



Study on Social Protection in Sub-Saharan Africa

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FINAL REPORT

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Executive Summary

Social protection in sub-Saharan Africa (SSA)

Social protection scope and aims in SSA

Social Protection includes policies and actions that enhance the capacity of poor and vulnerable groups, to escape or avoid falling into poverty, and to better manage risks and shocks, through access to essential services and income security throughout active and need periods. The *Southern Africa model* has evolved around category-based grants for older people, and more recently children. The *Middle Africa model* also has transfers at its core, but is more varied and aims to integrate the provision and utilisation of basic services highlighting health, schooling, and nutrition improvements. Many sub-Saharan Africa (SSA) countries remain dependent on temporary donor-led social protection programming which is not vulnerability transforming. Others (eg Ethiopia, Ghana) are working for greater national ownership, demonstrating political and financial commitment. The 2012 EC Communication on Social Protection¹ emphasises the multi-dimensional role of social protection and calls for social protection to support inclusive growth characterised by "people's ability to benefit from wealth and job creation", calling for innovative and tailor-made solutions in the face of institutional weaknesses and high levels of informality.

There is a growing realisation of the importance of strengthening the preventive, developmental, promotive, transformative, integrative and re-integrative context of social protection in SSA – through ensuring that poor and vulnerable people are linked to the labour market and economic activities, graduation and exit from dependence on safety nets can be realistically achieved. Social protection should therefore include:

- reduction of poverty and vulnerability
- promotion of efficient labour markets
- diminishing and preventing people's exposure to risks
- enhancing the capacity of people to protect themselves against hazards, risks and loss/interruption of income, in particular through exit and graduation measures

In this way labour market (activation) measures, such as public works programmes, employment guarantee schemes and vocational skilling become core components of the social protection edifice, even though there has generally speaking been a limited recognition and application of this in policy development and programme formulation in the African context. Yet participation in the labour market should ideally be associated with regulatory guarantees and minimum wages, in order to avoid exploitation and to ensure that labour market participants are enabled to contribute to their own social protection via insurance-based mechanisms. The improvement of the quality of employment, in accordance with the ILO Decent Work Agenda, therefore acquires an important meaning also for the poor and vulnerable who are attempting to exit poverty and dependence on social transfers.

The need for Social Protection in SSA and some reform initiatives

The need for social protection in SSA is informed by pervasive poverty (affecting between 30%-70% of country populations), high levels of informal activity (often more than 90% of the workforce) and unemployment. SSA is generally characterised by low levels of overall social protection (6%-20%) and in particular contributory social security coverage (5%) and the inability to reach many of the MDG goals. Spending on social protection is usually below 2% of GDP, and at times below 1%. Recently, however, several SSA countries have adopted social protection policies and strategies; several others are in the process of developing same. In fact, social protection is increasingly a prominent component of national long-term development strategies and priorities, and of Poverty Reduction Strategy Papers.

¹ European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Brussels, 20.8.2012), accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf on 19 February 2013.

Despite the many socio-economic challenges they face in providing social protection, low- or medium-income countries such as Ghana and Lesotho² have made remarkable achievements in providing social protection, as have other SSA countries. Bolstered by strong political commitment and substantial donor support, an extensive range of social protection interventions have been established in both countries.

In Ghana, these interventions span the areas of contributory and non-contributory arrangements, as well as broader social protection initiatives. In overhauling the retirement benefits framework, a new three-tiered pension system has been created to extend protection through public-private arrangements, also to informal economy workers; universal health insurance has been introduced, funded through contributions and general taxation (VAT), already achieving 67% coverage of the population; the flagship Livelihoods Empowerment Against Poverty (LEAP) Programme which targets the extreme poor (18% of the population) is designed to link the beneficiaries of a means-tested conditional cash transfer programme to complementary services that will facilitate their graduation; the National Youth Employment Programme (NYEP) provides skills training services and links participants to employment opportunities; the highly successful Labour Intensive Public Works Programme (LIPW) (which generated 13 million person days of employment and injected US\$30 million into the rural economy over a 15 year period) has given rise to a new Social Opportunities Project (GSOP) which combines a cash transfer programme with the LIPW; and special programmes have been developed to address poverty and develop economic opportunity for the underdeveloped regions.

Given its current socio-economic conditions and fiscal ability, Lesotho has achieved an impressive record in creating a basic social assistance and social protection system, informed by political commitment and through budget reprioritisation. It has set up and administered near universal schemes operating at scale with fairly low transaction costs, addressing core areas and serving vulnerable constituencies – including the aged (via a universal Old Age Pension), orphaned and vulnerable children (through a sizeable and expanding Child Grants Programme), and school-age children (through a comprehensive school feeding scheme (especially at primary school level) and free primary education). At the same time Lesotho is contemplating the establishment of a contribution-based comprehensive national social security scheme, to provide coverage for Lesotho formal sector workers and their families, while envisaging the extension of coverage to the self-employed and informal workers. It has also successfully established a public works programme within the context of the Integrated Watershed Management Project, designed to address on a comprehensive scale poverty and land degradation issues. In both these countries steps are taken to develop overarching national social protection policy frameworks, supported by existing sectoral policies, while some steps have been taken to bring about institutional alignment and policy coherence. However, challenges remain. Fragmentation at the policy, programme and institutional level is still evident, while the need for improved targeting has prompted both countries to institute a common targeting mechanism. Steps also need to be taken to synchronise the various social protection interventions and to create more fiscal space by removing wastage and coordinated fiscal planning.

Fiscal Framework

Fiscal context and costing

The recent financial and economic outlook suggests favourable prospects in the medium-to-long term if the political space for adequate reforms exists. But in the short-to-medium term, affordability issues are more serious, especially for low-income countries (LICs). Most recent studies conclude that universal child allowances and even universal social pensions would be difficult, if not impossible, for African LICs to finance. A universal disability pension is more affordable, because of the much smaller number of beneficiaries. The situation is quite different in some middle-income countries (MICs), especially those with oil economies. Favourable world prices are likely to allow them to run solid surpluses and thereby generate more fiscal space.

² Ghana and Lesotho were selected as two SSA countries to visit, as part of the study on social protection in sub-Saharan Africa.

Various estimates from different studies show that provision of universal child benefits requires mobilisation of additional resources averaging roughly 3% of GDP in LICs or 1.6% in low-to-middle-income countries (LMICs); while to provide basic health care, additional resources averaging 1.3% of GDP would be needed in a typical LIC and 0.5% in a typical LMIC. Provision of a social protection package (family allowance, old-age pension, disability pension, maternity pension, and transfers to vulnerable households), excluding the basic health component, would require very roughly between 2.8% and 5.6% of GDP.

The provision of social protection is by definition a long-term commitment. Over and above short-term affordability, therefore, sustainability is a key issue in the financing of social protection. SSA countries are facing at least three main sustainability issues: aid dependency, a restricted number of contributors and demographic change. First, many of the social protection initiatives launched in SSA in recent years have been driven by donor priorities and donor money. In recent years aid has been provided for launching social protection programmes *via ad hoc* small-scale pilot projects or short-term project financing or basket funding, with minimal prospects for domestic government financing. Evidence shows that weak ownership by recipient governments reduces the level of local commitment to take over financing of programmes once they have been successfully established. The unpredictable and volatile nature of aid adds to the difficulty of scaling up such and poses a challenge for sustainability. Second, for the most part contributory programmes are currently characterised by small numbers of contributors, making effective coverage significantly lower than legal coverage. Among the elderly in SSA, only 15.6% receive pension benefits and only 5.4% of the working-age population contribute actively to pension schemes. As by their very nature contributory programmes depend heavily on member contributions for their financing, the low numbers of contributors raise sustainability concerns. Finally, the effects of rapid population growth and demographic change, especially in low-income countries, present a great fiscal challenge. Over the very long term, as the age composition of the African population evolves, child allowances will gradually become more affordable, whereas social pensions may present more of a fiscal challenge in terms of sustainability.

Increasing fiscal space

SSA countries now have three main opportunities for increasing fiscal space for social protection. In the medium term development of innovative financing through tax earmarking could play a great role in increasing domestic revenue. Evidence shows that VAT still has clearer revenue-generating potential than most other instruments, but realising this in practice requires expanding the tax base through both policy change and improved compliance rather than through increasing standard rates. The National Health Insurance Levy in Ghana is a good example of using VAT to finance social protection. Taxation of natural resource extraction is another potential avenue of revenue mobilisation in most SSA countries, a resource tax being particularly relevant for mineral-rich developing countries, enabling them to increase fiscal space with relatively little extra public administrative capacity for tax collection. The Dignity Pension benefit established within the Bolivian non-contributory Social Security Scheme is a good example, another being the Human Development Fund in Mongolia where special extractive industry taxes are being used to cover social protection in terms of such benefits as pension and health insurance contributions; contributions to buying a house; health and educational costs; and cash payments.

In the long term the key medium-to-long-term engine of higher revenue is economic growth, for a given tax system and structure; and as countries mature economically, higher levels of protection can gradually be achieved. Given recent macroeconomic indicators, the short-term outlook for SSA remains broadly positive. Growth remains relatively strong and SSA is on track to record annual growth of about 5¼% in 2012–13, similar to that recorded in 2010–11. Low-income countries are projected to be amongst the fastest-growing in the sub-region, with annual GDP growth rates averaging 6%. This positive outlook for most SSA countries suggests favourable prospects for resource mobilisation in the medium-to-long term. A recent study of resource mobilisation in SSA suggests that an increase in government revenue of about ½ - 2 percentage points in the one-to-three-year horizon and about 2 - 3½ percentage points in the longer term, in relation to GDP, is consistent with historical patterns.

Reallocating expenditures in the search for efficiency is another potential avenue for fiscal space in SSA. In the context of efficiency of allocation, the main potential opportunity gains in most SSA countries are to be found in the waste of resources on consumer subsidies and in transfers to finance the structural deficits of public pension funds. For enhanced operational efficiency much fiscal room could be created by improving the cost-efficiency of social transfers through reducing the cost-transfer ratio, which is often very high in SSA.

Energy subsidies in SSA are costly, untargeted and inefficient. Despite reform efforts, energy (fuel and electricity) subsidies still absorb a large share of scarce public resources in the sub-region. In Mozambique, for instance, it would have been possible almost to quadruple government expenditure on social transfers if all the resources spent on fuel subsidies had been redirected to this end. Large public pension deficits, which require parametric reforms to restore long-term sustainability, are ultimately a burden on the rest of the population, and crowd out other important expenditures. The financing of public pension fund deficits was for instance equivalent in 2011 to 0.4% of GDP in Côte d'Ivoire and 0.6% in Benin. In Niger, the deficit in the mandatory pension system was close to 0.3% of GDP in 2006, or nearly 40% of the aggregated primary deficit of the government which accounts for almost 1% of GDP.

Another possible avenue for funding social protection is reallocation away from substantial non-discretionary expenditure. The high level of military spending is one potential source of fiscal space in several SSA countries but its feasibility depends largely on the existence of "political space". Good practice rightly emphasises the central role of political commitment of, and incentives for, national leaders in deciding where public funds are spent.

Conclusions and recommendations

Tackling affordability is crucial in low-income countries. As indicated, most recent studies conclude that universal child allowances and even universal social pensions would be difficult, if not impossible, for African LICs to finance. In the short term donor funding is important for tackling affordability in low-income countries. However, the unpredictable short-term nature of most aid financing needs to be contrasted with the long-term commitment necessitated by an expansion of social protection provision. External aid should have a limited role as a catalyst in initial financing of new programmes, given that using donor funding to expand social protection on a permanent basis is unsustainable. A key role for the EC and EU Member States may be provision of funds for initial investments and fixed-cost items; this funding could include investment in monitoring systems; identification and registration systems or expansion of national identification systems; evaluations; and more. Funding for capacity-building in those areas would also be beneficial. Donors should play a major role in setting up social protection systems in these countries through partnership. On the donor side this shift away from donorship to partnership requires predictability of funding and long-term guarantees to promote financial sustainability. Expanding the fiscal space for social protection financing through general budget support is of course preferable, but this presupposes that national governments will decide to allocate more for social protection. Finally, strong aid coordination, capacity-building and technical assistance in policy development are crucial factors in establishing this basis for partnership with government.

Government policy ownership and leadership in the recipient countries is vital for ensuring sustainability. And increased levels of domestic financing over time indicate both political commitment and sustainability. The role of external aid is crucial in creating fiscal space, given the heavy resource constraints in these countries. Indeed, effective and sustainable social protection should ultimately be based on internal rather than international wealth redistribution; the EU should support measures to develop effective, efficient, fair and sustainable tax systems, according to the capacities of individual partner countries, in order to increase fiscal space to fund social protection.

A good legal framework is also required to guarantee institutionalisation of a social protection scheme. Evidence shows that social transfers become "entitlements", especially when established through legislation as in such countries as South Africa and Mauritius, and expenditure on them effectively becomes non-discretionary. Establishing an appropriate legal and institutional framework is a key challenge for the provision of effective and efficient social protection coverage in SSA. The EU should continue support to partner countries through

technical cooperation, to set up the strategic, policy, legal and institutional framework, based on their local analysis and priorities. Therefore, the EU should include social protection in its policy dialogues with partner countries on their national development strategies and should support the development of nationally-owned social protection policies and programmes.

Labour Markets and Sustainable Livelihoods in SSA

The SSA context

GDP growth in Africa has not created enough jobs to meet the needs of a fast-growing population. Labour markets in the SSA context include all formal and non-formal workers and income-generating activities. The majority of the labour force in SSA countries is engaged in low-productivity activities in the informal economy, or in agriculture, where women and young people are overrepresented. Response to informality focuses on the situation of vulnerability and poverty of informal workers. Smallholder agriculture still dominates rural livelihoods in most SSA countries, but the agriculture being practised is largely low-return and high risk. Towards the end of the 2000s, donor approaches to livelihood insecurity saw extension beyond its safety net origins and into the productive sectors. More action is still required from national governments. Despite 26 signatories to the Comprehensive Africa Agriculture Development Programme (CAADP), an estimated 22% of SSA governments did not respond to the 2008 global food crisis and food costs continue to rise in the region.

Labour market intervention options in SSA

Active labour market interventions (ALMPs) in SSA are organised around vulnerable categories, geographical areas, or sectors or economies. They focus on strengthening the income-generating capacity of people engaged in a livelihood but who remain poor and vulnerable. Combination interventions are more effective in promoting graduation to self-sufficiency or improved human capital, but these are limited in number. Micro-enterprise programmes that provide a combination of mentoring, business counselling, and links to finance are found to be more effective in assisting people to start their own business. Public works programmes offer low-wage, short-term employment in construction, rural development and community services. The Productive Safety Net Programme (PSNP) in Ethiopia is the only employment guarantee programme in SSA and has also introduced the notion of a rights-based approach. Public works programmes can be enhanced through predictability, and design linkages, including skills training, micro finance, and selection of public goods. The extreme poor benefiting from Ghana's LEAP (Livelihood Empowerment Against Poverty) programme can access public works programmes to bolster household income for example. Skills training programmes work best in middle-income countries alongside on-the-job training. Ghana's National Youth Employment Programme links skill training with public sector placement and enterprise set up. In informal dominated economies, young workers pass through informal apprenticeships which need to be strengthened and combined with formal education. Employment services are a cost-effective intervention where there is a growing demand for formal labour.

Social protection for sustainable livelihoods options for SSA countries

Agricultural livelihood strategies go beyond production strengthening, to value addition and linking with markets. Affordability is increasingly seen as the key challenge for food security and context-specific combinations of risk mitigation and shock-softening instruments are required to stabilise incomes. Asset, food and cash transfers or subsidies can be used in combination to promote production and smooth consumption simultaneously. It was anticipated that beneficiaries of Ghana's LEAP programme would have priority access to agricultural livelihood strengthening but it has not yet been possible to track beneficiary overlaps. The Savannah Accelerated Development Authority (SADA) in Ghana is responding to food insecurity in some of the same target areas as the LEAP programme for example. Price controls, public food stocks, and input subsidies remain controversial but can be useful if used strategically. Active labour market interventions in the form of technical training in off-farm skills or services to producers, micro-enterprise business training, access to micro finance, and public works programmes are complementary options for livelihood strengthening and shock response especially for those without access to land and who can provide goods and services to rural value and supply chains.

Key actors in labour market engagement and sustainable livelihoods

EU aid contributes to various social protection measures including cash transfer schemes, public work programmes, school lunches, social care services, and food vouchers in the poorest of partner countries. Social protection is also being addressed by a number of other bilateral and multilateral agencies including DFID (capacity development; and multilateral financing); GIZ (basic social security systems and employment creation); USAID (agricultural productivity; resilience to climate shocks); World Bank (manage risk and shocks, productive income-earning opportunities); FAO (agricultural productivity and market access); and IFAD (productivity and rural incomes). The UN Social Protection Floor Initiative, supported by the recently adopted ILO Recommendation 202 of 2012 on National Floors of Social Protection, focuses on ensuring access to essential services and providing a minimum income and livelihood security.

Conclusions and recommendations

The diversity of economic and labour market dynamics in SSA requires a flexibility of approach informed by best practice and inspired by the objective to grow or redirect the labour supply, or to provide income-generating opportunities especially where formal demand for labour is lacking and the informal economy is dominant. The intersection of the social protection and food security agendas provides the opportunity to create instrument packages that address both the immediate consumption and income-generation demands of the rural poor, and their longer-term navigation of services markets. Effective EC intervention requires incorporation of simulation analysis of these trends and suitable combinations of measures for prevention and/or response. Labour market integration and sustainable livelihood interventions are most effective as part of a nationally owned social protection system that aims for the realisation of social and economic rights and the reduction of vulnerability. As indicated in the EC 'Agenda for Change' and Communication on Social Protection, EC aid intervention proposes to support labour market integration, relationship of the poor to markets and sustainability of agriculture livelihoods in the face of shocks.

The following recommendations assume continued EC support to the longer-term policy dialogue and institutional capacity building for labour market integration and sustainable livelihoods.

(i) Potential expanded role for EU in SSA labour market intervention

1. Increased EC intervention should be shaped on clear graduation expectations, focusing primarily on either short-to-medium term income generation or longer-term labour force development.
2. Intervention strategies should be designed according to local labour and target group dynamics (including formality/informality, educational capacities of beneficiaries), and regional best practice.
3. ALMP desired outcomes have to match inputs available for implementation, especially time and human capacity input.
4. The EC can engage directly in specific labour market intervention in public works, micro enterprise, labour market information systems, and technical skills training.
5. The EC should invest in monitoring and beneficiary tracking (including impact evaluation) to determine outcomes over the longer term.
6. The EC will have to address trade-offs between providing comprehensive packages to a smaller number of beneficiaries and one-dimensional interventions to a larger number.

(ii) Potential expanded role for EU in SSA sustainable livelihood promotion

1. Effective EC intervention requires analysis of food crisis trends and pre-agreement of suitable combinations of measures balancing immediate consumption and long-term food security needs.
2. Attention is required to choice of instruments which are needed to balance public and private options.
3. A combination of agricultural livelihoods and active labour market programming is required in rural areas in support of the on-farm and off-farm diversification of livelihood strategies.

4. Instruments should build on beneficiaries' diverse risk mitigation and income-generation strategies.
5. Complementarity interventions and promotion of synergies are essential to maximise protection and livelihood strengthening to minimise dependency and to incentivise improved productivity.
6. It should be noted that while some beneficiaries will 'graduate' out of vulnerable status, some will never graduate, and others will return to vulnerability according to seasonal, climatic or economic patterns.
7. Effective targeting remains a challenge and is costly to implement, but can be more efficient.
8. Institutional capacity for sustainable livelihood support requires significant strengthening.

Extending SP to the Informal Work Context

The reality of informal work in SSA

In sub-Saharan Africa generally, informal employment constitutes 66% of all non-agricultural employment (excluding South Africa and other countries in Southern African with a relatively low prevalence of informal employment). If informal employment in agriculture is included, this rate is as high as 90% of employment in some countries (e.g. Ghana in SSA and India in South Asia).³ According to a 2008 ILO study, the gender dimension of informal employment in sub-Saharan Africa is evident from the fact that 84% of women non-agricultural workers are informally employed, as opposed to 63% of male non-agricultural workers.⁴ In Africa in particular, the relationship between informal work in low-productivity environments and lowly paid positions is evident – according to a recent ILO report, the persistence and depth of poverty in Africa is strongly related to both the structure of employment and low productivity.⁵

Informal employment comprises several categories. In the first place, there is wage employment in jobs without social protection and self-employment in unincorporated enterprises, which can be further disaggregated into different categories of employment relationships. Self-employment consists of own-account workers and employers of informal enterprises who hire other workers. The conditions of these two categories are often very different. Wage-employment includes informal employees of both formal and informal firms, subcontracted workers, wage workers for households (domestic workers), and wage workers with no fixed employer (casual day workers). Second, there is a vast and growing range of other forms of work which cannot be regarded as either self- or wage employment. Many of these (informal) workers do their work in supply chain contexts, and may not have a relationship with an employer. In fact, in the majority of cases there is no employer, but at best a "provider" of work, in the broad sense of the word. Others may be working in the care economy, and could hardly be regarded as being self-employed in the sense used above. From a policy response perspective it has to be understood that it is necessary to pay particular attention to these categories, in the search for extension of adequate SP to them.

Extending protection

Until recently, little attempt has been made to accommodate the specific context of informal and self-employed workers within the traditional social insurance framework by way of, for example, specialised arrangements. And yet, there are increasingly indications that tailor-made solutions are being developed and tested in a range of developing countries and environments. One of these solutions, to be found in both low- and middle-income developing countries, also in SSA, relates to the extension of coverage beyond the sphere of the formal employment relationship. Extension of social security coverage to those who work informally should also recognise that a range of complementary institutional measures is needed to achieve meaningful extension of

³ *Empowering People for Inclusive Growth: The Perspective of the Working Poor in the Informal Economy*; EC Concept Note – High Level Panel (2012) 2, quoting Vanek, J; Chen, MA; Hussmans, R; Heintz, J; and Carre, F *Women and Men in the Informal Economy: A Statistical Picture* (Geneva, Switzerland, ILO and WIEGO, 2012).

⁴ ILO Contribution to the joint AU/ILO workshop on the informal economy in Africa (Dakar, 2008) 3-4.

⁵ *Ibid* 3.

protection. From the available evidence in SSA and other parts of the developing world, it is clear that the wide-scale extension of coverage impacting effectively on the whole or most of the informal economy framework may be possible and even required. However, sectoral approaches embedding tailor-made solutions, provisions and prescriptions for particular groups of workers in the informal economy could be crucial for successful extension of coverage. This can often only be done on a progressive basis (as happened in Tunisia).

In SSA, the range of already adopted and/or envisaged arrangements aimed at coverage extension includes:

- (a) Extension of non-contributory arrangements on a category basis: Countries such as South Africa, Namibia and Cape Verde have incrementally extended their social assistance protection to vulnerable groups of people – which may include some of those operating in the informal economy.
- (b) National/universal non-contributory arrangements: Universal health care arrangements provide an example of this approach – such as is the case in Cape Verde.
- (c) Universal contributory schemes: This is perhaps one of the most pronounced developments occurring in the area of social security extension in SSA countries. This applies in particular to universal health insurance. In this way Ghana is said to have achieved coverage of 67% of the population; in the event of Rwanda the figure is said to be 85%. Other SSA countries that have decided to go this route (although implementation may still be absent, or not fully realised) include Benin, Côte D'Ivoire, Gabon and Nigeria.
- (d) Development of a dedicated framework suited to the context of informal economy workers: One of the successful examples in SSA is provided by the Ghana Informal Sector Fund.

In addition, it might be necessary to develop specialised contribution modalities, eligibility criteria and benefit packages for the informal economy/sector as a whole or for particular sectors individually. The experience in Ghana may be cited as an example from which other SSA countries can learn. Established as a pilot under the SSNIT's voluntary pension scheme, the Informal Sector Fund was established as a separate company in 2009 and contributions have grown significantly. Workers in the informal and formal sector (aged 15 years and above) as well as the diaspora are eligible to join. Contributions can be made for any amount at any time through locally based collection agents of the fund or through banking order, payroll deductions or money transfer. The scheme provides lump sum old age (retirement), disability and death benefits and also offers life insurance. After deducting life insurance premiums, half the contribution goes in an Occupational Scheme Account (OSA) and half goes into a Retirement Account. Members can withdraw from the OSA after five months and can use the savings to secure loans or mortgages, so that the scheme is used as a savings account of sorts.

It is suggested that three areas of intervention are required to ensure that a suitable context of coverage and protection is in place. These are stakeholder consultation, communication and a supportive framework, including access to credit and markets, and other forms of support to SMEs and others who work informally.

Conclusions and recommendations

Gradual approaches aimed at incrementally and comprehensively covering those who work informally will not only speak to the reality of the SSA context, but are also likely to have longer term positive effects, from the perspective of coverage extension. The provision of technical advice and support by the EC and EU Member States is crucial to achieve this objective. From a longer term perspective, arrangements that would support self-sustainability should in particular be supported. Of course, the EC and EU Member States would have to be mindful of the context informing the possibilities for coverage extension – such as fiscal ability of a SSA country/government (bearing in mind that fiscal space could also be developed), political determination, institutional, human and ICT capacity (bearing in mind that capacity should be developed where this is lacking).

Concluding Observations: Some Challenges

Despite substantial achievements in the improvement of social protection in SSA, in particular in recent years, major challenges remain. Most contributory and non-contributory SP programmes in SSA are compensatory in nature; some programmes, however, display a promotional, transformative and even developmental nature – for example, Conditional Cash Transfer schemes leading to increased school enrolment or health care. Social protection programmes in SSA invariably target specific categories of persons – e.g. designated categories of vulnerable people (social assistance; basic social protection); formally employed persons (labour market regulation and SP contributory arrangements); and the unemployed (labour market interventions). In most SSA countries, comprehensive frameworks have yet to develop. In fact, in most countries social protection programmes are exclusionary in reach and effectiveness, despite notable exceptions (e.g. Mauritius; Seychelles), and recent attempts to significantly extend coverage (Ghana, Rwanda, Gabon) – the long-term and young unemployed, as well as the informally employed are in particular affected.

Donor-driven cash-transfer programmes often focus on a limited scope of particularly poor and vulnerable persons and defined geographical areas, excluding the majority of the impoverished and geographical regions not included within project spheres. Also, ownership of SP programmes depends on establishment and implementation modalities; while government-established and -implemented programmes are owned by government, donor-driven programmes generally lack government ownership, as they are mostly pilots, ad hoc and short-term due to their limited timeframe and funding. Pilot and temporary schemes, despite some positive effect on poverty alleviation, also tend to have limited impact due to the restricted personal and spatial scope of coverage and scheme-associated timeframes. The Ethiopia (employment guarantee scheme) example demonstrates that a package approach linking agriculture productivity, infrastructure/community assets, education and health can have the most positive outcomes, also in terms of MDG indicators.

The ability of governments to sustain social protection programmes may often be lacking, in view of the allocation of inadequate resources, against the background of a weak social protection policy environment, despite recent changes in this regard; in some cases governments have demonstrated significant will to strengthen the social protection infrastructure (e.g. Nigeria, Ethiopia) and even to build comprehensive social protection, to reform and expand non-contributory pensions and mutual health insurance programmes (Cape Verde, Rwanda, Burundi). Implementation of SP programmes is hampered by various constraints, e.g. inadequate technical, human and financial capacity, and inappropriate planning and budgeting; this implies likely continued reliance on donor support and assistance in implementing their reform objectives (e.g. Madagascar, Niger, Chad, CAR, DRC).

Most SP programmes in SSA are not designed to ensure exit, graduation and sustainability, as they have a primary focus on compensating beneficiaries; some exceptions to exist, such as linking renewal of unemployment benefits to job search attempts (Seychelles), or social assistance to labour market participation (Ghana), or labour market initiatives to agricultural development (Ghana, Lesotho, Ethiopia), or return-to work arrangements.

EC and EU Member States' involvement in social protection in SSA is relatively extensive, flexible and responsive to emergency needs that arise, and tends to achieve harmonised outcomes; however, there is some evidence of a fragmented and un-coordinated approach; temporary and time-bound investment in social transfer programmes may have to be reconsidered in an attempt to achieve long-term results aimed at achieving self-support and government ownership. The recent EC Communication on Social Protection and Agenda for Change⁶ are useful mechanisms to bring about change in this and related areas.

⁶ European Commission *Increasing the impact of EU Development Policy: an Agenda for Change* COM(2011) 637 final (Brussels, 13.10.2011) accessed at http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf on 19 February 2013. See also Council Conclusions 9316/12.

1. Introduction

This document constitutes the Final Report on the Study on Social Protection (SP) in sub-Saharan Africa (SSA). It essentially:

- reflects on project progress and deliverables;
- deals with the purpose, context and scope of the report;
- explains the methodology/approach adopted in writing up this report; and
- reflects on the main findings and practical recommendations flowing from the investigation undertaken for purposes of this study.

2. Project progress and deliverables

The Inception Report relating to this study dealt with the purpose and scope of the assignment, with specific reference to the overall objective of the project and of the requested services. It further reflected on the proposed methodology, phased implementation, and deliverables, as well as a suggested work plan and the task division. Suggestions made during the first meeting with the EC were incorporated in the report.

After submission of the final inception report to DEVCO/B3,⁷ Interim Report I was completed. This involved a desk study. The Report reflected on a suitable social protection definition and focused on stocktaking/mapping of existing national SP programmes/schemes in 48 SSA countries, and of SP programmes/schemes supported by the EC, EU Member States and other development agencies in SSA, on the basis of country profiles developed for purposes of this project and annexed to that report. In accordance with the request by and agreement with DEVCO/B3, Interim Report II, relying on a desk top investigation of currently available materials, covered three areas of core concern to SP in SSA, namely (i) the fiscal space and costing basis for SP programmes in SSA; (ii) links between SP and employment/the labour market/(self)-sustainable livelihoods; and (iii) extension of SP to the informal work context. Both interim reports benefited from feedback received from EC officials, also during meetings held with the EC in Brussels, and the outcome of discussions held with development agencies, as mentioned below. Interim Report I further benefited from comments provided by expert individuals and institutions operating in SP in SSA. Conclusions drawn and recommendations made in the two interim reports have been incorporated in this report. The main findings of the mapping study were presented at a stakeholder workshop in Brussels on 20 February 2013.

According to the terms of reference for this project and as agreed at the 26 July 2012 meeting with DEVCO/B3, the final report comprises a merger and integration of the conclusions arrived at in Interim Reports 1 and 2, and a reflection on the main findings flowing from this study. It also contains recommendations on setting up or how to strengthen national social protection systems in developing countries, with a focus primarily on sub-Saharan Africa. An executive summary of the final report is attached to this report.

On 25 February 2013 a stakeholder workshop was held in Addis Ababa, Ethiopia to disseminate and discuss the results of the study. The draft of the final report was presented; the executive summary was translated into French so as to facilitate feedback and discussion from French-speaking sub-Saharan African countries. The main outcomes of the workshop discussion are contained in a separate report, and

⁷ Previously DEVCO/D3.

have been integrated into this report. The 5 page note, foreseen in the terms of reference, indicating what is needed and identifying the main constraints for setting up or reinforcing existing SP programmes in (SSA) developing countries, is attached to this report.

Three study visits to development agencies were paid within the framework of this project: to the Belgian federal public service on 28 June 2012, to the German-based GIZ on 27 July 2012 and to the UK-based DFID on 11 September 2012 – to obtain an understanding of the nature, extent and focus of the involvement of these institutions in SP in SSA. To the extent relevant, the insights so obtained were incorporated in the First and Second Interim Reports. At the request of DEVCO/B3, two African country visits took place in January 2013: Ghana and Lesotho. Core elements of the impressions and feedback so obtained are incorporated in the executive summary of this report as well as in this report. Separate reports on these country visits were completed.

3. Purpose, context and scope of report, and adopted methodology/ approach

3.1 Purpose, context and scope of report

The assignment in relation to the Study on social protection in Africa: an assessment of existing programmes, has as its overall objective the strengthening of policy formulation and programming of EU support to social protection. In accordance with the Terms of Reference this is to be achieved through a "... solid and, as far as possible, comprehensive knowledge base addressing the role of social protection in reducing inequality and poverty and in promoting pro-poor growth and social cohesion". The study provides the context for the scope and content of this report with a focus on:

- a. Social protection in SSA, with reference to SP aims in SSA; the need for SP in SSA, the policy and regulatory framework; contributory-based social security interventions; national non-contributory arrangements; and some reform initiatives;
- b. EC/EU Member States/development partners' (donor) involvement;
- c. Fiscal framework of SP in SSA;
- d. SP, labour markets and sustainable livelihoods in SSA;
- e. Extension of SP to the informal work context; and
- f. Recommendations for supporting the establishment and strengthening of SP systems.

Five annexes are attached, covering labour market intervention in SSA; ALMP conditions and outcomes for SSA; consolidated conclusions and recommendations; a note on what is needed/the main constraints for setting up or reinforcing existing SP programmes in low-income countries; and the sources consulted for purposes of this study.

3.2 Methodology/approach

This report essentially reflects a desk study, as well as a merger and integration of the conclusions arrived at in Interim Reports 1 and 2. Further documentation, which became available subsequent to the drafting of the two interim parts was collated, perused, reflected on and analysed, with a view to draw from these documents further

data and insight needed to give effect to this assignment and draw the necessary conclusions. The desk study was supported by earlier interviews with officials of the Belgian federal public service, the German-based GIZ and the UK-based DFID, and the outcomes of country visits paid to Ghana and Lesotho respectively.

4. Social Protection in sub-Saharan Africa (SSA)

4.1 Globalisation and other challenges impacting on social protection in SSA

Commenting on the position in the Southern Africa Development Community (SADC) already in 2001,⁸ Mhone and Kalula indicated that the quest for among others global integration was resulting in mixed consequences, which are exacerbating the condition of the poor, and the underemployed and the unemployed in urban and rural areas.⁹ There are of course historical and colonial roots of these phenomena, applicable to the broader African context. As indicated by Mhone and Kalula, the combination of an exclusionary enclave formal sector-led economic growth and the imperatives of racial discrimination have resulted in a number of socio-economic outcomes in the region. The first is that the majority of the population, consisting of Africans, have been simultaneously marginalised and excluded from participation in productive activities. Secondly, income-generating opportunities have been segregated to one degree or another such that the incidence of under-employment, open unemployment and poverty is unequal and highly skewed against the marginalised majority. Thirdly, the HIV/AIDS epidemic is having grave consequences in all social and economic spheres in all the countries.

To some extent these outcomes have been made more acute by the fact that financial assistance from the World Bank and the International Monetary Fund (IMF) has often been made available subject to (and for) the implementation of Structural Adjustment Programmes (SAPs). Policies actively pursued as part of such programmes have included making labour markets and labour laws more flexible, and reducing public-sector employment (which provides a very significant part of formal sector employment in African countries) in order to cut public spending. This has had a marked impact on increasing unemployment and lowering wages, with labour laws following suit to accommodate the constraints imposed by the SAP regime.¹⁰ In short, lending was made conditional upon policy reform aimed at achieving particular outcomes – envisaged under what has become known as the Washington consensus – among others macroeconomic policy adjustment and trade liberalisation. The negative impact of this policy conditionality on the poor resulted in a shift in the 1990s to

⁸ Part of the discussion in this paragraph is based on Olivier, M "International labour and social security standards: A developing country critique" *The International Journal of Comparative Labour Law and Industrial Relations* 29, no. 1 (2013): 21–38.

⁹ See Mhone, GZ & Kalula, ER *Report of a Study on the Formulation of Policy Objectives, Priorities and Strategies for the SADC* Report prepared for the SADC Employment and Labour Sector (ELS), 2001. See generally Mhone, GZ "The socio-economic context and social policy needs in South Africa" in Olivier, M *et al Social Security: A Legal Analysis* (LexisNexis 2003) ch 1.

¹⁰ See generally Jamal, V "Adjustment Programmes and Adjustment: Confronting the New Parameters of African Economies" in Jamal, V (ed) *Structural Adjustment and Rural Labour Markets in Africa* (St Martin's Press, New York; Macmillan, Basingstoke and London, 1995) 1–37; Mailafia, O *Europe and Economic Reform in Africa – Structural adjustment and economic diplomacy* (Routledge, London/NY, 1997); Fenwick, C & Kalula, R *Law and Labour Market Regulation in East Asia and Southern Africa: Comparative Perspectives* (Centre for Employment and Labour Relations Law, University of Melbourne, Working paper No. 30 2004) 22–23.

poverty-based lending, reflected in the World Bank's safety net approach.¹¹ This represents effectively a minimalist approach, since benefits are paid to the very poor, while the rest have to rely on market mechanisms and familial structures for support.¹² Even so, much of this funding, often provided under Social Funds, has often been channelled via institutions outside national governments, with little government ownership and lack of sustainability. Similar policy approaches have been followed by other development partners, but perhaps for different reasons. Fragmented and donor-/NGO-funded and -driven small social transfer programmes have grown up, often as part of food security interventions, in an attempt to promote resilience and as an emergency response in the wake of vulnerability caused by potential famines. Again, national government ownership has not been on the forefront. While this has been the general picture in most of SSA, in some countries, in particular certain Southern African countries, larger-scale cash transfer arrangements have been introduced to provide (income) protection to significantly large categories of impoverished individuals and households. For example, in South Africa, 16 million of the 50 million residents are reliant on social assistance grant support. This can be compared with similar large-scale and broad-based programmes in Latin America (eg the Bolsa Familia programme in Brazil and the Oportunidades programme in Mexico),¹³ which are informed by equity concerns and ongoing (individual and) household support, rather than a focus on short-term resilience. Generally speaking, however, despite these and a few other exceptions, there has been little evidence of strong, well-founded and sizeable social protection institutions, in particular contributory and non-contributory social security schemes, in sub-Saharan Africa.

It is against this background that the impact of globalisation, accompanied by its emphasis on deregulation and liberalisation of trade and labour markets, has to be understood in SSA. For this purpose, the role played by bilateral investment treaties and regional trade agreements in this regard, as well as the rules developed under the World Trade Organisation, should also be considered. Bilateral investment treaties, for example, invariably contain clauses that preserve corporate priorities, through the imposition of a legal regime which renders the national laws of the "benefiting country" inapplicable and resort to arbitration-oriented dispute resolution mechanisms focused on commercial considerations rather than public interest. In this way the application of national labour rights and social protection guarantees is effectively undermined.¹⁴ As has been remarked, there is indeed a need to shift from freedom of investment to a sustainable development model, and for international organisations to develop a common standard of protection applicable to all developing countries.¹⁵ Some progress has been made, also in sub-Saharan Africa:¹⁶

"Actors such as UNCTAD, the Commonwealth Secretariat and the Southern African Development Community (SADC) are developing new sustainable investment model prototypes that pre-suppose an ethical and equitable framework for the relationship between investors and governments based on human rights, rule of

¹¹ ILO *Social protection floor for a fair and inclusive globalization* (Report of the Advisory Group chaired by Michelle Bachelet Convened by the ILO with the collaboration of the WHO) (ILO, 2011) (hereafter referred to as the "Bachelet report") 12-13.

¹² *Towards a Global Social Protection Floor*, available at <http://towardgspf.com/>.

¹³ See par 4.6 below.

¹⁴ Williams, M *Challenges posed by BITs to developing countries* (2012), accessed at http://www.southcentre.org/index.php?option=com_content&view=article&id=1882%3AAsb69&catid=144%3ASouth-bulletin-individual-articles&Itemid=287&lang=en. See also Rodrik, D *The Globalization Paradox: Democracy and the Future of the World Economy* (Norton, 2011), who refers to the 2007 case of three European (Italian) companies suing the South African Government over its affirmative action programme.

¹⁵ Williams *Challenges posed by BITs to developing countries* (2012). See also Muchhala, B *An Employment-Led National Development Strategy: Productive Employment and Income Equality as the Foundation to Social And Economic Development* (TWN (Third World Network) 2013), accessed at http://www.socdevjustice.org/mediapool/96/965703/data/TWN_briefing_Emplo-NDS_to_print_11feb13.pdf.

¹⁶ *Ibid.*

law, due process, and sustainable development as well as the security of tenure and property rights."

The relationship between the GATS (The General Agreement on Trade in Services) rules operating under the WTO auspices and national social security systems is a complex one. The GATS is a framework agreement containing general rules and obligations applicable to all members of the WTO and services sectors as well.¹⁷ One of the applicable rules is the Most Favoured Nation (MFN) rule, which requires of a WTO member state to grant equal treatment to services and service suppliers of different member states.¹⁸ One of the obligations imposed on member states is the national treatment principle – member states must accord to services and service suppliers treatment no less favourable than they accord to their like services and service suppliers.¹⁹ On the face of it, public social security provision, such as a national pension scheme operated by a public institution, appears to be excluded from the purview of the GATS rules and obligations.²⁰ Nevertheless, due to the lack of WTO guidelines and of clarity of definitions used, it appears that introducing a private element in social security provisioning, such as an opportunity to opt out of a public scheme, or utilising private service providers, may render the relevant scheme subject to the MFN rule and the national treatment obligation, and may prove to be irreversible from a WTO/GATS perspective. This would have the consequence of opening up the supply of social security services to competition from outside the country concerned. Also, problems may be experienced if a country's bilateral social security agreements, providing for example for exportability of social security payments to the country of origin, contain different provisions for different member states. On the other hand, the operation of the national treatment obligation may be of assistance to a temporary migrant worker who contributes to the social security system of a host country: the migrant worker may be entitled to equal treatment with nationals of the host country, in terms of access to social security.²¹

In essence, the above examples of globalisation trends clearly indicate the predominant position and power of the corporate sector, development partners and institutions such as the World Bank and the WTO vis-à-vis national governments of developing countries. Actions taken by these role-players may be to the detriment of national development, policies, laws and institutions, in particular in the areas of labour market regulation (core labour standards and decent work) and social protection. There is need for an approach which would place national governments in SSA at the forefront and safeguard the labour law and social security position of all residents. One of the mechanisms to achieve this is *via* the recognition of a social protection floor, applicable to all – as discussed in the next section. This approach is echoed in the EC Communication on Social Protection in European Union Development Cooperation, which stresses the importance of EU support of the development of

¹⁷ The GATS pertains to international trade in services and to measures concerning, among others, subsidies, grants, licencing standards, qualifications, and local content provisions that have an effect on the international supply of a service at the points of production, distribution, marketing, sale and delivery: GATS Article XXVIII; Yeates, N "The General Agreement on Trade in Services (GATS): What's in it for social security?" *International Social Security Review*, Vol. 58, 1/2005, 3-22 at 5, 7; Raja, K *The WTO impasse and the possible roads ahead - a development perspective* (2012), accessed at http://www.southcentre.org/index.php?option=com_content&view=article&id=1867%3A5b68&catid=144%3A5outh-bulletin-individual-articles&Itemid=287&lang=en.

¹⁸ Article II.

¹⁹ Article XVII.

²⁰ This follows from the exemption of the following public services: government procurement and the direct supply of services by government: Yeates *The General Agreement on Trade in Services (GATS)* (2005) 5-6. In addition, the Annex on Financial Services formally excludes social security from the scope of GATS, on the basis that it constitutes a "service supplied in the exercise of governmental authority".

²¹ See the discussion by Yeates *The General Agreement on Trade in Services (GATS)* (2005) 9-21.

nationally-owned social protection policies and programmes, including social protection floors.²²

4.2 Social protection scope and aims in SSA

Closely linked to the notion of social security as a human right,²³ enshrined in among others the Universal Declaration of Human Rights of 1948 (UDHR)²⁴ and the International Covenant on Economic, Social and Cultural Rights (ICESCR) of 1966,²⁵ social protection has been conceptualised to include, among others, poverty reduction and economic growth, social inclusion and income security, as well as (social) risk management²⁶ objectives. A single coherent and universally endorsed definition of social protection has not (yet) been adopted – as is evident from the difference in approach among development partners in relation to the substantive components of social protection, the multi-sectoral nature of SP interventions, and the different ways in which SP is defined/used for budgetary/fiscal classification purposes.²⁷ The potentially wide ambit of the social protection notion also appears from the following description in the AU's *Social Policy Framework*:

"Social protection includes responses by the state and society to protect citizens from risks, vulnerabilities and deprivations. It also includes strategies and programmes aimed at ensuring a minimum standard of livelihood for all people in a given country. This entails measures to secure education and health care, social welfare, livelihood, access to stable income, as well as employment. In effect, social protection measures are comprehensive, and are not limited to traditional measures of social security."²⁸

More recently, within the framework of the ILO/WHO-led and widely-endorsed Social Protection Floor Initiative (SPFI), social protection has been conceptualised as providing a basic level of social protection for everyone, implying access to essential services and social transfers for the poor and vulnerable, but also accommodating higher levels of protection and income security for those who are able to contribute.²⁹ The SPFI is an initiative of the United Nations System Chief Executives Board for Coordination as one of nine UN joint initiatives to cope with the effects of the economic crisis and has given rise to an important high-level publication by an

²² European Commission *Social Protection in European Union Development Cooperation* COM(2012) par 5.

²³ See the important recent contribution on this topic, co-authored by Ms Magdalena Sepúlveda (Carmona), the UN Special Rapporteur on Extreme Poverty and Human Rights: Sepúlveda, M & Nyst, C *The Human Rights Approach to Social Protection* (Ministry of Foreign Affairs, Finland, 2012).

²⁴ UDHR, article 22 ; see also article 25 on the right to health and well-being.

²⁵ ICESCR, article 9 ; see also article 12 on the right to the enjoyment of the highest attainable standard of physical and mental health.

²⁶ As propagated by the World Bank: Holzmann and Jørgensen view social protection as risk management at the levels of individuals and households and communities; this entails a mix of public, market-based and informal responses to risk (see Holzmann, R and Jørgensen, S (2000) *Social risk management: A new conceptual framework for social protection and beyond* (Social Protection Discussion Paper Series no. 0006: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Social-Risk-Management-DP/0006.pdf>). For a critique of the social risk management approach, see McKinnon, R "Social risk management: A conceptual fallacy of composition" *Risk Management : An International Journal*, vol. 4, No. 4, 2002, 21-31.

²⁷ See Ellis, F, Devereux, S and White, A *Social Protection in Africa* (Edward Elgar Publishing, Cheltenham, 2009).

²⁸ AU *Social Policy Framework for Africa* (CAMSD/EXP/4(I), 2008) par 13 (p 9-10). The Policy further states (par 30, p 17): " The interventions falling under a social protection framework include social security measures and furthering income security; and also the pursuit of an integrated policy approach that has a strong developmental focus, such as job creation, equitable and accessible health and other services, social welfare, quality education and so on."

²⁹ ILO-UN *Social Protection Floor Initiative: The role of social security in crisis response and recovery, and beyond* (ILO, 17 June 2010). See also Cichon, M and Hagemeyer, K "Changing the development policy paradigm: Investing in a social security floor for all", *International Social Security Review* 2007, 169-196.

advisory group chaired by the former President of Chile, Madame Michele Bachelet, and entitled *Social protection floor for a fair and inclusive globalization* (the Bachelet report).³⁰ This had its origin in the 2004 report of the World Commission on the Social Dimension of Globalization, established by the ILO.³¹ The 2004 report concluded, among others, that a "minimum level of social protection needs to be accepted and undisputed as part of the socio-economic floor of the global economy".³² As remarked in the Bachelet report, notwithstanding the technological and other benefits of globalisation, the Commission had warned that the prevailing model of globalisation was morally unacceptable and politically and economically unsustainable and examined the severely unbalanced outcomes of the globalisation process. It affirmed that a global commitment to effectively address growing inequality and human insecurity was critical if globalisation was to gain widespread legitimacy. The Bachelet report suggested that the world financial, economic and jobs crisis that ensued some years later and is still with us confirmed many aspects of this stark assessment.³³ The global social challenge is informed by pervasive poverty³⁴ and income inequality; the fact that about 5.1 billion people, 75% of the world population, are not covered by adequate social security;³⁵ lack of essential health services;³⁶ inadequate access to water, sanitation and housing; food insecurity³⁷ and nutritional deficits; demographic challenges; and fragile and conflict-affected countries.³⁸ The Bachelet report therefore concludes:³⁹

"While globalization has been a source of opportunities for those able to seize them, as the evidence above shows it has left many unprotected against new global challenges and transformations that are having deep repercussions at national and local levels. The persistence of such large numbers of excluded persons represents tremendous squandered human and economic potential. This is particularly important in a context of accelerated demographic ageing in countries with low coverage of pension and health systems."

Against this background, the report makes out the case for the social protection floor, highlighting in particular that: it realises human rights and social justice; constitutes an effective tool for combating poverty and inequality; accelerates progress towards achieving the Millennium Development Goals MDGs; is affordable even in low-income countries; ensures adequate opportunities for decent work; helps to address the social and economic impact of crises and global economic imbalances; is a tool for gender empowerment; and enhances social cohesion.⁴⁰ With reference also to some successes achieved in a range of developing countries, the report suggests that social protection can play a pivotal role in relieving people of the fear of poverty and deprivation: the extension of social protection, drawing on basic social floors, is a missing piece in a fairer and inclusive globalization. In addition, the report argues, it can help people adapt their skills to overcome the constraints that block their full participation in a changing economic and social environment, contributing to improved human capital

³⁰ ILO *Social protection floor for a fair and inclusive globalization* (Report of the Advisory Group chaired by Michelle Bachelet Convened by the ILO with the collaboration of the WHO) (ILO, 2011) (hereafter referred to as the "Bachelet report").

³¹ ILO *A fair globalization: Creating opportunities for all* (Report of the World Commission on the Social Dimension of Globalization) (ILO, Geneva, 2004).

³² *Ibid.*, 110. See also Diop, A *The need for solidarity: Social security systems in times of crises* (2010), accessed at <http://www.issa.int/aiss/content/download/67892/1269279/file/2Diop-note.pdf>.

³³ ILO *A fair globalization: Creating opportunities for all* (2011) xi.

³⁴ 1.4 billion people live on less than US\$1.25 a day: *Ibid.*, xxi.

³⁵ *Ibid.*

³⁶ Nearly 9 million children under the age of five die every year from largely preventable diseases; 100 million people are pushed below the poverty line when compelled to pay for health care: *Ibid.*

³⁷ 925 million people suffer from chronic hunger: *Ibid.*

³⁸ See ILO *A fair globalization: Creating opportunities for all* (2011) ch 2.

³⁹ *Ibid.*, xxi.

⁴⁰ *Ibid.*, ch 3.

development in both the short and longer term, and in turn stimulating greater productive activity. The report also shows how social protection has helped to stabilise aggregate demand in times of crisis and to increase resilience against economic shocks, contributing to accelerate recovery and more inclusive and sustainable development paths. Social protection represents, in fact, a "win-win" investment that pays off both in the short term, given its effects as macroeconomic stabilizer, and in the long term, due to the impact on human development and productivity.⁴¹

The social protection floor comprises an integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle. It includes guarantees of:

- basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor; and
- universal access to essential affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities.⁴²

Conceptually, the social protection floor involves a two-dimensional strategy for the extension of social security, comprising a basic set of social guarantees for all (horizontal dimension), and the gradual implementation of higher standards (vertical dimension), in line with the ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102), and others, as countries develop fiscal and policy space.⁴³ The Bachelot report argues that the floor is affordable: social protection measures at a basic level, of the kind comprising the floor, can be kept within a relatively modest percentage of national income, even in severely resource-constrained countries. In the long run, social protection floors pay for themselves by enhancing the productiveness of the labour force, the resilience of society and the stability of the political process.⁴⁴ Country-specific and context-sensitive approaches towards introducing and implementing social protection floor interventions are appropriate. Yet, the report suggests, political will, fiscal space and effective institutions are preconditions for successful phasing-in of the floor. Clear strategies to minimise risks should be in place to guarantee effective delivery of benefits and services under adequate governance rules and respecting fiscal sustainability in an environment conducive to the generation of decent employment and sustainable enterprises.⁴⁵ It needs to be noted that the SPFI has culminated in the adoption (in 2012) of the ILO Recommendation on National Floors of Social Protection by the International Labour Conference in Geneva.

From an instrumental perspective, social protection in the form of basic social protection is widely regarded as crucial for reducing poverty and inequality in Africa, enhancing economic growth, increasing human capital and stimulating markets – as noted in, among others, the Livingstone Call for Action.⁴⁶ According to the AU's *Social*

⁴¹ *Ibid*, xxii.

⁴² *Ibid*.

⁴³ *Ibid*, 23.

⁴⁴ *Ibid* – indicating that this is confirmed by several studies undertaken by a range of international organisations.

⁴⁵ *Ibid*.

⁴⁶ AU *A transformative agenda for the 21st Century: Examining the case for basic social protection in Africa* (2006). In what has become known as "Livingstone 2", the AU Ministers in charge of Social Development from Africa's 53 member states met in Windhoek, Namibia between 27-31 October 2008, under the theme "Towards a Sustainable Development Agenda for Africa", where (among others) the Social Policy Framework for Africa was adopted: see http://www.ipc-undp.org/doc_africa_brazil/Update_AUprocess.pdf. See par 33 (p 17-18) of the AU *Social Policy Framework for Africa* (2008).

Policy Framework for Africa, "There is an emerging consensus that a minimum package of essential social protection should cover: essential health care, and benefits for children, informal workers, the unemployed, older persons and persons with disabilities. This minimum package provides the platform for broadening and extending social protection as more fiscal space is created."⁴⁷ Support for social protection has at times found expression in the largely donor-driven framework of (mostly) short-term social transfers in the form of providing safety nets to selected groups/communities on a targeted and usually pilot basis. And yet, these safety nets may not always succeed in providing longer-term sustainability, prompting the observation that, in a country such as Malawi, a shift in conceptualisation has seen social protection not only as providing support to vulnerable groups, but improving the socio-economic indicators of these groups.⁴⁸ Therefore, there is a growing realisation of the importance of deliberately stressing, and strengthening the preventive, developmental, promotive, transformative, integrative and re-integrative context of social protection – through ensuring that poor and vulnerable people are linked to the labour market and economic activities, graduation and exit from dependence on safety nets can be realistically achieved.

In addition, the vast direct and indirect (distributional) impact of social assistance measures, which generally provide a regular income to selected vulnerable groups, usually on a targeted but at times on a universal basis, has been noted scientifically and politically in several SSA (in particular Southern African)⁴⁹ countries, for example in South Africa with its relatively extensive range of state-provided cash transfers in the form of social assistance benefits.⁵⁰ Furthermore, contributory-based transfers – i.e. where individuals receive payments as a result of their contributions and/or contributions by, for example, employers – also provide (except in the case of lump-sum payments) stable and regular benefits to maintain income levels in the event of exposure to social risks. However, social security, as a core component of social protection, should also be linked with labour market policies and programmes.

Labour market programmes, such as public works programmes, employment guarantee schemes and vocational training are closely linked to the social protection edifice, even though there has generally speaking been a limited recognition and application of this in policy development and programme formulation in the African context. And yet, participation in the labour market should ideally be associated with regulatory guarantees and minimum wages, in order to avoid exploitation and to

⁴⁷ AU *Social Policy Framework for Africa* (2008) par 32 (p 17).

⁴⁸ Chinsinga, B *Social protection in Malawi: Processes, politics and challenges* (Zomba: FANRPAN, 2007) – <http://www.fanrpan.org/documents/d00428>.

⁴⁹ See International Social Security Association (ISSA) *Dynamic social security for Africa: An agenda for development – developments and trends* (ISSA, Geneva, 2008) 8.

⁵⁰ These benefits, notably the old age, child support and disability grants, fulfil an extremely important function as poverty relief measures and reach sizeable numbers of those who fall within the said categories: see Ardington, E & Lund F *Pensions and Development: The Social Security System as a Complementary track to Programmes of Reconstruction and Development* (Durban: Centre for Social and Development Studies, University of Natal, 1994); South African Institute of Race Relations *Annual Survey* (2007) 274; Department of Social Development *1994 – 2002 National Report on the Status of Older Persons* (Report to the Second World Assembly on Ageing: South Africa, Madrid, Spain, April 2002) par 3.1; White Paper for Social Welfare (GN 1108 in GG 18166 of 1997-08-08) ch 7; Asher, A and Olivier, M "Retirement and old age", in Olivier, M & Kalula, ER *Social Security: A Legal Analysis* (Durban, LexisNexis Butterworths, 2003) 231-299 at 245; Kaseke, E "Social protection and poverty reduction in the Southern Africa Development Community" 24(2) *Journal of Social Development in Africa* (2009) 37-51 at 44; Department of Social Development, SASSA & Unicef *The South African Child Support Grant Impact Assessment – Evidence from a survey of children, adolescents and their households* (Executive Summary) (2012) 7. As noted by Triegaardt, J and Patel, L "Social security" in Patel, L (ed) *Social Welfare and Social Development in South Africa* (Cape Town: Oxford University Press, Southern Africa) 122-153 at 129: "Without the contribution of social pensions, poor people, particularly in rural areas, will simply not survive". See generally Sepúlveda & Nyst *The Human Rights Approach to Social Protection* 23-24.

ensure that labour market participants are enabled to contribute to their own social protection via insurance-based mechanisms. The improvement of the quality of employment, in accordance with the ILO Decent Work Agenda, therefore acquires an important meaning also for the poor and vulnerable who are attempting to exit poverty and dependence on social transfers.

It is suggested that, from an operational perspective, the definition of social protection for purposes of this report should include reference to:

- reduction of poverty and vulnerability – beyond this also to life-cycle risk and greater equity
- diminishing and preventing people's exposure to risks
- enhancing the capacity of people to protect themselves against hazards, risks and loss/interruption of income, in particular through exit and graduation measures

For purposes of this study, social protection is therefore defined as: *"Policies and actions that extend protection to those who are exposed to social risks through contributory and/or non-contributory transfers, and that enhance the capacity of poor and vulnerable people and groups, to escape or avoid falling into poverty, and to better manage risks and shocks, through access to health and essential services and income security throughout active and inactive periods"*. It is appreciated that various mechanisms are available to achieve this, e.g.:⁵¹

- Contributory schemes (social insurance)
- Non-contributory schemes (social assistance)
- Short-term safety nets
- Public employment programmes, , such as public works programmes and employment guarantee schemes
- Others, e.g. food support, and free primary education

Social protection has played a major role in EU development policy, as is evident from a range of leading instruments/documents and specific (EU) country experiences. The value of this experience for the SSA context is crucial, although the practical impact has thus far been limited – as noted in the 2010 European Report on Development (ERD), social protection "... complements and leverages other interventions, thus providing a much needed missing piece to the development puzzle."⁵² Having said that, it remains important to bear in mind that social protection policy development and programme formulation in SSA needs to be sensitive to the Africa-specific context – considering the historically low levels of economic development and unique types of vulnerabilities to which people in Africa are exposed. These include, among others, food insecurity, HIV/AIDS, high out of pocket payments and catastrophic expenditures when seeking health services, high levels of environmental damage, and conflict.⁵³ The 2012 EC Communication on Social Protection⁵⁴ emphasises the multi-dimensional role of social protection and calls for a social protection to support inclusive growth

⁵¹ See Sepúlveda & Nyst *The Human Rights Approach to Social Protection* 21 and ILO *World Social Security Report 2010/11: Providing coverage in times of crisis and beyond* (ILO, 2010) 13-15. See also ISSA *Dynamic social security for Africa* (2008) 3, indicating that social security (viewed by some as forming part of social protection as the overarching concept) concerns *both* income maintenance and poverty reduction.

⁵² *Social Protection for Inclusive Development: A New Perspective in EU Co-operation with Africa* (European University Institute, 2010) (http://erd.eui.eu/media/2010/Social_Protection_for_Inclusive_Development.pdf) 15.

⁵³ See Devereux, S and Cipryk, R *Social Protection in Sub-Saharan Africa: A regional Review* (2009) 5-9 as well as par 4.3 below.

⁵⁴ European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Brussels, 20 August 2012), accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf on 19 February 2013.

characterised by "people's ability to benefit from wealth and job creation", calling for innovative and tailor-made solutions in the face of institutional weaknesses and high levels of informality. In addition, as indicated, the Communication supports nationally-owned social protection policies and programmes, including social protection floors - Implying a move from fragmented SP schemes to sustainable, government-owned SP systems.⁵⁵

4.3 The need for Social Protection in SSA

The very notion of social protection and its application in the SSA context, as well as, as indicated above,⁵⁶ SP policy development and programme formulation in SSA need to be sensitive to the Africa- and SSA country-specific context. The need for social protection in SSA is informed by pervasive poverty (affecting between 30%-70% of country populations), high levels of informal activity (often more than 90% of the workforce) and unemployment. SSA is generally characterised by low levels of overall social protection (6%-20%) and in particular contributory social security coverage (5%)⁵⁷ and the inability to reach many of the Millennium Development Goals (MDGs). Spending on social protection is usually below 2% of GDP, and at times below 1%. Despite considerable developments in some SSA countries in recent years,⁵⁸ universal access to quality health care is still not a reality, given challenges in the areas of affordability (high out of pocket payments and catastrophic expenditures when seeking health services), accessibility and adequacy. The World Health Organisation commented:⁵⁹

"Health financing is an important part of broader efforts to ensure social protection in health. As such, WHO is joint lead agency with the ILO in the United Nations initiative to help countries develop a comprehensive Social Protection Floor, which includes the type of financial risk protection discussed in this report and the broader aspects of income replacement and social support in the event of illness."

Furthermore, as mentioned, there are unique types of vulnerabilities and risks to which people in Africa are exposed,⁶⁰ including the extraordinary impact of HIV/AIDS, given its prevalence in SSA, substantial food insecurity, high levels of environmental damage, and military and civil conflict.⁶¹ In fact, many of the countries – in particular in West, Central and East Africa – are recovering from conflict and are therefore focusing on rebuilding/building of the infrastructure of the state. Social protection may therefore not be the immediate priority or regarded as affordable. These countries consequently remain largely dependent on donor financing of social protection programming.

And yet, despite the many socio-economic challenges SSA countries face in providing social protection, several low- or medium-income SSA countries, such as Ghana and Lesotho, the two SSA countries selected to visit as part of the study, have made remarkable achievements in providing social protection, as have other SSA countries.

⁵⁵ European Commission *Social Protection in European Union Development Cooperation* COM(2012) par 5; par 4.1 above.

⁵⁶ Par 4.1. See further ISSA *Dynamic social security for Africa* (2008) 3.

⁵⁷ ILO *World Social Security Report 2010/11* 2, 7, 28. See ISSA *Dynamic social security for Africa* (2008) 1-2.

⁵⁸ See par 4.7 below.

⁵⁹ WHO *World Health Report 2010: Health Systems Financing - The path to universal coverage (Executive Summary)* (2010) 8. See also World Health Organisation (WHO) *Health Systems Financing* (2013) accessed at <http://www.who.int/healthsystems/topics/financing/en/>.

⁶⁰ Landlocked, Sahelian and mountainous countries and even other coastal countries (e.g. Burkina-Faso, CAR, Chad, Comoros, Djibouti, Lesotho, Malawi, Mali, Niger, Sao Tome, and Swaziland) are considered extremely vulnerable to exogenous shocks such as drought, locust attacks, rise in oil prices etc.

⁶¹ *Ibid.*

As is apparent from this report, these achievements in SSA countries have been made possible as a result of growing political understanding of and commitment to SP interventions, intensified development partner support, and relatively strong economic growth in SSA since 2009.⁶² Also, recently several SSA countries have adopted social protection policies and strategies; several others are in the process of developing same. In fact, social protection is increasingly a prominent component of national long-term development strategies and priorities, and of Poverty Reduction Strategy Papers.

4.4 Policy and regulatory framework

4.4.1 Policy context

SP systems in SSA countries are generally weak with low coverage, both in terms of the reached population and covered risks.⁶³ In most of the countries, SP programmes have been developed on an ad hoc basis, often at the initiative of donors, without being part of a coherent overall policy framework. SP in many countries is, however, informed by a range of often un-coordinated sectoral policies, in critical areas such as early childhood, youth unemployment, disability, gender and the aged. Until recently, most of the countries had no national SP policy or strategy to guide the development of programmes and resource allocation.⁶⁴ This picture, however, is fast changing. SP policies have been adopted in countries such as Benin, Cape Verde, Ethiopia, Kenya, Mozambique, Niger, Rwanda, Senegal and Zambia. Furthermore, SP/social development policies/strategies are being developed in countries such as Ghana, Lesotho, Liberia, Nigeria, South Sudan and Togo. SP and poverty reduction are also prominent components of government long-term strategies and priorities, embedded in National Development Plans and Poverty Reduction Strategy Papers.

4.4.2 Domestic regulatory framework

Regulatory frameworks are fragmented with dualistic trends clearly discernible. While the labour law and the (public) social security contributory context are usually well-regulated, this is often hardly the case with social assistance and broader social protection floor initiatives. Social assistance and other SP transfers therefore often lack an appropriate legal framework – they are usually merely policy-based or even just programmes with substantial discretion vesting in political office-bearers or governmental officials. Therefore, in the social assistance and broader SP sphere a rights basis is thus either absent or weakly developed. As has been noted, this can seriously threaten the enjoyment of human rights by the beneficiaries of these interventions.⁶⁵ Similar deficiencies are present as far as access to justice in social protection matters is concerned: dispute resolution mechanisms are either absent or poorly developed, with little provision made for affordable and effective adjudication processes and institutions.⁶⁶ These are matters which need to be addressed, given

⁶² See paras 4.4, 5.2 and 6.1 below.

⁶³ ILO *World Social Security Report 2010/11* 2, 7, 28, 29, 31.

⁶⁴ It is mostly (but subject to exception) post-conflict and fragile states (e.g. Burundi, Côte d'Ivoire, Guinea Bissau and South Sudan) that currently have no social protection policy framework in place. In addition, there are also no social protection frameworks in countries with one party/autocratic regimes, such as Eritrea and Gambia, as well as resource rich Equatorial Guinea and Sudan, and in a range of other countries, including Zimbabwe, Mauritius, Seychelles and also South Africa.

⁶⁵ Sepúlveda & Nyst *The Human Rights Approach to Social Protection* 27.

⁶⁶ See (as far as Southern Africa is concerned) Olivier, M "Social security adjudication in the light of international standards: The need for reform in Southern Africa" – vol 3(1) *International Journal of Social Security and Workers Compensation* (2011) 29-54 and (generally) Sepúlveda & Nyst *The Human Rights Approach to Social Protection* 60-62.

what is described as the "strong and symbiotic relationship between human rights and social protection".⁶⁷

"Human rights create legal obligations to implement social protection systems and establish standards for the design, implementation and evaluation of such systems. In turn, the implementation of social protection facilitates the fulfilment of a number of other human rights obligations, most importantly those related to the enjoyment of minimum essential levels of basic economic, social and cultural rights (*social protection floor*). However, the success or failure of social protection systems in realising human rights rests heavily on whether such systems are established and operated according to the standards that human rights require and the obligations they impose."

Labour market regulation is important for at least two reasons. Firstly, this might have the effect of supporting or inhibiting labour market attachment of individuals. Secondly, labour laws often have social security benefit implications. Though labour laws are in place in all of the countries (currently being introduced in South Sudan), implementation remains patchy and weak. The absence of strong trade union movements and well-developed employers' associations in most SSA countries (Mauritius, Nigeria, Senegal and South Africa may be cited as some of the exceptions to this) and the lack of appropriate underlying bilateral and tripartite structures and institutions often hamper the development of the labour market regulatory framework. Also, inspections by Ministry of Labour inspectors and dispute resolution institutions are, with some exception, insufficient and ineffective. In addition, health and safety laws are inadequate and practices are sporadic and vulnerable to corruption. Conditions in the mining industries are often of particular concern.

Core labour rights are guaranteed in the labour laws, including the rights of freedom of association, union participation and collective bargaining. However, it is reported that these guarantees are undermined or repressed in a number of countries especially, Equatorial Guinea, Eritrea, Gambia, Guinea Bissau, and Sudan where the private sector is also largely controlled by the state and/or union activity is restricted in practice. The role of globalisation and liberalisation policies in the undermining of core labour rights and decent work guarantees should also be understood. As indicated above,⁶⁸ these policies, supported by the terms of among others bilateral investment treaties involving large multinational corporations, invariably support flexibilisation, prompt the outsourcing of labour and cause the downward spiralling of labour law protection. Despite the existence in principle of labour laws and codes, a lack of proper enforcement and casualisation of labour tend to negate minimum regulations in practice.⁶⁹ Labour laws and codes are typically designed to exclusively or primarily cover employees in the formal sector working in an employment relationship framework and as such they have little impact on the 70% of the population in most SSA countries who work in the informal economy or the agriculture sector.

As discussed below,⁷⁰ these labour laws often have a limiting effect on the adequacy and extent of social security coverage, as they stress employer liability for essential social protection risks (e.g. sickness, employment injuries, maternity) and contain discriminatory provisions, impacting on the plight of females, persons with disabilities and non-citizens. Employment-based social security rights tend to be underdeveloped, with insufficient attention being given to principles of good governance of social

⁶⁷ Sepúlveda & Nyst *The Human Rights Approach to Social Protection* 25. Underlining added.

⁶⁸ Par 4.1.

⁶⁹ ILO *Extending the scope of application of labour laws to the informal economy* (2010).

⁷⁰ Par 4.4.

security schemes, consumer/beneficiary protection, sound investment principles and segmentation of benefits – in both the public and occupational/private domain.⁷¹

4.4.3 International and regional standards

The ratification of ILO Conventions by SSA countries reveals an inherent inconsistency. On the one hand, ILO core labour standards (in the areas of forced labour, equal pay for equal work, freedom of association, right to organise and collective bargaining, abolition of forced labour, discrimination, worst forms of child labour and minimum wage) have been extensively ratified by SSA countries. However, implementation is limited and reporting remains weak in most of the countries; in some cases domestic laws have not been updated to reflect the conventions in many cases. Implementation of these Conventions and the standards contained in them is often problematic, given weak systems of inspection and monitoring. Only a few countries (e.g. Burundi and Namibia) have a legal provision to automatically recognise ratified international conventions over domestic law. Many other ILO Labour conventions are denounced, either explicitly or tacitly.

On the other hand, the ratification of the basic ILO social security Conventions is conspicuous by its absence in SSA – including the primary Convention in this area, namely ILO Social Security (Minimum Standards) Convention 102 of 1952.⁷² These Conventions do not appear to sufficiently capture the developing country and informal work context of most SSA countries. However, it might be that the recently adopted ILO Recommendation 202 of 2012 on National Floors of Social Protection may prove to be an important – even if limited – instrument for the extension of social protection in SSA: affordability is key to the rolling out of the minimum protection provided for under the SPF, even in contexts, as in SSA, of highly informal economies.⁷³ On the other hand, UN human rights instruments, including UN Conventions on the rights of children, women, persons with disabilities and refugees have been ratified relatively extensively by SSA countries, and may contribute to the development not only of labour law but also social protection. This is in particular true of the ratification of the main socio-economic rights instrument of the UN, namely the International Covenant on Economic, Social and Cultural Rights of 1966; the importance of this instrument and the recent UN General Comment on the right to social security⁷⁴ should not be underestimated, also in light of its implications for social security for informal economy workers. Furthermore, AU continental instruments (e.g. on the welfare of children and the position of refugees) and policy frameworks (e.g. on social policy (Social Policy Framework) and migration (Migration Policy Framework)), as well as regional social charters and social security codes (e.g. in the East African Community (EAC) and the Southern Africa Development Community (SADC)), are also contributing towards the development of social protection policy and regulatory frameworks at the national level.

⁷¹ See Barbone, L and Sanchez, L B "Pensions and social security in sub-Saharan Africa – Issues and options", in *Social Security in Africa: New realities* (Thirteenth African Regional Conference, Accra, 6-9 July 1999, Social security documentation, African Series No. 21 International Social Security Association (ISSA), Abidjan) 14-18; Olivier, M "Acceptance of social security in Africa" in *Proceedings of 15th African International Social Security Association Regional Conference* (ISSA) (Social Security in Africa Series No. 27 Social Security Documentation) (2006) (p 39-72), accessed as a separate ISSA publication at <http://www.issa.int/content/download/51395/944040/file/2olivier.pdf> on 06-03-2013.

⁷² Only four SSA countries have to date ratified Convention 102, i.e. DRC, Mauritania, Niger and Senegal : see <http://www.ilo.org>, accessed on 06-02-2013.

⁷³ See par 4.2 above; ILO *A fair globalization: Creating opportunities for all* (2011) 23.

⁷⁴ General Comment No 19 of 2008 on the right to social security (see article 9 of the Covenant) (E/C.12/GC/19 of 4 February 2008) (adopted on 23 November 2007).

4.5 Contributory-based social security interventions

There are various social risks facing individuals and households in sub-Saharan countries. For some of these, in particular the common collective risks not covered under existing international instruments, such as war, crop failure and natural disasters, limited provision is made in terms of national social security systems.⁷⁵ National contributory schemes in particular invariably do not cover these risks, while cash transfer programmes provide sporadic relief only, for example in the case of food insecurity resulting from a period of drought. For others, other interventions which also go beyond the framework of contributory and non-contributory benefits have been introduced as a response to major social risks, such as unemployment – for example youth training and employment schemes such as public works programmes to help address unemployment, in particular youth unemployment.

The prevalence of certain social risks has prompted particular region- or country-specific social security responses. For example, in Southern Africa, AIDS has had a severe impact on the working age population and on care-taking of children. To some extent this explains the preference for (in particular, non-contributory) old age benefits and child grants in Southern Africa, to support older people and households (i.e. primary care-givers) respectively, taking care of young children. Inadequate health care arrangements similarly contributed to the development of health mutualities, in particular in Francophone Africa, to ensure insurance-based protection in the event of ill health.

As indicated below in the discussion on reform initiatives,⁷⁶ there is increasingly appreciation of the importance of pluralistic and multi-pillar approaches to effectively address social risks in SSA. Contributory and non-contributory arrangements are combined to make sure that adequate protection is provided, and that coverage is extended to an expanding number of beneficiaries. This is true in particular of the areas of health care coverage and old age provision.

Most middle-income SSA countries have contributory social security arrangements of a public nature which are, however, limited in terms of personal sphere of coverage, and range and quality of benefits. The general pattern is that low-income developing SSA countries in particular currently lack properly developed contributory arrangements, especially of a public nature, although some change is discernible. Social insurance schemes are operational in the public and formal private sectors of most of the countries profiled, though coverage remains limited to 6-20% (despite notable exceptions and recent examples of significantly expanded coverage)⁷⁷ of the work

⁷⁵ See Jutting, J *Strengthening Social Security Systems in Rural Areas of Developing Countries* (Centre for Development Research, Bonn: ZEF Discussion Papers on Development Policy, 1999) 2; Olivier, M "Informality, employment contracts and social insurance coverage: Rights-based perspectives in a developing world context" *International Journal of Comparative Labour Law and Industrial Relations*, vol 2(4), 2011: 419-433, at 424. Dependency on resource extraction has serious (negative) implications for diversification of economies, and often blurs the vision of establishing appropriate contributory and non-contributory social security arrangements to provide longer-term protection.

⁷⁶ Par 4.7.

⁷⁷ As noted in the 2010/11 World Social Security Report: "In sub-Saharan Africa only 5 per cent of the working-age population is effectively covered by contributory programmes" (*ILO World Social Security Report 2010/11: Providing coverage in times of crisis and beyond* (ILO, 2010) 2. In a few cases (e.g. in some Southern African countries), more substantial coverage has been achieved via non-public instruments. In South Africa, given the strong presence of occupational retirement schemes (providing retirement, disability and survivors' pensions), substantial coverage of the employed working population has been achieved, although employees at the lower end of the income spectrum often remain uncovered. In some countries, coverage of the working population has been significantly increased through the introduction of universal contributory schemes, such as the public health insurance arrangements in Ghana and Rwanda: see below.

force and generally includes a restricted range of social security benefits only, in particular old age pensions, work-related survivor and in some cases disability pensions, and employment injury benefits.

However, several factors inhibit the effectiveness of contributory arrangements:

- Exclusion: Coverage remains largely focused on those employed in the formal economy, within the framework of an existing employment relationship – effectively excluding the majority of those who work in SSA, as they are not employed in the formal economy.
- Systemic failures: The effectiveness of public arrangements is often questioned, as a result of perceived mismanagement, high costs, fragility of the political system, inadequate benefits, deficient service delivery, inappropriate funding arrangements and a lack of willingness to register and/or contribute.⁷⁸
- Lucrative/privileged arrangements: Lucrative arrangements for among others civil servants and politicians remain in place in many SSA countries: no or limited contributions are paid by the members, while benefits become an expense of the public purse (often paid *via* budget-sponsored Consolidated Funds or similar arrangements).
- Employer liability: In the absence of appropriate public schemes providing for a range of social security benefits, reliance has to be placed on either employer liability to pay (or insure for the payment of) benefits (e.g. in the case of sickness, maternity and employment injury benefits), or on occupational schemes or private arrangements (especially in the area of retirement and risk-related benefits, and at times medical care). It is increasingly appreciated in SSA countries embarking on substantial reform, aimed at establishing comprehensive social security arrangements (e.g. Ghana, Lesotho, Kenya, Namibia, Rwanda, South Africa), that for a variety of reasons it makes fiscal, economic, employment relations and social sense to replace employer liability with (public) scheme liability, also as this creates space for the extension of the range and quality of social security benefits.
- Occupational/private arrangements: Occupational and private schemes, although increasingly popular and present in many SSA countries, are often not well-regulated and suffer from challenges relating to limited coverage (usually they attract only earners at the high end of the income spectrum), high costs and (at times) poor quality of benefits. Also, in most SSA countries public, occupational and private arrangements are not properly aligned from the perspective of a multi-tiered framework of provision and protection.
- Absence of regular benefits: The tendency (still) of a range of contributory schemes to pay lump-sum instead of regular/ongoing benefits (e.g. in the case of provident funds (e.g. Swaziland) or some employment injury benefit schemes (e.g. Lesotho)) has a major impact on the long-term survival of beneficiaries and households, and causes continued reliance on weak social assistance and overburdened SP arrangements.
- Lack of inter-scheme and cross-border coordination: Coordination of schemes and harmonisation of benefits across risk categories (e.g. medical care; survivors' benefits) within SSA countries is currently largely absent. Also, cross-border coordination of contributory schemes and (ex)portability of benefits are in place in a limited (albeit increasing) range of countries only – some bilateral arrangements do exist, while multilateral agreements are, despite innovative new developments,⁷⁹ largely absent. Innovative envisaged multilateral frameworks are

⁷⁸ See Barbone, L and Sanchez, L B "Pensions and social security in sub-Saharan Africa – Issues and options" and Olivier, M "Acceptance of social security in Africa".

⁷⁹ See par 4.7 below.

limited to some SSA regions only (e.g. the East African Community; and in West Africa).

- Discrimination: The disparate genderised, disability and nationality (discrimination) impact of the legal, institutional and operational arrangements in relation to contributory schemes has thus far received little attention in the design and reform of the schemes (notable exceptions are reforms currently envisaged in Lesotho, Namibia and South Africa). For example, little provision exists for special arrangements for persons (in particular females) who have to exit the labour market for family-related reasons, inadequate provision is made for paternity leave/benefits, and appropriate protection for persons with disabilities is largely lacking. Also, discriminatory legal provisions and policy frameworks as well as the lack of proper migration management policies and cross-border social security arrangements impact negatively on the position of non-citizens in social security, even when migrating to other SSA countries.
- Overemphasis on compensation: Contributory arrangements in SSA countries still have a primary focus on compensation – i.e. the payment of benefits. Three issues in particular should be noted:
 - Transformation and promotion: The transformative and promotive role of social protection/security is not sufficiently present in scheme design and implementation.
 - Prevention: Preventive arrangements are often weakly developed, in particular in the area of occupational health and safety – as is evident from the reported high incidence of occupational injuries and diseases.⁸⁰ However, the importance of preventive medical care is increasingly reflected in government health care programmes and interventions.
 - Labour market links: Links between access to contributory-based benefits and labour market measures and interventions, even where these exist, are insufficiently developed. Until recently little effort has been made to return workers reliant on social security benefits to the labour market: labour market and social integration measures do not feature prominently in law and policy frameworks in most SSA countries. However, reforms in this area are clearly discernible.⁸¹
- Inadequate micro-health insurance arrangements: Micro-health insurance schemes are generally not well developed, usually exist only on a small or pilot scale and have limited coverage⁸² – even though they are being regarded in several (in particular French-speaking) SSA countries as an important part of the provision of social protection, in the absence of encompassing public arrangements and the inaccessibility of mainstream insurance services to the majority of their populations. A more elaborate and strategic framework is needed to ensure that these schemes effectively fulfil social protection objectives – as is evident from the certain interventions foreseen in Senegal, described below.⁸³ As is apparent from the envisaged interventions in Senegal, and the recent experience of Ghana and Rwanda, if mutuality-based micro-health (in particular, community-based health) insurance schemes are not brought to national scale, as in the examples from Ghana and Rwanda, they do in most cases not provide sufficient risk protection

⁸⁰ See Lund, F and Marriott, A *Occupational Health and Safety and the Poorest* (Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Paper (Social Protection) No 20; Loewenson, R "Assessment of the health impact of occupational risk in Africa: Current situation and methodological issues" *Epidemiology*, vol 10(5), September 1999, 632-639; Loewenson, R "Globalization and occupational health: a perspective from southern Africa" *Bulletin of the World Health Organization*, vol 79 (9), 2001, 863-868.

⁸¹ See par 4.7 below.

⁸² Côte d'Ivoire is typical of a country with ambition to introduce micro insurance in the absence of framework. Forty-seven micro insurance schemes currently operate, but with coverage of less than 3%.

⁸³ Par 4.7.

due to small pools and limited benefits. This has wider implications for other small-scale contributory-based programmes focusing on building up from grass-root level, locally developed and –owned systems of risk pooling. In this regard, notice should be taken of the following comments made in the WHO 2010 World Health Report on *Health Systems Financing*:⁸⁴

"Country experience reveals three broad lessons to be considered when formulating such policies.

First, in every country a proportion of the population is too poor to contribute via income taxes or insurance premiums. They will need to be subsidized from pooled funds, generally government revenues. Such assistance can take the form of direct access to government-financed services or through subsidies on their insurance premiums. Those countries whose entire populations have access to a set of services usually have relatively high levels of pooled funds – in the order of 5–6% of gross domestic product (GDP).

Second, contributions need to be compulsory, otherwise the rich and healthy will opt out and there will be insufficient funding to cover the needs of the poor and sick. While voluntary insurance schemes can raise some funds in the absence of widespread prepayment and pooling, and also help to familiarize people with the benefits of insurance, they have a limited ability to cover a range of services for those too poor to pay premiums. Longer-term plans for expanding prepayment and incorporating community and micro-insurance into the broader pool are important.

Third, pools that protect the health needs of a small number of people are not viable in the long run. A few episodes of expensive illness will wipe them out. Multiple pools, each with their own administrations and information systems, are also inefficient and make it difficult to achieve equity. Usually, one of the pools will provide high benefits to relatively wealthy people, who will not want to cross-subsidize the costs of poorer, less healthy people."

4.6 National non-contributory arrangements

The experience in SSA countries with the establishment of non-contributory arrangements has been diverse and is fast changing. Formal institutionalised social assistance schemes initiated by national governments and operating under the auspices of public agencies, reaching sizeable numbers of certain categories of the poor (in particular the aged and the very young), characterise in particular Southern African and middle-income countries (MICs). These countries display higher levels of economic development and revenue collection and delivery capacity. On the other hand, in low-income countries (LICs) there has been a movement away from reliance primarily on emergency and humanitarian relief to the establishment of cash transfer programmes. These programmes are mostly established by development partners and therefore donor-led; they usually start off as smaller-scale pilot programmes and are either pure cash transfer or conditional cash transfer programmes. In the latter case, cash transfers are not only linked to services, but often made conditional on participation. For example, transfers to orphans and vulnerable children under the Ghana Livelihood Empowerment Against Poverty (LEAP) programme are conditional on their school attendance, basic health-care utilisation and registration.⁸⁵ In some countries, cash transfer programmes have been scaled up to incrementally reach

⁸⁴ WHO *World Health Report 2010: Health Systems Financing - The path to universal coverage (Executive Summary)* (2010) 12-13.

⁸⁵ Niño-Zarazúa, M, Barrientos, A, Hickey, S and Hulme, D "Social Protection in Sub-Saharan Africa: Getting the Politics Right" *World Development* Vol 40 (1), 2012, 163-176; see also World Bank *Social Safety Nets in Africa – A Review of the Experience in 20 Countries* (Draft) (Sept 2012).

larger numbers of targeted categories of those who are poor – for example, the Kenyan Cash Transfer for Orphans and Vulnerable Children (CT-OVC) and the Lesotho Child Grants Programme (CGP). While these programmes may still be in their infancy in West and Central Africa and generally lack scale, coherence and coordination, they share general characteristics such as a focus on extreme poverty, food insecurity, a limited degree of institutionalisation and financing, and a lack of political commitment.⁸⁶

Only a few SSA countries have developed sizeable non-contributory social assistance schemes or comprehensive basic social protection interventions – including Gabon, Mauritius, Seychelles and South Africa. Where such schemes have been successfully implemented, the achievements have often been remarkable, with significant impact on poverty alleviation in the direct and distributional sense (especially at the household level), the strengthening of health and educational indicators, improvement of well-being, and support of small-scale economic activities.⁸⁷ The impact of the social assistance system in South Africa (where 16 million of the 50 million residents are reliant on social assistance grant support) can be compared with that of similar large-scale programmes in Brazil and Mexico. However, these schemes in the few SSA countries where they exist are not well-aligned with exit and graduation strategies, and with links to labour market participation. And yet, while they may not in their current format and orientation be aimed at self-sustainability, and despite other challenges relating to among others targeting,⁸⁸ these schemes play a crucial role in effectively addressing poverty and improving quality of life.

While some countries may have particular programmes for targeted support in place, at times even on a universal basis (e.g. the old age social pension in Namibia and Lesotho), existing programmes of social assistance or basic social protection and cash transfer schemes are limited but growing in number and size. However, they face many challenges:

- Absence of a rights-based framework: Except for the now established social assistance schemes in some Southern African countries, the lack of a proper legal mandate and a rights-based framework is problematic.⁸⁹
- System and impact deficiencies: Also, social assistance and cash transfer programmes in SSA are generally characterised by their focus on particular vulnerable groups (to the exclusion of the rest of the impoverished population and other vulnerable categories), difficulties in defining and administering targeting criteria, inconsistencies in service delivery, limited fiscal space and the absence of impact assessment studies. However, evaluation and impact assessment undertaken or supported by development partners are fast becoming a hallmark of programme design, reform and implementation.
- Financial constraints: Furthermore, most often, governments would not prioritise spending on social assistance and for that matter other social protection initiatives. And even where governments are willing to do so, fiscal constraints may be real,

⁸⁶ *Ibid* 14.

⁸⁷ *Ibid* 9; par 4.2 above.

⁸⁸ Little is known about the objectivity of targeting criteria and methods. Lack of data is a significant hindrance to successful targeting but diagnostic and baseline studies are increasingly available.

⁸⁹ See, for a discussion on the position in Southern African countries, Olivier, M "Social protection in SADC: Developing an integrated and inclusive framework – a rights-based perspective" in Olivier, M & Kalula, E *Social protection in SADC: Developing an Integrated and Inclusive Framework* (Centre for International and Comparative Labour and Social Security Law (CICLASS) & Institute of Development and Labour Law 2004) 23-32.

as the example of Lesotho indicates.⁹⁰ However, Lesotho is an example of a poor and low-income developing country committed to make substantial investments in SP initiatives. The same also appears to be true of a country such as Cape Verde, which has introduced a non-contributory pension for the elderly and disabled, while child income is assured through a family benefits scheme.

- Weak prospects of scaling up donor-led programmes: Many cash transfer initiatives are fragmented, ad hoc and short-term, due to mainly donor establishment and implementation. Consequently, the prospects for sustainability and scaling up of these programmes are generally poor, in view of national government resistance.⁹¹ However, exceptions do exist in countries where governments take ownership of donor-driven initiatives – provided the required fiscal space can be found. The conversion and scaling up of pilot Social Cash Transfer Schemes in Zambia into government-resourced and government-delivered national safety net programmes, coupled with reduction in donor reliance, may be cited as an example.
- Underdeveloped gender and disability dimensions: Also, these programmes may not be adequately gender and disability sensitive. For example, there are a disproportionate number of female-headed households in post-conflict and recovering countries and these require particular support. Also, there is a general lack of coherence on provision for people with disabilities. In Sierra Leone, for example, the government has provided benefits for amputees and those disabled in the war. However, there are no scheme provisions for the long-term disabled and they continue to lack access to services.

Finally, attention should be drawn to the widespread reliance on informal social security in SSA, which is largely the result of the inadequate provision via the formal social protection system, despite the strong cultural and social connection some of the informal schemes may have. These include traditional savings systems, such as the *osusu* system in Sierra Leone, *tontin* in Senegal (where a small group contribute to a central pot and take turns to take loans) and rotating savings (*roscas*) and funeral schemes in among others several Southern African countries. Traditional *mahber* systems in Eritrea (and Ethiopia) provide for risk-sharing arrangements. In the absence of formal social protection and micro- and mutual health insurance, these systems continue to function as primary safety nets. However, these informal initiatives are unable to achieve, on their own, adequate protection and need to be evolved and integrated with the formal system of protection, also from the perspective of an overarching conceptual framework.⁹²

4.7 Some reform initiatives

In recent years several SSA governments introduced important reforms in the provision of and access to social protection, thereby creating the basis for improved

⁹⁰ Niño-Zarazúa, Barrientos, Hickey and Hulme "Social Protection in Sub-Saharan Africa: Getting the Politics Right" 22; Olivier, M *Lesotho Case Study* (Report: EC study on social protection in sub-Saharan Africa, 2013).

⁹¹ Niño-Zarazúa, Barrientos, Hickey and Hulme "Social Protection in Sub-Saharan Africa: Getting the Politics Right" 16-17.

⁹² See Oduro, A *Formal and informal social protection in Sub-Saharan Africa* (Final Report prepared for the European Report on Development) (European University Institute, Florence, 2010); Von Benda-Beckmann, F "Indigenous support and social security: lessons from Kenya" in Midgley, J and Sherraden, M (eds) *Alternatives to social security: an international inquiry* (Auburn House, Westport, Connecticut, 1997); Gsänger, H "Linking informal and formal social security systems" accessed at <http://www.dse.de/ef/social/gsaenger.htm> (German Development Institute, Bonn); Olivier, M and Kaseke, E *Informal social security and formal social security: developing an integrative approach* (Paper presented at the Southern African Development Community (SADC) Social Security Conference, Gaborone, 2004).

scheme design, coverage, adequacy of benefits and service delivery. The following are some of the developments in these areas:

- Old-age security: While the effects of population ageing on retirement schemes are less evident in SSA than in more developed parts of the world, there are other challenges facing the aged and their need for security in old age. Coverage *via* contributory and non-contributory arrangements has been weak, despite the fact that older people in Africa are often disproportionately poorer than the rest of the population – especially when they have to take care of children.⁹³ National retirement schemes do not exist in several SSA countries, also not in some of the middle-income Southern African countries, while provident fund schemes which invariably do not provide long-term old-age support through lump sum benefit payments, are still present in some countries. However, comprehensive developments have occurred in recent years, in both the non-contributory and contributory domains. The significant impact of the introduction (e.g., Botswana, Lesotho, Namibia, South Africa, Swaziland) and gradual expansion (e.g. South Africa) of non-contributory old age grants in several Southern African countries has been widely reported, and noted in this report as well.⁹⁴ As indicated in a 2008 ISSA (International Social Security Association) study:⁹⁵

"All in all, non-contributory pensions are an effective way of redistributing income from high-income groups to the poor and promoting social cohesion and political stability. This encourages long-term investment in the local economy. In the middle of the last century, Mauritius had a vulnerable mono-crop economy and high poverty rates. Today, Mauritius has the lowest poverty rate in Africa, and the social pension established in 1950 is recognized as one factor that contributed to the social cohesion necessary to restructure the economy onto a high growth path"

Additional measures include the adoption or intended roll-out of cash transfers to older people on a smaller-scale pilot basis, on either a targeted or universal basis – e.g. in Ghana, Kenya Mozambique, Sierra Leone, Uganda and Zambia. Contributory schemes have also been reformed. Several countries have transformed national provident fund schemes into pension schemes or are in the process of doing so – for example, Kenya, Tanzania and Swaziland. Some countries have built multi-pillar pension schemes, or are contemplating doing so – for example, Ghana, Mauritius and South Africa. These schemes involve at times both a non-contributory (providing a basic pension) and contributory element – the latter in turn would involve both compulsory contributions to a national scheme and voluntary contributions to occupational or private schemes. Mauritius could be cited as an example; South Africa is considering a similar model. Ghana has introduced a three-pillar contributory system. Such multi-pillar arrangements are particularly powerful when they involve the combination and even integration of non-contributory and contributory elements. For example, significant coverage has in this way been achieved in Mauritius. These arrangements could result in universal schemes, which pool contributions and simultaneously benefit the poor.⁹⁶ Extension of coverage to those who are self- or informally employed is being contemplated in several countries; as discussed in the section dealing with the informal work context,⁹⁷ Ghana has established an Informal Sector Fund to achieve this.

- Health care provisioning: SSA is still a far away from universal access to health care. Access is often restricted as health care systems are skewed towards the

⁹³ ISSA *Dynamic social security for Africa* (2008) 5 and authority quoted there.

⁹⁴ Par 4.2.

⁹⁵ ISSA *Dynamic social security for Africa* (2008) 8.

⁹⁶ *Ibid* 5.

⁹⁷ Par 8.4.

privileged few, due to high out-of-pocket costs, lack of adequate public health care facilities, and the severe impact of health shocks such as malaria, communicable diseases and HIV/AIDS. Institutional arrangements are weak and underdeveloped with health coverage often offered by commercial insurers to those who can pay, rather than by health insurance schemes: even formal economy coverage is still very limited.⁹⁸ And yet, health care is an area where significant progress has been made, especially in recent years. As noted by the ISSA, on the one hand, initiatives have been taken to extend and improve coverage for formal economy workers; on the other hand, significant measures have been taken to extend social health protection to the entire population. In this regard, the following may be noted:

- Extended health services and community-based mechanisms: Health services have been extended in countries such as Botswana, while community-based health insurance measures have been introduced in countries such as Tanzania and (for the rural population), Cape Verde.⁹⁹ A health mutual assistance fund scheme is being introduced in Guinea-Bissau by UNFPA along a community participation model. The limitations of community-based (micro-health) insurance schemes should, however, be noted. As indicated above in relation to Ghana and Rwanda¹⁰⁰ and below in relation to Senegal, they need to be brought to national scale. The national connection could, however, be reflected in different ways. For example, in Tanzania, a hybrid model is currently implemented through the Community Health Fund (CHF) introduced by the Ministry of Health in 1996 as part of the endeavours to make health care affordable and available to the rural population and workers in the informal economy.¹⁰¹ The CHF is an insurance-based hybrid scheme administered at district level and co-financed by the community (household) and the government. The scheme is voluntary whereby the households pay uniform contributions and the government tops-up by 100% of the total contribution from members. Basically, the CHF benefits are limited to curative and preventative health services at dispensaries and health centres, although some of the districts have innovatively extended the benefit beyond this level to hospitals.¹⁰²
- National and (other) social health insurance schemes: In a few SSA countries national health insurance schemes or arrangements are in place (notably Ghana and Rwanda, but also Uganda and Zimbabwe) or are being established (Liberia, Sierra Leone, South Africa and Togo). These schemes have the potential to also incorporate informal economy workers. The National Health Insurance Scheme in Ghana is a compulsory scheme which covers all residents of Ghana. It is an intermediate form of health insurance involving social insurance financed by contributions from formal (and to a lesser extent informal) economy workers and by government, providing coverage also for those unable to contribute. The programme, now covering about 67 percent of the population, successfully includes informal workers by building on elements of community-based health insurance, due to strong government commitment to guarantee health care for everyone. Also, the Mutual Health Insurance programme in Rwanda was made compulsory in 1996 and is estimated to cover 85% of the population. A Social Health Insurance scheme is financed through employer and worker contributions in Cape Verde. Twenty five out of 36

⁹⁸ ISSA *Dynamic social security for Africa* (2008) 13.

⁹⁹ *Ibid* 13-16.

¹⁰⁰ Par 4.5.

¹⁰¹ Mtei, G & Mulligan, J *Community Health Funds in Tanzania: A literature review* (Ifakara Health Research and Development Centre, 2007) 2.

¹⁰² *Ibid*, 8-9.

Nigerian states have taken up the National Health Insurance Scheme (1999) where health management organisations are run by private sector operators.

- Transforming pluralistic/complementary schemes into universal schemes: Some SSA governments appreciate the need to develop comprehensive schemes incrementally, as appears from the developments in Rwanda¹⁰³ and the current interaction with Senegal¹⁰⁴ – where a dualistic and two-pronged approach is followed, consisting of a comprehensive grassroots level "bottom-up" and a centralised "top-down" approach, aimed at achieving overall strategic health care objectives, including significant coverage extension. The grassroots level "bottom-up" approach concentrates on building a sizeable network of health mutualities. Unification or fusion of mutualities at the regional level would therefore be required, which would eventually have to be replicated at the national level, and possibly also at a cross-country level. This would give a greater voice to mutualities, would ensure extended coverage, and should achieve economies of scale – in this way the mutuality framework could become an integral part of health care extension and the national health policy agenda in Senegal. While the grassroots level "bottom-up" approach focuses on including poor people and those in the informal economy in health protection, the centralised "top-down" approach entails improving the formal economy-based public and private provision of health care in Senegal. It is envisaged that the dual approach outlined above will result in significant coverage extension. The National Strategy Report for the extension of health coverage in Senegal suggests a goal of 50% coverage (of the whole population) by 2015 – currently, the figure is 20%, and substantial work to achieve further extension remains. Furthermore, when the combined coverage (under the two approaches) has reached a desired level (e.g. 70%), government could consider the establishment of a universal system.
- Group-based extension: The above pluralistic/complementary approach has to be contrasted with a different strategy being followed in, for example, Mauritania. As a mutuality approach would not work in Mauritania, the focus has been on the extension of health coverage to (other) formal economy groups with contributory capacity. In this way, coverage has been extended from 7% (2007) of the population to 15% (2012).
- Labour market integration: It has been noted above¹⁰⁵ that social security arrangements in SSA are mostly focused on the payment of compensation or benefits: risk-prevention and integration of those exposed to social risks have been underdeveloped terrains. This is generally true of both non-contributory and contributory arrangements. However, as appears from the rest of this report, some measures have been introduced to strengthen the link between cash transfers and labour market integration. In addition, some employment injury benefit schemes have limited rehabilitation arrangements in place (e.g. Zimbabwe), while the larger-scale introduction of policy-based and legislatively-provided public Return-to-Work schemes is being contemplated in countries such as Tanzania and South Africa, and considered in Lesotho and Namibia.
- Protection of migrant workers: Migrant workers (and their families) are some of the most vulnerable categories in SSA. Due to the cumulative impact of nationality, territoriality and residential requirements entry into and residence and work in the SSA country of destination may be restricted and controlled, while access to social security schemes and benefits may be excluded or curtailed. Despite some progressive jurisprudential developments, law and policy measures

¹⁰³ ISSA *Dynamic social security for Africa* (2008) 16.

¹⁰⁴ Interaction supported by the Belgian federal public service.

¹⁰⁵ Par 4.5.

originating from immigration law and sometimes even labour law and social security regimes in SSA countries would render non-citizens exposed and without or with limited protection. Bilateral agreements between SSA countries, regulating the labour law and social security position of migrant workers and their families, are limited in number, scope and effect. And yet, there are clear indications of innovative portability and cross-border arrangements. Multilateral social security coordination regimes in the African context, which also imply portability of benefits, are developing, as is evident from the (not yet in force) co-ordination arrangement covering certain West and Central African states,¹⁰⁶ and similar interventions are foreseen within the West¹⁰⁷ and East African¹⁰⁸ context. In addition, the AU Migration Policy Framework recognises the importance of a balanced border control-human rights approach, and the need for appropriate bilateral and multilateral approaches.¹⁰⁹

- Social security governance, institutions and service delivery: Historically, social security in SSA has often been characterised by weak governance structures; incapacitated, inadequate and fragmented institutions; and weak service delivery.¹¹⁰ However, several SSA governments have taken steps to curb high administrative costs, strengthen institutional and human capacity, introduce good governance frameworks, create and strengthen service delivery institutions, establish independent supervisory bodies, develop broad-based registration and integrated targeting mechanisms, and provide a consistent and professional service to clients and beneficiaries.¹¹¹
- Extension of coverage: Coverage extension has always been a core area of social security concern in SSA, in view of incomplete coverage of the formal economy and the more or less total exclusion of informal workers. However, also in this area the developments and reforms have been far-reaching. There has been a significant extension of contributory and non-contributory schemes.¹¹² As already indicated,¹¹³ non-contributory cash transfer programmes have taken root in many SSA countries, even in LICs – despite their obvious shortcomings. In some cases, it was possible to upscale these programmes to cover a wider range of impoverished persons and provide more extensive benefits. Even established social assistance schemes have widened their scope of coverage – as is evident from, for example, the extended social assistance benefits regime in South Africa. Contributory arrangements have also expanded, for example through the establishment of universal contributory health and other social insurance schemes (see above), and the establishment of dedicated schemes targeting informal workers (for example, in Ghana) (see below). Finally, important steps have been

¹⁰⁶ See the Inter-African Conference on Social Security (CIPRES) of 2006; Dioh, *A Migration Flows and the Access to Social Security Rights for Nationals and Resident Migrant Workers in West Africa* (International Centre for Migration Policy Development (ICMPD) & Meeting of Experts on the Social Rights of Migrants and their Portability under a Transnational Framework publication, 2011).

¹⁰⁷ I.e. the ECOWAS (Economic Community of West African States) *General Convention on Social Security*.

¹⁰⁸ Discussions on the introduction of a multilateral arrangement for the East African Community (EAC), within the context of the EAC Common Market Protocol, are ongoing.

¹⁰⁹ AU (African Union) *The Migration Policy Framework for Africa* (Executive Council, African Union, Ninth Ordinary Session, 25-29 June, 2006, Banjul, The Gambia) (Document EX.CL/276 (IX)).

¹¹⁰ See par 4.3 above.

¹¹¹ Barbone, L and Sanchez, L B "Pensions and social security in sub-Saharan Africa – Issues and options", in *Social Security in Africa: New realities* (Thirteenth African Regional Conference, Accra, 6-9 July 1999, Social security documentation, African Series No. 21 International Social Security Association (ISSA), Abidjan) 23-24; Olivier, M "Acceptance of social security in Africa" in *Proceedings of 15th African International Social Security Association Regional Conference* (ISSA) (Social Security in Africa Series No. 27 Social Security Documentation) (2006) (p 39-72), accessed as a separate ISSA publication at <http://www.issa.int/content/download/51395/944040/file/2olivier.pdf>.

¹¹² See ISSA *Dynamic social security for Africa* (2008) ch 2 (in relation to old-age security) and ch 3 (in relation to social health protection).

¹¹³ Par 4.6 and this paragraph above.

taken to extend coverage to informal economy workers, partly *via* universal and complementary/pluralistic measures indicated above, and partly *via* informal economy-dedicated arrangements, discussed later in this report.¹¹⁴

Despite the many socio-economic challenges they face in providing social protection, low- or medium-income countries such as Ghana and Lesotho,¹¹⁵ which were selected as the two SSA countries to visit as part of and for purpose of the study, have made remarkable achievements in providing social protection, as have other SSA countries. Bolstered by strong political commitment and substantial donor support, an extensive range of social protection interventions have been established in both countries.

In Ghana,¹¹⁶ these interventions span the areas of contributory and non-contributory arrangements, as well as broader social protection initiatives. In overhauling the retirement benefits framework, a new three-tiered pension system has been created to extend protection through public-private arrangements, also to informal economy workers; universal health insurance has been introduced, funded through contributions and general taxation (Value Added Tax – VAT), already achieving 67% coverage of the population; the flagship Livelihoods Empowerment Against Poverty (LEAP) Programme which targets the extreme poor (18% of the population) is designed to link the beneficiaries of a means-tested conditional cash transfer programme to complementary services that will facilitate their graduation; the National Youth Employment Programme (NYEP) provides skills training services and links participants to employment opportunities; the highly successful Labour Intensive Public Works Programme (LIPW) (which generated 13 million person days of employment and injected US\$30 million into the rural economy over a 15 year period) has given rise to a new Social Opportunities Project (GSOP) which combines a cash transfer programme with the LIPW; and special programmes have been developed to address poverty and develop economic opportunity for the underdeveloped regions.

Given its current socio-economic conditions and fiscal ability, Lesotho¹¹⁷ has achieved an impressive record in creating a basic social assistance and social protection system, informed by political commitment and through budget reprioritisation. It has set up and administered near universal schemes operating at scale with fairly low transaction costs, addressing core areas and serving vulnerable constituencies – including the aged (via a universal Old Age Pension), orphaned and vulnerable children (through a sizeable and expanding Child Grants Programme), and school-age children (through a comprehensive school feeding scheme (especially at primary school level) and free primary education). At the same time Lesotho is contemplating the establishment of a contribution-based comprehensive national social security scheme, to provide coverage for Lesotho formal sector workers and their families, while envisaging the extension of coverage to the self-employed and informal workers. It has also successfully established a public works programme within the context of the Integrated Watershed Management Project, designed to address on a comprehensive scale poverty and land degradation issues. In both these countries steps are taken to develop overarching national social protection policy frameworks, supported by existing sectoral policies, while some steps have been taken to bring about institutional alignment and policy coherence. However, challenges remain. Fragmentation at the policy, programme and institutional level is still evident, while the need for improved targeting has prompted both countries to institute a common

¹¹⁴ Par 8.4.

¹¹⁵ Ghana and Lesotho were selected as two SSA countries to visit, as part of the study on social protection in sub-Saharan Africa.

¹¹⁶ See McLaughlin, M *Ghana Case Study* (Report: EC study on social protection in sub-Saharan Africa, 2013).

¹¹⁷ Olivier, M *Lesotho Case Study* (Report: EC study on social protection in sub-Saharan Africa, 2013).

targeting mechanism. Steps also need to be taken to synchronise the various social protection interventions and to create more fiscal space by removing wastage and coordinated fiscal planning.

4.8 Some conclusions

Despite significant challenges, important developments focused on adding value and enhancing the efficacy of SP programmes in SSA have taken place in recent years. These developments concern the establishment and strengthening of (contributory) income replacement and (non-contributory) schemes targeted at addressing the plight of the poor. Schemes have been designed and reformed to render better benefits to an increasingly wider sphere of persons. There is clear evidence of increased political willingness on the part of national governments to invest in and take ownership of SP initiatives. Some improvements in the underlying support systems are also discernible, appearing from consolidated registration and better targeting instruments, and enhanced institutional and human capacity. Governance and administration have been strengthened, and service delivery has generally improved.

And yet, SP programmes are still exposed to several shortcomings, including the absence of targeted SP policy, strategy and legal frameworks which should serve as the basis of and mandate for SP interventions. SSA countries need to improve their ratification and implementation of overarching international, continental and regional standards and to develop synergies and coordinated approaches as regards various SP measures. Linking ALMPs to exit and graduation strategies, including labour market insertion, will enhance the long-term effectiveness of SP interventions. Several remaining inefficiencies in contributory schemes have to be addressed, while there is need to improve the reach of social assistance programmes and upscale social transfers arrangements. Most importantly, government ownership has to be ensured at all stages of SP design and implementation.

5. EC/EU Member states/development partners' (donor) involvement

5.1 Basis of involvement

The EU involvement in SP in sub-Saharan Africa is informed by a range of core considerations and developments. Firstly, EC support for social protection programming for the period 2008-2013 is being channelled through the tenth round of European Development Funds (EDF),¹¹⁸ referred to in EC Regulation 1905/2006 on establishing a financing instrument for development cooperation. Secondly, relations between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries are governed by the ACP-EU Convention signed in Cotonou on 23 June 2000. The agreement focuses on social and economic development, and the support of government and non-state actors in fighting poverty, promoting growth, delivering social services and fostering democracy and good governance. In the third instance, the EU also subscribes to the channelling of support via an Aid Effectiveness Framework (AEF), based on the Paris Declaration of Aid Effectiveness. The key guiding principles articulated in this regard include:

¹¹⁸ EDF funds are split between envelope A with an indicative allocation and the smaller envelope B which is held in reserve for emergency situations and can reach vulnerable populations through humanitarian or short-term assistance. Envelope A funds are typically administered through budget support for indicative programming. It is important to note that SP support in SSA countries can emanate from either Envelope A or B.

- Ownership of development strategies by the national government concerned;
- Alignment of aid by development partners in line with these strategies;
- Harmonisation and coordination of efforts;
- Managing for and measuring results; and
- Mutual accountability.

Fourthly, EC interventions are country-specific and context-sensitive, bearing in mind specific country characteristics such as the historical background, economic performance, geographic situation, and the social, judicial and political environments.¹¹⁹ The particular vulnerability profile of a specific country is important, as is evident from the focused support given in the event of food crises and in post-conflict scenarios. Finally, the European Report on Development (ERD) of 2010¹²⁰ has played an important part in highlighting SSA social protection challenges, while the recently (2012) released EC Agenda for Change¹²¹ and EC Communication on Social Protection in European Union Development Cooperation¹²² provide a framework and crucial direction for future EC involvement in SP in SSA.

5.2 Nature and scope of involvement

5.2.1 EC and development partners' support

EC and EU Member States provide general and sectoral budget support. Transfer of financial resources directly to governments complements domestically-generated revenues so as to facilitate implementation of SP programmes in national development or poverty reduction strategies. In addition, support is given in the form of policy advice to government, assistance with achieving the MDGs, operational research, and further institutional strengthening in the form of capacity-building, technical assistance, equipment, and training. The EC and the EU Member States are also involved in the establishment and management of cash transfer pilot projects. Finally, Non-State Actors are provided with programme and project aid and capacity-building assistance.

Development support (especially general budget support) provides quite a substantial proportion of the support for implementation of national SP and other development interventions. However, their overall impact varies between countries, from less than 1% in South Africa to only about 5% of the government budget in Kenya and Lesotho, and to approximately 33% in Tanzania.

Social protection is not usually considered a focal sector, but there are entry points for the Commission to provide support within the framework of its bilateral co-operation

¹¹⁹ See Devereux, S and R. Cipryk *Social Protection in Sub-Saharan Africa: A regional Review* (2009) 5-9.

¹²⁰ As noted in the ERD, social protection "... complements and leverages other interventions, thus providing a much needed missing piece to the development puzzle": *Social Protection for Inclusive Development: A New Perspective in EU Co-operation with Africa* (European University Institute, 2010) (http://erd.eui.eu/media/2010/Social_Protection_for_Inclusive_Development.pdf) 15.

¹²¹ European Commission *Increasing the impact of EU Development Policy: an Agenda for Change* COM(2011) 637 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 13.10.2011) accessed at http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf on 19 February 2013. See also Council Conclusions 9316/12.

¹²² European Commission *Social Protection in European Union Development Cooperation* COM(2012) (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) 446 final (Brussels, 20.8.2012), accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf on 19 February 2013.

(such as employment and social cohesion, rural development or food security). In many cases the EC support is designed to ensure that cross-cutting issues – such as poverty reduction, achievement of the MDGs,¹²³ and gender – are either addressed by direct interventions or mainstreamed into other programmes.

The EU also subscribes to the channelling of support via the Aid Effectiveness Framework (AEF), based on the Paris Declaration on Aid Effectiveness. Support from EC and EU Member States is therefore mostly aligned with jointly-determined national priorities, with overall and sector/programme specific allocations to particular countries (e.g. EC's budget support to Ghana's Millennium Development Goals Contract; development partner support in terms of the Kenya Joint Assistance Strategy (KJAS) 2007-2012 and the Lesotho Performance Assessment Framework (PAF); development partner promotion of the Uganda Poverty Eradication Action Plan (PEAP); and support under the Joint Assistance Strategy for Zambia II (JASZ II) 2011-2015). However, support appears to be fragmented in countries without aid harmonisation frameworks, discussed below (e.g. Angola and Swaziland).

EC interventions are therefore often harmonised with other donors' actions and aim at helping national governments meet their priorities.¹²⁴ This is important and indeed essential, as it is clear that the interests and areas of involvement of multilateral agencies usually overlap with those of the EC and EU Member States. United Nations Development Assistance Frameworks (UNDAFs) invariably provide an extensive basis for UN involvement in SP issues. In addition, specialised UN agencies such as the ILO, UNAIDS, FAO and UNICEF play a crucial role in SP interventions in SSA.¹²⁵ Where present, coordination or harmonisation frameworks such as PRSPs provide the basis for development partners' support for implementation of the governments' development strategies.¹²⁶

A perusal of SP interventions in SSA countries by the EC and EU Member States leaves one with the impression that, while there is general adherence to these principles, some of the social transfer programmes supported by the EC and in particular EU Member States are effectively donor-driven. The unreliability of donor support and the transient nature of funding (e.g. pilot projects) promote reluctance on the part of

¹²³ The case of Chad provides an illustration: the EC supports the country's effort to fill the gap between its achievements and the Millennium Development Goals with a budget of €229 million over the period 2008-2013. The EC interventions have thus been designed to focus on good local and central governance as well as sustainable development, infrastructure and the rural sector, while cross-cutting issues such as gender, environment and capacity building are taken into account.

¹²⁴ The EC, EU Member States and other development partners endeavour to provide support within a harmonisation framework made up of the Government, other bilateral and multilateral partners, Civil Society Organisations, and local authorities and communities.

¹²⁵ See, for example, as far as UNICEF is concerned, a recently released New Global Social Protection Framework, as well the Eastern and Southern Africa Framework and Strategy (2008) and the (recent) UNICEF-supported impact evaluations in Sub-Saharan Africa. Several studies on social-protection-related themes have been commissioned by UNICEF in SADC countries. WFP provides cash and in-kind transfers for access to food, some through public works programmes. UNICEF carries out cash and in-kind transfers targeted on children and mothers, as well as development of health and education infrastructures. UNDP delivers youth employment and governance strengthening, while UNHCR focuses on reintegration of ex-combatants and displaced people. The ILO is comprehensively involved in the design, implementation and reform of SP schemes in a large number of SSA countries.

¹²⁶ See, for example, the frameworks established in Kenya, Uganda and Zambia mentioned above, as well as the Lesotho Performance Assessment Framework (PAF) and Tanzania Development Partners Group (DPG). In the Central African Republic (CAR) poverty reduction is the overall aim of the EC's cooperation with the government, in an effort to support the country's strategy for achieving the Millennium Development Goals, while the World Bank, in support of the PRSP2 (2011-2015) strategies, will focus on new lending in agriculture and health, implementation and quality of portfolio performance, and expanding support beyond Bangui to more remote areas of the country. At the same time the EC's cooperation partnership with CAR under the 10th EDF has been designed to contribute to governance and social and economic rehabilitation, infrastructure and improved accessibility.

national governments to take over programmes. However, national ownership is necessary to ensure sustainability, as is evident from the intended conversion and scaling-up of pilot Social Cash Transfer Schemes in Zambia into government-resourced and government-delivered national safety nets which imply a reduction in donor reliance (European Report on Development, 2010).

The EC and EU Member States are providing support for a wide range of SP programmes in SSA. EC interventions range from social transfers payment support¹²⁷ (including short-term safety nets), through access to basic social services to social protection policy reform. They support countries that are developing or reforming their social protection systems by providing funding and technical assistance, building capacities and engaging in political dialogue. The largest social protection programme supported by the EC is in Ethiopia, where it has provided close to €100M for the Productive Safety Net Programme (PSNP) for cash transfers to beneficiaries and for capacity-building and technical assistance. But direct support to social protection elsewhere in SSA is fairly sparse (European Report on Development, 2010).¹²⁸

Social protection-related interventions invariably aim at addressing exclusion, marginalisation, poverty and vulnerability of most needy categories (e.g. cash transfers to the elderly, persons with disabilities, children, needy households and communities, and refugees). Development partner-driven labour market initiatives as well as agricultural development programmes are of a developmental or transformative nature. Examples include the World Bank's and International Development Association's support for (self-) employment through the Kenya Youth Empowerment Programme (KYEP), which is aimed at providing paid employment to nearly 200,000 additional KKV¹²⁹ beneficiaries; the Food and Agriculture Organisation's (FAO) emergency and rehabilitation programme under which farming inputs (seed) are offered to small-scale farmers ensuring access to adequate quantities of livelihood in Kenya; and Lesotho's Commonwealth Youth Credit Initiative which encourages entrepreneurship development through credit provision.

Although not always specifically oriented to social protection, the EC's participation may also be motivated by particular emergency situations such as natural disasters, food insecurity, political instability, fuel crises or financial crises. An emergency assistance envelope is often intended to cover such unforeseen needs in terms of protecting the most vulnerable. In such cases the intervention of the EC into the reinforcement of social protection is made through humanitarian aid. In 2009 Madagascar received €2.8 million from the European Community Humanitarian Office (ECHO) for food aid in support of the 44 most vulnerable municipalities in the south, following the food crisis experienced during the lean period exacerbated by drought. In Niger, where the population has had two consecutive bad pastoral years, the EC has, for example, supported efforts in the fight against acute malnutrition.¹³⁰

¹²⁷ E.g., support (until 2013) for Child Grant payments in Lesotho.

¹²⁸ In Burkina Faso external funding underpins a free healthcare project for pregnant women and children under five. In Ethiopia donors support management of the regional REFORM programme and participation in the National Platform for SP. In Cameroon the EC has worked with UNDP, ILO and AFD to implement the different safety net programmes, mainly in promotion of decent work. In Rwanda the EU Delegation is part of a team preparing sector-wide budget support for social protection (European Report on Development, 2010). Table 1 gives an overview of social protection support of EC and EU Member States in some SSA countries where data is available.

¹²⁹ Kazi Kwa Vijana Programme (Jobs for Youth).

¹³⁰ Similarly, in Burkina Faso a financial instrument 'Food Facility' was established in 2009. This humanitarian aid is being aimed at the most vulnerable people at risk of finding themselves at the margins as the food crisis worsens. Likewise, the intervention of the EC into the reinforcement of social security in Mali is made through humanitarian aid. The EC has been providing substantial monetary contributions since the beginning of 2012 to the Sahel region which includes Burkina Faso, Chad, Mali, Mauritania and Niger.

5.2.2 EU Member States' involvement

In order to reinforce social protection EU Member States support a wide range of programmes (See Table 1). In Benin, for example, the French Cooperation Agency, (*Agence Française de Développement* – AFD), is funding social health protection. AFD is providing grants and credit facilities for the development of infrastructure and economic development in Ethiopia and is providing funding for health, education and urban infrastructure in Togo, for reorganisation of public finance and economic re-launch in Côte d'Ivoire, and for enterprise and basic service strengthening in Senegal. The Danish Cooperation Agency (DANIDA) is responsible for school feeding and public works. The UK (DFID), along with other donors, contributes to social protection through funding of education and health service delivery, infrastructure development and governance in a range of SSA countries. In Ethiopia, the UK gives support to the PSNP (pooled resources, capacity-building and technical assistance (TA), political dialogue) and participates in the National Platform for SP. In Zambia, the UK co-leads the donor role (aid effectiveness and policy dialogue) with UNICEF and supports the Social Protection Expansion Programme through funding to Government as a contribution to the overall budget for social cash transfers and TA for capacity building and Monitoring and Evaluation (M&E) (10 year commitment). In Rwanda DFID, as the lead donor in the social protection sector, is comprehensively involved in the government's flagship social protection programme, Vision 2020 Umurenge Programme (VUP).¹³¹ The main sectors of Finland's support to Tanzania include budget support, forestry, agro-business, energy, and local government reform. The Portuguese STEP programme supports South-South learning on social security systems in Cape Verde and Guinea Bissau. Belgium is the largest provider of direct bilateral support to Burundi, focusing on health, education and agriculture.

Table 1: Mapping of social protection support of EC and EU Member states in selected SSA countries

	Social Transfers for Food Security	Social Transfers for Human Capital		ALMPs		Social health protection	Child protection	Access to basic social service	Pension fund / old age	Support to overall SP strategy/ Capacity building
		Conditional & Unconditional Cash Transfers	School feeding	Technical training, capacity building	Public works programmes					
Angola				PT						
Benin	WFP		DANIDA; WFP; CRS;	BE	DANIDA; WB	FR; BE				
Burkina Faso		COM/WFP		COM/ILO		COM	SE	LU; AT		
Cameroon						DE; FR				
Cape verde				PT						
Chad						FR				
Comoros						FR				
DRC						LU; BE	BE	LU		BE
Ethiopia				COM/ILO	COM/ILO			AT		COM; UK; SE; IE; NL
Ghana		LU; UK								UK

The same kinds of safety net programmes are being conducted in Djibouti, where the main programme is Food Aid to vulnerable groups.

¹³¹ In the first five years, £20m programme support was given to the VUP, delivered through non-budget support financial aid. This has supported the scale up of direct support payments (unconditional cash transfers to extremely poor households with no labour capacity); the scale up of public works programmes (cash for work to extremely poor households with labour capacity); scale up of a financial services component (to support 'graduation') and building the capacity of VUP to deliver the programme.

	Social Transfers for Food Security	Social Transfers for Human Capital		ALMPs		Social health protection	Child protection	Access to basic social service	Pension fund / old age	Support to overall SP strategy/ Capacity building
		Conditional & Unconditional Cash Transfers	School feeding	Technical training, capacity building	Public works programmes					
Guinea						DE				
Guinea Bissau				PT						
Kenya		UK				DE	SE			DE; UK
Lesotho	IE			COM						COM
Malawi	DE; UK; IE									
Mali						FR	SE	LU		SE; BE
Mauritania						FR				
Mozambique		UK/NL		PT				AT		DE; UK; SE
Namibia				LU					DE	
Niger						FR				
Nigeria							SE			
Rwanda		DFID		COM; BE		BE				COM; DE; UK
Senegal		ES				FR; LU; BE				BE/ILO; ES; IT
South Africa				BE		BE				
Tanzania		UK				DE				DE; UK
Togo						FR				
Uganda		UK					BE		IE	UK; AT
Zambia		UK								UK; SE; IE; FI
Zimbabwe							DE			COM; DE; UK; NL

Source: Adapted from the *European Report on Development* (2010), mapping appendix; The World Bank and the Government of the Republic of Zambia (2012). République du Bénin (2011). Country profiles prepared for the EC.

Legend : AT: Austria; BE: Belgium; COM: European Commission; DE: Germany; ES: Spain; FI: Finland; FR: France; IE: Ireland; ILO: International Labour Organisation; IT: Italy; LU: Luxembourg; NL: The Netherlands; PT: Portugal; SE: Sweden; UK: United Kingdom; WB: World Bank; WFP: World Food Programme.

Sweden's development cooperation (SIDA) in Sudan is primarily focused on peace-building and health care. Germany (GIZ) has a broad portfolio of support in SSA, focusing among other things on education, economic development, rural development and conflict resolution. In Kenya, Germany's interventions focus on social health protection through technical assistance, capacity development, advisory services and political dialogue. In Rwanda, Germany supports the development of the National Community-Based Health Insurance (CBHI) including policy advice and technical assistance at central level, and capacity-development to strengthen management capacity of the CBHI scheme at both central and decentralised levels. It also supports employment promotion in certain SSA countries (e.g. Sierra Leone, Senegal), as well as access to water and poverty reduction in Burundi, and refugee reintegration and agriculture development in South Sudan.

5.3 Critical perspectives

While there is ample evidence of alignment with national priorities and harmonised efforts, there are also several contrary indications, particularly in two areas: (a) overlapping and un-coordinated mandates and interventions; and (b) donor-driven programme establishment and support. Such support is however unreliable and

transient, and rarely contributes to national ownership of these programmes, as is apparent from the unwillingness on the part of SSA governments to take ownership.

Furthermore, an integrated focus on social protection may be lacking, as social protection is often subsumed in the broader framework of poverty relief. Impact assessment has thus far been limited, but is increasingly being vigorously undertaken by development partners. Finally, proper links to longer-term social protection for beneficiaries of donor-supported/-driven social transfers and to labour market interventions are largely absent. This has a negative impact on SP coverage, on independent sustainable livelihoods and graduation out of poverty and dependency, for those for whom this would have been possible. It is advisable that for those for whom and as far as possible, there should be inclusion in contributory schemes, already at an early stage.

5.4 Some conclusions and recommendations

5.4.1 Recent EC instruments

In the EC Agenda for Change a commitment is made to make available 20% of aid for social inclusion and human development – which would include social protection interventions as well. The focus, however, as the EC Communication for Social Protection¹³² makes clear, should be on nationally-owned SP policies and programmes, with provision made for fiscal space, capacity building, job creation, social justice and gender. With reference to the principle that effective and sustainable social protection should ultimately be based on internal rather than international wealth redistribution, the EU will support measures to develop effective, efficient, fair and sustainable tax systems,¹³³ according to the capacities of individual partner countries, in order to increase fiscal space to fund social protection. Finally, according to the Communication, establishing an appropriate legal and institutional framework is a key challenge for the provision of effective and efficient social protection coverage in SSA. The EU should therefore continue to support partner countries through technical cooperation, to set up the strategic, policy, legal and institutional framework, based on their local analysis and priorities.

The EC Communication on Social Protection also indicates the prioritisation of budget support, which incentivises SP system development fully integrated into national budget and planning processes. This indicates a movement away from fragmented and donor-driven projects towards supporting nationally-owned systematic approaches. This approach should be ensured in bilateral programmes where SP is the selected sector. Furthermore, the Communication foresees, where relevant, the facilitation of South-South (and triangular) cooperation, sharing of experiences and research, in thematic programmes.

5.4.2 A principled and focused approach

Strong coordination is especially important in social protection because of its inherently cross-cutting, multi-sectoral nature, with the involvement of various

¹³² European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Brussels, 20.8.2012), accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf on 19 February 2013. As has been noted in Communication, the goal of EU development cooperation in supporting social protection is to improve equity and efficiency in provision, while supporting social inclusion and cohesion, as the essential underpinnings of inclusive, sustainable growth and poverty reduction.

¹³³ See in this regard also the 2010 EC Communication on Tax and Development COM(2010) 163, Council Conclusions 10349/10.

different government bodies as well as many non-governmental actors financed by donors. In order to increase the impact in the social protection sphere, EU role-players (i.e. the EC itself and EU Member States) need to coordinate their action with multilateral institutions and with other donor countries and organisations, and fully comply with international and EU aid effectiveness commitments. This is also necessitated by the overlapping interests of multilateral and donor agencies.

The focus on a context-sensitive and country-specific perspective should ideally entail a holistic and integrated approach aimed not only at providing immediate, emergency or humanitarian support of a SP nature where required, but also and in particular longer-term involvement in government-led programmes aimed at developing scaled-up social assistance and improved contributory-based schemes, while ensuring that these programmes promote self-sustainability, direct engagement in the labour market and, as far as possible, exit from dependency on social transfers alone.

In the light of the above, it is suggested that it is necessary to –

- Refocus SP involvement, to ensure a focus on lasting impact areas;
- Reassess the donor-driven nature of programmes;
- Ensure national/government ownership early on and throughout;
- Undertake impact assessment of supported programmes;
- As far as possible, link beneficiaries to labour market interventions and SP schemes aimed at self-provision;
- Focus on funding and supporting setting up and strengthening of SP systems;
 - A key role for the EC and EU Member States may be the provision of funds for initial investments and fixed-cost items;
 - Funding for capacity-building in those areas would also be beneficial. The EC Communication on Social Protection in European Union Development Cooperation indicates that the EU should continue to support partner countries through technical cooperation, to set up the strategic, policy, legal and institutional framework for social protection, based on their local analysis and priorities. In addition, the EU should also continue to support institutional capacity-building at all levels (national, provincial, local; governmental and non-governmental) in order to develop and strengthen the administrative and implementation capacities of governments, implementing agencies, social partners and other non-state actors. Support will also have to address issues of good governance and public finance management, not least in order to reduce fraud, malpractice and waste, as well as promoting accountability.¹³⁴
- Funding of transfers should ideally be limited to fragile and post-conflict states;
- Consider the suitability of different aid modalities for each intervention – for SP as a sector, or a dimension in another sector, or supported through thematic programmes;
- Have a dedicated focus on SP in SSA:
 - A mechanism is needed to track SP interventions integrated into other programmes, and to consider them from a SP-holistic perspective;
 - Context-sensitive and country-specific interventions require appreciation of different SP needs at various stages of development of the country; differentiated partnerships with LICs and MICs are required;
- Ensure coherence, also (EC) policy coherence between EC and EU Member States –
 - Consistency/synchronisation of EC/EU MC interventions is required;

¹³⁴ European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 20.8.2012) par 5, accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf.

- Consistency between policies, e.g. integration of development and humanitarian aid is needed;
- As indicated in the Communication on Social Protection, facilitate labour mobility – with emphasis also on portability of social security entitlements for migrants.

6. Fiscal Framework

6.1 Fiscal and financial context in SSA

The recent outlook for SSA reveals favourable trends. With a published growth rate of about 5¼% a year in 2012–2013, a similar pace to that recorded in 2010–2011, growth is relatively strong (IMF, 2012). Most low-income countries have continued to exhibit robust growth since 2009 (see Table 2) while middle-income countries slowed further, with a GDP growth forecast of 3.4% in 2012 and 4% in 2013. Oil-producing countries are the most robust with a GDP growth rate of 7% in 2012. The region is also benefiting from one-off factors such as revenue flowing from new natural resource production, and recovery from drought and civil conflict in West Africa.

Table 2: Economic growth 2009-2013

	2004-08	2009	2010	2011	2012**	2013**
Sub-Saharan Africa (total)	6.5	2.8	5.3	5.1	5.4	5.3
Of which:						
- Oil-exporting countries	8.6	5.2	6.6	6.0	7.1	6.1
- Middle-income countries*	5.0	-0,8	3.7	4.3	3.4	4.0
- Of which: South Africa	4.9	-1,5	2.9	3.1	2.7	3.4
- Low-income countries*	7.3	5.5	6.3	5.8	5.9	5.9
- Fragile countries	3.1	2.9	3.8	1.7	6.6	5.8

Source: IMF, Africa Economic Outlook 2012

* Excluding fragile countries ** Forecast

In 2012, government revenue (excluding grants) was at about 19% of GDP for low-income countries and 21% of GDP for fragile states. Oil-exporting countries experienced a decline in their revenues from 36.1% of GDP in 2008 to 31.3% in 2012. The revenue decline as a percentage of GDP in this group was partially due to the declining world oil price during the period. Average total government expenditure in SSA was around 29-30% of GDP, except for low-income countries (25% of GDP).

Low-income and fragile countries were forecast to run fiscal deficits during 2012 (-7.1% and -7.4% of GDP respectively). Sao Tomé and Príncipe experienced the highest fiscal deficit (32.2%). Middle-income countries had a fiscal deficit of 5% of GDP in 2012 with the highest deficit in Cape Verde (13.2% of GDP). Comparing to the fiscal deficit in 2010, the deficit of low-income countries (excluding fragile countries) was stable, while fragile countries experienced an increase from 6.7% (in 2010) to 7.4% in 2012. This upward trend in the fiscal deficit was expected to change in 2013 in many countries. Indeed, large new capital investments are expected to account for much of the change (e.g., Ethiopia, Rwanda and Tanzania) (IMF, 2012).

Table 3: Overall Fiscal Situation in sub-Saharan African countries by income group (Percentage of GDP)

	Oil-exporting countries	Middle-income	Low-income countries*	Fragile states	Sub-Saharan Africa
Government Revenue Excluding grants (2012)	31.3	26.4	18.8	21.3	26.5
Government expenditure (2012)	29.9	31.6	25.0	28.7	29.7
Overall fiscal balance excluding grants (2012)	1.4	-5.2	-7.1	-7.4	-3.2
Government Debt (2012)	20.4	40.1	37.1	54.3	32.4
External debt level (2012)	5.2	5.9	23.1	64.2	9.8

Source: IMF, Africa Economic Outlook 2012

* Excluding fragile countries

Fiscal and financial context is informed by poverty. Poverty is pervasive in SSA countries and affects between 30% and 70% of the population, depending on the country. This high incidence of poverty is compounded by high levels of income inequality. In most SSA countries the richest 10% of the population accrue more than 40% of total income while the poorest 20% receive less than 5%. Typically, 70-90% of the population depends on agriculture and the bulk of the working population is outside the formal economy. The ILO currently estimates that 72% of urban employment is attributable to the informal economy. The high impact of the HIV/AIDS pandemic is one of the most prominent problems. SSA is the most heavily AIDS-affected region in the world, with nearly one in 20 adults (4.9%) living with HIV, the sub-Saharan total accounting for 69% of the worldwide population living with HIV at the end of 2011 (UNAIDS, 2012).

A moderate and stable debt is a crucial precondition for creating fiscal space. An alternative source of fiscal space for the minority of countries that have been able to run fiscal surpluses is the ability to draw down on a stock of government financial assets. Most low-income and fragile states have limited fiscal space. Many middle-income countries have some flexibility, albeit with debt level a concern in some cases. Most of the oil-exporting countries run budget surpluses and have strengthened their fiscal positions.

6.2 Costing Basis and Fiscal Space for extending SP in SSA

6.2.1 Costing basis of social protection

There is some variation in cost estimates for social protection schemes, depending on the packages under consideration, the underlying assumptions, and the groups targeted. Hence comparison between costing exercises is difficult. ILO (2008) gives costings for seven countries: Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania.¹³⁵ The study estimates the costs of a social protection package: (i) universal basic old age and disability pensions; (ii) basic child benefits; (iii) universal access to essential health care; and (iv) assistance for employment schemes. UNICEF-ODI (2009) examines five West and Central African countries (Equatorial Guinea, Ghana, Mali, Republic of Congo and Senegal), analysing two of the ILO's four basic social protection components, namely child allowances and old age

¹³⁵ The simulations were based on models by Mizunoya *et al* (2006) and Pal *et al* (2005), in which a new benefit from a social assistance/employment scheme has been included and data was updated.

pension.¹³⁶ And UNICEF, using the Social Protection Floor (SPF) costing tool it developed conjointly with ILO, has undertaken costing exercises on one or a mix of interventions of SPF through to the year 2030 in Madagascar, Senegal and Zimbabwe (UNICEF, 2011a, 2011b, 2012).¹³⁷

Table 4 summarises cost estimates for child benefits and old age pension as a percentage of GDP. A system of universal child benefits for children under five would cost 1.5% and 1.8% of GDP respectively in Congo and Ghana (Hodges *et al* 2012); the respective percentages would be 1.3% and 1.5% if the programmes were restricted to the poorest. The same poverty-targeted programmes would cost 1.7% of GDP in Senegal (UNICEF, 2011a). The cost estimates for universal child benefits for children under 15 range from 0.9% to 8.7% of GDP. If benefits were assumed to apply only to a maximum of two children under 15 for each woman who has given birth, the cost ranges from 1.5% of GDP in Guinea to 3.1% in Tanzania, with an average of 2.4%. And universal child benefits for all children aged under 15 from the poorest 30% would cost from 1% of GDP in Equatorial Guinea to 8.7% of GDP in Ghana. For all countries where estimates are available, universal old age pension would cost less than 1% of GDP, except in Ghana, where social pensions to cover 70% of the food poverty line for everyone over 60 would cost 2.6% of GDP. Very roughly, 1% of GDP could be sufficient to cover a basic pension, and 2% would cover child-focused benefits.

Table 4: Cost estimates of child benefits and old age pension in percentage of GDP

	Child benefits				Old age pension		Source
	under 5	Under 15	Targeted under 5	Targeted under 15	Universal old age pension	Targeted old age pension	
Equatorial Guinea	-	0.9	-	n/a	-	0.2 ^g	UNICEF-ODI (2009)
Ghana	-	8.7	-	n/a	-	2.6 ^g	UNICEF-ODI (2009)
Mali	-	5.9	-	3.2 ^a			UNICEF-ODI (2009)
Senegal	-	6.4	1.7 ^b	3.7 ^a			UNICEF-ODI (2009) and UNICEF (2011a)
Burkina Faso	-	2.8 ^c	-	-	1.1 ^f		ILO (2008)
Cameroun	-	1.8 ^c	-	-	0.8 ^f		ILO (2008)
Ethiopia	-	2.8 ^c	-	-	1 ^f	-	ILO (2008)
Guinea	-	1.5 ^c	-	-	0.6 ^f	-	ILO (2008)
Kenya	-	3 ^c	-	-	0.9 ^f	-	ILO (2008)
Senegal	-	2 ^c	-	-	1.1 ^f	-	ILO (2008)
Tanzania	-	3.1 ^c	-	-	1.1 ^f	-	ILO (2008)
Congo	1.5	2 - 2.5	1.3 ^d	1.2 ^a	0.8 ^h	1 ^g	UNICEF-ODI (2009) and Hodges <i>et al</i> (2012)
Côte d'Ivoire	1.8	3.8	1.5 ^d	-	0.6 ^h	-	Hodges <i>et al</i> (2012)
Sierra Leone	n/a	n/a	n/a	2.1 ^e			Holmes <i>et al</i> (2007)

Note: ^a Child benefits were for children aged 0-14 and were set at 30% of the extreme (food) poverty line.

^b Children under 5 of the poorest districts

^c For the ILO (2008) country case studies, child benefits are assumed for up to two children under 14 per women who has given birth.

^d Under poverty line

^e 200,000 children of the most vulnerable children in five of the poorest rural districts

^f Cost estimate for universal old age and disability pension, 65 and + and to disabled individuals

^g Elderly at 70% of the extreme poverty line; aged 60 and +

Table 5 summarises cost estimates for a social protection package as a percentage of GDP. ILO (2008) suggests that basic social protection provision in SSA would cost

¹³⁶ An old age pension and a child grant, which was further divided into a universal option and an option targeted only on households with pre-transfer *per capita* consumption below the poverty line.

¹³⁷ SPF costing tool is available at www.unicef.org/socialpolicy/index_56917.html.

from 4.3% of GDP to 10.7% of GDP, depending on the country. Without a basic health component, the cost of the package would vary between 2.8% and 5.6% of GDP. UNICEF (2011b) gives comparable estimates for Madagascar, which suggest that the cost of a social protection package would range from 5% to 8% of GDP, the package including child allowance, old age pension, disability pension, maternity pension and transfer to vulnerable households (with more than 7 members). In the case of Zimbabwe UNICEF (2012) gives an estimate cost of 2.6% of GDP for the following benefit package: a birth registration lump-sum for households with a newborn child, a child benefit, a disability benefit, a benefit for orphans, an education stipend for school-aged children, and a pension for the elderly. Finally, estimates from the World Bank (2012) relating to the cost of a package of hypothetical cash benefits (but with child benefit limited to the first child and thus much less costly) suggest that in the longer run it would cost no more than 0.23% of GDP. Hodges *et al* (2012) estimate that the social protection package (child allowance, old age pension, disability pension and maternity allowance) in Congo and Côte d'Ivoire would cost 2.8% and 3.6% of GDP respectively.

Table 5: Cost estimates of social protection package

Cost estimate (mean) in % of GDP	Lower Bound – Upper Bound	Countries	Specific Goal	Components or Beneficiaries	Source
7.4%	4.3% - 10.7%	Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania	Social protection package	(i) Old age and disability pension, (ii) health care, (iii) child benefits, (iv) assistance for unemployed	ILO (2008)
	5% - 8%	Madagascar	Social protection package	(i) Households with more than 7 members, (ii) pregnant and lactating women, (iii) illiterate or uneducated individuals older than 15 years, (iv) children under 5, (v) disabled persons	UNICEF (2011b)
2.6%		Zimbabwe	Social protection package	(i) Birth registration lump-sum for households with a newborn child, (ii) child benefit, (iii) disability benefit, (iv) benefit for orphans, (v) education stipend for school-aged children, and (vi) pension for the elderly	UNICEF (2012)
0.23%		Zambia	Social Cash transfer Scheme	(i) 10% poorest households, (ii) Child grant scheme for all families with children under the age of 5 and/or disabled children up to the age of 14 in districts with high incidence of poverty and under 5 mortality, (iii) a transfer targeted to vulnerable households, (iv) old age pension scheme, all operating on a small scale in a limited number of districts	World Bank (2012)
3.2%	2.8% – 3.6%	Congo, Côte d'Ivoire	Social protection package	(i) Child allowance, (ii) old age pension, (iii) disability pension, (iv) maternity allowance	Hodges <i>et al</i> (2012)

6.2.2 Affordability

Faced with these current resource constraints one may question whether SSA can afford the financial implications of social protection extension. The question of affordability should be considered in the global context of the fiscal and broader economic environment at national level (Cichon *et al*, 2004). In addition it is important to consider institutional capacities and the quality of governance and legal institutions. Corrupt revenue administrations can be expected to collect less official revenue, and a poor quality public sector can increase resistance to taxation (IMF, 2011). On the expenditure side, governance is central to determining the efficacy of public spending. In a recent study, Rajkumar *et al* (2008) show that public health spending is more effective in reducing child mortality rates in countries with good governance, and similarly, that public spending on primary education is more effective in increasing primary educational attainment levels in countries with good governance. And more generally, public spending has virtually no impact on health and education outcomes in poorly-governed countries. There is also evidence that political instability is associated with low tax ratios (Keen, 2010), while parliamentary systems are associated with stronger revenue mobilisation than presidential systems (Persson and Tabellini, 2003).

Recent macroeconomic data show that the short-term outlook for SSA remains broadly positive. There have been significant improvements in sub-Saharan Africa over the past decade in terms of improving the capacity of the State, including its financing via greater revenue mobilisation. As indicated above, growth remains relatively strong and SSA is on track for growth of about 5¼% a year in 2012–13, that is similar to that recorded in 2010–11 (IMF, 2012). Except for those which have experienced political instability, most low-income countries are benefiting from this expansion whereas the situation is less favourable for many middle-income countries. Low-income countries are projected to be amongst the fastest growing in the sub-region, with GDP growth rates averaging 6%.

Table 6 compares the average cost of social protection packages and actual expenditures in SSA by income group. It shows that provision of universal child benefits requires mobilisation of additional resources averaging 3% of GDP in low-income countries (LICs) and 1.6% in low-to-middle-income countries (LMICs). To provide basic health care additional resources averaging 1.3% of GDP would be necessary in a typically LIC and 0.5% in a typical LMIC. Very roughly, provision of a social protection package requires additional resources averaging 4.6% of GDP in a LIC and 2.8% of GDP in a LMIC. The question is whether most SSA countries can afford these amounts: first, the positive outlook for most of SSA suggests favourable prospects for resource mobilisation in the medium-to-long term; and second, a recent study on resource mobilisation in SSA suggests that an increase in government revenue of between ½ and 2 percentage points in GDP in the one-year to three-year horizon, and of about 2–3½ percentage points over the longer term, is consistent with historical patterns in SSA (Drummond *et al* (2012)). One study found that raising tax revenue by just one percentage point – from 13% to 14% of GDP in a country such as Burkina Faso – would be enough to finance a universal pension for all those aged 65 and over (Holmqvist, 2010). Therefore SSA would in the medium-to-long term be able to afford the basic social protection package under consideration. This presupposes that SSA countries have the political will to undertake adequate reforms (see the section on fiscal space below for further discussion). In the short term affordability issues are more serious, especially for LICs.

Table 6: Cost estimates of a social protection package and actual expenditure as % of GDP

Income Group	Child benefit		Old Pension		Basic Health care		Disability		Assistance of unemployed	
	Costing	Actual expenditure	Costing	Actual expenditure	Costing	Actual Expenditure	Costing	Actual expenditure	Costing	Actual expenditure
Low-Income Countries*	3,2	0,3	0,4	0,4	3,2	2,5	0,6	0,1	0,5	0,0
Low Middle-Income Countries**	1,8	0,2	0,4	0,7	2,6	2,1	0,4	0,2	0,5	0,0

Source: * Costing of social protection is the mean of costing from Burkina Faso, Ethiopia, Guinea, Kenya, Mali and Tanzania (ILO, 2008). ** Costing of social protection is the mean of costing from Cameroon, Congo, Côte d'Ivoire and Senegal (ILO, 2008; Hodges *et al*, 2012). Actual expenditures are calculated from ILO *World Social Security Report 2010/11*.

Case studies at country level highlight some variations between SSA countries and social protection components. ILO (2008) concludes that well-designed programmes directed at older and disabled people and at children, covering primary health provision, could be affordable in most countries. However, most studies, including recent studies on Benin and Côte d'Ivoire, conclude that universal child allowances and even universal social pensions would be difficult, if not impossible, for African LICs to finance. Lesotho's social pension is affordable only at an eligibility age of 70 and above (and Lesotho is actually a MIC, as are the other SSA countries with universal social pensions such as Botswana and Mauritius). A universal disability pension is more affordable, given the much smaller number of beneficiaries. An analysis in countries such as Benin, Côte d'Ivoire, Ghana, Mali and Senegal shows that even child allowances targeted on children in all households under the poverty line are highly unlikely to be affordable (UNICEF-ODI, 2009, Hodges *et al*, 2012).¹³⁸

The situation is quite different in some MICs, especially those with oil economies. Equatorial Guinea is by far the strongest candidate country for affordability of social protection provision, benefiting as it does from vast oil wealth (UNICEF-ODI, 2009). In Congo, the new National Social Action Policy (and the National Development Plan) envisages establishment of a universal allowance for children under 5 as well as a universal social pension, which would be easily affordable given the scale of government revenues and the large surpluses in government finances (Hodges *et al*, 2013). Favourable situations exist likewise in other oil-exporting countries. Some oil exporters (including Angola and the Republic of Congo), supported by favourable world prices, were set to run solid, albeit reduced, surpluses in 2012, but others (including Chad and Nigeria) were likely to record near-balanced fiscal positions (IMF, 2012).

6.2.3 Sustainability

Beyond short-term affordability, sustainable financing for social protection in SSA remains a challenge, particularly in a context of high poverty incidence, heavy fiscal constraints and rapid population growth. SSA countries are facing at least three main sustainability issues: aid dependency, low numbers of contributors, and demographic change.

¹³⁸ In fact, almost all cash transfers in African LICs are much more narrowly targeted, usually on the "ultra-poor" (sometimes just the labour-constrained "bottom 10%"). There may be many reasons for criticising this approach (difficulties of distinguishing the ultra-poor from the rest of the poor, leading to large inclusion and exclusion errors, risks of social conflict, weak capacity for complex targeting methods, etc.), but this approach has been adopted since it is not realistic in these countries to finance much larger programmes.

First, many social protection initiatives launched in SSA in recent years have been driven by donor priorities and donor money. Over recent years aid has been provided for launching social protection programmes in the form of *ad hoc* small-scale pilot projects and for short-term project financing or basket funding, with minimal prospects for domestic government financing. Such limited involvement of recipient governments reduces their commitment to taking over the financing of a programme after it has been successfully established. Given the unpredictable and volatile nature of aid, scaling-up these programmes is generally unsatisfactory. They therefore face the challenge of sustainability.

Second, contributory programmes depend heavily on member contributions for their financing. SSA's contributory programmes are currently characterised by small numbers of contributors and their effective coverage is significantly lower than legal coverage. For instance, pension schemes tend to cover a restricted proportion of the workforce, mainly those in formal wage employment, despite the importance of the informal economy. Among the elderly in SSA, only 15.6% receive pension benefits and only 5.4% of the working-age population contribute actively to pension schemes, compared with about 20% in Asia. The situation is all the more dramatic in low-income countries such as Chad, Guinea-Bissau, Mozambique and Niger where contributors account for only around 1.5% of the working-age population.

Third, the effects of rapid population growth and demographic change will give rise to a major fiscal challenge. With a population of more than 853.4 million in 2010, growing at an average of 2.5% per year, sub-Saharan Africa (SSA) will double in size in just 30 years. 42% of the population are under the age of 15. Over the very long term, as the age composition of the African population evolves, child allowances will gradually become more affordable, while social pensions may become more of a fiscal challenge in terms of sustainability, as is already the case in Mauritius where 11.6% of the population is 60 years old or over and eligible for a pension, which accounts for the high level of social protection expenditure in that country (almost 5% of GDP).

6.2.4 Fiscal space for SP: options for SSA

According to Heller (2005), the term "fiscal space" denotes *"the availability of budgetary room or flexibility that allows a government to provide resources for a given desired purpose without any prejudice to the sustainability of a government's financial position"*. In this context this broad definition embodies the basic trade-off at the root of the discussion on obtaining resources for nationally-determined social protection priorities. In accordance with Heller (2005) and UNICEF-ODI (2009), SSA countries have three main ways of increasing fiscal space: (i) increasing government revenue, (ii) reallocating public expenditure, and (iii) increasing external aid.

(i) Increasing government revenue

Tax revenues are one of the key income streams available to government. Mechanisms for increasing tax revenues take two principal forms: (i) in the short-to-medium term, increases in revenue yields (average tax burden as a proportion of GDP), and (ii) increases in economic activity (real GDP growth) for a given tax system and structure. This latter channel is the key medium-to-long-term engine of higher revenue. As countries mature in economic terms, higher levels of protection can gradually be achieved.

Experience shows that progress can be made in most SSA countries in raising revenue, given strong political will (IMF, 2011). Mozambique is an interesting example of a country that has experienced positive changes in revenue ratios and where

specific supporting policies can be identified. (See Box 1.) Generally speaking the lower the tax revenue as a proportion of GDP, the greater the opportunity available to boost government revenue. Direct taxation, in the form of corporate or personal income tax, exists in all countries, but its potential has not yet been fully exploited. Many major taxpayers are benefiting from rising commodity prices but are not paying taxes commensurate with their income. Establishing broad-based corporate income tax, extending personal income tax to liberal professions and other sources of income, and fine-tuning of the policy and administration governing the taxation of such incomes, would all help a number of countries raise additional revenue. But in addition to equity concerns, SSA countries face difficulties in raising direct tax revenue owing to the importance of the informal economy, which accounts for the majority of the workforce (Bacchetta *et al*, 2010, p.27 and p.29). In such contexts tax collection from employment offers only very limited opportunities for raising significant government income, especially in low-income countries in which the extent of the informal economy is very considerable, as for example in Zambia where it accounts for more than 80.6% of the total workforce. Similarly, in Kenya the informal economy, which is estimated to account for 34.3% of GDP and 77% of employment, is quite large. Micro-activities are beyond the reach of most tax administrations, for while micro-traders may be informal their income and sales levels are likely to be well below any reasonable tax threshold. But even so the informal economy as a whole offers a great opportunity for expanding the tax base. In Kenya, for instance, the informal economy increased steadily from 7.6% of GDP in 2002 to 16.6% of GDP in 2008, the corresponding potential tax revenue as a percentage of GDP rising from 2.5% in 2002 to 7% in 2008 (Muyundo, M, 2010).

The available literature indicates that tax evasion is driven generally by a perception that the tax burden is too high. Therefore a key objective is to minimise administrative costs while ensuring compliance. Implementing a coherent regime for taxing small businesses *via* local taxation in the form of presumptive taxation can generate substantial revenues. In the case of Kenya, for instance, the introduction in the Finance Bill of 2007 of a presumptive tax named Turnover Tax (TOT) generated Kshs 136 Million in year 2008/2009 against a set target of Kshs. 442 Million (IEA, 2012).¹³⁹ However, a presumptive tax system can create major obstacles to small business growth if the transition from presumptive taxation into the standard taxation regime is costly or complicated. There is a need to offer incentives for formalisation of small firms (Vainio, 2012). Such measures include simplifying taxation schemes and reducing taxes on micro-firms and small firms; reducing barriers to entry; allowing more flexible hiring and firing of workers; granting of permission to participate in legal tenders; and access to microfinance.

Box 1: Importance of supporting policies – evidence from Mozambique

An important driver behind healthy revenue collections in Mozambique has been the tax reform launched by the authorities since 1996. It centered on improving administrative efficiency, broadening the tax base, and moderating tax rates to improve collection. Legislative changes went hand in hand with policy reforms. The Assembly of the Republic of Mozambique now has exclusive authority to define the foundations of tax policy, and the fiscal system. There have been significant institutional and administrative changes, too. The authorities' commitment to enhancing further tax administration is evident in formalising anti-corruption units, establishing the Central Revenue Agency (CRA), the tax tribunals, adoption of a new tax code for municipalities (introduced in 2004), adoption of the new electronic financial administration system (e-SISTAFE), and strengthening the Treasury Single Account (TSA) amongst others.

Source: Paulo Drummond *et al* (2012), p 21-23.

¹³⁹ TOT is a presumptive tax under which the tax base is the turnover; any business below Kshs. 5 million is taxed at a flat rate of 3% of annual turnover.

In respect of increasing tax revenues, priorities vary with country circumstances, but two main lessons emerge concerning key elements of the reform strategies and determinants of tax revenue in SSA.¹⁴⁰ First, VAT still has more obvious revenue potential than most other instruments, but realising this requires expanding the base – through both policy change and improved compliance – rather than by increasing standard rates. In lower-income countries where VAT revenue performance is weakest, broadening the base and improving compliance might raise something of the order of an additional 2 per cent of GDP (IMF, 2011). Levying excise taxes on a few key items in a manner commensurate with revenue needs and wider social concerns presents further potential in some countries. All excise revenue comes from fuel, tobacco, alcohol and other drinks, cars and, increasingly, mobile phones.¹⁴¹ In this last-mentioned sector the auctioning of licences is in principle the best way of taxing the potentially substantial rents. Liberia, for instance, raises 6 per cent of its revenue from this source (IMF, 2011). Second, empirical studies show that structural factors such as rent received from natural resources are important determinants of tax revenue (Paulo Drummond *et al*, 2012; Gupta, 2007).

Introducing tax earmarking either from VAT or natural resource taxation as a source of funding for social protection is a potential avenue of generating fiscal space in SSA. On VAT, the National Health Insurance Levy in Ghana is a good example; all Ghanaians pay a 2.5% Health Insurance Levy on selected goods and services to put into a National Health Insurance Fund to subsidise fully-paid contributions to the District Health Insurance Schemes (Mensan J, *et al*, 2010). In Sri Lanka a small increase in VAT could provide sufficient funding to finance a universal pension. For example, an increase in VAT from 5% to 5.5% (along with similar small increases at higher levels of VAT) would pay for a pension for everyone aged over 70 (HelpAge International, 2008).

Another potential avenue of revenue mobilisation is taxation of natural resource extraction (Ortiz *et al*, 2011). A resource tax is particularly relevant for mineral-rich developing countries, enabling them to increase fiscal space with relatively little extra public administrative capacity for tax collection. Many sub-Saharan African countries rely heavily on non-renewable natural resources as their main source of wealth. For instance, using a resource tax to finance a social pension can help to develop effective institutions and good accountability mechanisms, thereby strengthening good governance. The Bolivian Dignity Pension, a benefit established within the country's non-contributory Social Security Scheme, is a good example; the Renta Dignidad's resource comes from a direct tax on hydrocarbons, derived from the exploitation of the local hydrocarbon resources sector so as to generate surpluses in the national economy. It guarantees a monthly income for life to all Bolivian residents aged 60 years and over.¹⁴² Another good example is the Mongolian Human Development Fund, involving use of special extractive industry taxes for social protection (see Box 2 for details). Finally, an interesting discussion is currently taking place in Mozambique on taxation of local mineral industries and other mega-projects as a source of funding for establishing a Social Protection Floor.

¹⁴⁰ See IMF 2011 and Paulo Drummond *et al* for further discussion.

¹⁴¹ The rationale for these charges is not only tapping the revenue potential of a relatively inelastic and readily identified base but, to varying degrees, discouraging certain types of behaviour, much like a cigarette or alcohol tax.

¹⁴² For more details, see Gonzales, MT "The Dignity Pension (Renta Dignidad): A Universal Old-age Pension Scheme" in UNDP *Successful social protection floor experiences: Bolivia (Plurinational State of)* (volume 18 of series: *Sharing innovative Experiences*) (2011) 45-60).

Investing natural resource revenues in social protection requires efficient management of such revenues,¹⁴³ not least because commodity prices, and therefore the corresponding revenues, are highly volatile. One of the most important ways of coping with the commodity cycle is to secure export earnings during the boom time through the establishment of commodity saving funds or sovereign wealth funds, perhaps underpinned by rules governing the cyclically-adjusted budget surplus. The Norway Pension Fund (formerly known as Norway's Oil Fund) is often cited as best practice; another example is the Botswana Pula Fund, one of the objectives of which was to take advantage of the high level of reserves and invest part of them in assets such as long-term bonds and equities (See, UNDP, 2011 and IMF, 2007).

Box 2: The Human Development Fund, Mongolia

In July 2009 the State Great Khural passed the Human Development Fund Law. The intention appears to be to create a sovereign wealth fund from mining revenues. The sources of the fund are: (i) income from selling shares and dividends of State property in legal entities that own mines of strategic significance; (ii) fees for exploration and processing activities in the mining sites; (iii) advance payments and loans relating to exploitation of mines with strategic significance; (iv) income from bonds, loan certificates and savings interest offered to both international and domestic financial markets by the Human Development Fund, which is expected to provide benefits to citizens in terms of pension and health insurance contributions; contributions to buying a house; health and educational costs; and cash.

Source: UNDP Mongolia Human Development Report 2011, p 23.

(ii) Reallocating public expenditure

Reallocating expenditure from lower to higher priorities and from less productive to more effective and productive programmes is another key mechanism for creation of fiscal space. Creation of fiscal space can be effective through two main mechanisms: (i) improving the allocative efficiency of expenditure in terms of strengthening the linkage of expenditure allocations to policy priorities, thereby improving cost-effectiveness; and (ii) enhancing operational efficiency in terms of an improved mix of inputs and cost-efficiency.

As regards allocative efficiency, the main potential unrealised gain in most SSA countries concerns resources wasted on consumer subsidies, extensive exemptions and on transfers to finance the structural deficits of public pension funds. Energy subsidies in sub-Saharan Africa are costly, untargeted, and inefficient (IMF 2012, p 20). In spite of reform efforts, energy (fuel and electricity) subsidies still absorb a large share of scarce public resources in SSA. According to IMF estimates fuel subsidies – which include fuel tax revenue lost through less than full reflection of international prices in domestic prices and direct price subsidies allocated in the budget – totalled close to 2.0% of GDP on average in SSA in 2011. In Senegal, for example, cash transfers are being developed as a more cost-effective alternative to subsidies, which were not pro-poor and were very expensive, costing between 3% and 4% of GDP, leading to their abolition in 2008 (World Bank, 2011). In Mozambique, based on data for 2008, it would have been possible almost to quadruple government expenditure on social transfers if the resources spent on fuel subsidies had all been redirected to this end (Hodges *et al*, 2011). Large public pension deficits, which require parametric reforms to restore long-term sustainability, are ultimately a burden on the rest of the population and crowd out other important expenditure. For example, the financing of the deficits of the public pension funds was equivalent to 0.4% of GDP

¹⁴³ The revenues from exhaustible natural resources are distinctive in two key respects: since they are derived from depleting a finite stock of resources, they are first intrinsically temporary, and second unreliable as commodity prices are highly volatile.

in Côte d'Ivoire and 0.6% of in Benin in 2011. In Niger the deficit in the mandatory pension system was close to 0.3% of GDP in 2006 or almost 40% of the aggregated primary deficit of the government, which accounts for almost 1% of GDP (Stewart & Yermo, 2009).

Another factor harbouring considerably more potential for domestic resource mobilisation than is currently being realised is the proliferation of tax exemptions (especially in the form of "free zones", reduced corporate tax rates, tax holidays, and investment codes). The revenues foregone are often substantial and can amount to several GDP percentage points. For instance a recent IMF study (Montagnat *et al*, 2012) estimates that revenue foregone from customs exemptions ranges, in terms of the proportion of GDP, from 1.44% in Benin, 2.04% in Chad, 4.48% in Burundi, 3.42% in Senegal, to 6.15% in Republic of Congo. Exemptions contract the revenue base, complicate tax systems, and open the door to political capture. More important, the evidence shows that the benefits from preferential exemptions go mainly to the better off (since they spend more on all items). Avoidance of any system of exemption – from all taxes – that jeopardises revenue and good governance can benefit the poor by using the additional tax revenue to finance targeted spending on programmes such as social protection. Since exemptions have a ratchet effect, they are hard to remove once in place, An evaluation of tax expenditure is essential, with the aim first of avoiding new exemptions and second of balancing the cost of existing exemptions against the cost of social protection.

Another possible avenue is reallocation arising from the non-discretionary use of much spending expenditure, although this has some limitations (UNICEF-ODI, 2009). First, social protection is in competition with other competing demands from other high-priority expenditure areas such as education or health. Moreover, most budgeting is inherently incremental and only a very small percentage is reallocated to new policy initiatives (such as a new social protection scheme) from year to year. Second, the formal budget process often bears an imperfect relation to the reality of budgetary decision-making and expenditure allocation. Good practice rightly emphasises the central role of political commitment of, and incentives for, leaders in deciding where public funds are spent.

Finally, the high level of military spending is one potential source of fiscal space in several SSA countries but its feasibility depends largely on "political space" for it. In 2011 military expenditure was equivalent to 20.4% of GDP in sub-Saharan Africa whereas the percentage share was only 13.9% in North Africa.¹⁴⁴ The level of military spending is particularly noteworthy in Gabon, Guinea-Bissau and Sudan, and in post-conflict countries such as Angola, Central African Republic, Chad and Mauritania. In these countries military spending ranges from five to ten times the level of spending on health and education.

At operational efficiency level there is a major challenge to many SSA countries to improve the cost-efficiency of social transfers, by reducing the cost-transfer ratio which is often very high.¹⁴⁵ For instance, in comparing a range of cash, food and farm input transfers in Malawi and Zambia, White and McCord (2006) confirmed that in general cash transfers are more cost-efficient than food transfers. Zambia's Food Security Packs (FSP) programme for 2003/04 put the cost of delivering US\$1-worth of inputs at current market prices at a fairly high US\$1.67 (see also RHVP, 2008). To some extent this is due to the fact that many of the programmes are small pilots at an

¹⁴⁴ Stockholm International Peace Research Institute: *Military Expenditure* (2012). Retrieved from: <http://www.sipri.org/yearbook/2012/04>.

¹⁴⁵ See the discussion of this in Hodges, White and Greenslade, 2011.

early stage of development, with high start-up and roll-out costs and without economies of scale. This problem can only be resolved if these programmes eventually become much larger national programmes. There are also serious cost problems arising from the complexity of some of these programmes (in terms of personnel-intensive community-based and survey-based methods of targeting) and the payments systems, although much experimentation is under way to reduce delivery costs.

(iii) Increased international aid and transfers

In principle official development assistance (ODA) is a first option for increasing fiscal space for social protection in low-income countries. Indeed, in poor countries such as Madagascar and many others where only 15% or less of GDP is mobilised for public spending, the fiscal space for an extension of social assistance is very limited. Recent macroeconomic data shows that the ratio of public revenue to GDP in non-oil/non-ore exporting countries in sub-Saharan Africa is potentially close to 20% (at least in the mid-term).¹⁴⁶ This potential revenue is not enough to implement an effective social protection package given that the current level of government expenditure is already equivalent to 25 per cent of GDP (see Table 3). The role of external aid is crucial in creating fiscal space, given the resource constraints in these countries. However, the unpredictable, short-term nature of most aid financing needs to be contrasted with long-term commitments entailed by an expansion of social protection provision. Many donors are unable to commit beyond the medium term and are often constrained by the length of their own political cycle (UNICEF-ODI, 2009). Thus using donor funding to expand social protection on a permanent basis is unsustainable. Ideally, external aid should have a limited role as a catalyst in the initial financing of new programmes,¹⁴⁷ and an even more limited role in the financing of actual transfers, except perhaps in the extreme cases of very poor aid-dependent countries such as Ethiopia, where the Productive Safety Net Programme is entirely financed by donors as a more efficient alternative to repeated waves of emergency humanitarian assistance.

Evidence shows that social transfers become "entitlements", especially when they are established through legislation, as in countries such as Mauritius and South Africa, and expenditure on them effectively becomes non-discretionary. In South Africa most of the programmes are regulated and legally recognised by the Social Assistance Act of 2004, and are supported by specific constitutional guarantees.¹⁴⁸ They therefore need long-term financing strategies, preferably through budget planning mechanisms such as medium-term expenditure frameworks (MTEFs). Zambia provides a positive

¹⁴⁶ Table 3 indicates that the ratio of government revenue excluding grants to GDP in low-income countries is 18.8 with an estimated increase about 2 percentage points in GDP over a three-year horizon (see par 6.2.2 above).

¹⁴⁷ A key role for donors may be provision of funds for initial investments and fixed-cost items. This funding could include investments in monitoring systems, identification and registration systems or expansion of national identification systems and evaluations. Funding for capacity building in those areas would also be helpful. For instance, ODA can play an important role in supporting the initial direct funding of social pensions while the administrative and tax systems needed for long-term sustainability are being developed. This provides a clear exit strategy for ODA funding (Helpage International, 2008).

¹⁴⁸ In the same vein, the Mozambique's Programa de Subsídio Alimentar (Food Subsidy Programme), was established by decree on 25 August 1993. The Chilean Chile Solidario conditional cash transfer programme is regulated by the May 2004 Chile Solidario Law. Indexation of profits to inflation is one of the strengths of this legal framework. In September 2005, the government of the Dominican Republic issued a decree that created the Solidaridad programme as an important component of the country's social protection network. In India the Mahatma Gandhi Rural Employment Guarantee Scheme (a cash transfer programme) is supported by the (Mahatma Gandhi) National Rural Employment Guarantee Act of 2005. The Act enforces the government's provision of social protection and the public's right to it. See Hilou, D and Soares, F (eds.) *Cash Transfers – Lessons from Africa and Latin America* (Poverty in Focus, 15 August 2008, International Poverty Centre).

example of how long-term funding for programmes is a key factor in securing domestic support for cash transfers (European Report on Development, 2010).

Expanding the fiscal space for social protection financing through general budget support is of course preferable, but this presupposes that national governments will decide to allocate more for social protection.

The expectation is that budget support will provide a partnership-based, predictable and transparent mechanism for establishing a more productive policy dialogue, which supports institutional development and especially government policy ownership and leadership in the recipient countries.¹⁴⁹ The importance of capacity building and technical assistance in policy development is crucial in establishing such partnership with government.¹⁵⁰

6.3 Conclusions

Financing basic social protection in SSA countries requires both domestic and external revenues. Given that relying on donor funding to expand social protection on a permanent basis is unsustainable, external aid should have a limited role as a catalyst in the initial financing of new programmes. Over time, increased levels of domestic financing signal political commitment and facilitate sustainability. Increasing domestic financing of basic social protection depends heavily on the fiscal space and the political will to increase the share of public expenditure allocated to this policy area. Key elements for creating fiscal space in SSA countries are determined by their national capacity to mobilise additional revenue, in particular through taxation earmarking; and ensuring efficient resource use by tackling the cost-efficiency and operational efficiency of social transfers through a reduction in the cost-transfer ratio.

Addressing affordability is crucial in low-income countries. Most recent studies conclude that universal child allowances and even universal social pensions would be difficult, if not impossible, for African LICs to finance. A universal disability pension is more affordable, because of the much smaller number of beneficiaries. The situation is quite different in some MICs, especially those with oil economies. Favourable world prices should enable them to run solid surpluses and generate more fiscal space; they are moreover good candidates for affordable social protection provision.

Beyond short-term affordability, the sustainability concern is important in the financing of social protection. SSA countries are facing at least three key sustainability issues which all the involved parties, that is the countries themselves and their development partners, should address: namely aid dependency, low numbers of contributors, and demographic change.

¹⁴⁹ For instance the UK Department for International Development (DFID), which has taken a particular interest in social protection, has stated its intention to rely to a larger extent on budget support in the context of its poverty reduction objectives (DFID, 2004).

¹⁵⁰ Donor support can provide critical momentum to enable Ministries of Social Welfare or other relevant ministries tasked with reducing poverty and inequality and with working towards building wider cross-sectoral political support, especially from Ministries of Finance and Planning.

7. Social Protection, labour markets and sustainable livelihoods in Sub-Saharan Africa

7.1 Labour markets, SP and informality in SSA

Labour markets in the sub-Saharan African (SSA) context include all formal and non-formal workers and income-generating activities. Africa's recent GDP growth has not created enough jobs to meet the needs of a fast-growing population. Employment creation is largely a problem of quality in low-income countries (LICs) and of quantity in middle-income countries (MICs).¹⁵¹ The majority of the labour force in SSA countries is engaged in low-productivity activities in the urban/peri-urban informal economy, or in agriculture and young people are overrepresented.¹⁵² Self-employment or unpaid working within the extended family, with inadequate social protection, low average earnings, and unsafe working conditions constitute the reality for most of the working poor engaged in the informal economy.¹⁵³ Informal employment is no longer considered a transitional phenomenon that economic growth would eliminate, and it has even increased in some countries. A better understanding of the opportunities and vulnerabilities of informal employment and the working poor is the starting point of addressing issues related to the informal economy.¹⁵⁴

Public works programmes, with the objective to strengthen the income-generating capacity of people engaged in a livelihood but who remain poor and vulnerable, are playing an increasingly important role in SSA. Public works programmes function as a social protection mechanism in that they channel temporary income to vulnerable populations, and create productive public assets that can strengthen subsistence agriculture and economic sectors. Injection of these wages can also have the effect of stimulating demand in the local economy. Some interventions aim at combatting poverty influenced by drought, deforestation and soil erosion through the creation of specifically environmentally protecting assets. Empowering rural women; and restricting rural-urban migration are other common aims. The programmes can support longer term reduction of vulnerability through connecting beneficiaries to savings and credit mechanisms, skills and enterprise training.

The (Mahatma Gandhi) National Rural Employment Guarantee Scheme ((MG)NREGS) in India operates on the basis of a rights-based legal framework,¹⁵⁵ guaranteeing basic livelihood security to rural households, and is the only one of its kind globally.¹⁵⁶ Only the Productive Safety Net Programme (PSNP) in Ethiopia operates as an employment guarantee scheme, but does not operate from a rights-based legal framework.

7.2 Labour market intervention options in SSA

Implementation of passive labour market interventions such as unemployment insurance is limited to a small number of middle-income countries, notably Mauritius,

¹⁵¹ *African Economic Outlook 2012*; Africa Development Bank; 2012.

¹⁵² *Ibid.*

¹⁵³ Cho, Y, Margolis D, Newhouse, D and Robalino, D *Labor Markets in Low- and Middle-Income Countries: Trends and Implications for Social Protection and Labor Policies* (World Bank, 2012).

¹⁵⁴ *Empowering People for Inclusive Growth: The Perspective of the Working Poor in the Informal Economy*; EC Concept Note – High Level Panel; 2012.

¹⁵⁵ Regulated in terms of the (Mahatma Gandhi) National Rural Employment Guarantee Act, 2005 ((MG)NREGA).

¹⁵⁶ Myneni, SR *Law & Poverty* (2nd Ed) (Allahabad Law Agency Faridabad, 2006) 328. On these programmes in general, see Govindjee, A *The Constitutional Right to Social Security as a Framework for Social Policy in South Africa: Lessons from India* (unpublished doctoral thesis, 2005) 50-85.

Seychelles and South Africa.¹⁵⁷ The interventions and strategies being implemented in SSA countries are mostly characteristic of active labour market programmes (ALMPs) focusing on strengthening the income-generating capacity of people who are actively engaged in pursuing a livelihood but who remain poor and vulnerable, through public works, skill training, micro/small enterprise, or livelihood strengthening assistance to smallholder farmers.¹⁵⁸ However, some of these interventions have been criticised for being standalone and not sufficiently linked to achieving long-term involvement in the labour market or graduation out of welfare dependency. Following the terms of reference for this study, particular attention is paid here to public employment programmes, in particular public works programmes over other labour market intervention options.

7.2.1 Public works programming

Public works programmes, for food or cash, are operational in many SSA countries and are an increasingly popular social protection response of governments and donors, yet they are often criticised for being high cost with little social gain, and appear to be more motivated by political gain than real social protection gains. This debate however is often carried on with reference to the specific social protection outcomes sought. The menu of potential success indicators includes: income and/or consumption smoothing; number of households reached; public assets created; strengthened economic infrastructure; improved agriculture productivity; strengthened savings and financial literacy; linkages to other labour market and/or self-employment interventions; skills or micro enterprise development; and reduced rural-urban migration.

There are some inherent contradictions in these ambitions, and lack of attention to these can have serious consequences in intervention design can have serious consequences for measureable outcomes – for example, where a programme is aiming to reduce the number of beneficiaries through having their consumption smoothed and subsistence farming productivity strengthening; and simultaneously aiming to increase the reach of the programme in terms of the total number of beneficiaries.

There are several reasons why public works programmes may be absent in some SSA countries: e.g., in Equatorial Guinea a boom in the government-funded construction industry absorbed the same labourers; and in Guinea Bissau government instability restricts commitment. Ethiopia has the only employment guarantee programme and the second largest public works scheme in sub-Saharan Africa. The country has been running such programmes since the early 1990s. The current formulation targets vulnerable households and allows them to participate in the programme for up to five years, when they are graduated (i.e. their allowed time period in the programme ends). The works are focused on infrastructure for the agriculture sector, as part of a broader food security programme.¹⁵⁹

Some public works programmes have an explicit training component to enable workers to acquire skills that will help them transition into more regular employment.¹⁶⁰ Youth employed as manual labourers on a labour-intensive roads

¹⁵⁷ *Empowering People for Inclusive Growth: The Perspective of the Working Poor in the Informal Economy; EC Concept Note – High Level Panel; 2012.*

¹⁵⁸ For a further discussion of labour market programmes in SSA, see Annex 1. See Annex 2 for ALMP conditions and outcomes for SSA.

¹⁵⁹ World Bank *Project Performance Assessment Report Ethiopia, Productive Safety Net Project* (World Bank, June 16, 2011).

¹⁶⁰ Del Ninno, C, Subbarao, K & Milazzo, A *How to Make Public Works Work: A Review of the Experiences* (World Bank, 2009).

project under the Expanded Public Works Programme (EPWP) in South Africa, for example, are offered training in other skills with identified demand in the labour market. Similarly under the AGETIP intervention in Senegal, young people are trained in public works construction so that they may be employed on other construction projects post intervention. In programmes in Malawi and Sierra Leone, participants are supported to use savings accrued from their work to establish an income-generating activity through short business training and linkages to other micro-credit institutions.

The provision or maintenance of public goods that enhance income generation is a core feature of most public works programmes. Activities in Ethiopia and Lesotho focus on water conservation and land rehabilitation activities that improve the productivity and income of poor agricultural communities. Community-based public works programmes in Ghana are implemented by small contractors and focuses on the rehabilitation of feeder roads. In middle-income countries the public goods include the provision of social services. In South Africa for example, the EPWP includes home-based care workers and early childhood development workers, as well as infrastructure; environment; and developing small businesses and cooperatives.¹⁶¹

7.2.2 Targeting of public works programmes

Public works and associated labour market programmes tend to be targeted at a combination of vulnerable populations, geographical areas, or sectors or economies.¹⁶² Unemployment insurance provisions are largely absent in SSA and interventions such as public works programmes can support vulnerable groups, typically women and men of productive capacity, young people (15-35 years), the disabled, and carers of vulnerable children, old or disabled people, by improving access to income.¹⁶³ They are also used as a vehicle for social transfers through linkages (often conditional) to public services especially education and health (for example Central African Republic, Ghana, Liberia, Madagascar and Sierra Leone).¹⁶⁴

Most labour market interventions ultimately focus on addressing unemployment and low income through targeting specific sectors and their actors to promote employment creation and income generation. This is usually based on a National Employment Policy or sectorial policies which aim to maximise employment creation and income generation in specific sectors. Interventions are designed to respond to the formal or informal economy; including cash/food transfers through public works; strengthening markets for particular trade sectors (for example services, small manufacturing, agriculture value chains); or skills development for

Box 3. Coordination Challenges.

It is noted also that it can be technically challenging to administratively link up public works programmes with other social protection mechanisms. For example, the government aims to connect the LEAP cash transfer programme in Ghana with public works programming in the same locations. However, the public works programme operate by self-selection and the two interventions do not have a cross over database or identification system, making it impossible to track how many LEAP beneficiaries are also participating in public works interventions. Further, the LEAP programme targets significant number of households which do not have surplus labour (disabled, old, children, engaged already in low income or subsistence activities), thereby excluding their public works participation

¹⁶¹ Gilligan, D, Hoddinott, J & Taffesse, A *The Impact of Ethiopia's Productive Safety Net Programme and its Linkages* (IFPRI Discussion Paper 00839, December 2008).

¹⁶² Betcherman, G, Olivas, K and Dar, A *Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries* (World Bank, January 2004).

¹⁶³ World Bank *Africa Social Protection Policy Briefs: Labor Market Programs* (World Bank, 2012).

¹⁶⁴ World Bank *Options for Targeting of Safety Nets in Ghana, Draft note for the Common Targeting Workgroup* (World Bank, 2012).

growth sectors. Within these sectors, beneficiaries are identified wither through category or geography based targeting.

Categorical targeting based on poverty vulnerability is not without its limitations. The approach can exaggerate the position of individuals in societies which operate economically as a household, or the effect of the benefit is diluted when shared in the household. It can overestimate the surplus labour within a household, thus excluding those without available labour, and potentially placing extra burden on the working poor.¹⁶⁵ This approach is typically accompanied by a combination of community-based selection mechanisms and self-targeting, which are subject to issues of local subjectivity, transparency, and excessive demand.¹⁶⁶ Demand-led programmes are sometimes found to be better at targeting the most vulnerable than those based on administrative selection of beneficiaries. However, hard manual labour programmes that self-target cannot cater to the old, handicapped and those not physically able to engage in such work.

Categorical targeting on the basis of vulnerability therefore has to take into account the reality of household economics, of existing income-generating capacity, of local economic dynamics and of excessive demand. A stronger policy focus is needed to develop and integrate interventions, including micro-enterprise development, access to agricultural inputs and irrigation, and processing and storage facilities which can open up sustainable income-generating opportunities for beneficiaries.

Vulnerability may also be related to specific geographic areas within countries, which have experienced conflict or recurrent emergency situations calling for humanitarian assistance (e.g. conflict in Casamance region of Senegal, drought in northern regions of Ghana).¹⁶⁷ In urban areas, efforts tend to focus on sanitation and infrastructure public works, as well as improving labour market information, fostering apprenticeship, vocational training and business creation.¹⁶⁸

Alongside public works, initiatives in rural areas consist of financing basic agricultural infrastructure and building the capacities of communities and production organisations (e.g. Chad, Sierra Leone).¹⁶⁹ While geography has an influence on planning for labour market intervention, it is important to note that geography is not the only determinant of future economic performance.¹⁷⁰ Intervention that responds to the economic vulnerabilities of certain regions is required, to maximise comparative advantage through a combination of infrastructure, human and industrial capital measures, which can all have short- and long-term impacts on labour market activity.

7.2.3 Linkages to other labour market interventions

Criticisms of the limitations of public works programmes are often accompanied by analysis of their lack of connection to other labour market integration and income

¹⁶⁵ Jones, N, Tafere, Y & Woldehanna, T *Gendered risks, poverty and vulnerability in Ethiopia: To what extent is the Productive Safety Net Programme (PSNP) making a difference?* (ODI, October 2010).

¹⁶⁶ World Bank *Options for Targeting of Safety Nets in Ghana* (2012).

¹⁶⁷ CIDA (Canadian International Development Agency) *Senegal – Overview* (sourced at <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-217123240-NKY>).

¹⁶⁸ Cho, Y, Margolis D, Newhouse, D and Robalino, D *Labor Markets in Low- and Middle-Income Countries: Trends and Implications for Social Protection and Labor Policies* (World Bank, 2012).

¹⁶⁹ DFID *Post-Conflict Agricultural Rehabilitation: Linking Social Protection, Livelihood Promotion and Humanitarianism* (DFID, 2005); Government of Ghana *National Sustainable Agriculture Development Plan* (Ministry of Agriculture, Forestry and Food Security, Ghana, 2010).

¹⁷⁰ Noman, A & Stiglitz, J; *Good Growth and Governance for Africa: Rethinking Development Strategies - Introduction and Overview* (Draft, 2013).

generation options, especially employment services and micro- or small enterprise development.¹⁷¹

Employment services providing labour market information are a cost-effective intervention for linking workers to existing employment opportunities. However, the services are of limited use in situations where there is a lack of demand for labour, where structural unemployment is high, or where most labour market transactions are informal, as is the case in most SSA countries. However, employment services that address supply side labour market (formal and informal) constraints through connecting beneficiaries to training, finance, coaching and market information can be positive impacts of labour market transactions. Skills training programmes in middle-income countries work best with on-the-job training and active employer involvement, though they tend to benefit in terms of higher employment rates but not necessarily in terms of immediate higher earnings. Technical training is resource heavy and requires cooperation with the private sector to ensure quality and relevance.¹⁷² In informal dominated lower-income economies, more young workers go through informal apprenticeships which need to be generally strengthened and better combined with formal education.¹⁷³ Ghana's National Youth Employment Programme links skill training with public sector placement and enterprise set up.

Micro- or small-enterprise development, largely in the informal economy, is common in many countries where macro-economic growth is not resulting in job creation, and unemployment or underemployment especially for young people and women is high. Micro-enterprise programmes that provide a combination of mentoring, business counselling, and links to finance are found to be more effective in assisting people to start their own business, though final outcomes such as earnings and profits take more time to materialise and are often not realised by the end of the programme life.¹⁷⁴ Labour market conditions, business environment, demographic structure,

Box 4: Labour market intervention targeting young workers

Young workers, urban and rural, lack experience as well as social, financial and physical capital in comparison to older workers. Informal enterprises and the agriculture sector absorb significant numbers of young workers in low-income economies, characterised by a lack of adequate social protection, low earnings and unsafe working conditions. Labour market integration takes longer for educated youth in middle-income economies because of a lack of anticipated formal employment jobs and because of skills mismatches between what education provides and what employers need.

ALMPs targeting young people through vocational training, apprenticeships, micro-business start-ups and employer subsidies have typically achieved limited success, because they are poorly designed, under-funded, or they do not adequately address the gaps between employability and demands of the SSA labour market. Youth employment interventions suffer from a general lack of knowledge on what works well and a disjointed approach. Despite these challenges, African youth are today better educated than any previous generation and space is opening for the demographic dividend. Rapid urbanisation, often driven by youth, offers opportunities for the development of industrial clusters and increased demand for agricultural products.

¹⁷¹ Access to agricultural inputs and irrigation, and processing and storage facilities are addressed in Section 7.3.

¹⁷² *African Economic Outlook 2012*; Africa Development Bank; 2012.

¹⁷³ *Ibid.*

¹⁷⁴ Kluge, J *Activation Policy Focus: The effectiveness of active labor market programmes* (Humboldt-Universität zu Berlin, RWI and IZA, 2011).

education level, seasonal factors¹⁷⁵ and quality of service providers affect the effectiveness of the programmes.¹⁷⁶ As noted by the ILO, there is significant difference in the kind of impacts sought through supporting micro-enterprise initiatives and small to medium enterprise.¹⁷⁷ Micro-credit users are typically more interested in sourcing small capital to stabilise consumption and provide insurance against extraordinary expenses than in growing their activities, and with these capacity dependant interventions, there is a danger that only those with the greatest potential will benefit, at the exclusion of those with the greatest need.¹⁷⁸

There is room generally for greater linking of public works programmes beneficiaries with these other labour market intervention options. Assumptions that linkages will happen independently are usually unfounded, especially since public works beneficiaries are typically the poorest demographic, are furthest from the labour market and experience the greatest number of constraints in accessing income generation and remunerative employment opportunities.

7.2.4 Impacts of public works programmes

Public works programmes offer low-wage, short-term employment in construction, rural development and community services. Access to public works employment in SSA is unpredictable and short-term, and so is not a safety net that allows participants to plan for predictable streams of income.¹⁷⁹ Even in Ethiopia, where the Government has made a long-term commitment to the employment guarantee mechanisms of the Productive Safety Net Programme, continued dependency on donor funds makes questionable the real sustainability of the programme.

As outlined above, the impact of public works programmes can only be measured in relation to their particular indicators which should be designed in response to the specific vulnerabilities in the target population. Public works programmes have been found to be broadly effective as a short-term safety net but do not typically improve participants' future labour market prospects. Specific recorded impacts include creation of infrastructure assets (e.g. rural roads, irrigation); transfer of skills; promoting the dignity of work over the indignity of hand-outs; and equity of access for women through gender quotas. The Productive Safety Net Programme (PSNP) in Ethiopia prioritises agriculture infrastructure as part of a food security programme, and participants are also linked to education and health services.¹⁸⁰

¹⁷⁵ An aggressive rainy season can wipe out an enterprise infrastructure and savings accrued in the dry season. Low education levels of micro entrepreneurs (especially women) can expose them in managing expenditure fluctuation resulting in negative real income. See Sloane, E *Moving Out of Poverty in the Freetown Slums* (Action Contre la Faim Sierra Leone, 2012).

¹⁷⁶ Cho, Y & Honorati, M *Entrepreneurship Programs in Developing Countries: What works?* (World Bank Labor Market Core Course; 2012).

¹⁷⁷ Vandenberg, P *Poverty reduction through small enterprises, Emerging consensus, unresolved issues and ILO activities* (ILO, 2006).

¹⁷⁸ Sloane *Moving out of Poverty in the Freetown Slums* (; Action Contre la Faim, 2012).

¹⁷⁹ Devereux & Cipryk *Social Protection in SSA: A regional Review* (2009).

¹⁸⁰ Sengupta, A *Pathways out of the Productive Safety Net Programme: Lessons from Graduation Pilot in Ethiopia* (Working Paper; BRAC Development Institute, 2010).

Some evaluations have found that the public assets created are low quality; the self-targeting inefficient;¹⁸¹ the skills transferred not adequate to facilitate labour market entry. Gender quotas can impose additional labour burdens on women and more can be done to address gender dynamics in participant households that affect the realisation of the participation rights for women and men.¹⁸² A recent ODI study questioned public works programmes' effectiveness in terms of providing social protection and responding to under/unemployment.¹⁸³

The study found that while the programmes are preferred by governments and donors as a vehicle for welfare transfer, economic investment, livelihoods promotion and growth stimulation, tangible outcomes for beneficiaries, in terms of wages, assets and skills accrued, are less evident. The study argues for reconsidering the social protection function of public works programmes. Another ODI study¹⁸⁴ analysed the political economy of adopting public works programmes, especially in low-income countries and fragile states, and found that the preference for public works programmes is often not evidence-based, and that data on micro or macro outcomes, or their attribution to programme design, is weak. The study also found that the popularity of these programmes may be linked to political and organisational interests as much as programme outcomes.

Box 5: Definitions of graduation from public works programmes

Increasingly, public works programmes are expected to promote graduation of beneficiaries, but some graduation expectations are ill-defined and overly ambitious. Graduation variably refers to measurable changes in household income, skills, human capital or labour market behaviour which improve long-term welfare and reduce poverty. Labour activation measures aim to integrate economically active beneficiaries into the economy through public works, employment services, literacy, skill training, microenterprise, savings and microfinance, or extension programmes for small farmers, and graduation is measured in terms of programme completion or income sustainability. Participation can also be linked to other social programmes or benefits, eg housing subsidies, utility allowances, or fee waivers for health and education services, and graduation in this case is measured in terms of service take up. Income-based graduation refers to support (eg public works) which should end with beneficiaries being able to meet their own income needs and/or stabilise their food consumption. However, with the very poor, especially in situations subject to high covariate risk, this does not seem to work, and 'graduation' can seek to transit beneficiaries from chronic poverty into an on-going social protection framework that responds to life cycle risks. Graduation can further take an operational definition referring to the maximum duration allowed within the programme, or through age restrictions (eg vulnerable children exit Ghana's LEAP programme at 18 years). Active labour market programmes have to be clear about the specific definition of graduation expected, and establish objectives that are realistic within the timeframe, relate to the availability of linked services, and are within their institutional capacity to measure.

Public works programmes are often criticised for their lack of graduation options for beneficiaries. (See Box 5 for the diversity of graduation definitions currently in use). But this is to ignore the distinction between those public works programmes which aim for skills development through continuous engagement of beneficiary workers and training of contractors, and those which emphasise cash or food transfers safety net and light infrastructure rehabilitation. The labour-based public works model supported

¹⁸¹ Given the potential for political and local interference; and the exclusion of those without surplus labour.

¹⁸² Holmes, Jones *Public works programmes in developing countries: Reducing gendered disparities in economic opportunities?* Paper prepared for the International Conference on Social Cohesion and Development; ODI; January 2011.

¹⁸³ McCord, A *Public works and social protection in sub-Saharan Africa, do they really work for the poor?*; ODI, 2012

¹⁸⁴ McCord, A *The politics of social protection: why are public works programmes so popular with governments and donors?* (ODI Discussion Paper, 2012).

by the ILO in Liberia, Sierra Leone, South Africa and Tanzania, for example, emphasises construction standards and training of contractors and labourers who can compete for further contracts. There, the graduation impact in terms of further work opportunities for beneficiaries has been measured, with mixed results.¹⁸⁵ The cash or food for works model supported by the World Bank and World Food Programme in Liberia, Kenya or Sierra Leone are designed as safety net mechanisms and are judged in terms of their impact on consumption smoothing for beneficiaries.¹⁸⁶ In this model there is some evidence of shock-smoothing impacts, but there is little evidence of the interventions sustainably graduating beneficiaries out of poverty. It is also noted that persons who are considered to have 'graduated' according to any of the above definitions can continue to be exposed to severe vulnerabilities, and this cannot be ignored.

7.2.5 Optimising the effectiveness of public works programmes

The effectiveness of public works programmes depends on the kind of outcomes sought, but most outcomes can be enhanced through consistency of programme availability; design linkages, including to skills training, micro finance, savings and selection of public goods; and institutional strengthening.¹⁸⁷ The Lesotho Integrated Watershed Management Project is designed to address poverty and land degradation issues, and promotes income-generating activities through the production of energy sources and fruit trees for household consumption and fodder production. The extreme poor benefiting from Ghana's cash transfer LEAP (Livelihood Empowerment Against Poverty) programme and who also access public works programmes, could be linked to programmes delivering agriculture inputs or micro business for longer term outcomes. Studies have found that the (MG)NREGS in India has augmented employment, increased wage earnings, partly stemmed rural-urban migration, enhanced productivity and promoted gender equity and that the (MG)NREGS has the potential to transform rural India into a more productive, equitable and better connected society. While the (MG)NREGS model is unlikely to be sustainable if transplanted as a blueprint to other countries, a number of important lessons can be extracted from the intervention of this scale.¹⁸⁸

Increasingly, the notion of a rights-based approach is being considered in SSA public works programming which would make participation more predictable thus helping to stabilise incomes and improving beneficiary engagement through the juridical context for the beneficiary-implementer relationship. The (MG)NREGS for example, is reported to be working better in places where activist groups are active and where there is a history of implementation.¹⁸⁹ However, there is also some concern that the rights-based approach can promote dependency by beneficiaries, thus dis-incentivising action for their economic autonomy. It is important to remember that public works programmes are not operating in static environments, especially if they are achieving intended economic and social outcomes. Thus they have to be adjusted to respond to developments in the external environment including advances in educational and

¹⁸⁵ Katima, J & Njau, K *Labour-based Technology A Review of Current Practice (Conference Theme: Labour-based Technology for Poverty Reduction)* (Volume 1: Proceedings of the Tenth Regional Seminar) (ILO/United Republic of Tanzania, Ministry of Works, Republic of Tanzania, 2004).

¹⁸⁶ Andrews, C, Backiny-Yetna, P, Garin, E, Weedon, E, Wodon, Q & Zampaglione, G *Liberia's Cash For Work Temporary Employment Project: Responding to Crisis in Low Income, Fragile Countries* (SP Discussion Paper No 1114, World Bank; July 2011).

¹⁸⁷ Del Ninno, C, Subbarao, K & Milazzo, A *How to Make Public Works Work: A Review of the Experiences* (World Bank, 2009).

¹⁸⁸ Government of India, Ministry of Rural Development *Mahatma Gandhi National Rural Employment Guarantee Act, 2005: Vision, Strategic Framework and Plan of Action (2010-2011)* (Draft, May 2010) 2, accessed at [http://nrega.nic.in/NREGA_VISION-version_4-\(2\).pdf](http://nrega.nic.in/NREGA_VISION-version_4-(2).pdf).

¹⁸⁹ Joshi, A *The right to work in India; Politics of the EGS and NREGA* (unpublished paper, March 2007) 14.

literacy levels; and on-going economic growth. Careful balance of outcomes and design of indicators is required to ensure that the public works programme is specific about the short- and long-term outcomes required and the type of 'graduation' expected. A 2013 World Bank study¹⁹⁰ found that the potential for public works programmes to promote gender empowerment is conditional on design and institutional factors and cannot be automatically assumed.

The 2013 World Bank study on public works¹⁹¹ confirmed the necessity for a sound implementation structure and an efficient institutional framework to support successful implementation of public works programmes. Strong checks and balances (including credible monitoring and evaluation, and technological innovation) against possible error, fraud, and corruption are required, since transparency and accountability is a particular concern for public works programmes, given the number of unit payments and the complexity of actualising transfers. Engagement and continuous oversight by the political opposition is also key.

Public works programmes require significant institutional strength both centrally and across all intervention zones. If the interventions are aiming to have a positive impact on livelihood security, then data systems have to be able to measure baseline and exit positions on income of households; productivity of small and marginal land holdings; and quality and contribution of productive assets (e.g. water tanks). Weaknesses in data collection make such outcomes impossible to determine. Wage transfer systems also present challenges, resulting in delays of payment and potential for misallocation through corruption and bureaucratic syphoning. Public works programmes require governance and management strength at both the national and local levels to avoid uneven distribution of implementation through the country.¹⁹²

Institutional strength also refers to the quantity and quality of technical construction capacity, which affects the quality of the large number of public assets being created. This has been highlighted in the (MG) NREGS where over half of assets are found to be incomplete or of poor quality.¹⁹³ Lack of maintenance resource or planning can in addition affect the utility of the assets over time. This is also related to the lack of mechanisms and resources for community ownership to ensure the upkeep of the assets by those benefiting from them.

7.3 Sustainable livelihoods and food security in sub-Saharan Africa

Despite improved economic growth performance in SSA since the late 1990s, per capita income has not seen improvement since the 1970s. Though population growth has had an influence, this stagnation is in large part due to the lack of diversification of SSA economies. Manufacturing and formal employment have been in decline since the 1980s while SSA economic growth is increasingly over dependent on extractive industries in non-renewable resources. Agriculture yields have also stagnated following decades of low levels of infrastructure (e.g. irrigation) and fortification (e.g. fertiliser) investment. While some improvement in the quality of employment in agriculture has been observed, the majority of agriculture jobs are of poor quality, and distortions in access to land predominate. Agriculture alone can never absorb the currently

¹⁹⁰ Subbarao, del Ninno, Andrews, Rodríguez-Alas; *Public Works as a Safety Net: Design, Evidence, and Implementation* (Washington, DC: World Bank 2013)

¹⁹¹ *Ibid.*

¹⁹² In the case of the (MG)NREGS for example, which is implemented through local government structures, those areas with more developed local government structures receive a relatively higher number of interventions.

¹⁹³ Joshi *The right to work in India; Politics of the EGS and NREGA* (2007) 4.

dependent population into productive employment, and economic diversification, especially a shift to manufacturing industries is necessary.¹⁹⁴

In the meantime, smallholder subsistence agriculture still dominates rural livelihoods in most SSA countries, but the agriculture being practised is largely low-return and high risk. Food security for vulnerable populations is a social protection concern for governments, and under-nourishment is also an economic concern since it increases the disease susceptibility burden for households, and reduces the ability to work.¹⁹⁵ Although famines are less frequent, 200 million Africans were estimated to be malnourished in 2000, up from 88 million in 1970. Vulnerable households require support to establish sustainable livelihoods through greater productivity on their farms to satisfy their own consumption demands and to sell surplus (beyond distress selling) to the market; and through greater off-farm income generation.

SSA governments' response to agricultural failure prior to the 1980s was characterised by interventions that aimed to adjust for market failures, including national grain reserves; food price policies; subsidised fertiliser, seed and credit programmes for small farmers; parastatal marketing; and guaranteed purchase of farm outputs.¹⁹⁶ The relative demise of state intervention during agriculture liberalisation opened the way for a new social protection agenda in the 1980s and 1990s, seeking to avoid market interference and to compensate poor people for market failures with food aid and cash transfers. Hunger relief programmes in the 1990s and 2000s became institutionalised and emergency food aid incorporated into longer-term social protection interventions, endangering farmers' incentive to produce.¹⁹⁷ Livelihood insecurity and income security re-emerged in rural development debates in the early 2000s. Through the application of economic risk theory to analysis of poverty dynamics, income variability was once again understood as a significant feature of living in poverty.¹⁹⁸ A new donor policy agenda for addressing livelihood insecurity emerged in the 2000s, advancing the debate on livelihood intervention beyond emergency food aid, public works and vulnerable group feeding programmes, to engage with private, public and market-based interventions. Towards the end of the 2000s, a convergence was observed, with social protection extending beyond its welfarist/safety net origins and crossing into the productive sectors, since both social protection and food security are multi-sectorial and complement the economic and productive sectors when risk mitigation and shock-coping instruments are effective in strengthening small farmers' position as economic actors.¹⁹⁹

The Comprehensive Africa Agriculture Development Programme (CAADP) was established in 2003 under the African Union and is the primary policy driver for improving and promoting agriculture across SSA and by 2011, 26 countries had signed a CAADP Compact. The CAADP aims to eliminate hunger and reduce poverty through agriculture, and works on land and water management; market access; food supply and hunger; and agricultural research.²⁰⁰ Despite the CAADP initiative however, SSA governments' responses to the 2008 global food crisis were limited, and an estimated

¹⁹⁴ Noman, A & Stiglitz, J; *Good Growth and Governance for Africa: Rethinking Development Strategies - Introduction and Overview* (Draft, 2013); Koehler, H *Post-2015 Global Agenda: Employment and Perspectives for the Youth* (Discussion paper, High-level Panel Working Papers Series, 2013) 1-2.

¹⁹⁵ Devereux & Cipryk *Social Protection in SSA: A regional Review* (2009).

¹⁹⁶ Devereux & Davis *Linking Social Protection and Support to Small Farmer Development; Report of a workshop at FAO Rome January 2008* (FAO 2008).

¹⁹⁷ Devereux & Cipryk *Social Protection in SSA: A regional Review* (2009).

¹⁹⁸ Devereux, S *Livelihood insecurity and Social Protection: A re-emerging issue in rural development* (Development Policy Review, 2001).

¹⁹⁹ Devereux, S, Sabates-Wheeler, R, Dorward, A, Poulton, C, Guenther, B & Al-Hassan, R *Linking Social Protection and Support to Small Farmer Development - A paper commissioned by FAO* (FAO 2008).

²⁰⁰ CAADP's vision; sourced at <http://www.nepad-caadp.net/about-caadp.php#Vision>.

22% did nothing at all. Policy interventions included reducing taxes on food grains (43%), increasing grain reserves stock (21%), imposing export restrictions (18%), and applying price controls or providing consumer subsidies (32%).²⁰¹ Food costs continue to increase and the World Bank attributes the increases to rising fuel prices, a lack of transparency about food stocks, an absence of a sufficient buffer, and increasing weather incidents. Though the 2007-2008 food crisis refocused attention to the importance of agriculture and food security, the World Bank warns that *"drought, floods, and rising prices of essential food commodities may be warning signs that rapid responses will be needed in African countries that are heavily reliant on food imports."*²⁰²

7.4 SP for sustainable livelihoods options for SSA countries

Debates continue on social protection interventions for SSA countries to support sustainable livelihoods in an increasingly uncertain economic environment, but the debate has moved on from one of 'welfarist' versus 'market-based solutions'. Agricultural policies in SSA have evolved to recognise that agricultural livelihood strategies have to go beyond production strengthening, to value addition and linking producers with markets. Social protection instruments have to identify where they can bring an added value contribution to enhancing producers' robustness to shocks. Complementary active labour market programmes are required for those in rural areas without access to land and who can provide goods and services to rural value and supply chains.

The EC has identified availability, access, utilisation and stability as the four pillars of food security. With on-going improvements in productivity, affordability is increasingly seen as the key challenge for food security.²⁰³ Asset, food and cash transfers or subsidies can be used in combination to promote production and smooth consumption simultaneously though this is administratively challenging (see Box 3 above). It was anticipated that beneficiaries of Ghana's LEAP programme would have priority access to agricultural livelihood strengthening for example, but it has not yet been possible to track beneficiary overlaps. The Savannah Accelerated Development Authority (SADA) in Ghana is responding to food insecurity in some of the same target areas as the LEAP programme for example.

Smallholder farmers continue to be constrained in their capacity to increase or stabilise their consumption and income generation. Context-specific combinations of risk mitigation and shock softening instruments are required. Shocks can be categorised in terms of scale (national or international economic shocks, national shocks including civil war and weather extremes, individual shocks such as ill-health); predictability (seasonal variability); and trigger (injury, age, economic downturn).²⁰⁴ Existing risk management strategies by the rural poor can be categorised according to those which are risk mitigating, shock coping, and community support systems. Social protection interventions have to be designed according to which level of shocks they are addressing and according to their adaptability to the existing risk management

²⁰¹ Devereux & Cipryk *Social Protection in SSA: A regional Review* (2009).

²⁰² World Bank *African Agriculture Rediscovered Courtesy of the Food Crisis – Interview with World Bank Vice President for the Africa Region Obiageli Ezekwesili*; sourced at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:22830744~pagePK:146736~piPK:226340~theSitePK:258644,00.html?cid=3001_2.

²⁰³ European Commission *Social Transfers in the Fight Against Hunger – A Resource for Development Practitioners – Short Version* (Brussels, April 2012).

²⁰⁴ *Livelihood insecurity and Social Protection: A re-emerging issue in rural development*; Devereux; Development Policy Review; 2001.

strategies of target audiences. Table 7 below lists the types of social protection/sustainable livelihood interventions (and their overlaps) available to EC programming.

Table 7: Social Protection and Sustainable Livelihoods instruments available to EC in SSA

SSA	Social Transfers for Food Security	Agricultural Policy	ALMPs	Social Transfers for Human Capital	Other General SP	
Social Protection Instruments	Cash Transfers Tools/Seed/Asset Transfers Food Transfers		Public Works	Conditional & Unconditional Cash Transfers	Social Welfare Services	
		Price controls	Technical training	Supplementary feeding	Social Insurance	
		Food subsidies		School feeding		
		Input subsidies		Lump Sum Transfers		
		Weather insurance				
		Grain reserve/Public food stocks				
		Crop/Livestock insurance				
		Agri-processing Micro/Small business training Access to micro finance				

Asset transfers in the form of tools, seeds or equipment strengthen smallholders' production capacity thereby increasing the volume of available food. Food transfers respond to immediate food shortages and are more common in emergency contexts.²⁰⁵ Conditional cash transfers target primary care givers and require that they commit to certain actions. In SSA countries where services are less well developed, unconditional cash transfers are more common.²⁰⁶ Targeted food subsidies provide a buffer for vulnerable populations during price hikes. Price controls often have a regressive effect, ie they benefit the non-poor more than the poor and can distort markets in the longer term. Though the use of grain reserves has largely diminished, public food stocks remain important for responding to food crisis. Though politically attractive, input subsidies remain controversial given their high cost, often poor targeting and questionable sustainability.

School feeding programmes aim to reduce hunger and increase human capital by incentivising attendance. Sourcing food locally has the added benefit of creating demand from local small-holder producers. Supplementary feeding is seen as 'intergenerational social protection' and provides additional nutrition for children under five at risk of malnutrition. Active labour market interventions in the form of technical training in off-farm skills or services to producers, micro-enterprise business training, access to micro finance, and public works programmes are complementary options for livelihood strengthening and shock response. All of these social protection instruments are also vulnerable to implementation weaknesses in targeting, transparency and promoting dependency. However, with the right design and strategic combining, they can impact on risk management and food security.

²⁰⁵ Devereux, S *Livelihood insecurity and Social Protection: A re-emerging issue in rural development* (Development Policy Review, 2001).

²⁰⁶ FAO *Executive Summary of the High Level Panel of Experts Report on Social Protection for Food Security; Committee on World Food Security 39th Session Rome* (FAO, October 2012).

7.5 Key international actors in labour market engagement and sustainable livelihoods

The European Consensus on Development (2005) indicates employment as a key contributor to social cohesion and the EC is committed to promoting decent work in partnership with the ILO.²⁰⁷ EC aid contributes to financing a variety of social protection measures such as cash transfer schemes, public work programmes, school lunches, social care services, and food vouchers in the poorest countries. Thematic programming concentrates on developing methods to monitor progress on employment and social cohesion in the EC's partner countries, identifying good practice and supporting a global policy dialogue between governments, social partners and other relevant stakeholders operating in this area.

The DFID definition of social protection focuses on three sets of instruments to address risk, vulnerability and chronic poverty: Social insurance, ie the pooling of individual contributions in state or private organisations; Social assistance comprising non-contributory transfers; and Setting and enforcing of minimum standards to protect citizens within the workplace.²⁰⁸ GIZ is supporting the introduction and implementation of social health insurance schemes and basic social security systems; and employment creation through engagement of agriculture value chains actors and through small- and medium-enterprise promotion.²⁰⁹

The main objectives of the World Bank's Africa Social Protection Strategy 2012-2022 are to help poor citizens to manage risk and respond to shocks; build their productive assets; increase their access to basic services; and engage in productive income-earning opportunities. World Bank lending for social protection during 2000-2010 totalled US\$4.4 billion. Recent investments in labour markets have focused largely on youth employment.²¹⁰ The Food and Agriculture Organisation's (FAO) strategic priorities for Africa during 2010-2015 are agricultural productivity and diversification; sustainable natural resources management; market access and sanitary measures for better trade; and knowledge management, information and advocacy.²¹¹ International Fund for Agricultural Development's (IFAD) priority areas for Africa are: strengthening the capacity of the rural poor; improving the pro-poor focus of rural development policies and institutions; improving agricultural productivity and access to technology; improving access to financial capital and markets; and reducing vulnerability to major threats to rural livelihoods.²¹² The UN Social Protection Floor Initiative (SPFI) focuses

²⁰⁷ European Commission/European Report on Development *The EU and Social Protection in Africa* sourced at http://erd.eui.eu/media/2010/factSheets/18826_ERD_Factsheet-V7.pdf; see also European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 20.8.2012), accessed at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf on 19 February 2013; European Commission *Increasing the impact of EU Development Policy: an Agenda for Change* COM(2011) 637 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 13.10.2011) accessed at http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf on 19 February 2013.

²⁰⁸ Wafer, P *Social Protection - Current DFID engagement* (ILO Geneva 'Show & Tell event' DFID May 2010); *Social protection in poor countries*; DFID *Social protection in poor countries* (DFID Social Protection Briefing Note Series, Number 1; January 2006); DFID *The future of UK aid* (PowerPoint) (sourced at <http://www.dfid.gov.uk/News/Latest-news/2011/The-future-of-UK-aid/>).

²⁰⁹ GIZ *GIZ - Social Protection Systems* (sourced at <http://www.giz.de/Themen/en/SID-2BD977D1-8DFD3040/12244.htm>).

²¹⁰ World Bank *World Bank Africa Social Protection Strategy 2012-2022* (World Bank, Draft March 2012).

²¹¹ FAO *FAO Strategic Framework for Hunger Reduction 2010-2019* (FAO, 2010); FAO *FAO Strategic Framework for Hunger Reduction 2010-2019* (FAO, 2010).

²¹² IFAD *IFAD strategy for rural poverty reduction West and Central Africa* (sourced at <http://www.ifad.org/operations/regional/2002/pa/pa.htm>).

on: ensuring access to essential services and providing a minimum income and livelihood security. USAID in Africa is focused on: agricultural productivity; health systems; governance; resilience to climate shocks; and leading quick responses to humanitarian crises.²¹³

7.6 Conclusions

Economic growth in SSA countries is not creating jobs to match its fast-growing populations, and the majority of the working population is engaged in low-productivity activities in the informal economy, or in agriculture, and young people are overrepresented in these activities. These challenges require a flexibility of approach inspired by the objective to provide income-generating opportunities where labour demand is lacking, or to grow or redirect the labour supply to match unmet demand.

With their social protection function to channel temporary income to vulnerable populations, and create productive public assets that can strengthen subsistence agriculture and economic sectors, public works programmes are playing an increasingly important role in SSA countries with low-educated, low-skilled populations. The programmes can support longer-term reduction of vulnerability through connecting beneficiaries to savings and credit mechanisms, skills and enterprise training to transition them into more regular employment. However, they are often criticised for being standalone and not designed to achieve long-term labour market engagement or graduation out of welfare dependency.

Targeting of programmes is based on sector of entry (e.g. agriculture infrastructure), vulnerability categories (e.g. female-headed households), or geographical areas (e.g. victims of periodic drought). Solid programme design should address a combination of these targeting entry points to create context-specific interventions. Relative impact of public works programmes depends on the kinds of results expected. A variety of indicators are available, from those which measure income or consumption smoothing, to that of reduced rural-urban migration. Impacts are often referred to in terms of 'graduation', but the relative result here also depends on definition. Definitions of graduation range from expiry of time allowed inside the programme, to capacity to maintain stabilised income or consumption throughout the year. Even those who appear to have stabilised may find themselves re-exposed to vulnerability depending on seasonal, health or economic shocks. Programme design has to be very specific about the kind of graduation indicators aimed for, and implement and measure accordingly.

Public works programmes in particular require strong institutional and governance capacity both at the local and the national level to be successful. They also require robust and well-designed and resourced administrative and monitoring mechanisms, given the number of beneficiaries and payments involved. The (MG)NREGS in India has demonstrated clearly that where local government has a delegated role, only those areas with developed local government institutions will experience efficient programme implementation.

There is a dual commentary on the role of agriculture in contemporary SSA development, with one side arguing that strengthened smallholder subsistence and commercial agriculture is key to SSA development, while others argue that replacement of dependence on agriculture (and extractive industries) with industrialisation is the way forward. Both views can exist simultaneously, since

²¹³ USAID *Supporting a continent on the rise* (USAID, 2012) (sourced at <http://www.usaid.gov/where-we-work/africa>).

consumption and income smoothing for vulnerable populations is an immediate need which can be addressed through available social protection and food security mechanisms, while industrialisation is a valid but longer-term project. There remains a key role for shock-coping mechanisms from asset transfers and crop insurance to public works and micro enterprise set up for vulnerable rural populations. EC intervention requires incorporation of simulation analysis of these trends and suitable combinations of measures for prevention and response.

The EC is providing policy, institutional and financial support to the building of nationally owned social protection systems that aim for the realisation of social and economic rights and the reduction of vulnerability. In October 2011 the European Commission presented its 'Agenda for Change' and reform proposals, setting out a more strategic approach to reducing poverty, and encompassing support to labour market integration, relationship of the poor to markets and sustainability of agriculture livelihoods in the face of shocks. These conclusions on addressing labour market and sustainable livelihood deficits have to be considered in the implementation of the 'Agenda for Change' framework.

8. Extension of SP to the Informal Work Context

8.1 Definition, size and characteristics of the informal economy in SSA

The term "informal sector" is not uniquely defined.²¹⁴ When it was used for the first time in a research paper by the ILO for purposes of the Kenyan context in 1972, no specific definition was attached to it. Rather, it was used as an "analytical terminology to describe the duality in the labour market."²¹⁵ It has been suggested that this term be replaced with the broader term "informal economy."²¹⁶ The term "informal economy" would be more appropriate as it takes account of the considerable diversity of workers and economic units in different sectors of the economy and across rural and urban contexts. However, both these phrases fail to fully encapsulate the nature of what they are explaining. Activities within the "informal sector" fall into a variety of sectors, often with no similarities, whilst "informal economy" fails to illustrate the significant grey areas between the informal and formal economy.²¹⁷ The emphasis, it is suggested, should be on informality, encapsulating those activities falling *de facto* (factually or in practice) or *de jure* (legally) outside the reach of law, in particular the current social security (legal and therefore institutional) framework.²¹⁸

²¹⁴ For a further detailed discussion on this and other matters covered in this part of the report, see Olivier M, "Informality, Employment Contracts and Extension of Social Insurance Coverage" (Report prepared for the International Social Security Association (ISSA)), (2009) (A study produced under the ISSA Project on "Examining the Existing Knowledge on Social Security Coverage Extension", Working Paper No. 9 International Social Security Association, Geneva) – available at <http://www.issa.int/content/download/91354/1830644/file/2-paper9-Olivier.pdf>; Olivier, M, Masabo, J & Kalula, E *Informality, employment and social protection: Some critical perspectives for/developing countries* (Paper presented at the ILERA World Congress, Philadelphia, July 2012). See also Zimmer, S & Höffer, E-M "The challenge of occupational diseases in developing countries: Exemplary observations and good practice proposals from a cycle of seminars in four continents", in *International Journal for Social Security and Workers Compensation* (IJSSWC), 2009, 1: 10.

²¹⁵ International Labour Office (ILO) *Employment, incomes and equality: A strategy for increasing productive employment in Kenya* (Geneva, ILO, 1972) 503.

²¹⁶ Reynaud, E *The extension of social security coverage: The approach of the International Labour Office* (Social Security Policy and Development Branch- ESS Paper No. 3, Geneva, International Labour Office, 2002) 2.

²¹⁷ Olivier M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 5.

²¹⁸ This appears to be the more or less general consensus emerging from the vast amount of expert opinion: see ILO *Contribution to the joint AU/ILO workshop on the informal economy in Africa* (Dakar, 2008) 12.

The lack of social protection is one key characteristic of the informal economy, as are low productivity, poor working conditions and an absence of legal protection and rights. It has been suggested that –²¹⁹

"The two main categories of informal employment, wage employment in jobs without social protection and self-employment in unincorporated enterprises, can be further disaggregated into different categories of employment relationships. Self-employment consists of own-account workers and employers of informal enterprises who hire other workers. The conditions of these two categories are often very different. Wage-employment includes informal employees of both formal and informal firms, subcontracted workers, wage workers for households (domestic workers), and wage workers with no fixed employer (casual day workers)."

While this distinction is valid, it needs to be said that there is a vast and growing range of other forms of work which cannot be regarded as either self- or wage employment. Many of these (informal) workers do their work in supply chain contexts, and may not have a relationship with an employer, but at best with a "provider" of work. Others may be working in the care economy, and could hardly be regarded as being self-employed in the sense used above.²²⁰

In fact, one should be careful to rely on standard classifications in this area; as has been noted: "Informal sector heterogeneity continues to defy easy generalizations."²²¹ In their recent contribution, based on a representative sample from seven capital cities in francophone West Africa, Grimm, Knorringa and Lay commented on the traditional characterisation of the informal economy according to broad economic activity and income-generating potential. They indicate that the traditional distinction between so-called upper-tier top performers and lower-tier survivalists is far too narrow, and does not capture the profile of a group they call "constrained gazelles". While this latter group structurally forms part of the lower-tier survivalists, they display strong entrepreneurial dynamism, characterised by a suitable educational background, language and business skills, a minimum of financial literacy and an understanding of market conditions – characteristics traditionally associated with the "top performers". However, they lack access to capital, insurance and productive infrastructure. Very high marginal returns to capital can be earned by many falling within this group, which ranges in size from 28% (Benin) to 58% (Côte d'Ivoire). Appropriate social protection policy interventions would therefore require addressing these shortcomings, including the provision of insurance to cover important household-related risks, such as health shocks and death.²²²

In addition, social protection policy interventions aimed at those working informally should also be mindful of demographic and other changes. While the reality of agricultural employment in SSA should be acknowledged (see below), and while there is some indication of improvement in the quality of agricultural jobs, there is simultaneously substantial evidence of the poor nature of jobs in agriculture, and distortion in access to land. Even if steps are taken to address these deficiencies, it is clear that agricultural employment will be unable to provide sufficient work opportunities to accommodate the rapid population growth of 3% per annum. The need for economic diversification, implying a structural change from agriculture to

²¹⁹ *Empowering People for Inclusive Growth: The Perspective of the Working Poor in the Informal Economy*; EC Concept Note – High Level Panel (2012). See also Lund, F "Work-related social protection for informal workers" *International Social Security Review* Vol 65 (4), 2012.

²²⁰ See also Lund, F & Srinivas, S (2000) *Learning from experience: A gendered approach to social protection for workers in the informal economy* (ILO) 3.

²²¹ Grimm, M, Knorringa, P & Lay, J *Constrained Gazelles: High potentials in West Africa's informal economy* (Working Paper No. 53, International Institute for Social Studies (ISS), 2012) 28.

²²² *Ibid* 27-28.

industries (urbanisation) is therefore debated as part of the post-2015 MDG agenda discussions.²²³ Informality of employment may prevail; yet these changes may have a profound impact on the mix of social protection responses required in the SSA context.

In sub-Saharan Africa generally, informal employment constitutes 66% of all non-agricultural employment (excluding South Africa and other countries in Southern African with a relatively low prevalence of informal employment). If informal employment in agriculture is included, this rate is as high as 90% of employment in some countries (e.g. Ghana in SSA and India in South Asia).²²⁴ According to a 2008 ILO study, the gender dimension of informal employment in sub-Saharan Africa is evident from the fact that 84% of women non-agricultural workers are informally employed, as opposed to 63% of male non-agricultural workers.²²⁵ In Africa in particular, the relationship between informal work in low-productivity environments and lowly paid positions is evident – according to a recent ILO report, the persistence and depth of poverty in Africa is strongly related to both the structure of employment and low productivity.²²⁶

The figures for other parts of the world correspond with those for sub-Saharan Africa quoted above. As has been noted, informal employment represents a significant share of non-agricultural employment in developing regions: ranging from 51 per cent in Latin America to 65 per cent in East and Southeast Asia, to 82 per cent in South Asia; informal employment represents 10% of non-agricultural employment in Eastern Europe and Central Asia. This is contributed to by multiple reasons including, but not limited to, inability of the formal economies in these countries to create jobs and to absorb the new job entrants and the impacts of structural adjustment programmes (SAPs).²²⁷

8.2 Reasons for and impact of lack of coverage in the informal economy: the case for enhanced protection

The lack of coverage partly emanates from the very concept of social security as it has found its way into national legal systems and policy frameworks, and largely also in international and regional instruments. Traditionally, the concept as is the case with social security schemes established in SSA countries draws a relatively strict distinction between formal employment-based social insurance and poverty-related social assistance instruments.²²⁸ The former rarely applies to informal workers, while the latter is more often, not available to the majority of these workers in SSA. As a result of this, and the inherent bias towards the formal economy, social security systems reach only a small percentage of the population in SSA countries.²²⁹

Secondly, the nine (ILO-indicated) traditional categories of contingencies,²³⁰ including retirement, sickness, unemployment, employment injuries and diseases and

²²³ Noman, A & Stiglitz, J; *Good Growth and Governance for Africa: Rethinking Development Strategies - Introduction and Overview* (Draft, 2013); Koehler, H *Post-2015 Global Agenda: Employment and Perspectives for the Youth* (Discussion paper, High-level Panel Working Papers Series, 2013) 1-2.

²²⁴ *Empowering People for Inclusive Growth: The Perspective of the Working Poor in the Informal Economy*; EC Concept Note – High Level Panel (2012) 2, quoting Vanek, J; Chen, MA; Hussmans, R; Heintz, J; and Carre, F *Women and Men in the Informal Economy: A Statistical Picture* (Geneva, Switzerland, ILO and WIEGO, 2012).

²²⁵ ILO *Contribution to the joint AU/ILO workshop on the informal economy in Africa* (Dakar, 2008) 3-4.

²²⁶ *Ibid* 3.

²²⁷ Olivier M, *Informality, Employment Contracts and Extension of Social Insurance Coverage* (2009) 7.

²²⁸ ILO *Introduction to social security* (Geneva, International Labour Office, 1989) 3-5; Pieters, D *Introduction to the basic principles of social security* (Kluwer, 1993) 5.

²²⁹ Olivier, M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 3-4.

²³⁰ See ILO Convention 102 of 1952 on Social Security (Minimum Standards).

maternity, which essentially inform international and regional social security standards and which form the basis of social security schemes in SSA countries are largely incompatible with the realities in these countries.²³¹ While these risk categories may be helpful in identifying more common life experiences and the situations to which human beings are generally exposed, they are not suited to extending social security to informal economy workers – also because they prioritise state-regulated and formal social security as opposed to non-formal and non-state-regulated social security arrangements which service the majority of the workers in the informal economy.

Thirdly, the risks enumerated in the ILO definition are individual-centred, concentrating on protecting the individual from insecurity that may affect him or her. They largely ignore the common collective risks which normally befall informal economy workers in SSA countries such as war, crop failure and natural disasters.²³²

In the fourth instance, there is a wrong presumption that the members of society have already reached an acceptable standard of living which has to be protected.²³³ Hence, the risks concentrate on protecting the individual from insecurity that may affect him or her. And yet risks experienced by people in the developing world are often of a covariate nature, such as natural disasters and other calamities,²³⁴ which require interventions that go beyond traditional individual-oriented social security responses. The reality in developing countries, Africa in particular, indicates that the majority of people live in abject poverty and they need to be uplifted to an acceptable standard of living.²³⁵

As a fifth consideration, the reach of international standards remains limited – apart from the fact that, for example, the ratification record of SSA countries as regards ILO social security standards is exceptionally limited, it can hardly be said that these standards were generally developed with the informal economy in mind. As noted by Meknassi:²³⁶

" ... Yet both the potential offered by and the needs of informal and small-scale activities remain excluded from any organized social protection. Social security law places them on the margins of a legal and institutional framework that is designed exclusively for the industrial economy. It could not be extended to the majority of workers without root and branch reform, given the predominance of 'atypical' forms of work and pay."

It could be argued that the newly adopted ILO Recommendation on National Floors of Social Protection²³⁷ goes some way to ensure better protection for informal economy workers. However, this Recommendation is primarily aimed at providing to everyone a minimum set of transfers and services; it does not as such speak to specific and

²³¹ Jutting, J *Strengthening Social Security Systems in Rural Areas of Developing Countries* (Centre for Development Research, Bonn: ZEF Discussion Papers on Development Policy, 1999) 2.

²³² Olivier, M "Informality, employment contracts and social insurance coverage: Rights-based perspectives in a developing world context" *International Journal of Comparative Labour Law and Industrial Relations*, vol 2(4), 2011: 419-433, at 424; Jutting, J *Strengthening Social Security Systems in Rural Areas of Developing Countries* 2.

²³³ Olivier *Informality, employment contracts and social insurance coverage* 5.

²³⁴ Holzmann, R "Risks and vulnerability: The forward-looking role of social protection in a globalizing world" in Dowler, E. and Mosely, P (eds) *Poverty and social exclusion in North and South* (Routledge, 2002) par III.

²³⁵ Kaseke, E "Social security and older people: An African perspective" *International Social Work* 48(1), 2005: 89-98, at 91.

²³⁶ Meknassi, R "Extending social security in the developing countries: between universal entitlement and the selectiveness of international standards" *Comparative Labor Law and Policy Journal*, vol 27, 2006, 207-223 at 214.

²³⁷ ILO Recommendation 202 of 2012 concerning National Floors of Social Protection.

dedicated measures which would extend appropriate – and enhanced – protection to those who work informally.²³⁸

In the sixth instance, from the perspective of national social security systems, one of the core problems experienced with existing social security laws is that, subject to exception, they essentially cover those in the formal economy, who work within the framework of an identifiable employment relationship.²³⁹ Finally, informal workers may be excluded from coverage because –²⁴⁰

- a national social insurance scheme covering a particular benefit – such as pensions – does not exist, while participating in the private or occupational scheme alternatives may not be affordable for or otherwise attractive to informal workers;
- informal workers may not be compelled to take up membership of an existing national scheme; or
- little incentive exists to join a scheme which may be open to informal workers – this may be the result of the fact that
 - (self-employed) informal workers are often required to pay a double contribution,²⁴¹ or
 - Informal workers who employ others may be barred from participating in a social insurance scheme,²⁴² and
 - no incentives to join a national scheme, in the form of flexible contribution modalities and targeted or tailor-made benefit packages exist.

Overall the effect of all of the above is that dealing with and managing the risks to which informal economy workers and their dependants are exposed, due to the absence of labour law and social security protection, are effectively shifted onto such workers and their families, and ultimately to other social security schemes (such as health care schemes) and state-provided social assistance.²⁴³ Also, a pronounced focus on SP interventions which recognise the context of informal workers as (category/categories of) workers in need of protection is required: suggesting that formalisation of informal workers/informal activity will provide appropriate responses is unrealistic, as the tendency generally is towards increased informalisation.²⁴⁴

8.3 Widening the existing coverage base and reconceptualisation

Until recently, attempts to widen the scope of social security coverage to include those who work informally and/or outside the confines of the traditional employer-employee relationship, have largely been unsatisfactory. Little attempt has been made to accommodate the specific context of informal and self-employed workers within the traditional social insurance framework by way of, for example, specialised arrangements.

And yet, there are increasingly indications that tailor-made solutions are being developed and tested in a range of developing countries and environments. These

²³⁸ Lund, F *Work-related social protection for informal workers* (2012).

²³⁹ ILO *Contribution to the joint AU/ILO workshop on the informal economy in Africa* (Dakar, 2008) 19.

²⁴⁰ Olivier, M *Informality, employment contracts and social insurance coverage: Rights based perspectives in a developing world context* (2011).

²⁴¹ This applies in particular to SSA countries (e.g. Ghana (in terms of earlier arrangements), Namibia, Rwanda, Tanzania and Zambia).

²⁴² See, for example, section 20(2) of the Namibian Social Security Act, 1994.

²⁴³ Quinlan, M *The Global Expansion of Precarious Employment: Meeting The Regulatory Challenge* (paper) (Australian Council of Trade Unions, 2003) (accessed at http://www.actu.asn.au/public/ohs/reactivatecampaign/1064473735_24238.html) 16. Loewenson indicates that in Southern Africa, for example, there is no assessment of the public health burden of occupational injury and illness: Loewenson, R *Occupational health and safety in southern Africa: Trends and Policy Issues* (ILO/SAMAT Policy Paper No. 8, 1998) 5.

²⁴⁴ See, among others, Lund *Work-related social protection for informal workers* (2012).

experiences are to be found in particular in middle-income countries, although some attempts are also made to implement certain initiatives in low-income SSA countries. One of these solutions, to be found in both low- and middle-income developing countries, also in other parts of the developing world, relates to the extension of coverage beyond the sphere of the formal employment relationship – as is discussed below.

Countries have also increasingly sought innovative conceptualisation of social security to widen its application beyond the traditionally envisaged groups. The innovations in this area could also be of benefit to SSA countries. In India, for example, the Unorganised Workers' Social Security Act, 2008²⁴⁵ has adopted a deliberately wide notion, firstly, of what is comprehended by the term "unorganised sector" and, secondly, of who is intended to be an employer and a worker for the purposes of covering those embedded in a relationship of work in the informal economy.²⁴⁶ Corresponding innovations are also found in some countries in SSA countries. In Tanzania, for example, the Social Security (Regulatory Authority) Act, 2008 defines the "informal sector" as the sector which includes workers who work informally and who do not work in terms of an employment contract or another contract contemplated in the definition of employee. In a range of SSA countries, labour laws (which often have social security consequences as well), achieve extended protection through a deliberate widening of the employee concept. In Swaziland, for example, 'employee' includes a person who works for pay or other remuneration not only under a contract of service but also 'under any other arrangement involving control by, or sustained dependence for the provision of work upon, another person.'²⁴⁷

In dependency situations, the device of contractual tracking may be useful in determining who the real employer is (or combination of employers).²⁴⁸ It has been suggested that the "real" employer or provider of work down (or perhaps up) the chain – that is to say the unit that has responsibility for the rights and protection of all workers in the chain – is the lead firm that outsources production, even if it is only a retail firm.²⁴⁹ In fact, introducing regulatory approaches that centre on the regulation of supply chains could go a long way to extending not only labour law,²⁵⁰ but also social security protection to informal workers.²⁵¹

²⁴⁵ Act 33 of 2008.

²⁴⁶ Section 2(k).

²⁴⁷ Swaziland Industrial Relations Act 1 of 2000. In South Africa, these innovations include an administrative capacity given to the Minister of Labour to extend the provisions of all labour laws (including certain social security laws, such as the Unemployment Insurance Act of 2001) to persons other than employees (see section 83 of the Basic Conditions of Employment Act (BCEA) 75 of 1997) and the introduction of a rebuttable presumption of employment, triggered by a range of factors some of which are of relevant to informal economy workers – e.g. the notion of "economic dependence": Benjamin, P *No longer at ease: Approaches to the scope of the employment relationship in SADC countries* (Paper presented at the IIRA 5th African Regional Congress, Cape Town, March 2008) 3-4.

²⁴⁸ Quinlan 2-3, 22.

²⁴⁹ Chen *et al* 34.

²⁵⁰ Benjamin, P *Informal work and labour rights in South Africa* (Paper presented at the IIRA 5th African Regional Congress, Cape Town, March 2008):10.

²⁵¹ See Lund, F *Work-related social protection for informal workers* (2012).

8.4 Complementary institutional mechanisms²⁵²

8.4.1 Introduction

Extension of social security coverage to those who work informally should also recognise that a range of complementary institutional measures is needed to achieve meaningful extension of protection. This much is evident from the comparative experience. Merely extending existing contributory (social insurance) arrangements without adjusting same to the special informal economy context has not proved to be particularly successful – as some of the experiences on the African continent have shown. Non-contributory social assistance measures are, however, crucial, even if limited fiscal capacity to implement same exists, also (ideally) as a bridge towards achieving social insurance extension over the longer term. Successful informal and/or self-initiated arrangements are equally important, provided that these institutional frameworks are sufficiently sizeable and organised – the experience of SEWA in India provides one of the best examples in this regard, as discussed below.

From the available evidence it is clear that the wide-scale extension of coverage impacting effectively on the whole or most of the informal economy framework may be possible and even required – provided that the instruments to achieve the extension have been carefully selected and fine-tuned, the extension and the measures to achieve same have been thought through, consultative and public awareness approaches have been adopted, and the required institutional and fiscal capacity is existing. In this regard the recent Indian (legislative) experience discussed in this report may be particularly useful.

However, sectoral approaches embedding tailor-made solutions, provisions and prescriptions for particular groups of workers in the informal economy could be crucial for successful extension of coverage. This can often only be done on a progressive basis, as the experience in Tunisia indicates.

Box 6: Social security for informal economy workers, Tunisia

Tunisia has employed an innovative gradualist approach that has achieved high levels of social security coverage, especially within the informal economy. In 1996, Tunisia implemented a social security system which combined proper enforcement with the creation of a more accurate income estimation system for the self-employed. These two aspects, combined with education programs, has seen high levels of growth in coverage, with 80% of Tunisia's employed population covered by some form of social security in 1999, in comparison to just 60% 10 years earlier. Coverage has been extended for health care, old age pensions, maternity and employment injury. The expansion of social security in Tunisia has been successful at targeting large portions of the informal economy, including: craftspeople, petty traders, and small farmers although levels of coverage still remain low in these industries in comparison to other industries. The first part of the approach saw changes to the social security system, with new legislation enacted in 1995 which unified the two existing social security schemes – one for self-employed agricultural workers and one for self-employed non-agricultural workers. The two schemes had been differentiated by the scope and the amounts of benefits, the level of contribution rate and the basis taken for calculating contributions. The unification of the two schemes led to an increase in the amount of agricultural self-employed and an increase in the scope and benefits of the scheme. The second change to the system was the extension of the bracket on which the flat-rate income on contributions was calculated. To coincide with this, efforts were made to avoid minimal contributions by the self-employed based on the lowest income brackets. A realistic income scale which determines the lowest income bracket relevant

²⁵² See Olivier, M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 14-17, on which this part largely relies.

to the occupation of the insured person (physician, architect, shopkeeper etc.) and the size of the firm or farm was introduced. Through the application of this scale, each insured person must contribute equal to the bracket employed on the scale, unless they can prove that their real income is lower, while they are free to contribute on a higher scale. These changes to the social security system had a positive influence which resulted in coverage extension. Educational and promotional programs have also coincided with a change in attitude by many Tunisians which has seen them embrace income protection for old age, and protection against illness as a priority. This change in attitude is borne out of rising medical costs, an educational role played by trade unions and the government, and positive experiences of the benefits of social security. These aspects have combined to legitimise social security. The new measures combined with the awareness and education campaigns had led to almost 70,000 new affiliations in 1996 and 1997 alone. However, the reforms to the social security system have not been successful in extending coverage to every-one in the informal economy.

Source: Chaabane, M *Towards the universalization of social security: The experience of Tunisia* (Extension of Social Security, ESS Paper No.4, Geneva: ILO, 2002); Olivier, M, *Informality, Employment Contracts and Extension of Social Insurance Coverage* (from where this part has been taken).

However, successful extension requires that the affected group must be sufficiently sizeable, relatively homogenous in terms of its characteristics, and that there must be a clear need for enhanced protection – as is evident from, for example, the Indian welfare scheme arrangements (see below), and the increasing coverage of informal economy groups in the Tunisian social security system. Even so, political will, policy determination and public awareness and persuasion, backed by consultative approaches and, where possible, some measure of international support, may be core to the relative success of extending protection. In South Africa, for example, the political force behind improving the position of domestic workers has led to the incremental extension of labour law and social security protection to these workers.²⁵³

8.4.2 Some developments in SSA

The AU *Social Policy Framework* laments the fact that although it has the potential to play a pivotal role in job creation, and serve as the safety net for the formal economy, the informal economy has to-date received little, generally fragmented, and under-capitalised support and attention from African governments.²⁵⁴ The Framework effectively accepts the informal economy as a constituent component of labour markets in Africa – and consequently recommends that the informal economy be given the necessary support by removing administrative, legal, fiscal and other obstacles to its growth.²⁵⁵ It further recommends the development of an extension of social security and social protection to cover rural and informal workers as well as their families.²⁵⁶ This recommendation echoes a similar call made in the AU *Ouagadougou Plan of Action on Employment Promotion and Poverty Alleviation*, adopted by an Extraordinary Summit of the Heads of States in 2004.²⁵⁷ In 2011 the AU adopted its *Social Protection Plan for the Informal Economy and Rural Workers (SPIREWORK)*,²⁵⁸ which contains a strategy towards social security for the informal economy and rural workers, consisting of core guiding principles, a minimum social protection package and enablers (building blocks) for achieving the package. The Plan also reflects on promising innovative schemes for better protection of informal and rural workers in Africa.

²⁵³ See Olivier, M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 29-31 for further details.

²⁵⁴ AU *Social Policy Framework for Africa* (CAMSD/EXP/4(I), 2008) par 28 (p 15).

²⁵⁵ *Ibid* p 16.

²⁵⁶ *Ibid* p 17.

²⁵⁷ EXT/ASSEMBLY/AU/4 (III): see in particular Key Priority Areas 4 and 10 of the Plan.

²⁵⁸ LSC/EXP/5(VIII), adopted by the 8th Ordinary Session of the Labour and Social Affairs Commission of the African Union, Yaounde, Cameroon, 11-15 April 2011.

It is apparent from the various country profiles developed for this project that a large range of SSA countries have prioritised the extension of their social protection, in particular their social security systems, to the informal economy. Many of the envisaged arrangements are of recent origin, and may indicate that extension is seriously contemplated, although planning and implementation is still embryonic. In some cases, deliberate steps have been taken with varying success. However, the more affluent countries generally have had more success; fiscal constraints in particular have prompted a more cautious approach as regards less developed SSA countries. The range of already adopted and/or envisaged arrangements includes:

- (a) Extension of non-contributory arrangements on a category basis: Countries such as Cape Verde, Namibia and South Africa have incrementally extended their social assistance protection to vulnerable groups of people – which may include some of those operating in the informal economy. However, large categories remain excluded, in particular those who are able-bodied – affecting among others those who work informally.
- (b) National/universal non-contributory arrangements: Universal health care arrangements provide an example of this approach – such as is the case in Cape Verde. Another example of universal non-contributory coverage is provided by Mauritius.
- (c) Universal contributory schemes: This is perhaps one of the most pronounced developments occurring in the area of social security extension in SSA countries. A few countries may have had such an arrangement in place – Seychelles may be cited as an example. Often, however, informal economy workers are covered on a purely voluntary basis, with little concrete impact, as most informal economy workers would not be interested in membership, in the absence of specialised, targeted arrangements developed to suit their situation and conditions.
However, in light of these deficiencies, in some cases SSA countries have deliberately established universal programmes, also with a view to include informal workers, at times on a gradual basis.²⁵⁹ This applies in particular to universal health insurance. In this way Ghana is said to have achieved coverage of 67% of the population; in the event of Rwanda the figure is said to be 85%.²⁶⁰ Other SSA countries that have decided to go this route (although implementation may still be absent, or not fully realised) include Benin, Côte D'Ivoire, Gabon and Nigeria.
- (d) Scaling up of limited or fragmented contributory schemes and transforming pluralistic/complementary schemes into universal schemes: As mentioned above,²⁶¹ an example of this appears from the current interaction with Senegal as regards mutual health insurance schemes²⁶² – where a dualistic and two-pronged approach is envisaged, consisting of a comprehensive grassroots level "bottom-up" and a centralised "top-down" approach, aimed at achieving overall strategic health care objectives, including significant coverage extension.
- (e) Development of a dedicated framework suited to the context of informal economy workers: Some examples exist of SSA countries having introduced, or wanting to embark on the route of developing tailor-made arrangements aimed at extending coverage to informal economy workers. One of the successful examples in SSA is provided by the Ghana Informal Sector Fund, discussed below. Namibia has also

²⁵⁹ A unique experience has started in 2009 in Gabon where a large scale (health care, family allowances and disability) social insurance scheme was set up to cover primarily the poorest and vulnerable groups of the population. This initial target group represents one third of the population (0.5 million). As of the end of 2010, more than one fifth of the target population was registered. But its success may be under threat if alleged managerial problems as well as other fraud and moral hazard issues in the pool of beneficiaries are not efficiently addressed. See also Lund, F *Work-related social protection for informal workers* (2012).

²⁶⁰ Under the Ghana National Health Insurance scheme and the Rwanda Mutual Health Insurance programme respectively.

²⁶¹ Par 4.6.

²⁶² Interaction supported by the Belgian federal public service – see par 4.6 above.

indicated its intention to cover those working informally under its National Pension Fund to be established; while in addition draft short- and long-term benefits legislation in Lesotho and Swaziland makes provision for this to take place.

- (f) Job-creation and labour market insertion programmes: Almost all SSA countries have programmes in place to create jobs and provide work, in particular to those who are unemployed (e.g. skills training; public works programmes). Sometimes these programmes include specific support of self-employment income-generating activities.²⁶³ However, as these programmes are usually not linked to social security arrangements, they do not imply the extension of *social security* coverage.

8.5 Specialised contribution modalities and benefit packages

In addition, it might be necessary to develop specialised contribution modalities, eligibility criteria and benefit packages for the informal economy/sector as a whole or for particular sectors individually. As far as contributions are concerned, this would require that the limited ability of poor workers and of those who work intermittently has to be accommodated. Topping up small contributions of poor workers by way of government subsidies could be crucial – see, for example, the discussion below on the recent Indian (legislative) experience and the community health insurance system in Tanzania. In addition, as happened in Tunisia, it could be helpful to develop flexible income scales on the basis of which contributions are calculated. As far as benefit packages are concerned, it is important to consider adopting tailor-made packages, which provide for a minimum range and level of benefits suitable to the needs of informal economy workers (this could be done on a sectoral basis). This applies to both state-initiated schemes and self-initiated group-based schemes – as is evident from the Ghanaian and Indian examples. It might also be prudent to sequence the extension of benefit arrangements by prioritising the extension of particular benefits (first).

Through governmental initiative in India, for example, five welfare funds have been introduced to provide protection for workers in occupations where a direct employer-employee relationship cannot be established. These funds are administered by the Ministry of Labour and cover approximately 10 million workers in the unorganised sector. They are financed through levies collected from selected employers and manufacturers. They provide a range of benefits including medical care, maternity and assistance with children's education, housing and water supply. Also at a State level, a tax (levy/cess) is imposed by state governments on the aggregate output of selected industries (e.g. the Beedi Welfare Fund is financed by a tax on beedis).²⁶⁴ Furthermore, provision is made for specialised multi-layered arrangements for unorganised workers which are regulated through the Unorganised Workers' Social Security Act, 2008. This also provides a set of benefits including minimum pension ("old age protection"), health benefits, maternity benefits, life and disability cover.²⁶⁵ The Central Government may determine other forms of benefits, and develop suitable welfare schemes for different sections of unorganised sector workers with respect to certain benefits and services.²⁶⁶ The scheme is financed by the beneficiaries and the government, both at

²⁶³ The AU Social Policy Framework also suggests that, to the extent that Africa's sustainable development depends on the degree to which its resources are mobilised and utilised, there is an urgent need for governments in the continent to institute a comprehensive approach to tackling the unemployment problem. It further recommends the promotion and support of technical and vocational training in trades, skills, crafts, and engineering fields such as construction, civil and mechanical engineering to create *self-employment opportunities*, and raise the level of productivity in the informal and small-scale formal sectors: AU Social Policy Framework for Africa (CAMSD/EXP/4(I), 2008) par 28 (p 15, 16).

²⁶⁴ Olivier, M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 15.

²⁶⁵ Section 3(1).

²⁶⁶ Section 3(4).

central and state level depending on the nature/level of the scheme.²⁶⁷ Another successful example from India is the Self-Employed Women's Association (SEWA). Through its links with formal insurance schemes, SEWA has managed to provide its members with wide-ranging services including credit, training, child care, health care, pension, life insurance (death and disability) and insurance against loss of work equipment.²⁶⁸

In Tanzania, a hybrid model is currently implemented through the Community Health Fund (CHF) introduced by the Ministry of Health in 1996 as part of the endeavours to make health care affordable and available to the rural population and workers in the informal economy.²⁶⁹ The CHF is an insurance-based hybrid scheme administered at district level and co-financed by the community (household) and the government. The scheme is voluntary whereby the households pay uniform contributions and the government tops up by 100% of the total contribution from members. Basically, the CHF benefits are limited to curative and preventative health services at dispensaries and health centres, although some of the districts have innovatively extended the benefit beyond this level to hospitals.²⁷⁰

Box 7: Ghana Informal Sector Fund

Ghana provides an illustration of an initially less than successful attempt to use an existing public fund to extend social security coverage to the informally employed. However, recently innovative measures aimed at creating a dedicated framework for covering the self- and informally employed have had a positive impact. The Social Security and National Insurance Trust Fund (SSNIT) of Ghana covers the self-employed on a voluntary basis. Of its 942,000 active members (10 per cent of the working population) a few years ago, there were only 5,400 voluntary members in spite of the fact that those in the informal economy represent 70 per cent of the working population. However, recently arrangements were made to accommodate the self-employed and informal workers under the existing social insurance scheme (SSNIT), but via a dedicated suitable and specialised framework. This entailed the creation of the Informal Sector Fund set up by SSNIT. The dedicated arrangements for informal workers relate to both contributions and benefits. Contributions to this Fund need not be fixed, but could be based on their ability to pay on a basis preferred by them, be it daily, weekly, monthly, annually or seasonally. Informal workers contribute to two accounts: (i) a retirement account (to provide benefits on retirement); and (ii) a personal savings account with rules for withdrawals before retirement (e.g. for education and business enhancement). Within three years since the establishment of this Fund, as a subsidiary of SSNIT, 90 000 members have joined on this basis.

Source: Arku, J & Akagbo, E "90,000 Join SSNIT – from the Informal Sector" (<http://www.graphic.com.gh/dailygraphic/page.php?news=14354>, accessed on 8 May 2012).

8.6 (Other) preconditions for extension

Extending coverage to and enhancing social security-related old age protection of the self- and informally employed cannot be achieved in isolation. It is suggested that there are at least three areas of intervention that are required to ensure that a suitable context of coverage and protection is in place.

- **Stakeholder consultation:** Firstly, as confirmed by world-wide best practice experience, there is need to ensure that appropriate stakeholder consultation/involvement takes place,²⁷¹ during which options relating to extending

²⁶⁷ Section 4(1), Also see section 7(1)-(3).

²⁶⁸ Discussed in detail in Olivier M *Informality, Employment Contracts and Extension of Social Insurance Coverage* 31-32. See also Lund, F *Work-related social protection for informal workers* (2012).

²⁶⁹ Mtei, G & Mulligan, J *Community Health Funds in Tanzania: A literature review* (Ifakara Health Research and Development Centre, 2007) 2.

²⁷⁰ Ibid, at 8-9.

²⁷¹ See also Lund, F *Work-related social protection for informal workers* (2012).

coverage to the self- and informally employed and developing suitable protection modalities for them have to be discussed and inputs obtained. Relevant options, dealing among others with appropriate contribution rates and payment modalities, eligibility criteria, and dedicated benefit regimes, have to be considered and, once revised and adopted, submitted for implementation. Also, while consultation would have to involve the targeted groups themselves, at times even at grass-roots level, the consultative team itself has to have a high-level status, and preferably reflect stakeholder group representation. In some countries the introduction of suitable arrangements for covering the informally employed was preceded by a thorough consultative process conducted by a presidential²⁷² or government-appointed²⁷³ commission.

- **Communication:** Secondly, as supported by evidence emanating from other countries where the self- and informally employed have been included in social security schemes, there has to be thorough communication of envisaged new arrangements. In particular, those who are affected by the new arrangements, including the self-employed, individual operators, small employers, other providers of work, and informally employed workers, as well as their professional and/or representative organisations have to be properly informed. Given the national relevance of such arrangements, awareness-raising interventions targeting the general public also have to be introduced.
- **Supportive framework:** Thirdly, extending coverage and enhancing protection would require that a proper supportive framework has been established and is operational. The meaningful participation of the self- and informally employed implies that they should be supported to do so – from both a broader policy and operational perspective they have to be strengthened and enabled. The available literature indicates that those operating in the informal economy and SMEs are in need of access to credit, tailored banking services, transport, training and skills development packages, mentoring and appropriate business opportunities.²⁷⁴ The AU *Social Policy Framework* specifically recommends the facilitation of employment creation with access to training, credit, advisory services, appropriate legislation, productive inputs, social protection, and improved technology.²⁷⁵ In addition, overcoming supply- and demand-side constraints, and access to markets are some of the core priorities to be addressed.

Governments and other stakeholders would have to play a crucial promotional and development role to support those involved in the informal economy and enhance their capacity to participate meaningfully in social security arrangements. Of course, it is necessary to consider and weigh up costs and benefits. A government has to prioritise actions and spending and ask where the attention should most crucially be focused.

8.7 Human rights framework

It is important to understand that informal economy workers also have a right to social security coverage, in terms of international human rights frameworks and, increasingly, also in terms of constitutional protection available in a growing number of SSA countries (e.g. Kenya and South Africa). This is an important element in the debate about extending social insurance coverage.

²⁷² E.g., Ghana.

²⁷³ E.g., India.

²⁷⁴ For example, in relation to Namibia, see LaRRI *The informal sector in Namibia* (2004) 4, 7.

²⁷⁵ AU *Social Policy Framework for Africa* (CAMSD/EXP/4(I), 2008) p 16.

Of importance – both legally and practically – is the protection embedded in the UN International Covenant on Economic, Social and Cultural Rights of 1966. Firstly, many SSA countries ratified this UN instrument. Secondly, the right to social security, contained in article 9 of the Covenant, has been comprehensively commented on by the UN Committee on Economic, Social and Cultural Rights in its (recent) General Comment No. 19.²⁷⁶ The Comment requires of a ratifying country to cover informal economy workers (listing options and modalities in this regard), and expects of governments to respect and support social security schemes developed within the informal economy, such as micro-insurance schemes. Despite limited financial capacity, countries should consider lower-cost and alternative schemes to provide for marginalised groups, and should ensure the progressive inclusion of informal economy workers, according to the Committee.

8.8 Conclusions: EC/EU Member States' possible role in extending coverage

Given the fact that extension of coverage to the informal economy is a priority for most SSA governments, this is an important area of SP involvement for the EC and EU Member States. Small-scale efforts (e.g. rolling out cash transfer and conditional cash transfer programmes to a few groups or selected geographical areas) are important but may have limited impact. However, gradual approaches aimed at incrementally and comprehensively covering those who work informally will not only speak to the reality of the SSA context, but are also likely to have longer term positive effects, from the perspective of coverage extension. The provision of technical advice and support by the EC and EU Member States is crucial to achieve this objective. Examples are already present – for example, the Belgian federal public service is supporting Senegal to scale up the currently fragmented mutual health insurance arrangements. Similarly, the GIZ is reportedly supporting Namibia with a study to investigate how the new National Pension Fund could be developed in a way which allows coverage of those who work informally.

Various non-exclusive and mutually supporting modalities for coverage extension already exist in SSA. From a longer term perspective, arrangements that would support self-sustainability should in particular be supported. Of course, the EC and EU Member States would have to be mindful of the context informing the possibilities for coverage extension – such as fiscal ability of a SSA country/government (bearing in mind that fiscal space could also be developed), political determination, institutional, human and ICT capacity (bearing in mind that capacity should be developed where this is lacking). The EC and EU Member States could also play an invaluable role to support research that requires to be undertaken to determine, on a country basis, the need for and suitable modalities for coverage extension. Finally, assistance is required to aid consultation, communication and a supporting framework, indicated above.

9. Recommendations for supporting the establishment and strengthening of social protection systems²⁷⁷

1. Cementing national ownership and a partnership approach: Development partners, especially the EC and EU Member States, should promote government policy ownership and leadership in the recipient SSA countries, also to ensure sustainability of SP programmes. The EU should include social protection in its policy dialogues with partner countries on their national development strategies and should support the

²⁷⁶ E/C.12/GC/19 of 4 February 2008 (adopted on 23 November 2007).

²⁷⁷ See also Annex 3: Consolidated Conclusions and Recommendations.

development of nationally-owned social protection policies and programmes. Coordinated approaches are called for: under the leadership of national governments, the EC and EU Member States need to coordinate their action with multilateral institutions and with other donor countries and organisations, as well as with government bodies. International and EU guidelines, with specific reference to the Paris Declaration of Aid Effectiveness, the EC Agenda for Change and the EC Communication on Social Protection in European Union Development Cooperation should be adhered to. The same applies to guidelines emanating from AU-specific instruments/standards, among others the Livingstone Call for Action, Livingstone 2 and the AU Social Policy Framework.

2. Enhanced domestic financing and the creation of fiscal space: On the recipient country side effort should be made to increase the levels of domestic financing over time to signal political commitment and promote sustainability. Increasing domestic financing of basic social protection depends heavily on the fiscal space and the political will to increase the share of public expenditure allocated to this policy area. The capacity to create fiscal space should be considered in the context of comprehensive long-term financing strategies, preferably through budget planning mechanisms such as medium-term expenditure frameworks (MTEFs). Key elements for creating fiscal space in SSA countries are determined by their national capacity to mobilise additional revenue, in particular through (i) taxation earmarking, targeting in particular VAT revenue and resource extraction levies; and (ii) ensuring efficient resource use by tackling the cost-efficiency and operational efficiency of social transfers through a reduction in the cost-transfer ratio, which is often very high in SSA. Improving the efficiency of expenditure allocations in terms of bettering the linkage of such allocations to policy priorities should ameliorate cost-effectiveness.

The key medium-to-long-term engine of higher revenue from any given tax system and structure is economic growth. Therefore the question of affordability should be considered at national level in the global context of the broader fiscal and economic environment. Creating new fiscal space for social protection should be accompanied by some measures to strengthen public institutions and promote adequate policies to sustain economic growth.

Most low-income and fragile states have limited fiscal space. Many middle-income countries have some flexibility, albeit with debt level a concern in some cases. Most of the oil-exporting countries run budget surpluses and have strengthened their fiscal positions. A moderate and stable debt is a crucial precondition for creating fiscal space. An alternative source of fiscal space for the minority of countries that have been able to run fiscal surpluses, is the ability to draw down on a stock of government financial assets.

3. Mobilising domestic resources: Given that the most sustainable systems are those which rely on domestic sources, the EU should help SSA countries maximise mobilisation of their domestic resources. While specific options are unique to each country, the key elements should be carefully examined at national level. Some questions for policymakers to consider in terms of revenue mobilisation might include the following:

- (i) Can government expenditures be re-allocated to meet policy priorities, including social protection, that benefit vulnerable and poor households?
- (ii) Are current military expenditures, or subsidies (specifically energy subsidies), justified in the light of existing inequality, poverty rates and overall levels of vulnerability among poor populations?
- (iii) Can earmarking of taxation be developed in a feasible manner so as to finance

social protection?

(iv) Is it possible to enhance efficiency, especially in terms of cost-delivery of existing programmes?

4. Supporting sustainability of social protection interventions: Beyond short-term affordability, the sustainability concern is important in the financing of social protection. SSA countries are facing at least three key sustainability issues which all the involved parties, that is the countries themselves and their development partners, should address: namely aid dependency, low numbers of contributors, and demographic change. In conjunction with aid, promotion of ownership by recipient governments should be a priority with a view to increasing their incentive to take over the financing of the programme after it has been successfully established. In addition, technical assistance and institutional capacity-building should be part of development partners' cooperation programmes. In delivering aid, use of general budget support to promote expansion of the fiscal space for social protection financing is certainly a preferable approach (as also suggested in the EC Communication on Social Protection), while strong aid coordination is crucial to establishing a basis for partnership with government. On the donor side this shift away from donorship to partnership requires predictability of funding and long-term guarantees to promote financial sustainability.

5. Limited role of external financing: Financing basic social protection in SSA countries requires both domestic and external revenues. However, external aid should have a limited role. Over time, increased levels of domestic financing signal political commitment and facilitate sustainability.

In low-income countries the role of external aid is crucial in creating fiscal space, given the heavy resource constraints in these countries. Donors should play a major role in assisting with setting up social protection systems in these countries, in collaboration with national governments, also with a view to ensure political ownership. Over a transitional period aid can act as a catalyst, both to finance social protection and to leverage domestic resources. However, external aid should be limited to initial financing of new programmes, given that using donor funding to expand social protection on a permanent basis is unsustainable. Indeed, as indicated in the EC Communication on Social Protection, effective and sustainable social protection should ultimately be based on internal rather than international wealth redistribution; the EU should support measures to develop effective, efficient, fair and sustainable tax systems, according to the capacities of individual partner countries, in order to increase fiscal space to fund social protection. Of course, in addition, EC SP financial support should also be available in the event of immediate, emergency or humanitarian needs, where required.

A key role for the EC and EU Member States may be provision of funds for initial investments and fixed-cost items; this funding could include investment in monitoring systems; identification and registration systems or expansion of national identification systems; evaluations; and more. Funding for capacity-building in those areas would also be beneficial. Donors should play a major role in setting up social protection systems in these countries through partnership.

6. Balanced and well-targeted mix of contributory and non-contributory interventions: SP systems in SSA countries should reflect an appropriate and balanced mix of contributory and non-contributory approaches and arrangements, which should be sensitive to the prevailing context and specific to the country concerned, and will have to reflect the reality of low-income versus middle-income country ability. Non-contributory arrangements are crucial to support those who are

unable to fend for themselves and to increase livelihoods, and should be developed to target those who experience destitution and other forms of specialised need (e.g. health and disability care; supplementary feeding). There should be a gradual extension of these programmes to cover larger numbers of vulnerable groups as well as still excluded groups. This should be supported by suitable registration and targeting mechanisms, and be subject to regular assessment and monitoring and, when necessary, revision.

Properly developed and aligned contributory schemes need to be streamlined and be made more (cost and service delivery) effective, informed by strong governance and accountability structures, and aimed at providing insurance-based protection, rather than direct state and employer support. These schemes should cover relevant social risks and provide adequate coverage for those with sufficient contributory capacity – coverage extension could be implemented incrementally. Scaled-up social assistance and improved contributory-based schemes should, where possible and appropriate, be designed to promote self-sustainability, direct engagement in the labour market/work activity and exit from dependency on social transfers alone.

7. A dedicated focus on informal economy workers: Given the significance of the informal economy in SSA and the lack of SP coverage as regards informal economy workers, there should be a dedicated focus on developing and implementing SP responses which will ensure the extension of coverage to those who constitute the majority of the workforce in most SSA countries, i.e. informal workers. These responses should also be mindful of the heterogeneity of the informal economy, related demographic and other changes, and the different profiles, contexts and needs of various categories of informal workers. With reference to growing comparative precedent and innovative measures adopted world-wide, appropriate responses require the widening of the existing SP coverage base, reconceptualisation of "work", "worker", and "employer"/"provider of work" notions; consideration and implementation of complementary institutional mechanisms; the creation of specialised contribution modalities, benefit packages and eligibility conditions; stakeholder communication/involvement, communication and a supportive framework; and a sensitivity towards the human rights framework.

8. Addressing specific vulnerabilities: Most SP interventions in SSA, in particular interventions of a non-contributory nature, address the plight of the aged, persons with a disability, and young children. However, there is need to ensure that genderised perspectives be appropriately accommodated in SP programme design, and that specific mechanisms be adopted to deal with the plight of vulnerable categories of migrants, on the basis of international standards and the guidelines embedded in the AU Migration Policy framework.

9. The need for a suitable policy basis and legal framework: SP policies and strategies, linked to and embedded in national development perspectives, fulfil a crucial standard-setting and directive role as regards SP system and programme design and implementation. The tendency to develop these policies and strategies should be supported, and SSA countries without such a policy basis should be assisted in designing and implementing same. An appropriate legal framework provides both the mandate for government to initiate SP interventions and a legal entitlement for those dependent on transfers.²⁷⁸ Establishing an appropriate policy, legal and

²⁷⁸ See Olivier, M "Social protection in SADC: Developing an integrated and inclusive framework – a rights-based perspective" in Olivier, M & Kalula, E *Social protection in SADC: Developing an Integrated and Inclusive Framework* (Centre for International and Comparative Labour and Social Security Law (CICLASS) & Institute of Development and Labour Law 2004); Devereux, S "Trajectories of social protection in Africa" in *Development Southern Africa*, vol 30(1), 2013, 13-23 at 22.

institutional framework is therefore a key challenge for the provision of effective and efficient social protection coverage in SSA. The EC, EU Member States and other development partners should continue to support partner countries through technical cooperation, to set up the strategic, policy, legal and institutional framework, based on their local analysis and priorities.

10. Flexible approaches responding to the diversity of economic and labour market dynamics:

The diversity of economic and labour market dynamics in sub-Saharan Africa requires a flexibility of approach inspired by the objective to grow or redirect the labour supply to match unmet demand, or to provide income-generating opportunities where labour demand is lacking. The intersection of the social protection and food security agendas provides the opportunity to create instruments that address both the immediate consumption and income-generation demands of the rural poor and their longer-term navigation of services markets. While some beneficiaries will 'graduate' out of vulnerable status, some will never graduate, and others will have seasonal or climatic vulnerability. The EC can support the development of cohesive and complementary development of policy on social protection, employment, and sector development.

EC intervention requires incorporation of simulation analysis of these trends and suitable combinations of measures for prevention and response. In October 2011 the European Commission presented its 'Agenda for Change' and reform proposals, setting out a more strategic approach to reducing poverty, and encompassing support to labour market integration, relationship of the poor to markets and sustainability of agriculture livelihoods in the face of shocks. These conclusions on addressing labour market and sustainable livelihood deficits have to be considered in the implementation of the 'Agenda for Change' framework.

11. Potential expanded role for EC in SSA labour market intervention: The following recommendations assume continued EC support to the longer-term policy dialogue for labour market integration and sustainable livelihoods (as for the letter, see below); implementation of capacity strengthening of state and non-state actors; and financial resources for implementation, with a preference for one-off investment in systems set up (e.g. management information systems) that support the general functioning rather than on-going project costs. Recommendations in relation to a potential expanded role for the EC and EU Member States in SSA labour market interventions include:

- (1) Increased EC intervention on active labour market programming should be shaped on clear outcomes focusing on either short-to-medium term income generation or longer-term labour force development.
- (2) It is important that the EC supports SSA governments to introduce labour market interventions on the basis of what works in similar contexts, incorporating results-based monitoring and tracking.
- (3) Intervention strategies should be designed according to local labour dynamics, especially the relative formality or informality of the labour market and income-generation opportunities.
- (4) Intervention outcomes must be matched to the educational and economic capacities of beneficiaries and to inputs available for implementation. Outcomes of time-limited labour market interventions are more likely to include increased employability, some start-up experience gained and asset/cash transfer, than achieving secure income generation. Tough decisions will be required over trade-offs between packages for smaller numbers of beneficiaries and one-dimensional interventions to a larger number.

- (5) The EC could expand its role in the implementation of public works programmes under the following conditions:
 - (i) Support is provided to the strengthening of national and local institutions responsible for administration, monitoring, and technical construction of public assets.
 - (ii) Indicators of impact are specific and are carefully aligned with implementation strategy.
 - (iii) Definition of graduation is clearly articulated and aligned with impact indicators and implementation strategy.
- (6) EC ambitions for public works programming to lead to longer-term labour market engagement and graduation out of vulnerability require alignment of public works with other labour market integration interventions, especially skill training, micro enterprise set up, and the development of labour market information systems, especially in SSA countries experiencing labour supply gaps in growth sectors.

12. Potential expanded role for EC in SSA sustainable livelihood promotion:

The intersection of the social protection and food security agendas provides the opportunity to create instrument packages that address both the immediate consumption demands of the rural poor and their longer-term navigation of labour, goods and services markets. The following recommendations are made to promote the immediate need for consumption smoothing and improved agriculture production and not exclude longer-term strategy for increased industrialisation of SSA countries:

- (1) EC intervention requires analysis of increasingly predictable climate patterns trends and determination of suitable combinations of measures for prevention and/or response.
- (2) Proactive risk-mitigation interventions should be considered over crisis response coping mechanisms.
- (3) Attention is required to choice of instruments which are needed to balance public and private options.
- (4) A combination of agricultural livelihoods and active labour market programming is required in rural areas in support of the diverse livelihood strategies (on farm and off farm) of the rural poor.
- (5) Who is being targeted has to correspond with what is to be achieved and by when, building on different risk mitigation and income-generation strategies.
- (6) Complementarity interventions and promotion of instrument synergies are essential to maximise protection and livelihood strengthening.
- (7) Interventions should be designed to minimise dependency and to incentivise improved agricultural productivity.
- (8) As indicated above, the EC should also note that while some beneficiaries will 'graduate' out of vulnerability, some will never graduate, and others will return to vulnerability according to climatic or economic patterns.
- (9) Effective targeting remains a challenge and is costly to implement, but this can offset the perceived inefficiencies of untargeted social transfers.
- (10) Institutional capacity for sustainable livelihood support requires strengthening, especially in lower-income and post-conflict countries, and NGO and private actors are going to continue to be called upon until public institutions are capable.

Annex 1: Labour market intervention in sub-Saharan Africa

1. European Commission/EU Member States/Multilateral involvement in SSA Labour Market Intervention

The European Commission, EU Member States and other development partners endeavour to provide social protection-related support, within a harmonised framework of government, bilateral and multilateral partners, civil society organisations, local authorities and communities.

1.1 European Commission

Reducing poverty by enhancing employment, employability, and social protection as well as promoting decent work features high in the EC development and cooperation policies.²⁷⁹ The EC supports national and local development strategies and interventions aimed at enabling the most vulnerable population groups to emerge from poverty and insecurity. In post-conflict countries, European Development Fund (EDF) resources are focused typically on governance, transport and on recovery of basic services, whereas in countries viewed as stable, the EC priority is poverty reduction. The 2005 European Consensus on Development indicated employment as a key contributor to social cohesion and the EC is committed to promoting decent work for all in line with the ILO agenda.²⁸⁰ Consequently, the EC adopted a number of key policy documents proposing stronger and more coherent future EC commitments to address employment, social protection and decent work for all and to contribute to the social dimension of globalisation. The EC has a strategic partnership with the ILO to ensure the effective uptake of decent work and related issues at all levels.²⁸¹ The specific country context influences the prioritisation of interventions.

Existing labour market intervention by the EC in SSA takes a more indirect form as the 10th round of EDF focuses on building human capital (health and education) and support to macro-economic development through infrastructure investment and trade. Support to agriculture production and value chain activity is focused on relieving food insecurity. If the EC is to have a more direct impact on employment and income generation, it will have to consider some of the above labour market interventions in its funding portfolio, either through institutional strengthening for more effective delivery, or through direct intervention in the formal, informal and agriculture sectors/economies.

1.2 Member States on labour market intervention

EU Member States provide direct or indirect support to a range of labour market interventions. GIZ has a broad portfolio of support in SSA, focusing among others on education, economic development, rural development and conflict resolution. GIZ supports employment promotion in certain SSA countries (e.g. Senegal, Sierra Leone), as well as water and poverty reduction in Burundi, and refugee reintegration and agriculture development in South Sudan.²⁸² The Danish Cooperation Agency (DANIDA) supports youth enterprise and public works. Youth employment

²⁷⁹ European Commission *Commission staff working document, Report on the EU contribution to the promotion of decent work in the world* (Brussels, 2008).

²⁸⁰ European Commission *Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission 'The European Consensus on Development'* (Brussels 2005).

²⁸¹ European Commission/European Report on Development *The EU and Social Protection in Africa* (sourced at http://erd.eu.europa.eu/media/2010/factsheets/18826_ERD_Factsheet-V7.pdf); European Commission *Social Protection in European Union Development Cooperation* COM(2012) 446 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 20.8.2012) (sourced at http://ec.europa.eu/europeaid/what/social-protection/documents/com_2012_446_en.pdf); European Commission *Increasing the impact of EU Development Policy: an Agenda for Change* COM(2011) 637 final (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) (Brussels, 13.10.2011) (sourced at http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf).

²⁸² GIZ *GIZ – Worldwide – Africa* (sourced at <http://www.giz.de/en/worldwide/africa.html>).

and vocational training are also supported by Spain.²⁸³ DFID supports human and private sector development in a number of SSA countries.²⁸⁴ The French Cooperation Agency/*Agence Française de Développement* (AFD) provides grants and credit facilities for the development of infrastructure and economic development in Ethiopia; urban infrastructure in Togo; economic re-launch in Côte d'Ivoire, and enterprise and basic service strengthening in Senegal.²⁸⁵

1.3 Multilateral Agencies on Labour Market Intervention

Specialised UN agencies play a crucial role in labour market-related interventions in SSA. Multilateral supported labour market initiatives are typically of a developmental/transformational nature, aimed at employment or self-employment for beneficiaries.²⁸⁶ WFP provides in cash and in kind transfers for access to food, some through public works programmes. UNDP delivers youth employment and governance strengthening, while UNHCR focuses on reintegration of ex-combatants and displaced people. The ILO is comprehensively involved in the design, implementation and reform of social protection (especially in social security and labour intensive public works, and promoting decent work) in a large number of SSA countries.²⁸⁷ The World Bank provides loans and grants in public works, youth enterprise, skills development, and agriculture.²⁸⁸ The Commonwealth Youth Initiative Lesotho Youth Credit Initiative encourages entrepreneurship development through credit provision. Through the Food and Agriculture Organisation (FAO), emergency and rehabilitation programme farming inputs (seed) are offered to small scale farmers ensuring access to adequate quantities of livelihood.²⁸⁹

Many of the Member States (through cooperation programmes) and multilateral agencies operating in the same SSA countries are moving towards closer harmonisation to improve complementarity, identify gaps and reduce duplication; for example, in Ghana a study on the rationalisation of donor- and government-supported social protection programmes is underway.²⁹⁰ This evolution should be encouraged in all donor-supported countries.

2. Conclusions on SSA Labour Market Intervention

Though most social protection programmes in SSA are compensatory in nature, labour market interventions have more diverse aims. Expected achievements range from crisis response and consumption smoothing, to promoting employability and/or self-sufficiency. Labour market interventions are usually designed around a combination of target population, geographical location and sectoral factors, depending on the purpose and scale of the programme concerned. Informal economy engagement therefore is not exclusionary to participation, unlike typical social security schemes, and in fact informal actors are the most targeted. Impact is often limited however, by restricted targets, spatial coverage and timeframes associated with these programmes. There is often a tension between effective but time and financially costly targeting and ad hoc self-selection targeting which is mixed in its effectiveness, but is timelier in its reaction.

Labour market interventions in SSA remain largely donor-led and thus are temporary and respond to mitigating particular crises rather than transforming the vulnerability. This also impacts negatively on the willingness, and at times the ability, of national governments to own or take over such programmes. Most of the labour market programmes in SSA are not designed to ensure exit, graduation and sustainability, as they have a primary focus on consumption

²⁸³ AECID *Where we cooperate – Sub Saharan Africa* (sourced at <http://www.aecid.es/en/donde-cooperamos/africasubsahariana/>).

²⁸⁴ DFID *Where we work* (sourced at <http://www.dfid.gov.uk/Where-we-work/Africa-West--Central/>; and <http://www.dfid.gov.uk/Where-we-work/Africa-Eastern--Southern/>).

²⁸⁵ AFD *Agence Française de Développement* (sourced at <http://www.afd.fr/lang/en/home>).

²⁸⁶ GSDRC *Governance and Social Development Resource Centre – Social Protection* (sourced at <http://www.gsdr.org/go/topic-guides/social-protection/donor-approaches-to-social-protection>).

²⁸⁷ ILO *Regions – Africa – What we do* (sourced at <http://www.ilo.org/addisababa/what-we-do/lang-en/index.htm>); ILO *Promoting Decent Work for All* (sourced at <http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang-en/index.htm>); IFAD/ILO *Promoting Decent and Productive Employment of Young People in Rural Areas: A review of strategies and programmes* (IFAD, 2012).

²⁸⁸ World Bank *Africa's Future and the World Bank's Support to It* (World Bank, 2011).

²⁸⁹ FAO *FAO Regional Strategic Framework for Africa (2010 – 2015)* (FAO, 2010).

²⁹⁰ World Bank *Ghana Social Opportunities Project* (sourced at <http://www.worldbank.org/projects/P115247/ghana---social-opportunities-project?lang=en>).

smoothing (through public works, micro enterprise) or linking to human development (through education or health services, skills training). However, as indicated in this report, there are a small number of exceptional hybrid programmes promoting graduation into employment and contributory social security (e.g. Ghana's National Youth Employment Programme - skills training and placement linked components).

Micro-enterprise loans and grants to vulnerable families are being sometimes used as an alternative to cash transfers (eg Nigeria). Access to finance is crucial for starting up businesses and the potential development of longer-term labour market insertion. However, this has to be supported by a range of other measures, such as skills training, in order to enhance its efficacy as a labour market instrument, and attention must be paid to the difference in income-generation potential or ambition of micro and small-medium entrepreneurs. The Ethiopian public works employment guarantee scheme demonstrates that a predictable package approach linking agriculture productivity, public works for infrastructure/community assets, education and health can have the most positive outcomes in terms of consumption smoothing and human development indicators. Skills programmes are investment heavy but are most effective when strategically linked to growth sectors. Enterprise, public works and skill training measures specifically designed for those in the urban informal and rural off-farm contexts are required. With typically over 70% engagement, agricultural development remains of crucial importance in most SSA countries and specific risk management and shock-coping measures for those employed or engaged in this sector require attention. Labour regulation, typically modelled on the formal sector, is limited in terms of reach and impact and the infrastructure for implementation is often weak. Support is required to strengthen institutions and to extend protection and benefits to the majority populations who are engaged in the informal economy.

Though committed to the promotion of decent work, current EC intervention influencing labour market engagement is limited to indirect support through human and infrastructure development and directly through agriculture for food security. Future EC intervention will have to directly address the four pillars of decent work – creating jobs through generating investment, promoting entrepreneurship, public works, skills development, and sustainable livelihoods; guaranteeing rights at work for disadvantaged or poor workers in particular; extending social protection especially safe working conditions, compensation for lost or reduced income and access to healthcare; and promoting social dialogue – through existing instruments of budget support and direct programming.

Annex 2: ALMP conditions and outcomes for SSA

ALMP intervention	Low-/Middle-Income SSA Economies	
	Conditions	Potential outcomes
<i>Micro-enterprise</i>	Availability of business development services and financial products; Shock-coping capacity of participants; Enough time for income strengthening; Donor commits to comprehensive model.	Combination of mentoring, and links to finance more effective; More successful with large agriculture sector and lower education levels; Final outcomes (increased earnings and profit) take longer, improved business knowledge and practice in shorter term.
<i>Training</i>	Combine with on the-job training and employer involvement; Align to economic growth/ labour demand; Training matches sector requirements.	Positive impacts for LIC programmes that integrate training with remedial education, job search, life skills, social services; Technical training in MICs can lead to higher employment rates but not immediately higher earnings.
<i>Public works programmes</i>	Excess low-skilled labour; Quality of design linkages and of public goods produced.	Effective as a short-term safety net, link to human development and social protection; Public goods can improve income-generating potential; Can act as entry point to other ALMPs.
<i>Wage and employment subsidies</i>	Demand for formal labour; Improve targeting at the cost of reducing take-up rates.	Subsidised internship programmes for university and vocational graduates provide entry-level opportunities and improve social capital.
<i>Employment services</i>	Demand for formal labour; Low structural unemployment.	Cost-effective intervention for improving employment prospects and earnings potential for formal employment.

Annex 3: Consolidated Conclusions and Recommendations

1. Overall challenges: Several overarching challenges need to be considered when establishing and strengthening SP systems in SSA. These challenges include the following:

- Most SP programmes in SSA are still merely compensatory in nature – this evidently affects exit, graduation and sustainability.
- Comprehensive frameworks targeting more than just some vulnerable groups have yet to develop.
- National ownership of SP programmes is often weak, but improving.
- Donor-led programmes generally lack government ownership – they are mostly pilots, ad hoc and short-term, given their limited timeframe and funding.
- Therefore, the prospects for scaling up/transferring programme responsibility to governments are usually restricted.
- A partnership approach, supported by harmonised and aligned donor assistance is required.
- There is need for an improved legal and human rights framework supporting SP programmes/interventions.
- The ability of governments to sustain SP programmes may be lacking:
 - The allocated resources are inadequate, against the background of a weak SP policy environment, despite recent changes which are discernible.
 - In some cases governments have demonstrated significant will to strengthen SP infrastructure (e.g. Ethiopia, Ghana, Lesotho, Nigeria) and even to build comprehensive SP systems, to reform and expand non-contributory pensions and (contributory) mutual health insurance programmes (Burundi, Cape Verde, Ghana, Rwanda)
- The implementation of SP programmes is hampered by various constraints, e.g. inadequate technical, human and financial capacity, and inappropriate planning and budgeting
 - This implies some likely continued reliance on donor assistance in implementing their reform objectives (e.g. CAR, Chad, DRC, Madagascar, Niger).
- SP programme links to the labour market and sustainable livelihoods remain limited and fragmented, except for –
 - *Agricultural input* support programmes (Ethiopia, Ghana, Lesotho);
 - Provision of subsistence *income for unemployed* persons who contributed to an insurance-based scheme (Mauritius, Seychelles, South Africa);
 - *Labour market interventions* programmed to promote *employment access* (Malawi, Uganda);
 - *Return-to-work* (RTW) arrangements (Botswana, Namibia, South Africa); and
 - Strengthening of *public and private employment services and skills training* (Mauritius, Uganda, South Africa).
- Most SP programmes are not designed to ensure exit, graduation and sustainability, and focus on compensating beneficiaries; however, exceptions do exist, including:
 - Linking renewal of unemployment benefits to job search attempts (Seychelles), or social assistance to labour market participation (Ghana), or labour market initiatives to agricultural development (Ethiopia, Ghana, Lesotho), or RTW arrangements.

2. Strengthen/utilise the international, regional and sub-regional standardised framework: International, regional (AU) and sub-regional standards and principles are important to help orientate SP system develop and determine the scope and contents of SP programmes and other interventions. These standards and principles include:

- Relevant ILO instruments and standards: of importance here is not only the ratification and domestic incorporation of these standards, but also their implementation. Their implementation has to be supported by additional measures to address the specific context of in particular informal workers, as the said instruments and standards do not cover their position sufficiently.
- UN human rights and other instruments: although most of the UN instruments have been widely ratified, implementation remains problematic.
- AU frameworks: the AU Social Policy Framework and the AU Migration Policy Framework are important sources for extending SP support and need to be considered and applied more extensively when SP interventions are designed and implemented.
- Sub-regional frameworks: At the level of the Regional Economic Communities, several SP-oriented instruments have been introduced and standards developed (e.g. the SADC Social

Charter (Charter of Fundamental Social Rights in SADC) and the Code on Social Security in SADC), or such standards have been incorporated in more comprehensive sub-regional instruments, such as the EAC Common Market Protocol. These instruments and standards contain important guiding principles, emphasising among others regional integration and variable geometry, i.e. the principle suggesting that a group of Member States could move faster on certain activities and the experiences learnt are replicated in other Member States.

It is equally important and relevant for SP development in SSA to utilise EU and related instruments and principles focused on development co-operation. These include:

- EC Regulation 1905/2006 (Financing instrument for development cooperation);
- EC Agenda for Change;
- EC Communication on Social Protection in European Union Development Cooperation;
- EC Communication on Tax and Development; and
- Aid Effectiveness Framework (AEF), based on the Paris Declaration of Aid Effectiveness;

3. Develop and implement a national standardised framework: Nationally-owned (overarching and sectoral) SP policies, strategic and legal frameworks need to be developed and implemented, as they:

- Provide overarching and holistic perspectives
- Ensure the basis and mandate for intervention
- Enable coordinated and integrated responses
- Support policy development and implementation
- Guarantee clarity of entitlement

4. Integrated and coordinated responses: emphasising prevention, transformation, exit, graduation and sustainability: Prevention, transformation, exit, graduation and sustainability constitute overarching objectives: SP should be aimed at attaining these objectives. This implies moving beyond a focus on mere compensation and transfers to, for example:

- ❖ Achieving preventive objectives (e.g. OHS, PHC);
- ❖ Labour market integration (e.g. ALMPs; RTW programmes); and
- ❖ Adopting transformative interventions, e.g. to address discriminatory cultural values and perception (e.g. gender-sensitive arrangements need to be included in design of SP programmes).

5. Comprehensive frameworks and approaches required: The longer-term view of what is required in SSA, should focus on the development of comprehensive social security/protection systems which combine social assistance and social insurance measures, integrated with/linked to broader SP arrangements (e.g. education interventions, food provision, ALMPs), supplemented by specialised/dedicated arrangements for particular groups or contexts, and embedded in national development plans and poverty reduction strategies. Together these measures should ensure universal access and adequate protection to every person, as well as extension of coverage/protection to vulnerable contexts and groups.

6. Address/accommodate vulnerable contexts and groups: Appropriate attention should be given in SP system/programme design to particular vulnerable contexts (e.g. food crisis) and vulnerable groups, e.g.:

- The aged (accommodating fragility and need for support);
- Women (addressing impact of their disadvantaged position and care responsibilities in design of contributory and non-contributory schemes);
- Children (providing for maintenance, education, food needs, etc);
- The youth (e.g. employment creation measures; skills transfers); and
- Migrant workers (addressing their weak SP position in terms of SP entitlements, access and portability), both to and from SSA countries.

7. Increase national ownership, funding and execution: It is necessary to ensure national/government ownership at all stages – i.e. at the design, funding, implementation, review and reform stages of SP programmes. One should be aware of the pitfalls of purely donor-driven pilot programmes – support for these programmes may be transient, and national governments usually are reluctant to take over these programmes. However, support may be

needed to understand the context and help with design of the programmes, and to build on best practice, including South-South exchange and learning.

SP programmes should ideally be nationally-financed & -executed, also to ensure sustainability. Taking over development partner-funded transfers may be problematic unless the pathway for this has been agreed in advance. Development partner assistance may nevertheless be crucial, e.g. for purposes/in the areas of:

- Creation of fiscal space (assistance/advice)
- Budget planning, design and execution
- Tax systems and collection
- Programme review and evaluation; impact assessment
- ICT and human capacity
- Registration and identification of beneficiaries
- Delivery systems

8. A partnership approach required: A partnership approach is required at different levels:

- Amongst development partners, to avoid duplication, identify gaps: this also requires clarity of SP terminology, approaches and focal areas is needed;
- With national governments – via joint fora, ongoing dialogue, integrated sector-/programme-based collaboration;
- Involving recognised local government/community-based institutions, civil society and social partners;
- Appreciating the value of public-private partnerships (e.g., in the areas of labour market development and service delivery); and
- National governments need to indicate SP as an intervention priority, and specific programme priorities, to ensure appropriate responses from development partners.

9. Sub-regional support: SP interventions and support should not be restricted to country contexts, as (sub)-regional structures, in particular the RECs (Regional Economic Communities – e.g. EAC, ECCOWAS, SADC) are increasingly involved in SP direction and support. This creates the opportunity to link important regional objectives to SP interventions and support, among others in the areas of:

- ✓ Regional integration dimensions and implications (e.g. SP standards adopted at sub-regional level by EAC & SADC); and
- ✓ Cross-border dimensions (e.g. SP entitlements, access, portability) currently (mostly) weakly accommodated/regulated at the regional level

10. SP systems/programme improvement: Significant scope exists for SP programme improvement in SSA. A range of measures need to be considered for this purpose, including:

- Programme review and impact assessment
- Gaps, duplication and service delivery problems
- Weak exit/graduation modalities
- Value for money considerations
- New vulnerabilities
- Data collection and interpretation – for SP design; but address privacy and data protection concerns
- National registration systems & centralised, integrated database frameworks
- Appropriate targeting approaches, where relevant
- Capacity development – programme and policy development; ICT; human
- Service delivery improvement
- Good governance standards (contributory and non-contributory schemes)
- Dealing with fraud and abuse

11. Importance of differentiated approaches: What is required are country (or even region)-specific, context-sensitive differentiated approaches, which are flexible, developing and evolving in nature, providing for nuanced variations, such as distinctions between LICs/MICs; regional variations/emphases/preferences; and special contexts (e.g. HIV/AIDS, migration, disaster management). Overall, social cohesion and social contract aims should be served and strengthened.

12. Fiscal interventions: a synopsis: Addressing affordability is crucial, especially in low-income SSA countries. As mentioned, government policy ownership and leadership in the recipient countries is vital for ensuring sustainability. Therefore, external aid should have a limited role as a catalyst in initial financing of new programmes and, where needed, underlying system and programme support. Increasing domestic financing of basic SP requires the availability, identification and utilisation of fiscal space; sustained economic growth; and the political will to increase the share of public expenditure allocated to this policy area.

13. Labour markets and sustainable livelihoods in SSA – general considerations: The diversity of SSA labour market dynamics requires flexibility and the consideration of best practice. Donor-led intervention is time restricted and often responds to mitigating crises rather than transforming vulnerability. Also, the lack of operational capacity (e.g. cash transfers delay) can negate shock smoothing. Choices may have to be made between comprehensive packages to small numbers of beneficiaries, and one-dimensional interventions to large numbers. It needs to be emphasised again that some beneficiaries will never permanently 'graduate' out of vulnerability. Investment in monitoring, tracking, impact evaluation is required, as well as the formulation and implementation of National Employment and Agriculture Policies. Donor support to policy dialogue and institutional capacity building is essential.

14. EC potential response to SSA labour market constraints: The outcome expectations should be clear, i.e. access to income generation/employment over the short-/medium-term, and labour force strengthening in the long term. Differentiated approaches may be required:

- **Low-income countries** – in view of the large informal/agriculture and the weaker capacity to implement SP interventions, there should be a focus on:
 - ➔ Income generation;
 - ➔ Public works package; and
 - ➔ Informal apprenticeships
- **Middle-income countries** – given a reduced public sector and an education-training mismatch, focus should be placed on:
 - ➔ Technical training;
 - ➔ Promoting enterprises as employers;
 - ➔ Wage subsidies (graduates):
 - ➔ Labour market information systems: and
 - ➔ Employment services

15. EC potential response to sustainable livelihoods constraints: Again, the response depends on outcomes sought, e.g. consumption smoothing, affordability of food supplies, incomes stabilised, improved productivity, self-sufficiency, minimised dependency, human development. This requires an analysis of food and livelihood crisis trends and suitable risk-mitigation and shock-coping instrument combinations. The available options include:

- ➔ Conditional cash transfers where basic services, food supplies are available;
- ➔ Unconditional cash/food transfers where services or supplies are not available;
- ➔ Balance of public and private asset transfer instruments;
- ➔ Labour market interventions for rural poor without access to land; and
- ➔ Support to state and NGO capacity building

Annex 4: Note on what is needed/the main constraints for setting up or reinforcing existing SP programmes in low-income countries

(1) Tailor interventions to specific contexts and needs: There can be no "one-size-fits-all" approach to social protection, given the wide heterogeneity of sub-Saharan African countries. EC support should rather be tailored to meeting the specific needs and features of each country through a locally-led process. SP-focused interventions should be context-sensitive and country-specific. The context-sensitive and country-specific approach should take account of the different social protection needs at various stages of development. It should also provide longer-term involvement in government-led programmes aimed at developing scaled-up social assistance and improved contributory-based schemes, while ensuring that these programmes as far as possible promote self-sustainability, direct engagement in the labour market, and exit from dependency on social transfers alone.

(2) Develop/strengthen focused non-contributory and streamlined/reformed contributory arrangements: SP systems in SSA countries lack an appropriate and balanced mix of contributory and non-contributory approaches and arrangements. Non-contributory arrangements are crucial for those who experience destitution and other forms of specialised need (e.g. health and disability care; supplementary feeding). There should be a gradual extension of these programmes to cover larger numbers of vulnerable groups as well as still excluded groups. This should be supported by suitable registration and targeting mechanisms, and be subject to regular assessment and monitoring and, when necessary, revision.

Contributory schemes in SSA need to be streamlined and made more (cost and service delivery) effective. The schemes should be informed by strong governance and accountability structures, and aim at providing insurance-based protection, rather than direct state and employer support. They should cover relevant social risks (including collective and covariate risks) and provide adequate coverage for those with sufficient contributory capacity. Coverage extension could be implemented incrementally.

(3) Focus on (excluded) vulnerable groups and contexts, including females, migrants and informal workers: While SP interventions in SSA (in particular interventions of a non-contributory nature) to some extent address the plight of specific vulnerable groups (e.g. the aged, persons with a disability, and young children), other vulnerable categories and contexts are not sufficiently captured in SP interventions. There is need to ensure that gendered perspectives be appropriately accommodated in SP programme design, and that specific mechanisms be adopted to deal with the plight of vulnerable categories of migrants, on the basis of international standards and the guidelines embedded in the AU Migration Policy framework. Also, in view of the significance of the informal economy in SSA and the lack of SP coverage as regards informal economy workers, a dedicated focus on developing and implementing SP responses which will ensure the extension of coverage to those who constitute the majority of the workforce in most SSA countries, i.e. informal workers, is required. These responses should also be mindful of the heterogeneity of the informal economy, related demographic and other changes, and the different profiles, contexts and needs of various categories of informal workers. With reference to growing comparative precedent and innovative measures adopted world-wide, appropriate responses require the widening of the existing SP coverage base, reconceptualisation of "work", "worker", and "employer"/"provider of work" notions; consideration and implementation of complementary institutional mechanisms; the creation of specialised contribution modalities, benefit packages and eligibility conditions; stakeholder communication/involvement, communication and a supportive framework; and a sensitivity towards the human rights framework.

(4) Improve the coordination, complementarity and coherence of the EC's and EU Member States' action: Strong coordination is especially important in social protection because of its inherently cross-cutting, multi-sectoral nature, with involvement of various government bodies as well as many non-governmental actors financed by Member States. To increase impact in the social protection sphere, EU role-players (i.e. the EC itself and EU countries) need to coordinate their action with multilateral institutions and with other donor

countries and organisations, while complying fully with international and EU aid effectiveness commitments, and being sensitive to guidelines emanating from AU-specific instruments/standards, among others the AU Social Policy Framework.

(5) Enhance national ownership and sustainability: Government ownership is key to promoting sustainability. Many SP programmes in SSA were established by development partners and are effectively donor-led, donor-financed and pilot/ad hoc interventions, with some scaling up potential. However, scaling up is problematic due to lack of national/government ownership. EC interventions should encourage national governments to become involved in, and take joint responsibility for, establishment and implementation of social protection programmes. In particular the promotion of long-term financing strategies, preferably through budget planning mechanisms such as medium-term expenditure frameworks (MTEFs), is needed. General budget support and strong aid coordination are of course crucial for establishing this basis for partnership with government.

(6) Assist low-income countries in tackling affordability: The role of external aid is crucial in creation of fiscal space, particularly in low-income countries, given the heavy resource constraints in these countries. Donors should play a supportive role in setting up social protection systems in these countries. A key role for the EC and EU Member States may be provision of funds for initial investments and fixed-cost items; this funding could include investment in monitoring systems; identification and registration systems or expansion of national identification systems; evaluations; and more. Funding for capacity-building in those areas would also be beneficial.

(7) Support domestic resource mobilisation: The financing issue is one of the key challenges confronting the social protection agenda in SSA. Given that the most sustainable systems are those that rely on domestic sources, the EU should help SSA countries increase domestic resource mobilisation, for example through reform of taxation structures and through ensuring efficient resource use by tackling the cost-efficiency and operational efficiency of social transfers through a reduction in the cost-transfer ratio. Specifically, EU support should encourage innovative mechanisms such as tax earmarking from either VAT or natural resource levies. Effective and sustainable social protection should ultimately be based on internal rather than international wealth redistribution; the EU should support measures to develop effective, efficient, fair and sustainable tax systems, according to the capacities of individual partner countries, in order to increase fiscal space to fund social protection.

(8) Promote and support policy development and an underlying legal framework: SP policies and strategies are important for SP system development and SP programme design. Despite some examples of such policies and strategies at national level, many SSA countries still have not developed such policies and/or strategies. SSA countries without such a policy basis should be assisted in designing and implementing same. The EC should include social protection in its policy dialogues with partner countries on their national development strategies and should support the development of nationally-owned social protection policies and programmes such as a National Social Protection Policy or Strategy. Evidence shows that social transfers become "entitlements", especially when established through legislation. However, a legal basis for SP intervention, especially in the non-contributory context, is often absent in SSA. The legal framework provides the mandate for government action in SP, and constitutes the basis for entitlements. Such a framework also honours the human rights-basis of SP provisioning, and needs to be introduced and/or strengthened. The EC, EU Member States and other development partners should continue to support partner countries through technical cooperation, to set up the strategic, policy, legal and institutional framework, based on their local analysis and priorities.

(9) Address labour market and sustainable livelihoods constraints: Labour market and sustainable livelihoods interventions are most effective as part of a nationally owned social protection system that aims for the realisation of social and economic rights and the reduction of vulnerability. Sub-Saharan Africa (SSA) states with the highest poverty often have the weakest social protection institutional and policy capacity and many are dependent on donor financing for social protection while there is a lack of political will in one party or autocratic regimes. Continued EC support to policy dialogue and institutional capacity building for labour market integration and sustainable livelihoods is essential. Poverty remains pervasive with up to

90% depending on subsistence agriculture and the informal economy, presenting a social protection coverage challenge. The EC will have to address trade-offs between providing comprehensive packages to a smaller number of beneficiaries and one-dimensional interventions to a larger number.

(10) Develop an appropriate EC potential response to labour market intervention

constraints: Labour market interventions aim at promoting access to employment and income generation in the short to medium term and strengthening of the labour force in the longer term. Low-income SSA countries are characterised by a large informal or agriculture sector and weaker capacity to implement active labour market programmes. Intervention normally focuses on income generation through self-employment, micro enterprise and public works, often alongside agriculture strengthening, but should also align with long-term macro-economic planning. Middle-income SSA countries are more focused on responding to a reduced public sector, mismatch between education and training and the formal private sector, promoting small and medium enterprises as potential employers, and developing labour market information systems and employment services. Wage subsidies are increasingly popular, though through a narrow window for tertiary graduates. A National Employment Policy is required to guide employment creation and income generation in the growth sectors, informed by stronger labour market information systems. The diversity of economic and labour market dynamics in SSA requires a flexibility of approach informed by best practice and inspired by the objective to grow or redirect the labour supply, or to provide income generating opportunities especially where the informal economy is dominant.

Labour market intervention in SSA remains largely donor led and thus is time restricted and responds to mitigating particular crises rather than transforming the vulnerability. There is often a tension between effective but time and financially costly targeting and ad hoc self-selection targeting which is mixed in its effectiveness, but is timelier in its reaction. Lack of operational capacity for timely dispersal of cash transfers (e.g. with Ghana's LEAP programme) can negate income smoothing effects for beneficiaries who expected to receive transfers that aid their trading at certain points of the year. Mechanisms are increasingly being introduced to deliver on a rights-based approach but social and cultural dynamics, especially related to gender can affect the realisation of these rights for women and men.

The EC can engage directly in specific labour market intervention under certain conditions. Public works programmes can contribute to income generation beyond the short life of the intervention through a package of consistent engagement, strategic, quality public assets, financial literacy and some skill transfer. Skills training in middle-income countries work best when aligned to growth sectors, and in cooperation with the private sector. In informal dominated economies, informal apprenticeships need to be generally strengthened and better combined with formal education. The EC can support the development of labour market information systems and internship programmes for university graduates. In line with the decent work agenda, the EC can increase support to social dialogue and labour market regulation institutions to promote better working conditions. ALMP expected outcomes have to match inputs for implementation, especially timeframe and the EC will have to address capacity gaps in key institutions.

EC labour market intervention should be designed according to local labour, gender and target group dynamics including formality/informality levels, educational capacities of beneficiaries, quality of service providers and regional best practice. EC instrument packages should be shaped on clear graduation expectations that focus on either short-to-medium term income generation or longer-term labour force development. Attention should be paid to the shock-coping capacity of participants so they can withstand for example seasonal factors that can wipe out an enterprise and savings accrued. The EC must invest in monitoring and beneficiary tracking (including impact evaluation) to determine outcomes over the longer term.

(11) Develop an EC potential response to sustainable livelihoods constraints: Effective EC intervention requires analysis of food and livelihood crisis trends and development of risk-mitigation and shock-coping instrument combinations to strengthen small farmers' long-term self-sufficiency and economic activity. Slow national response to the 2008 food crisis indicates that SSA countries are not yet equipped to protect or recover from recurrent shocks and increased EC support to state and NGO institutional and technical capacity will be required. The

EC will have to recognise that effective targeting is costly and operationally challenging in countries with weak institutions but can be more efficient in the long run and that some beneficiaries will not 'graduate' out of vulnerable status.

With on-going improvements in productivity, the EC recognises that affordability is the key challenge for food security. Context-specific combinations of risk mitigation and shock-softening instruments are required to stabilise their incomes, improve productivity, and minimise dependency. Social protection interventions have to be designed according to category of shock and their adaptability to risk management and income-generation strategies of target audiences.

Asset transfers have to be designed so that producers can operate autonomously after the programme cycle and a balance of public and private instrument options is required, including public food stocks, price and input subsidies. The EC can provide institutional support to the delivery of complementary conditional cash transfers for human development where basic services and food supplies are available and unconditional cash transfers and supplementary feeding for consumption smoothing where services are not available. The EC should also recognise that a combination of agricultural livelihoods and active labour market programming is required in rural areas in support of the on farm and off farm diversification of livelihood strategies.

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Democratic Republic of Congo (DRC)
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Republic of Congo
Rwanda
Sao Tome and Principe
Senegal
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