

Expanding Social Protection in Africa: A Menu of Early Policy Ideas

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- I. Background: The Challenge of Growth and Jobs
- II. Social Protection Spending in Africa
- III. Building The Baseline: Traditional and New Infrastructure for Social Protection
- IV. Two Social Policy Pivots: The Informal Sector and Post-Covid Support
- V. Financing Social Protection in Low-Income Settings: Brief Observations
- VI. Concluding Observations

I: The Challenge of Growth and Jobs

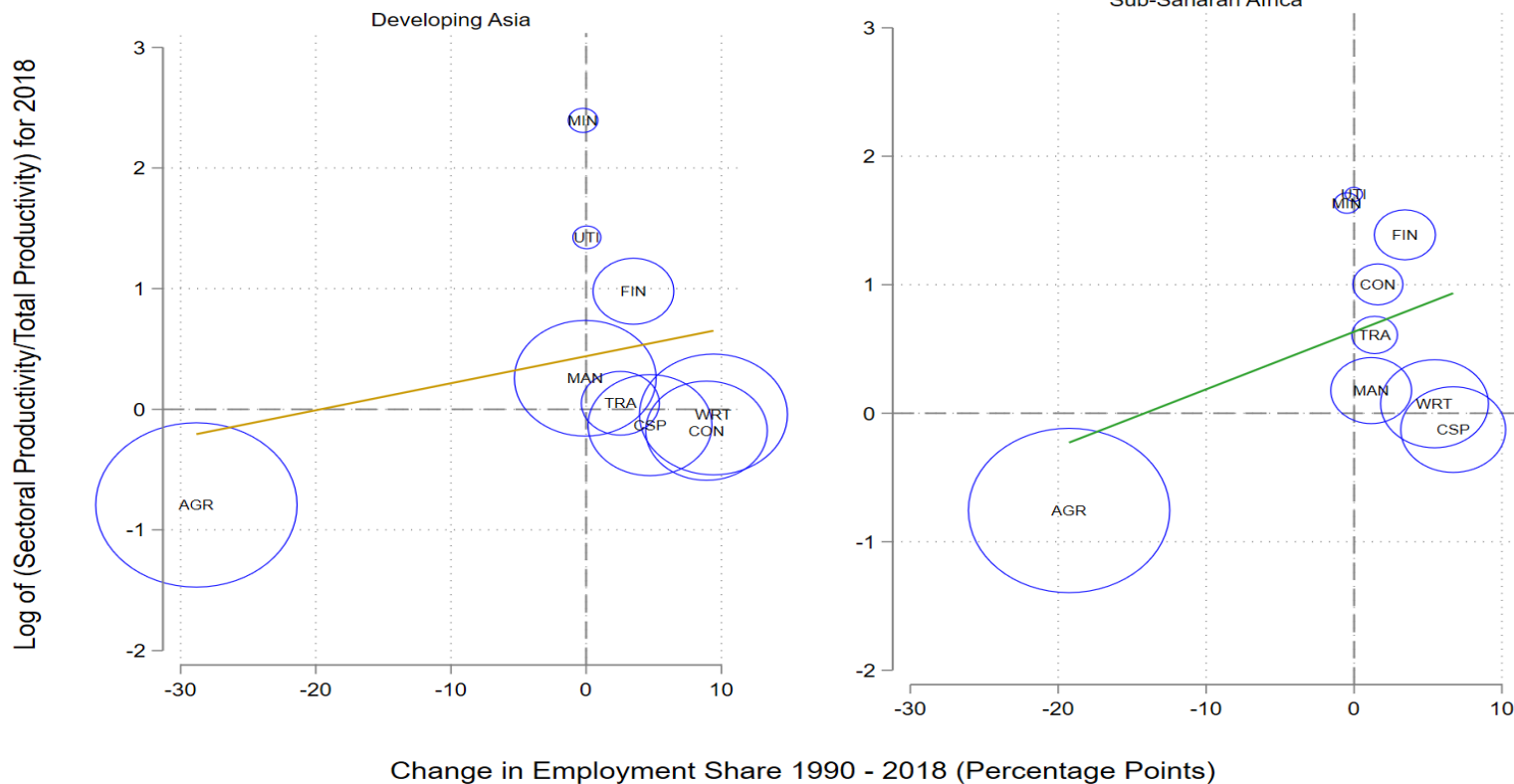
Projected Change in the Youth and Working-Age Populations, 2020-2100

Region	Youth Population (15-34 yrs)				Working Age Population (15-64 yrs)			
	2020	2100	Change		2020	2100	Change	
	Billions	Billions	Billions	Percent	Billions	Billions	Billions	Percent
Sub-Saharan Africa	0.4	1.1	0.7	190.5	0.6	2.4	1.8	306.6
Africa	0.5	1.2	0.8	167.7	0.8	2.8	2	265.8
World	2.4	2.6	0.2	9.1	5.1	6.5	1.4	28.3
	Shares (%)							
Sub-Saharan Africa	15.6	41.4	324.9		11.8	37.5	128.2	
Africa	18.9	46.3	346.5		14.8	42.2	139.2	

- Close to 50% of the world's youth will reside in Africa by 2100.
- 42 (38) out of 100 WAP individuals will be in Africa (SSA).
- Disproportionate share of the world's employment challenge will lie in Africa.

I: The Challenge of Growth and Jobs

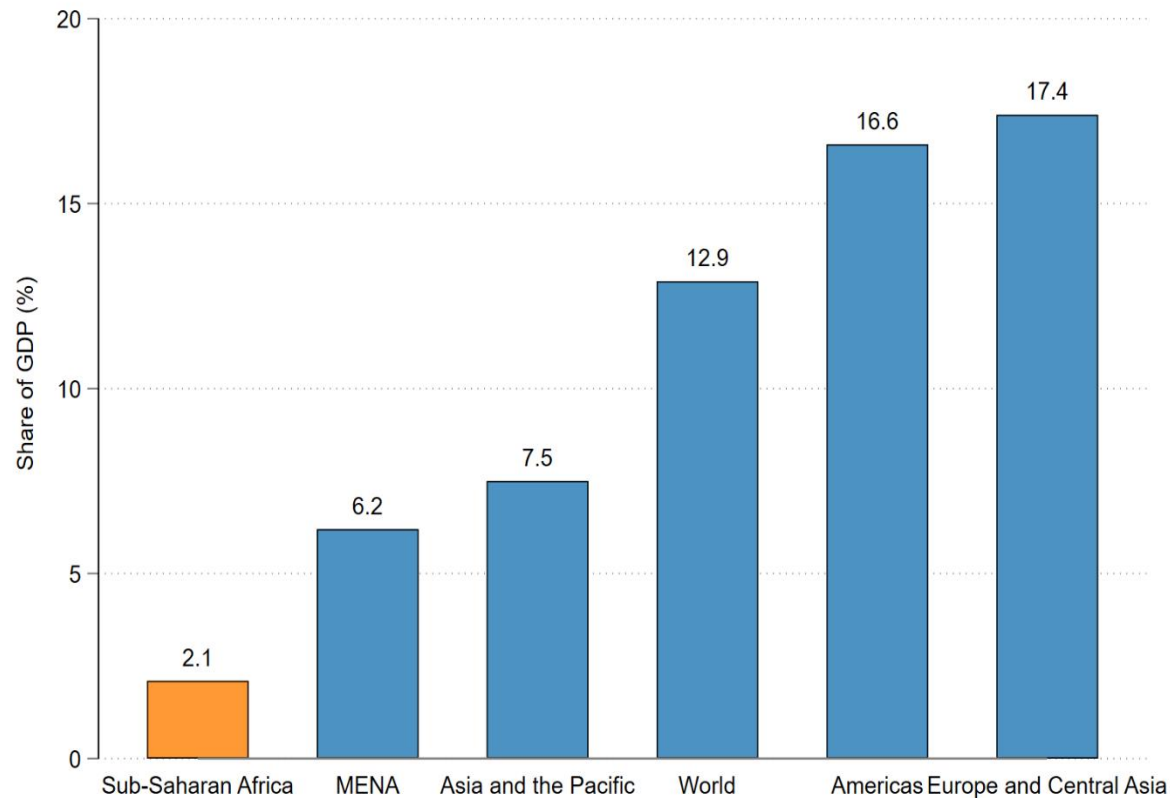
Relative Productivity and Employment Changes in Asia and Sub-Saharan Africa, 1990-2018



- Manufacturing in SSA (unlike in Asia) not creating sufficient employment and fairly tepid productivity levels.
- High employment generators (Retail and CSP) are low productivity in nature and high productivity sectors (Mining, Fin services) do not generate sufficient employment in SSA.
- Employment outcomes in Africa are weak.
- While Africa accounts for 14.3% of world's labour force, only accounts for 7.8% of wage employed.

II: Social Protection Spending in Africa

Public Expenditure on Social Protection (excl. healthcare)
as a share of GDP, World Region: 2020.



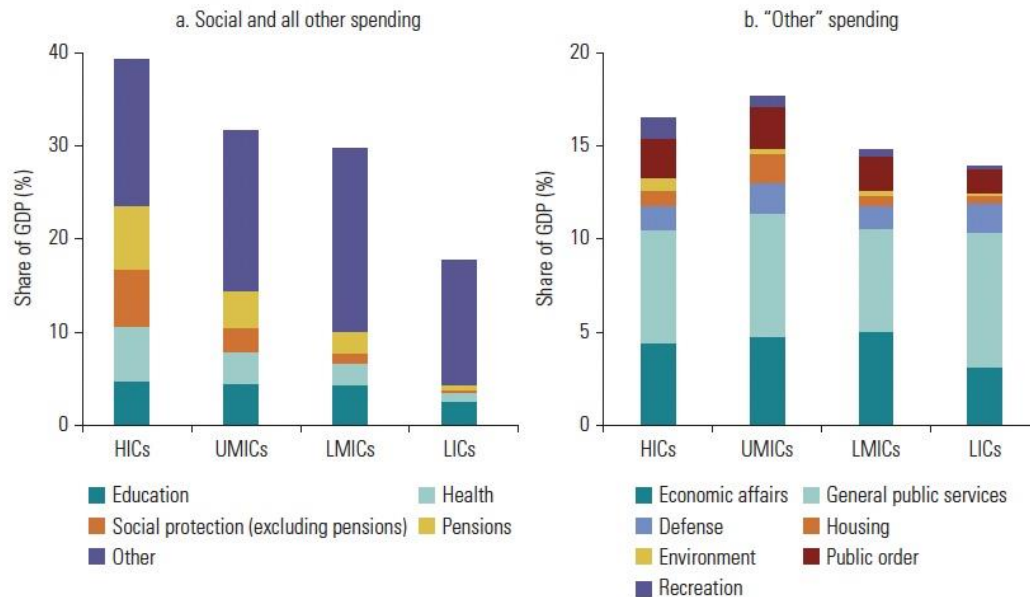
- **AU Agenda 2063: Social protection to 5.0% of GDP by 2063**
 - Extend social protection coverage into informal and rural areas.
- **Abidjan Declaration, 2019: Calls for SSA countries to extend social protection coverage.**
- **However, SSA share of GDP spend on social protection only 2.1%: About 3 times less than MENA.**
- **Also global average is over 6 times as high as SSA.**

Notes: Gabon and South Sudan were excluded from the 'Sub-Saharan Africa' category due to data unavailability.

Source: ILO World Social Protection Database, own calculations.

II: Social Protection Spending in Africa

Global Social and 'Other' Spending as share of GDP, By Income Classification and Category of Spend: 2000s

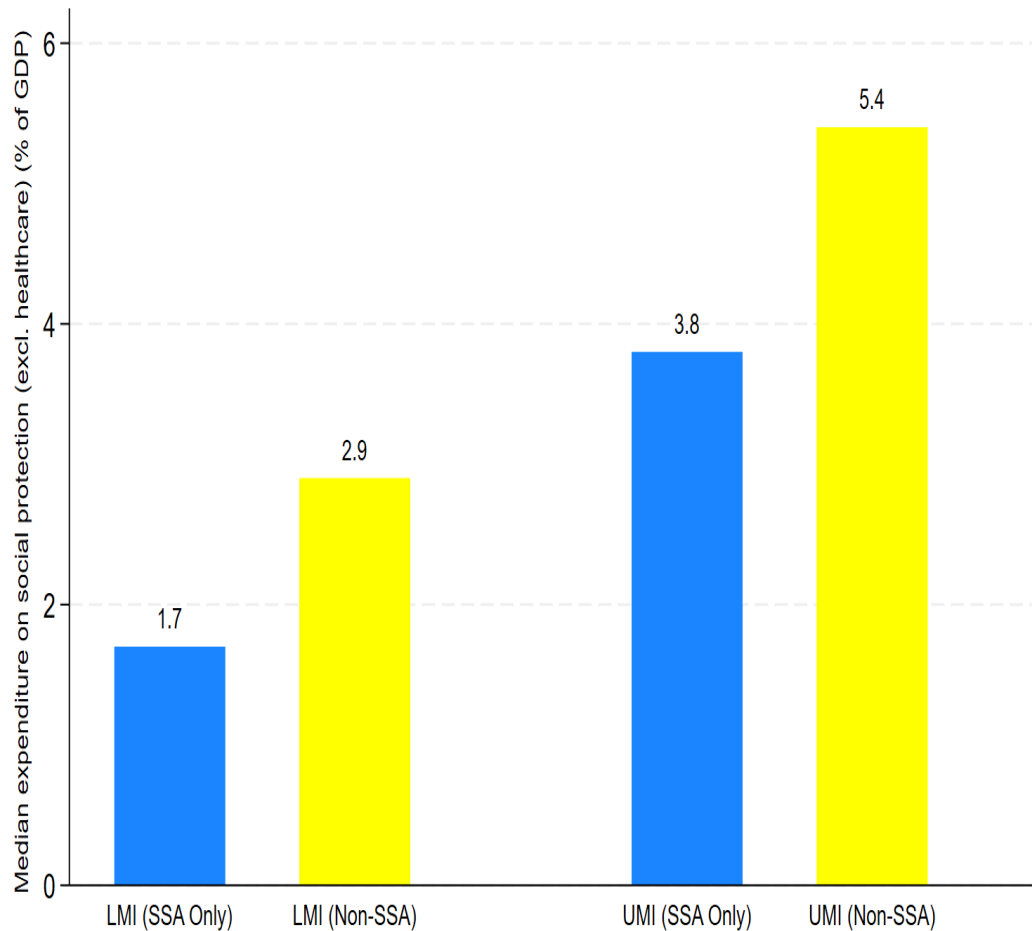


Sources: Sosa and Wai-Poi, forthcoming, based on data from World Bank, BOOST Open Budget Portal, <https://www.worldbank.org/en/programs/boost-portal>; International Monetary Fund, Government Finance Statistics database, <https://data.imf.org/gfs>.
 Note: The figure shows each category of public expenditure as a percentage of GDP, aggregated by income group. "Other" in panel a is defined residually as the difference between total spending and social spending. Panel b shows "Other" categories. For LMICs, there is a gap between the sum of explicit "Other" categories and the implied "Other" in panel a. GDP = gross domestic product; HICs = high-income countries; LICs = low-income countries; LMICs = lower-middle-income countries; UMICs = upper-middle-income countries.

- Social protection spending as % of GDP:
 - 1% - LICs
 - 4% - LMICs
 - 8% - UMICs
 - 15% - HICs.
- Pensions average 3%, 8%, 13% & 17%, respectively.
- Health spending averages (share of total spending):
 - 6% - LICs
 - 8% - LMICs
 - 11% - UMICs
 - 15% - HICs
- *Whilst LICs spend 40% of the average HIC on health, they only spend 6% of what the average rich country spends on social protection.*
- Gap could reflect either a stage of development preference for LICs or bias towards non social protection spending

II: Social Protection Spending in Africa

*Median Expenditure on Social Protection, % of GDP:
SSA vs, non-SSA Comparison, 2000s*



- While income category matters, it is clear that SSA has a particular bias against social protection spending.
- Whilst the median non-SSA LIC spends 2.9% on social protection, figure for SSA LIC sample is 1.7%.
- For the UMI sample also, the difference is 3.8% for SSA versus 5.4% for the non-SSA sample.

Notes: Gabon and South Sudan were excluded from the 'Sub-Saharan Africa' category due to data unavailability.

Source: ILO World Social Protection Database, own calculations.

III: Building The Baseline: Traditional and New Infrastructure for Social Protection

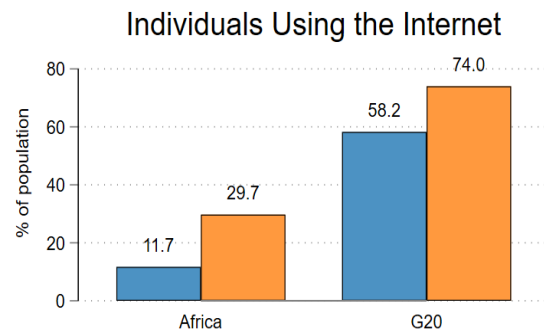
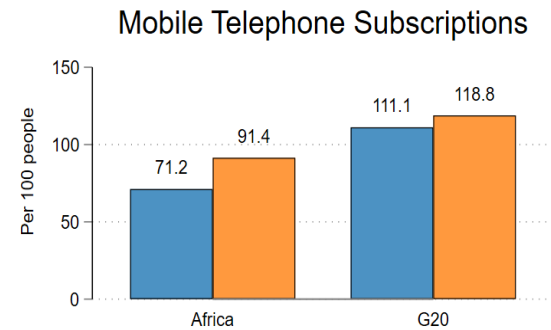
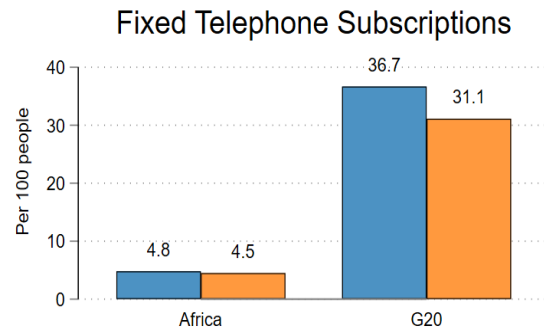
Existing Institutional Readiness for National Identification System: Selected African Economies

	Autonomous NID Agency	Same Agency for CR/NID	NPR	Social Register	NID/Voter Register Link
Botswana	no	Yes	<i>implementing</i>	<i>planned</i>	VR generated from NID
Cameroon	no	no	<i>planned</i>	no	separate (VR requires NID)
Chad	no	no	no	no	separate
Côte d'Ivoire	no	Yes	no	no	separate (VR requires NID or cert. of nat'l)
DRC	<i>n/a*</i>	<i>n/a</i>	no	no	<i>n/a</i>
Ethiopia	<i>n/a*</i>	no	no	no	<i>n/a</i>
Guinea	<i>n/a*</i>	<i>n/a</i>	no	no	<i>n/a</i>
Kenya	no	no	<i>implementing</i>	no	separate (VR requires NID)
Liberia	<i>planned</i>	no	no	no	<i>n/a</i>
Madagascar	no	no	no	no	separate
Morocco	no	no	no	no	separate
Namibia	no	Yes	Yes	no	MHAI provides info on deceased voters (VR requires NID, SWA card, or birth cert.)
Nigeria	Yes	no	no	<i>planned (NSSNP)</i>	separate
Rwanda	Yes	no	Yes	Yes (Ubudehe)	VR generated from NID
Sierra Leone	<i>semi, planned full</i>	<i>planned</i>	<i>planned</i>	<i>planned (NASSIT)</i>	<i>planned integration</i>
Tanzania	no	no	no	Yes (TASAF)	separate (VR will be used to extend NID)
Zambia	no	Yes	no	no	separate (VR requires NID)

Notes: CR = civil registration; NID = national ID; NPR = national population register. *The DRC, Ethiopia, Guinea, and Liberia do not currently have national ID cards. In Ethiopia, *kebele* (neighborhood or ward) cards are issued locally rather than by a centralized agency; however, a centralized NID is planned. The DRC technically has a national ID agency (ONIP), however it is non-functional. In Madagascar, both civil registration and national ID cards are technically under the purview of the Ministry of Interior, however they are managed and executed separately by municipal (CR) and district (NID) staff. Source: Summarized from IMSA reports.

- Traditional infrastructure critical for establishing and expanding social protection. Elements include:
 - Political figurehead & champion
 - Dedicated Ministry &/or agency
 - Qualified staff (IT systems, registration, targeting, means testing)
- In many African and low-income country settings this basic traditional infrastructure does not exist or very weak.
- Study shows that from a sample of 17 economies in SSA, only 2 have an existing social register and only 2 have a dedicated national population register.
 - Sample includes fair number of MICs (Zambia, Namibia, Botswana and Morocco) that do not have basic national ID systems in place.

III: Building The Baseline: Traditional and New Infrastructure for Social Protection



■ 2011
■ 2017

- Technology – through mobile phones - can be used more widely in Africa for national register: Lower cost & more efficient. Cell phone acts as unique ID.
- Mobile phone based registration: First-step in establishing national biometrics infrastructure for social protection.
- E.g. DRC: During Covid-19 pandemic, government designed emergency social protection programme for Kinshasha's poor.
 - Lack of administrative data. Used geo-spatial analysis and anonymised data from cellphone operators. Program paid 100 000 subscribers within 3 months of the initiation of the program.
- Togo: *Novissia* program also Covid-19 pandemic response. Individuals registered through dialling a number and then providing key information through an Unstructured Supplementary Service Data (USSD) form
 - Using combination of machine learning techniques, geographical areas and individuals residing within those areas were ranked according to their estimated level of relative wealth.
 - Once the beneficiaries had been identified, they were paid through mobile money accounts.

Source: Bhorat et al (2023) *Digitalization and Digital Skills Gaps in Africa: An Empirical Profile*. Brookings Institution: Washington DC.

<https://www.brookings.edu/articles/digitalization-and-digital-skills-gaps-in-africa-an-empirical-profile/>

1: African sample countries include: Algeria, Benin, Botswana, Cameroon, Egypt, Ethiopia, Madagascar (excluding 2017:Percentage of individuals using the internet), Malawi, Mali, Mauritius, Namibia, Niger, Nigeria (excluding 2011: Fixed broadband subscriptions), Rwanda, Senegal, South Africa, Tanzania, Togo, Tunisia, Zambia (excluding 2017:Percentage of individuals using the internet), and Zimbabwe.

IV: Two Social Policy Pivots: The Informal Sector and Post-Covid Support

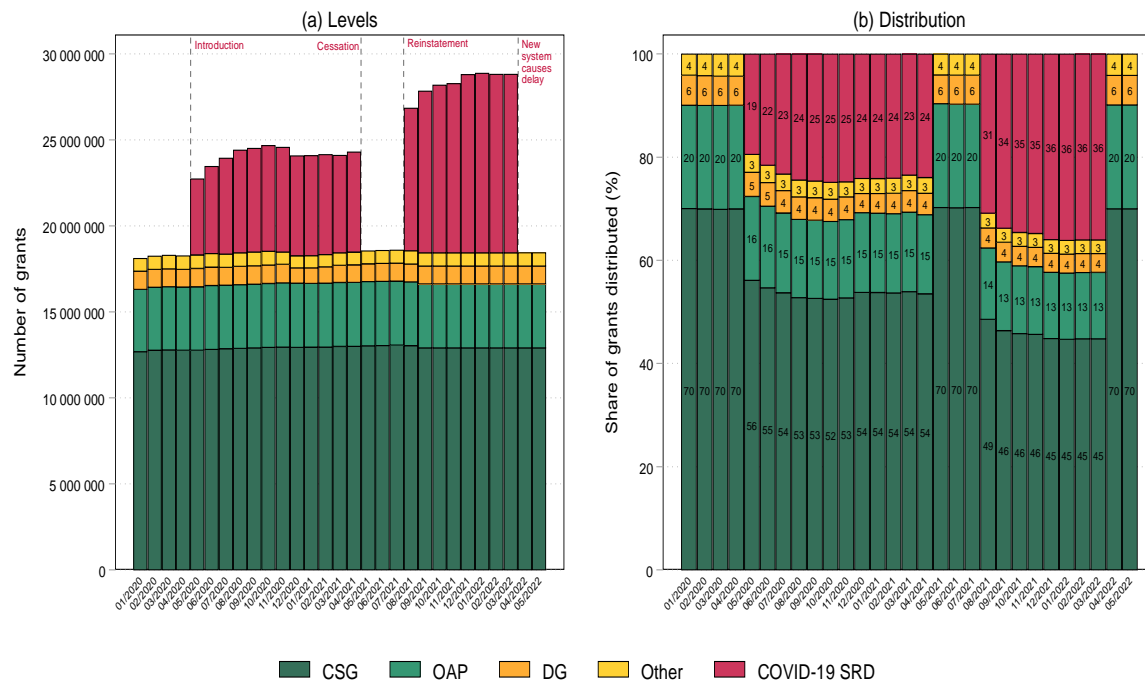
Employment Shifts by Main Sector in SSA, 1990-2018

	1990	2018	Change	Share of
	(000s)	(000s)	(000s)	Change (%)
Agriculture	87 110	135 024	47 914	34.6
Mining	1 504	1 943	439	0.3
Manufacturing	8 625	21 371	13 746	9.2
Utilities	434	882	448	0.3
Construction	1 829	8 090	6 261	4.5
Wholesale & Retail	11 376	38 409	27 033	19.6
Transport Services	1 447	6 717	5 270	3.8
Fin. & Bus. Services	1 501	12 176	10 675	7.7
Government Services	4 684	16 950	12 266	8.9
CSP Services	4 149	19 331	15 182	11.0
Total	122 660	260 899	138 239	100.0

- Gain foothold in social protection: Focus on cohort of workers outside wage employment e.g. Informal Sector. Over period 1990-2018 about 20% of all jobs created in Africa emanated from informal sector.
- Social Protection Scheme in Ghana- required creative policies: Flexible contributions & access to portion of savings- to provide for income smoothing.
 - Access to savings key to building trust between informal sector and government.
 - Ghana allowed workers to access up to 50% of their savings after 6 months. When the 6 months lapsed, many workers accessed savings. However- many returned savings back the next day, suggesting a test for many workers - to determine whether could access their savings.
 - Savings also able to be used as collateral to access business loans.
- Additional design features: Partial government subsidy through matching contribution level; bundling other services such as health insurance, life insurance or crop insurance.

IV: Two Social Policy Pivots: The Informal Sector and Post-Covid Support

Distribution of cash transfers in South Africa by grant type, January 2020 – May 2022



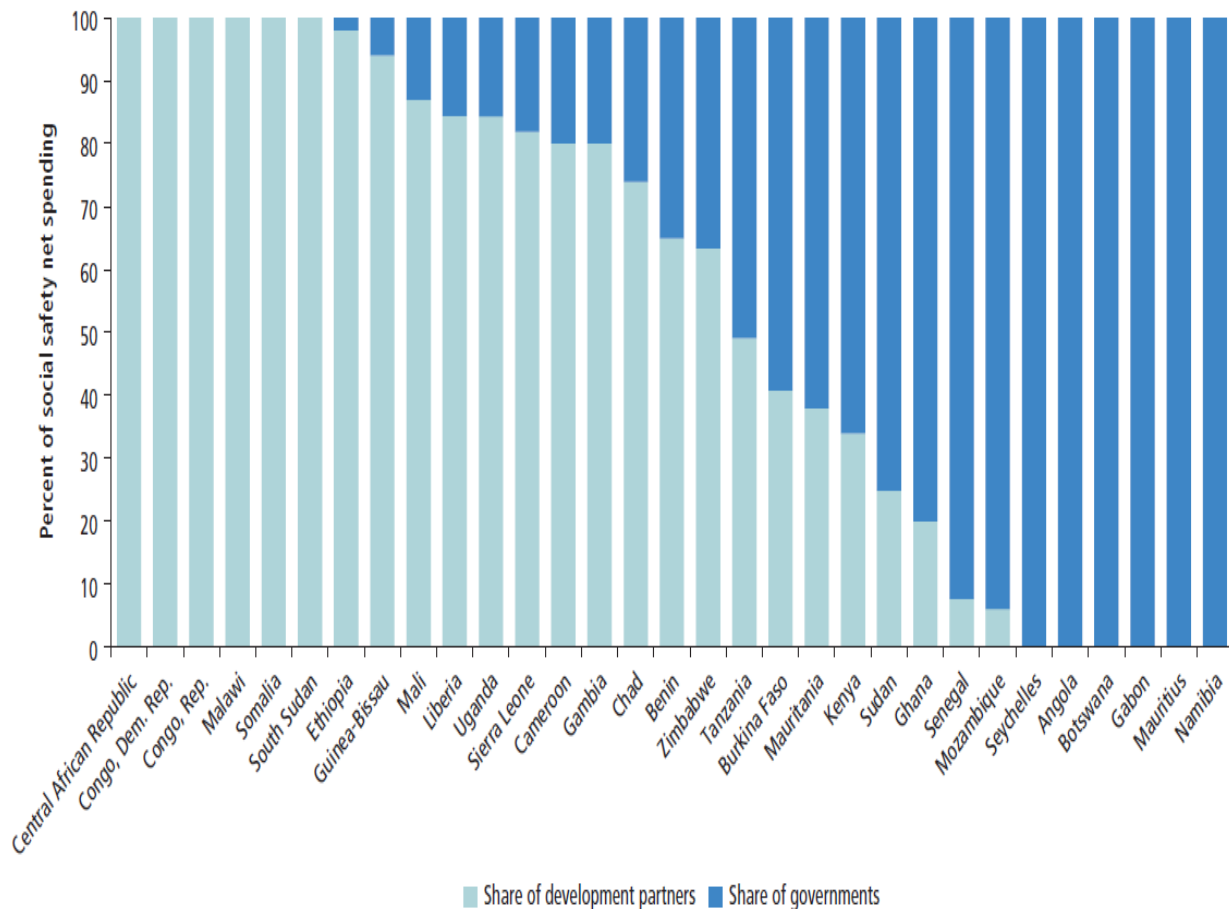
- Pandemic led to a numerous short-term cash transfer programmes not in place previously. Can these be pivoted to expand social protection?
- Example of South Africa: In April 2020, a special Social Relief of Distress (SRD) grant was launched in South Africa – worth about \$20 per month –targeted unemployed adults and those not other other social protection programs in South Africa.
- Three channels designed for applicants: a USSD-based system from cellphone providers, WhatsApp channel run by government and a dedicated website.
- Successful applicants paid by electronic transfer to bank account, through mobile number registered in the applicant’s name
- SRD highly successful: Over 6 million new recipients, well-targeted, with 60% of the recipients being unemployed and the majority of the remainder being informally employed
- May not be fiscally affordable now, but could use lessons to implement ALPs?

Authors’ own calculations. Source: SASSA (2021; 2022).

Notes: This figure shows the number of social grants distributed per month by grant type, not the number of recipients given that eligible individuals could receive multiple grants at once. Number of COVID-19 Social Relief of Distress (SRD) grants paid for, but not in, a given month shown – there are discrepancies between the two given payment delays. CSG = Child Support Grant; OAP = Old Age Pension; DG = Disability Grant; Other includes Foster Care Grant, Care Dependency Grant, Grant-in-Aid, and War Veteran’s Grant.

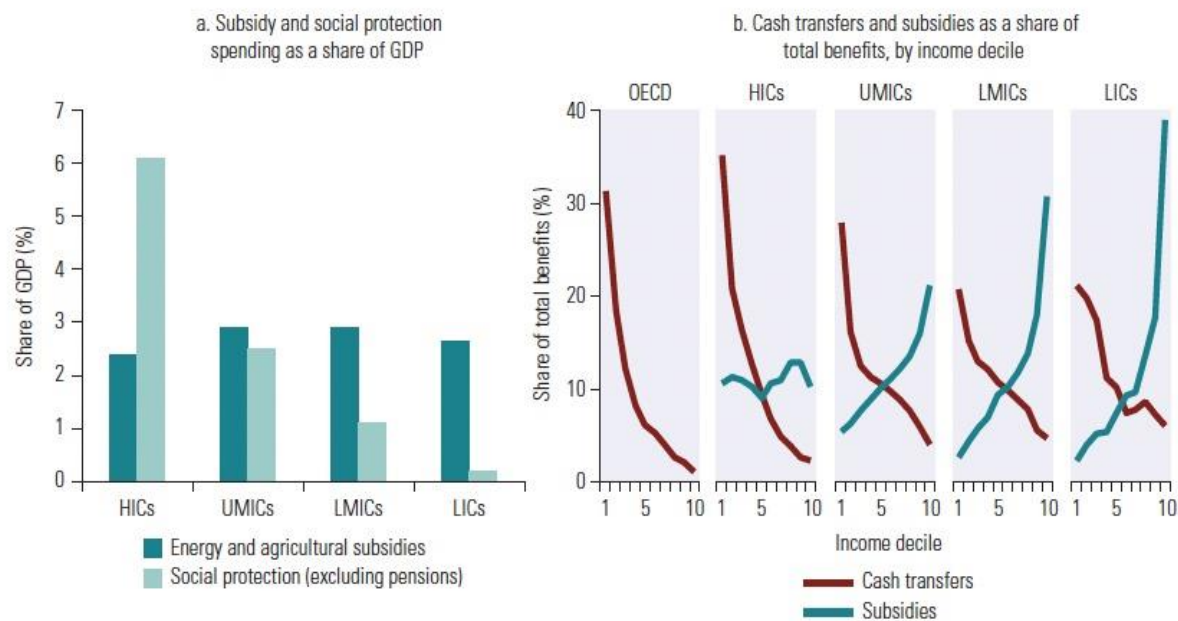
V: Financing Social Protection in Low-Income Settings: Brief Observations

Financing of Social Protection Programs in SSA, By country and Type of Funding



- Lack of funding a key constraint to expanding SP in Africa.
- Data shows 5 SSA countries 100% dependent on donor funding for social protection programs.
- Average proportion of donor financing in SSA is 55%.
- Going forward: Dependency on foreign donors needs to be reduced. Foreign donor support will be capped and donors likely to have own preferred programme biases.

V: Financing Social Protection in Low-Income Settings: Brief Observations



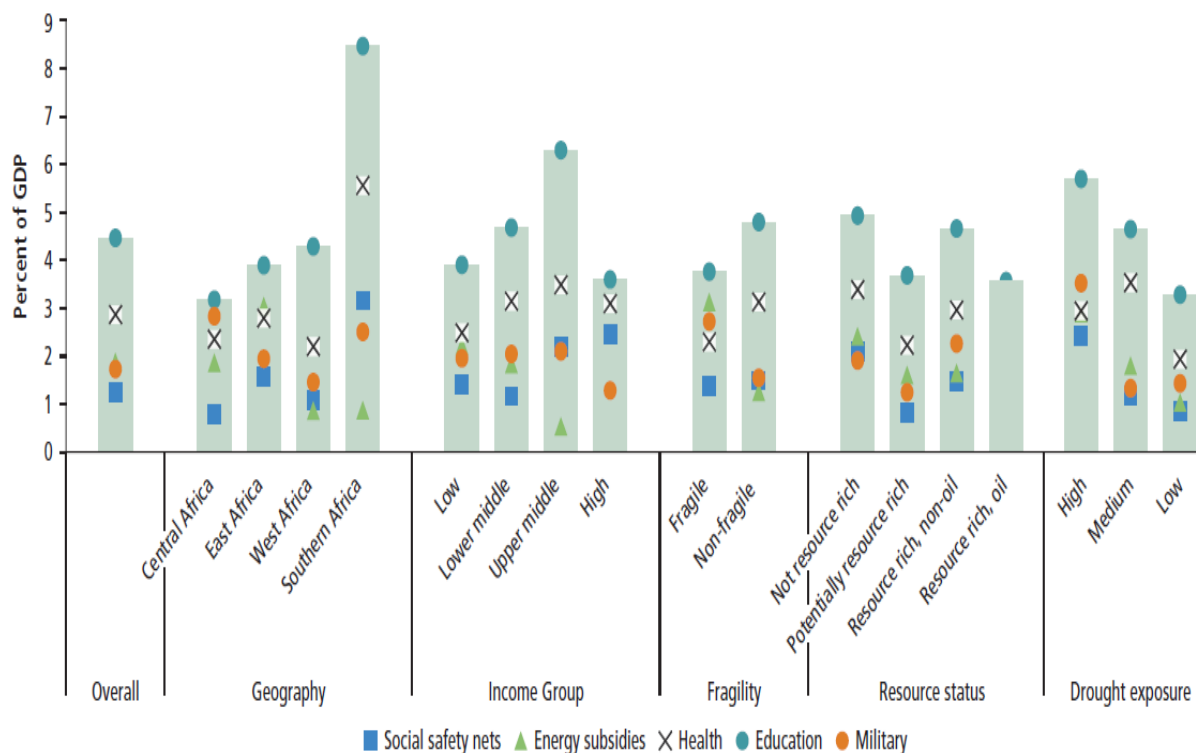
Sources: Agricultural subsidies: International Organisations Consortium for Measuring the Policy Environment for Agriculture database, <http://www.ag-incentives.org/>; energy subsidies: International Institute for Sustainable Development, <https://www.iisd.org/>; social protection: World Bank, BOOST Open Budget Portal, <https://www.worldbank.org/en/programs/boost-portal>, and International Monetary Fund, Government Finance Statistics database, <https://data.imf.org/gfs>; cash transfers and subsidies as a share of total benefits: CEQ Institute, CEQ Data Center on Fiscal Redistribution, <https://commitmenttoequity.org/datacenter>; OECD data; World Bank data.

Note: Panel a compares spending on energy and agricultural subsidies with spending on social protection (excluding pensions) as a share of gross domestic product (GDP), aggregated by income group. Panel b shows transfers and subsidies as a share of total benefits by market income decile, aggregated by income group. Subsidy incidence is not available for OECD countries. GDP = gross domestic product; HICs = high-income countries; LICs = low-income countries; LMICs = lower-middle-income countries; OECD = Organisation for Economic Co-operation and Development; UMICs = upper-middle-income countries.

- *Subsidies Versus Transfers:* Developing country governments (incl. Africa) spend more on energy and agric. subsidies than social protection.
- UMI spending on SP and subsidies about that same at 3% of GDP, *but*
- For LICs and LMICs not the same: LICs & LMICs, spending on social protection is *one-tenth* & about *half* of subsidy spending.
- Crucial: Subsidy expenditure much more regressive than social protection spending:
 - Only 20% of subsidy spending reaches bottom 40% of households.
 - Spending on subsidies maintained by governments to serve local interest groups to ensure necessary political support to remain in power.

V: Financing Social Protection in Low-Income Settings: Brief Observations

Proportion of GDP Spend on SP, By Category and Sector of Spend, Africa:
Latest year by country

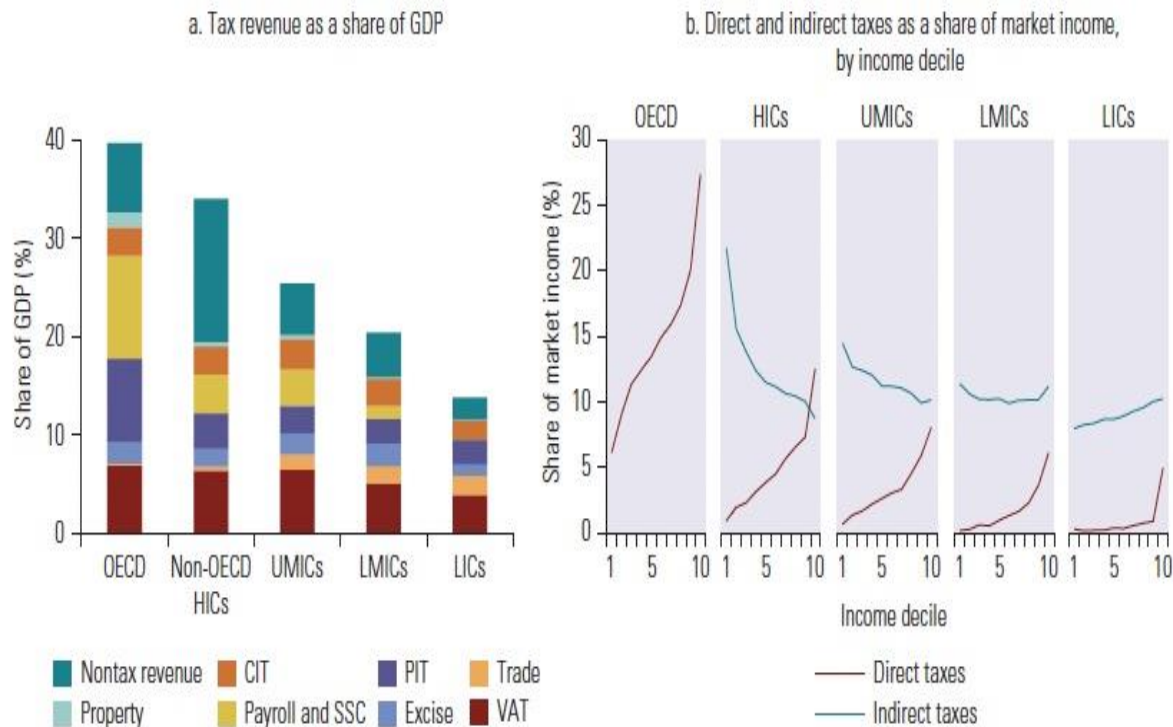


- In Africa: Social transfers under-utilised even within the suite of available interventions beyond subsidies.
- Irrespective of category of African economy - social safety net expenditure as share of GDP remains the lowest for almost all categories, when compared against spending on education, health, subsidies and worryingly – military spending

Sources: Spending data: ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (database), Administrative data, World Bank, Washington, DC, <http://www.worldbank.org/aspire>. Energy subsidies: Coady et al. 2015. Other data: WDI (World Development Indicators) (database), World Bank, Washington, DC, <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>.

Note: Methodology presented in appendix B.4 and more details in appendix G, table G1. Data do not reflect reductions in subsidies which have taken place since 2015. Social safety net spending estimates are moderately different from those in World Bank (2018) due to data updates in this report and different treatment of outlier data points.

Tax Revenue by Source (% of GDP) and Progressivity of Tax Revenue



Sources: International Centre for Tax and Development, <https://www.ictd.ac/>; CEQ Institute, CEQ Data Center on Fiscal Redistribution, <https://commitmenttoequity.org/datacenter/>; OECD data; World Bank data.

Note: Panel a shows each type of government revenue as a percentage of gross domestic product (GDP), aggregated by income group. Panel b shows direct and indirect taxes as a percentage of total market income by market income decile, aggregated by income group. Indirect tax incidence is not available for OECD countries. CIT = corporate income tax; GDP = gross domestic product; HICs = high-income countries; LICs = low-income countries; LMICs = lower-middle-income countries; OECD = Organisation for Economic Co-operation and Development; PIT = personal income tax; SSC = social security contribution; UMICs = upper-middle-income countries; VAT = value added tax.

- Improvements in taxation policy, tax collection and enforcement → Impetus for enhanced SP funding.
- Richer countries collect more tax as share of GDP relative to middle and low income economies: LICs collect 11% of GDP in taxes—this estimate is 32% of GDP OECD HICs.
- Tax policy improvements on three core areas:
 - Introduce property taxation as in many countries these do not exist. Will be progressive given distribution of property ownership in many low income countries.
 - Indirect health taxes such as on tobacco, alcohol and sugar easy to implement and adjust and are progressive in a lifecycle sense.
 - Carbon taxes. Can simultaneously raise revenue without undermining inequality and employment in a domestic economy.

- Social protection reach and spending in Africa is wholly inadequate. As share of GDP social protection spending in SSA, lags all other regions of the world – even when controlling for income category.
- Low income countries in general seem to value social protection less than other forms of social policy.
- Policy Considerations:
 - Build *baseline traditional and innovative infrastructure* in order to build foundations for social protection essential, but under-valued in region.
 - *Exploit Short-term Opportunities*: Focus on groups – such as the informally employed – or the response to a crisis can allow for a foothold in widening social protection access within a country.
 - *Reduce dependence on donor support* for social protection - build into regional goals.
 - *Switch from Subsidies to Transfers* with the advantage of enhance progressivity with transfers.
 - *Narrow Differential in Spending on Social Protection* relative to other categories, in particular Military expenditure
 - *Improve Tax Collection and Tax policy* – with a view to increasing revenue from companies and individuals: Potentially key instrument to increasing social policy spending.
- Ultimately: Closer attention and focus on social protection as a core policy action required in pursuit of the war on poverty in the region.

Thank you

