are several possible and mutually compatible scenarios for funding SP systems in Africa:

- *Increase the efficiency of existing SP expenditures.* In many cases, there is scope to make SP spending both more cost-effective and more effective in terms of outcomes. For example, many so-called safety nets programs fail to reach the poorest. Improving targeting can improve the impact of these programs in terms of reducing inequity. Also, adopting fiscally sustainable parametric reforms to public pensions can increase the long-term financial sustainability of contributory programs.

Shifting from general subsidies and humanitarian assistance to targeted safety net programs can save fiscal resources while improving outcomes. Box 7.1 describes the fiscal trade-offs between general subsidies and targeted safety net operations in the case of Senegal, where the

absence of effective safety nets has caused the government to adopt general subsidies that can cost up to 4 percent of GDP. International experience with subsidy reform can yield lessons for African countries on how to build a sounder financial base for SP programs. For example, Indonesia abolished its fuel price subsidies and instead adopted a set of more effective SP interventions, including a cash transfer program. 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. 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 through the subsidy reform.¹⁴⁸

¹⁴⁸ Beaton and Lontoh 2010.

BOX 7.2: Ethiopia: Leveraging Safety Nets for Effective Crisis Response

In 2008, Ethiopia faced a crisis that was broader, deeper, and more complex than the food crisis in almost any other country. Despite a long spell of strong economic growth, the longstanding problems of pervasive food insecurity and severe vulnerability to shocks had not been overcome. In 2008, the country, under threat from high inflation and a widening trade deficit, experienced a drought because of reduced rainfall (small seasonal). The resulting local food shortages in several parts of the country affected some 12 million people and exacerbated the rise in food prices that already was underway as a result of global, regional, and domestic factors. Food price inflation peaked at 91.7 percent for the 12 months ending in July 2008, giving Ethiopia one of the highest food price inflation rates in the world.

The government was able to provide additional resources to the 7.5 million beneficiaries of its existing safety net program, the Productive Safety Nets Program (PSNP), to protect them until the next harvest, while also expanding the program to an additional 947,000 people. The government adjusted the program wage rate upwards from 6 to 8 birr and then again to 10 birr in early 2009 to ensure that inflation did not erode the purchasing power of the transfer. It also increasingly gave food instead of a cash transfer for part of the year to mitigate the impact of seasonal rises in food prices.

The government again deployed the PSNP to respond to drought in 2009 and 2011. The drought that swept the Horn of Africa in 2011 was the worst in over half a century. In response, the government provided transfers to PSNP beneficiaries for an additional three months and extended support to a further 311,252 households that were affected negatively by the drought. This response cost US\$134.8 million and complemented the humanitarian appeal for 4.6 million persons.

Most of the additional resources required for these responses in 2008, 2009 and 2011 already existed within the program in the form of contingency budgets and contingent resources from donors, particularly IDA, which could be drawn on at short notice. This meant that the program was able to respond quickly. In sum, the PSNP has become an indispensable part of the government's efforts to mitigate the negative impact of the shocks on the rural poor.

There are some examples of *innovations* in leveraging international resources to increase funding to SP programs in the case of shocks. For example, in both Ethiopia and Malawi, weather-indexed insurance at the national level (usually re-insured internationally) has ensured funding for farmers in the case of rainfall shocks. In this case, when a weather indicator hits a certain level on a weather-based index, this triggers the release of additional funding to an existing government program that covers poor rural population (Box 7.2). This macro-insurance can provide funding much faster than the international humanitarian response, thus enabling governments to scale up established safety nets or other SP instruments in response to crises.

- *Increase domestic resources allocated to social protection.* The ability to fund SP systems from the domestic budget depends on the level of the existing allocation to social protection (in other words, how much incremental budget space

is needed),¹⁴⁹ the overall level of domestic resources, and the political economy.

As countries in the region have developed in recent years, they also have been increasing the share of spending that they allocate to social protection as a percentage of GDP. This suggests that Africa's recent and future economic growth is creating some of the fiscal space needed to increase SP coverage. Moreover, the World Bank and other development partners are helping countries to increase their capacity to generate internal revenue. The International Monetary Fund (IMF) and the International Labour Organization (ILO) are currently working on a pilot project for creating fiscal space for social protection in several countries in the region.

However, continued high population growth rates are likely to mar this optimistic forecast,

¹⁴⁹ Hagen-Zanker and McCord 2010.

particularly as this population growth is likely to be disproportionately concentrated in the poorest households. Moreover, there are significant deficits in all areas of public services, with a great deal of competition for internal resources.

As discussed in section 6, if policymakers view social protection as a handout, they can be reluctant to allocate more resources to SP programs particularly in light of the needs in other sectors. However, countering this view with the large body of evidence from Africa showing that investments in SP programs are productive (see section 2) can change the tenor of the debate. Additionally, linking social protection to the fulfillment of sectoral goals like human capital development and infrastructure creation will help to reinforce the case for social protection.

However, the limited availability of domestic financing will continue to be an obstacle to scaling up national SP systems in the short to medium term, particularly in countries that remain highly dependent on international assistance.

- *Seek external assistance.* If governments are not able to fund SP expenditures adequately from their own resources, external assistance can play a critical role in building basic SP systems in Africa, especially in low-income countries and fragile states. However, development partners need to ensure that their support is consistent with national SP strategies and that they commit to providing long-term and predictable levels of funding, whether in the form of general budget support or for SP-specific investments.

There are limitations to and risks involved in relying on development partner funding of social protection. For example, most donors make only relatively short-term commitments often following a crisis, which means that the funding stream is finite and, therefore, not sustainable. Moreover, while food aid continues to play a prominent role in SP programs, donors currently are reducing their food aid budgets. In times of general economic slowdown, donor budgets tend to shrink. And, as countries become more developed, their donor funding

tends to dwindle. Given these limitations, donor funding will be particularly important in financing start-up costs, M&E, and institutional strengthening.

Priorities for Funding Social Protection in Africa

African governments today should be laying the policy and program groundwork for a gradual expansion in the coverage and comprehensiveness of SP systems. While some may question the desirability of increasing the resources allocated to SP, Africa cannot afford not to invest in mechanisms that ensure that the poor have the means to protect themselves from shocks and to rise out of poverty.

The growing consensus among African countries and among development partners is that funding for social protection will have to increase in the immediate future, both as a response to cyclical shocks and as an investment in the capacity of the poor to rise out of poverty over the longer term. For low-income countries, spending 2 to 3 percent of their GDP on well-targeted safety nets and basic labor market interventions would ensure a minimum level of protection for most of the poor.

However, aggregate spending targets can be very misleading. More SP spending is not necessarily better. The composition of SP spending is far more important for producing positive results than its overall level. For example, considerable resources currently are spent on programs such as civil service pensions that benefit few and are not targeted explicitly to those with the greatest needs. Therefore, allocating more fiscal resources to these programs would be at the expense of programs like safety nets that are targeted to the poor or that aim to increase access to health services and education.

As a result, SP spending should be focused on efficient and effective programs that have been evaluated, proven to be effective, and then scaled up. For SP systems to be financially sustainable, program benefit levels will have to be affordable and the programs well-targeted.

With keen competition for resources, SP spending also will need to explicitly further such sectoral goals as human capital development and infrastructure creation, as well as generally enhancing economic growth. By emphasizing resilience and opportunity, SP programs can help to break the intergenerational cycle of poverty and reduce the future number of people in need of assistance.

As countries begin to adopt risk-pooling mechanisms like insurance, the burden of financing social protection gradually can extend beyond the general budget (safety nets) to include a greater reliance on private contributions (insurance schemes). Ideally, many programs should be self-financing (social security schemes for formal sector workers).

IMPLEMENTING THE STRATEGY

The World Bank is in an ideal position to work with other development partners to support the governments of Africa in strengthening their SP systems. This is because of its role in supporting national SP strategies, its convening power with other partners, its global experience in social protection, and its technical and financial resources.

The overall goal of the Bank's social protection support in Africa over the next 10 years is to build national capacity to manage and, where appropriate, deliver effective SP services within a broader SP system in close coordination with its development partners. This includes strengthening good governance within SP systems (and individual programs) and building technical capacity for policy development and for designing and implementing a variety of SP instruments. A final aspect of this capacity building is establishing robust monitoring and evaluation at the program and sectoral levels to be used in evidence-based decision-making.

The World Bank Africa Strategy will be the Institution's guide to working with governments to achieve this objective. The Africa Strategy emphasizes the importance of partnerships as being key to supporting development in Africa, along with knowledge and finance. This approach will encourage more selective and better-leveraged policy and institutional reforms.

Partnerships

The World Bank will approach the implementation of this Strategy by prioritizing partnerships with

governments, other development partners, and civil society. These partnerships will take several forms.

Participants in the consultations on this Strategy identified the Bank's *convening authority*, particularly with regard to Ministries of Finance, as having the potential to make a significant contribution to social protection in Africa. This factor is crucial because Ministries of Finance need to be convinced that investments in social protection are good value for money, capable of promoting economic growth while also reducing poverty. The Bank is in a position to work with other partners to ensure that the Ministries of Finance, Social Development, and Labor systematically are involved in an ongoing policy dialogue on social protection.

At the same time, the World Bank will seek to create *strong institutional partnerships* in support of social protection. This includes a strong commitment to the principles of donor coordination and aid harmonization. These partnerships will be instrumental in ensuring the effective implementation of the Strategy, particularly given the growing support from other development partners for social protection and the need to harness all resources to extend the scope and coverage of national SP systems.

The Bank also will continue its *engagement with regional institutions*. The African Union's Social Policy Framework is setting the stage for the evolution of social protection across the continent, while the Africa Development Bank is extending its SP investments. Furthermore, agreements reached by Regional Economic Communities (RECs) like the East Africa Community have direct implications on

the social insurance entitlements, including creating portability of benefits. At the same time, civil society organizations are increasingly making their voices heard across the region and are demanding social protection from the bottom up, for example, through the Africa Platform for Social Protection.

Of critical importance to the success of this Strategy will be *coordination and partnerships between units within the World Bank*. A multi-sectoral approach is particularly necessary in the case of for social protection. This is because SP instruments have implications for financial and labor markets, as well as for achieving goals in sectors such as health, education, and agriculture. Tackling youth unemployment, for example, will require the Bank's social protection unit to coordinate with the units that promote private sector development and economic growth. Also, the SP unit will need to work with the agricultural unit to promote investments in agriculture and address food insecurity.

The *decentralization* of World Bank staff, including those for SP, to country offices is expected to provide more consistent, quality support to governments. It also will enable the Bank to take a multi-sectoral approach in the support that it provides to countries. A stronger presence within countries will make it easier to increasingly coordinate the Bank's country-specific work with that of other development partners.

Knowledge

A good analytical basis is vital for the effective implementation of social protection in Africa. This includes generating and disseminating information that can inform policy debates as well as the programmatic decisions of governments and other partners.

The World Bank is well-positioned to contribute to the broadening and deepening of the knowledge base of which SP initiatives work best in African countries and to promote innovation. To advance this *analytical work and policy advice*, the Bank, with others, will have to generate new information, learn from international good practices, and facilitate the sharing of knowledge among African countries.

This work will support the Strategy's commitment to taking an evidence-based approach to building SP systems and promoting efficient program design and delivery.

The analytical agenda will build on the extensive SP policy and analytical work carried out by the Bank and others over the last decade in Africa. This work has had a growing focus on employment and labor market issues, particularly among young people, which had been limited until recently. The Bank's other research priorities are to assess the relative effectiveness of CCTs and UCTs in Africa and to promote the synergies between climate change and social protection. This also will include strengthening the Bank's poverty assessments to include analyses of chronic and transitory poverty and vulnerability to inform SP programming and conducting assessments of national SP programs, such as the ongoing safety net assessments.

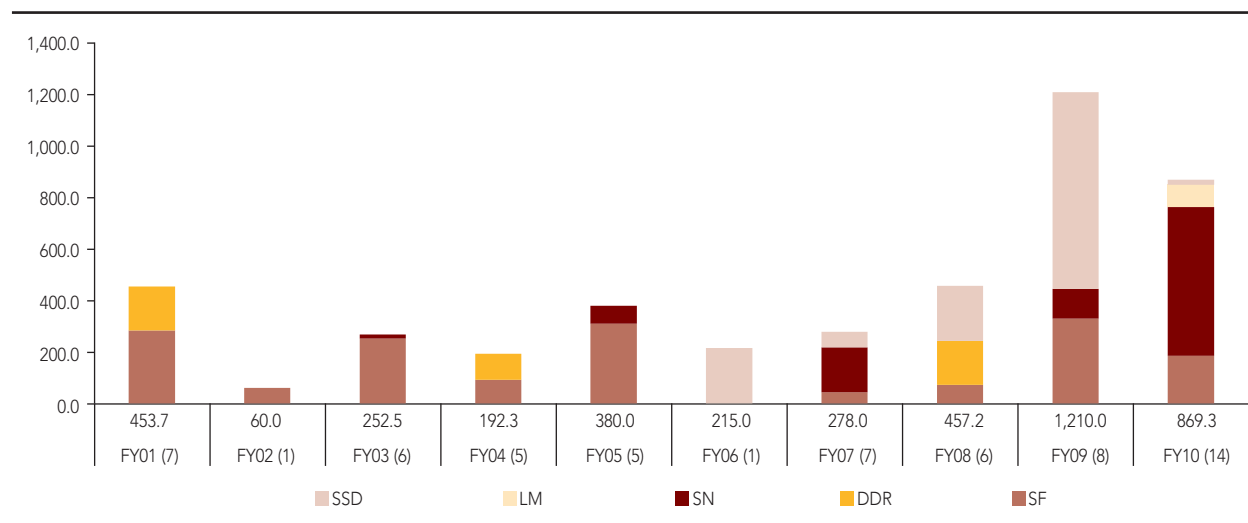
The growing SP experience in African countries highlights the opportunities for *South-South learning* within the continent, which currently is supported by a number of development agencies. For example, Malawi, Rwanda, and Tanzania have all learned from Ethiopia's PSNP. The Government of Ghana recently indicated its interest in learning from Kenya's experience with youth employment programs. There is also significant potential for fragile and violence-affected settings to learn from experience in other similarly affected countries.¹⁵⁰

At the same time, African countries, particularly middle-income countries, can learn from the Latin America's experience with cash transfer and labor market programs, while South Asia's experience with public works may resonate with low-income African countries. The Bank is already actively supporting this kind of exchange of knowledge through the annual South-South Learning Forum on social protection.¹⁵¹ More recent initiatives include the Communities of Practices on cash transfers among researchers and implementers, supported by UK Department for International

¹⁵⁰ World Bank 2010h.

¹⁵¹ South-South Learning Forum 2011: Building Resilient Safety Nets held from May 30-June 3, 2011 in Addis Ababa, Ethiopia.

FIGURE 8.1: Evolution of Social Protection Lending in Africa by Thematic Area, FY01–FY10 (US\$ million)



Source: Van Domelen (2010a).

Note: The numbers of operations are in parentheses. The legend refers to social services delivered to targeted groups (SSD), labor markets (LM), safety nets (SN), disarmament, demobilization, and reintegration (DDR), and social funds (SF).

Development (DFID), United Nations Children's Fund (UNICEF), the World Bank, and others.

Finally, the World Bank, like other development partners, will continue to invest in *training* as a way to disseminate knowledge and build the capacity of policymakers and implementers. This will be done by giving policymakers and practitioners the opportunity to participate in international courses such as those offered by the World Bank and other institutions on safety nets, pensions, and labor markets. It also will be achieved by supporting on-the-job training and other capacity-building activities.

Finance

As noted in the Africa Strategy, the funding of development interventions should be based on partnerships and underpinned by solid analysis. While, again, the specific country context will determine the exact mix of support, the Bank's financing will focus on several areas.

Experience has demonstrated that capacity building is critical for the success of SP programs. The Bank therefore will devote more attention to *institutional development and building capacity* for

conducting policy dialogue and for implementing and monitoring SP programs. While the focus of these investments will be on increasing the efficiency and effectiveness of core government systems, the Bank also will explore with its partners how innovations, such as those in ICT, can be used to the benefit of SP programs.

The World Bank will use its *lending* to increase the coverage of existing interventions that have demonstrated success. This builds on a decade of lending for social protection in Africa totaling US\$4.4 billion in investment projects, with the size of the portfolio doubling between the first and second half of the decade (Figure 8.1).¹⁵² There also has been significant diversification in the Bank's SP portfolio since 2005 when its SP investments in Africa expanded from social funds to safety nets and social service delivery projects. The Bank's more recent investments in labor markets largely have focused on youth employment.¹⁵³

¹⁵² Investment lending took place in 23 countries. Policy-based lending has provided additional financing of US\$1.8 billion over the last five years. These figures do not include the significant resources from bilateral donors that are channeled to social protection through World Bank Trust Funds.

¹⁵³ These started in 2010.

A particular focus of the lending program over the next decade will be to identify innovative approaches that are appropriate for different types of countries in Africa. For instance, development policy lending offers different opportunities and constraints than investment lending and thus maybe more appropriate for middle-income countries than for low-income countries. In contrast, sectoral investment lending is more effective for building institutional capacity in low-income countries. The Bank's newest form of lending—program for results (P4R))—may be particularly well-suited to building SP systems.

The Rapid Social Response (RSR) initiative, a multi-donor trust fund managed by the World

Bank that provides fast-disbursing grants to social protection in LICs and fragile states, and the Crisis Response Window, which provides rapid, flexible financing to the poorest countries affected by exceptional crisis, enabled the Bank to provide effective support to countries during the food, fuel, and financial crisis of 2008 and the recent drought in Eastern Africa. For example, in 2008, the Bank approved the Global Food Crisis Response Program (GFRP) for countries that were severely affected by the food crisis. Over US\$700 million went to Africa, amounting to almost 70 percent of total GFRP funding. The Bank will continue to provide such support to countries to enable them to cope with shocks.

MEASURING SUCCESS

The success of the Africa Social Protection Strategy will be measured through a set of performance indicators that reflects the objective of this Strategy. The indicators are drawn from the Bank's global Social Protection and Labor Strategy results framework, which follows a three-tiered approach to indicate the link between the World Bank's programs and activities under the strategy (tier 3), changes in country outcomes that could be directly attributable to World Bank engagement (tier 2), and changes in medium- and long-term country development outcomes (tier 1).

The Africa Social Protection Unit within the World Bank will be responsible for reporting on the progress made in implementing the Strategy.

National Social Protection Outcomes

This set of indicators aims to assess the contribution of SP systems to the Strategy's overall objectives.

TABLE 9.1: Country Progress on Key Development Outcomes (Tier 1 Indicators)

- Share of working age population accruing pensions rights
- Pension beneficiaries to elderly (>65) population ratio
- Percentage of population in the poorest quintile covered by SP programs
- Percentage of children (7–14) economically active
- GDP per person employed (constant 1990 PPP \$)
- Ratio of youth unemployment rate to adult unemployment rate
- Index of SP system development (scale 1 to 6, 1 being the lowest)

Although World Bank support to national SP systems is designed to improve these indicators, changes in these indicators cannot be attributed to World Bank engagement. These indicators reflect sector development outcomes and benchmark country performance in meeting those goals.

The key outcomes corresponding to each objective and performance indicator outlined in the Strategy are in Table 9.1.

Measuring Progress in Building Social Protection Systems

The aim of this set of indicators is to measure the World Bank's contribution to advancing national SP systems. This includes monitoring the number of SP beneficiaries overall and by type of SP program, the number of countries with World Bank engagement in social protection, and the number of World Bank operations and analytical work that explicitly promote a systems approach to social protection.

Progress on national SP systems and policies also will be captured broadly by CPIA ratings in the social protection and labor area. Currently, these rating encompass countries' scores on: (i) safety nets; (ii) labor markets; (iii) local service delivery and civil society participation in development programs; and (iv) pension systems.

While the purpose of this section is to measure the World Bank's contribution to a country's SP system, it is important that national tracking indicators be part of and tailored to national SP monitoring systems, rather than being used only for World

Bank reporting. However, for this to happen, national monitoring and evaluation capacity will need to be increased, which will require support over and above that given for project-level M&E. There is a particular need to strengthen the collection and analysis of gender-disaggregated data for both monitoring and evaluation.

Business Measures

Business measures are important monitoring indicators for assessing the levels of staffing, technical training, and other resources that the World Bank needs to achieve the Strategy objectives. These measures also provide information on the quality of the Bank's SP portfolio for Africa and its M&E performance. As a result, the focus of these indicators is on the quality and performance of the World Bank's social protection portfolio, knowledge products, and contribution to partnerships.

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