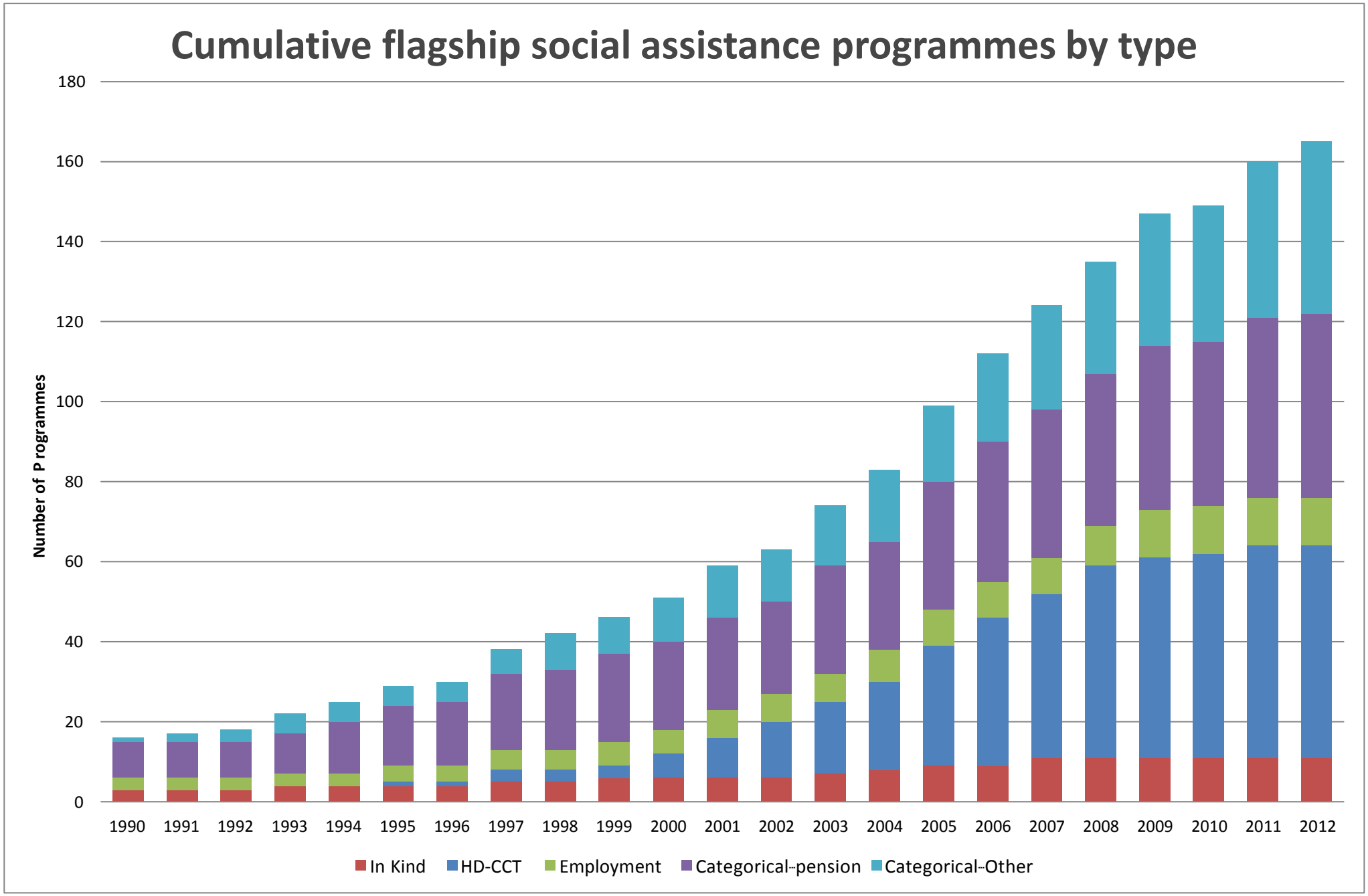
The raise of Social Assistance in sub-Saharan Africa

Miguel Niño-Zarazúa, UNU-WIDER

UNITED NATIONS UNIVERSITY
UNU-WIDER

Background

- Over the past two decades, **social assistance** has emerged as a new welfare paradigm in the fight against poverty and vulnerability in the developing world
- It reflects **important shifts in anti-poverty policy-thinking**, moving from food aid and commodity subsidies towards more regular and predictable forms of *targeted* interventions
- This **new welfare paradigm is currently reaching nearly 900 million people worldwide**, making it one of the most important antipoverty policy instruments at the present time (Barrientos and Niño-Zarazúa 2011)
- Programmes such as Brazil's *Bolsa Familia*, India's *National Rural Employment Guarantee Scheme;* Mexico's *Progresa-Oportunidades*, and **South Africa's *Old-Age Pension* and *Child Support Grant***, are prominent examples of this new wave of welfare programs


Cumulative flagship social assistance programmes by type
Number of P rogrammes
180
160
140
120
100
80
60
40
20
0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
In Kind
HD-CCT
Employment
Categorical-pension
Categorical-Other

Social Assistance in SSA

- Social Assistance has become a component of a second-generation of Poverty Reduction Strategy Papers in sub-Saharan Africa. There are now **National Social Protection Strategies** in Ghana, Mozambique, Rwanda and Uganda
- Livingstone Process – through the African Union– agreed to push the SP agenda to replace emergency aid with regular and reliable income support
- There are pilot schemes in Kenya, Malawi, Ghana and Zambia; and programs at implementation stage in Nigeria, Liberia, Uganda, and Tanzania
- Social Assistance is also increasingly seen as a policy response to shocks i.e. food and financial crises, **borrowing from experiences in Latin America**
- Yet, **less than 10% of the sub-Saharan African population in poverty is covered by social assistance**

A typology for social assistance in SSA

1. Pure income transfers

1.1 Child and family allowances: ZA *Child Support Grant*

1.2 Old-age and disability pensions : ZA's *Old-age pension*, Mozambique's *Programa de Subsidio de Alimentos*

2. Income transfers plus (transfers linked with utilisation and provision of basic services)

2.1 Transfers for human development: Ghana's *Livelihood Empowerment Against Poverty (*LEAP*);* Tanzania's Pilot Cash Transfer Programme; Kenya's CT-OVC

2.2 Employment guarantee schemes/Public Works: Malawi's Improving Livelihood through Public Works; ZA' Expanded Public Works Programme

2.3 Asset protection and asset accumulation: Ethiopia's Productive Safety Net Program

Origins of social assistance in SSA

- **Non-contributory pensions** for poor whites in South Africa – borrowed from early origins of European Welfare systems in the 1920s –Apartheid wouldn't allow 'white poverty'

- **Donor-supported responses**, usually food aid against famine and food insecurity
  - ✓ Since the 1980s, Angola, DRC, Ethiopia, Liberia, Mozambique, Rwanda, Sierra Leone, Somalia, Sudan and Uganda faced humanitarian crises

	Before mid-1990s		After mid-1990s	
	Pure income transfers	Dynamics	Pure income transfers	Income transfers plus services
MIC Africa ' model' age-based vulnerability transfers	Old age and disability grants in South Africa, Mauritius, Namibia, Seychelles Categorical universal transfers, means tested in South Africa; Racially segregated in eligibility and benefits *Politics*: Domestically driven by settler elites *Finance* : tax financed	→ Extension of coverage	Removal of racial discrimination; Adoption of social pensions in Botswana, Lesotho, and Swaziland; 1998 CSG in ZA *Politics:* Equity politics in ZA and Namibia; electoral politics in Lesotho; Sub-regional 'demonstration effect' *Finance :* tax financed	Experiments with income transfer plus services – Zibambele and Gundo Lashu in South Africa
LIC Africa' model' Extreme poverty-based transfers	Few countries with public welfare programs (Zambia, Zimbabwe) …but emergency food aid dominant *Politics:* food aid externally driven, but exploited by local political elites *Finance:* donor financed	→ Shift from food aid to social transfers	Mozambique FSP Zambia pilot categorical transfer programs *Politics:* donor driven *Finance:* donor financed in Zambia; joint donor-government financed in Mozambique	Ethiopia PNSP; Kenya OVC; Malawi's Mchinji; Ghana's LEAP *Politics:* donor driven, but rising government engagement *Finance:* largely donor financed but domestically financed in Ghana

Largest social transfers in sub-Saharan Africa

Programme	Country	Beneficiaries (in millions)	Income Group
Old Age Pension	South Africa	10	Upper middle income
Child Support Grant	South Africa	12	Upper middle income
Productive Safety Net Program	Ethiopia	8.2	Low income
Expanded Public Works Programme: Phase 2	South Africa	5	Upper middle income
Improving Livelihood Through Public Works Programme	Malawi	2.7	Low income
Disability grant	South Africa	1.5	Upper middle income
Protracted Relief Programme	Zimbabwe	1.5	Low income
Food Subsidy Programme	Mozambique	0.7	Low income
Old Age Grant	Namibia	0.65	Upper middle income
Old Age Pension	Botswana	0.60	Upper middle income
Sub-total		**43**	
Other 32 pilots		3	
TOTAL sub-Saharan Africa		**46**	

Source: Barrientos and Niño-Zarazúa (2011)

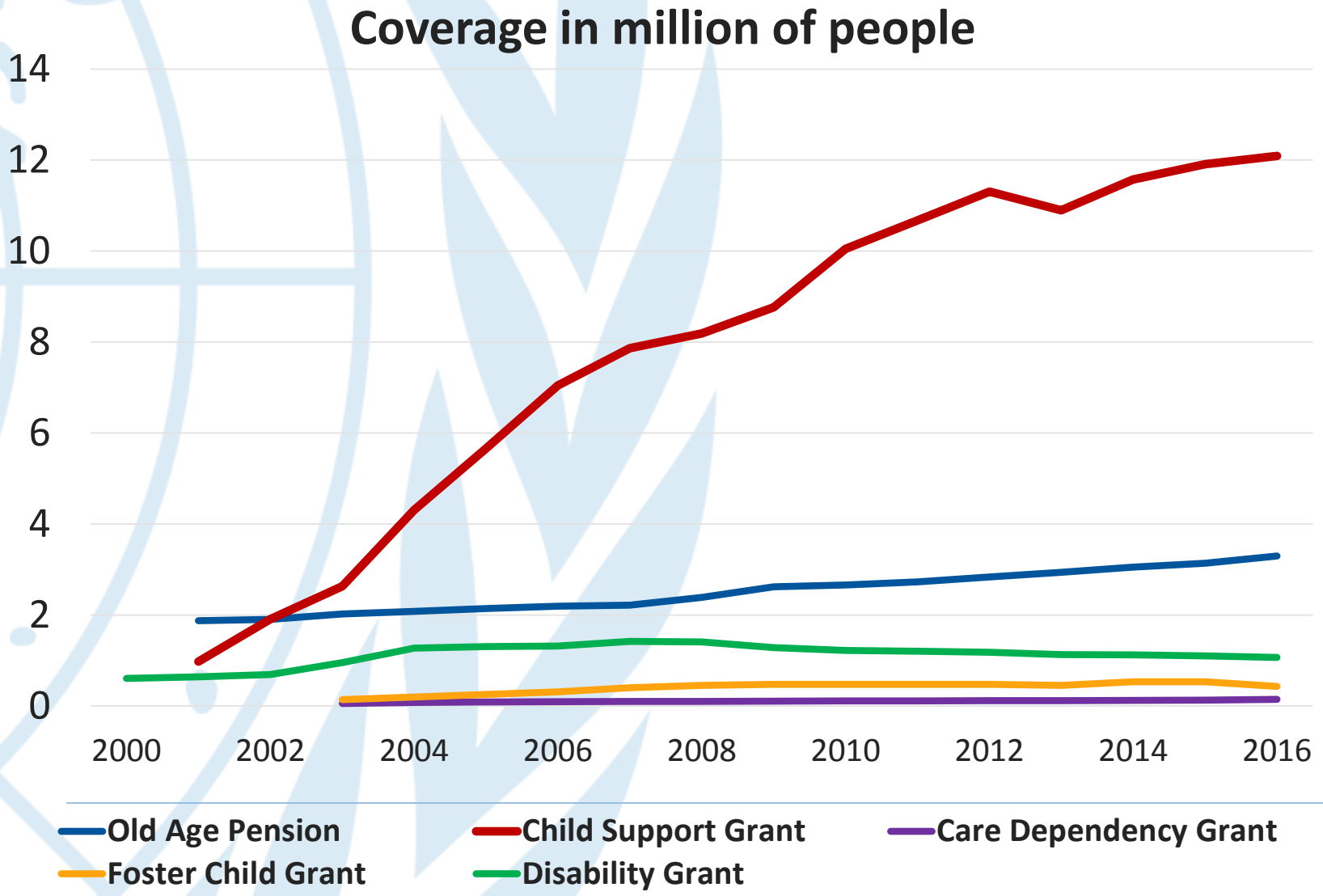
The MIC Model

- **HIV/AIDS has impacted household composition in Southern Africa** – family structures, social functions and relationships have enhanced the effectiveness of old age pensions
  - **Old age pensions are in practice income transfers to poor households with older people**

- **The Old Age Pension + Child Support Grant** = effective antipoverty policy responses

Country	Age of eligibility	Selection criteria	Monthly Income Transfer (in US$)	% of targeted population with pension	Cost as % of GDP
Botswana	65+	age and means test	27	85	0.4
Lesotho	70+	age and citizenship	21	53	1.4
Namibia	60+	age and citizenship	28	87	2
South Africa	63+ men 60+ women	age and means test	109	60	1.4
Swaziland	60+	citizenship and means test	14	80	n.a

South Africa's Social Assistance System



- 10.6 million people receive a transfer program **- about 20% of South Africa's population**
- The **system costs ≈ 2.5% of GDP**
- CSG has extended age eligibility overtime from 15 to 17 in 2008 and then to 18
- Evidence shows that OAP and CSP are well targeted at the poor and have been central to poverty alleviation in the post-apartheid years

What are the redistributive effects of Social Assistance in South Africa?

	Income Share		Gini Correlation		Relative Contribution		Change in Gini	
	1993	2008	1993	2008	1993	2008	1993	2008
Labour	**0.592**	**0.646**	0.939	0.956	**0.641**	**0.731**	**0.049**	**0.085**
	(0.007)	(0.007)	(0.001)	(0.002)	(0.011)	(0.010)		
Old Age Pension	**0.052**	**0.030**	-0.008	0.066	**-0.001**	**0.002**	**-0.052**	**-0.027**
	(0.001)	(0.001)	(0.007)	(0.015)	(0.001)	(0.001)		
Other Gov Transfers	**0.011**	**0.065**	-0.091	-0.014	**-0.001**	**-0.001**	**-0.009**	**-0.066**
	0.000	(0.002)	(0.014)	(0.011)	0.000	(0.001)		
Other Income	0.345	0.259	0.832	0.871	0.357	0.267	0.012	0.007
	(0.007)	(0.007)	(0.007)	(0.007)	(0.011)	(0.010)		

Source: Schiel, Leibbrandt and Lam (2014)

Redistributive effects in Namibia?

- Inequality decompositions show that **labour income is the main contributing factor to high inequality in Namibia**: a 1% increase in labour income increases the Gini coefficient by 3%

- **Social assistance** (Old Age Pensions, Disability Grant, Foster Parent Allowance) **is the main redistributive factor in Namibia, followed by remittances, despite their small share in total income**

Income source	Share of each income source in total income	Gini correlation of income sources	Gini correlation of income sources with distribution of total income	Share of each income source in total inequality	% change in Inequality from income source
Labour income	**0.916**	**0.799**	**0.972**	**0.946**	**0.03**
Social security	0.015	0.995	0.732	0.014	-0.0005
Social assistance	**0.038**	**0.937**	**0.271**	**0.013**	**-0.025**
Remittances	**0.013**	**0.985**	**0.375**	**0.006**	**-0.007**
Assets	**0.013**	**0.999**	**0.854**	**0.015**	**0.002**
Other income	0.005	0.998	0.732	0.005	-0.0001

Source: Chiripanhura and Niño-Zarazúa (2014)

The LIC Model

- **Economic growth in 2000s, debt relief, revenues from natural resources**, and **changing donor priorities** produced a shift in policy from emergency aid to social assistance. There are two separate shifts:

  1. From **emergency food-aid to income-aid** in the context of humanitarian emergencies

  2. From **emergency food aid (whether it is in food, in-kind, or in-cash) to regular and reliable social transfers**- e.g. Ethiopia's **PSNP**

- Programmes largely financed by donors which dominate programme design

- Most schemes are pilots and lack the institutional, financial and political support. There are a few exceptions: **Ethiopia's PSNP . It covers 8.2 million people -11% of Ethiopia's population. Cash for work (80% budget) AND direct support for vulnerable groups (20% of recipients)**

The LIC Model

- The future evolution of the LIC model is hard to predict
- Existing programmes have developed some momentum, but donor involvement has often not contributed to making them central to the priorities of political elites
- **Key determinants for the future dynamics** of the LIC (and MIC) model of social assistance:
  1. **Financing**
  2. **Politics and political economy considerations**
  3. **Institutional capacity**

Financing

- Simulations suggest that 1% of GDP could be sufficient to cover a basic pension, 2% of GDP a child focused transfer, and 0.6% of GDP could finance an unemployment insurance – **a transfer package would cost 3-6% of GDP**
- If programmes were targeted, the cost would be lower
- However, even if a transfer package of poverty-targeted programmes was adopted, it would still represent between 18-40% of government revenues
- For most LIC countries, it would be hard to adopt social assistance programmes to scale, particularly when the room for **redistribution is limited** and the **tax collection capacity is inadequate**
  - **This explains resistance from finance ministers often concerned about the sustainability of social assistance**

Financing

- **Tax revenues** as a share of GDP have grown modestly in the sub-Saharan region; from 13.5% in the 1980s to 18% in the 2000s

- Constraints are associated with:
  - **The structure of the economy** – the rural subsistence economy and the informal sector are difficult to tax
  - **Administrative capacity** of revenue authorities
  - **Political economy factors (opportunistic incumbents avoid raising income tax)**

- **What are the options available to finance social assistance?**

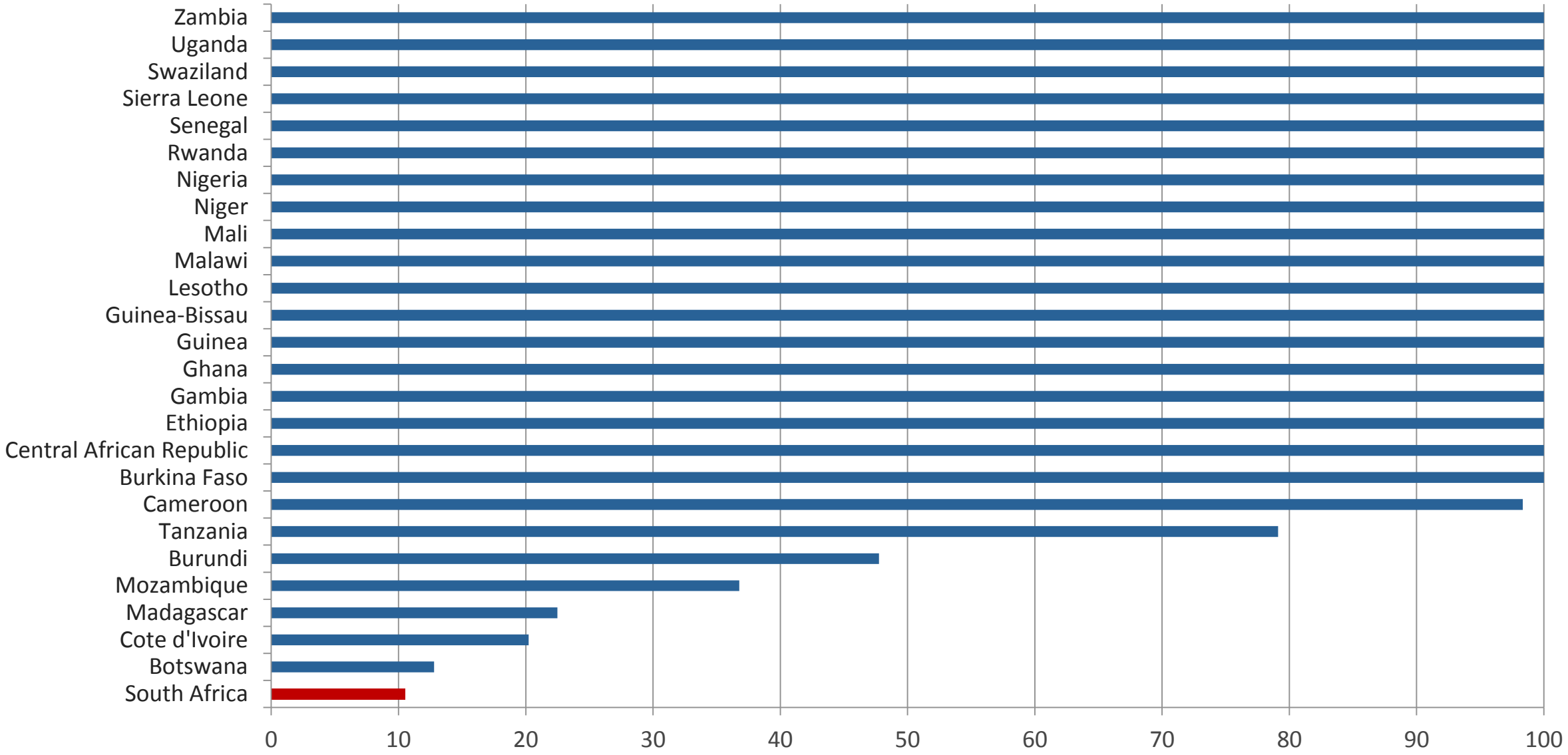
What about redistribution?

- **Redistribution policies have been important for the financial mix of social protection in industrialised countries**. In SSA, however, redistribution policies remain very limited:

- The **marginal tax rate (MRT) on the 'rich'** that would be necessary to eliminate the normalised aggregate poverty gap in SSA would be simply economically and politically prohibitive as it would exceed 100% in most countries

  – **MTR: proportion of tax paid for each additional income unit earned at the highest income threshold**

What about redistribution?



Niño-Zarazúa *et al* (2012)

What about resource mobilisation?

- **Revenues from Natural resources,** potentially feasible for resource rich countries
  - **Risks: 1) price uncertainty; 2) opportunistic behaviour of incumbents**

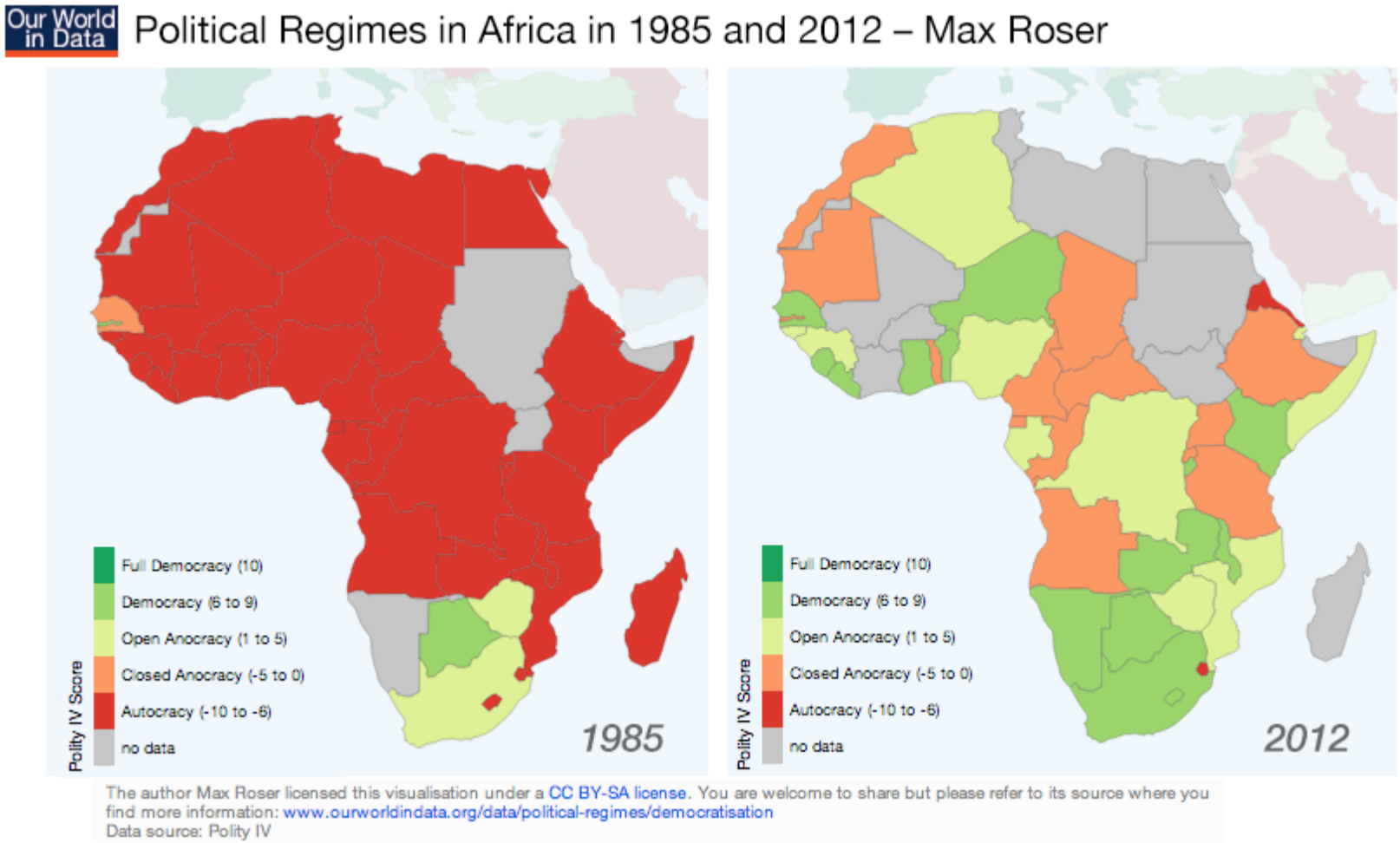
- **Renegotiation of contracts with companies involved in the exploitation of natural resources (**e.g. Bolivia)

- **Shifting expenditure –tax exemptions/subsidies on foodstuff, and fuel are very regressive** - amounted around $54 billion in 2010, roughly, 1/3 of ODA (170.6 billion USD)
  - **Risks: (e.g. the failing attempt to remove the fuel subsidy in Nigeria in 2012)**

- **Rises in VAT earmarked for pro-poor expenditures**. VAT on 'sin' products (e.g. cigarettes/alcohol) could rise revenues in India and Vietnam equivalent to 0.3 and 0.4 % of GDP, respectively.

- **Anti tax-evasion policies** –Chile was able to reduce VAT evasion from 20% in the 1990s to less than 10% in 2009

Political economy considerations



Democratic transitions and economic growth (and better fiscal space) seem to have created favourable conditions to introduce and expand **Social Assistance**

But uncertainties remain with regard to governance issues

Political economy considerations

- What does the emergence of social assistance mean for welfare institutions and inequality in SSA?

- **In LICs**, where welfare institutions are absent, **social assistance might lead to new state institutions aimed at addressing poverty and vulnerability**

- **In MICs**, with existing *social security* institutions, **social assistance has led to parallel institutions**

  – Contributory vs. non-contributory (based on the principle of citizenship)
  – Life-course protection vs. basic protection
  – Insurance against contingencies vs. investment against structural poverty

Political economy considerations

- What are the implications of these transitions for economic and social development?
- What role do (and will) elites, political parties and self-interest taxpayers (a raising middle class) play in the expansion of social assistance in SSA?
  - **Possibly contingent on externalities (e.g. reduction in crime) and incentives**
- What can we expect from opportunistic incumbents operating under imperfect competitive political systems?
- Will donor support to LICs translate into institutionalisation of social assistance or simply peter out and be quietly forgotten when donors move to the next new game in town?

Concluding remarks

- The green shoots of social assistance are sprouting – with MIC and LIC varieties
- Concerns about whether the challenges can be met – **domestic politics, political economic considerations, financing and institutional capacity**
- Social assistance is an important policy instrument against poverty and other forms of social deprivations, but it can just contribute modestly to tackling high levels of inequality in the region
- A mix of social policy (including social assistance, education, health) and progressive tax policy are most likely needed to tackle high levels of inequality in SSA

UNITED NATIONS
UNIVERSITY
UNU-WIDER

www.wider.unu.edu

Helsinki, Finland