



Advisory Council  
on International Affairs

# Social protection in Africa

Advisory Report 118  
9 June 2021



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# Summary

Although the right to social protection is included in many treaties and conventions, there is no universally accepted definition of the concept. Social protection refers to social guarantees such as access to healthcare, education and income security, particularly in cases of old age, unemployment, sickness, accidents, maternity or the death of the breadwinner. Social protection takes many forms. These include access to a stable income, education and healthcare and both conditional and unconditional cash transfers, as well as more ad hoc aid via, for example, cash for work or food for work programmes. In this report, the term social protection is reserved for structural, institutional forms of protection and focuses on the provision of financial support that promotes individual socioeconomic security.

The provision of structured social protection in African countries is limited. Informal networks set up for and by people themselves provide a limited degree of socioeconomic security. Despite the obvious importance of these informal and often traditional networks, donor support for them is somewhat problematic as they operate within limited groups with a homogeneous culture and are often bound by time and place. In addition, a structured system of universal, non-discriminatory social protection often requires state intervention, something that is not guaranteed when organising socioeconomic security through informal networks.

Research has shown that social protection has a positive effect with regard to food, education, healthcare and the position of women. Such programmes also lead to more productive investments. Cash transfers have a higher multiplier effect on the economy in developing countries than they do in developed countries. Despite the proven efficacy of programmes that reach the very poorest, the context-specific nature of such programmes means that there is no single model that works equally well everywhere. To achieve sustainable results it is important that programmes align with local, regional and national priorities.

Setting up social protection systems and starting programmes is relatively expensive, partly due to poor digital and physical infrastructure. The added value of donor contributions in the initial phase is therefore high. In the interests of sustainability, however, the actual cash transfers should be borne by government as soon as possible. The cost-effectiveness of implementation is often related to government capacity or lack of it.

Through its business operations and working conditions, the private sector can and should play a greater role in addressing this issue by reducing the need for social protection in the narrow sense. Businesses can for example provide unemployment insurance and cover medical expenses for employees and their families. Such changes are increasingly being made. The business community has changed over the years: from denial and neglect via offsetting, social protection has become an integral part of business operations. Governments can encourage these changes by introducing more stringent regulations relating to corporate social responsibility, providing grants and combating tax avoidance.

### Five key elements

The success of social protection programmes depends on five key elements which together determine governments' administrative capacity. These five core elements thus form a strong basis from which to address both the socioeconomic and political causes of the dearth of adequate social protection in Africa and can serve as a guide for donors.

1. **A relationship of trust** between the public and government forms the basic precondition for the creation of structured social protection. This is the foundation for the other four elements.
2. A lack of **political stability and/or political will** to set up a structured system of social protection is best overcome by investing primarily in **policy dialogue** (including through diplomacy) and by providing African governments with reliable data on the effectiveness of social protection programmes so that confidence in these systems can grow.
3. In addition to policy dialogue, support can also be provided through **technical assistance** by helping to develop **policies and legislation** for sustainable social protection programmes. This should not be on the basis of a blueprint based on Western principles but should be context-specific.
4. For a system to function it will be necessary to strengthen or establish and organise **institutions and organisations**. **Startup funding** is usually not available locally and could easily be externally financed. The actual implementation of a social protection system will usually be carried out by local authorities and institutions, preferably in cooperation with the private sector.
5. A final requirement is **structural funding**. At national level this requires adequate government revenue (such as tax) as a percentage of GNP. Donors could make a structural contribution by participating in activities to end tax avoidance, tax evasion and illicit financial flows. In addition, donors could cancel the debts owed to them.

### Advisability

Developing a sustainable social protection system that provides structural coverage is politically and technically complex. It is a costly process that requires planning and perseverance. That does not mean that the Netherlands should – or even could – remain completely uninvolved, however. From a human rights perspective and starting from the SDG agenda, the AIV believes that the Netherlands is right to donate and invest financial resources for the benefit of poor people in other countries. Social protection programmes conform in principle with the current objectives of Dutch development cooperation policy, namely tackling poverty and inequality, food security, gender and education. Contributing to the provision of cash transfers not only enables people to cover the costs of living and in due course escape poverty but also has an economic multiplier effect. Furthermore, it makes sense to focus on establishing and strengthening international partnerships within which countries can learn from each other and take joint responsibility to combat poverty.

The AIV recognises, however, that the responsibility for social protection and direct poverty reduction lies primarily with national governments. A well-functioning system of social protection can help strengthen confidence in governments' efforts to this end. Donor contributions only make sense if recipient governments themselves are also committed to strengthening social protection. A Dutch contribution can take shape through multilateral partnerships and in close cooperation with national governments, thus avoiding unwanted interference in the relationship between a government and its people. In selecting countries and implementing programmes, the Netherlands can best seek alignment with activities of multilateral institutions which are relevant to its own priorities. Because of the complexity, the necessary resources, and the planning and perseverance required, the Netherlands must carefully consider the conditions under which it is able to make a meaningful contribution in terms of content, scope and duration.

# Recommendations



## ► Recommendation 1

**Invest in social protection programmes, including cash transfers, within a multilateral framework.**

## ► Recommendation 2

**Align with national and regional governmental policies.**

This prevents parallel structures from undermining the trust between the public and government.

## ► Recommendation 3

**Base interventions on five key elements:**

- 1 Trust
- 2 Political will and stability
- 3 Policy and legislation
- 4 Institutions and organisations
- 5 Structural funding

## ► Recommendation 4

**Take local conditions into consideration.**

Any intervention must be context-specific; there is no one solution for all of Africa, let alone one grafted onto Western models. This also means that it may be necessary to focus on accessibility for minorities and rural populations, as not all groups automatically fall within government's range of vision. In policy dialogues and when establishing and supporting social protection programmes, therefore, pay attention to the position of minorities.

## ► Recommendation 5

**Invest in donor coordination – in line with SDG 17.**

A multitude of uncoordinated initiatives in the complex arena of social protection is pointless. There is a need mainly for donors who coordinate their efforts at a general level and, if necessary, provide assistance at diplomatic level, within the framework of a national plan and with an open agenda. The AIV distinguishes several possibilities:

- The Sahel Adaptive Social Protection Programme (SASPP) falls within Dutch priorities. Germany and France are major donors to this programme.
- The World Bank provides a multilateral platform and offers a multiplier effect to bilateral funds to governments with loans from the International Development Association (IDA).
- The UN, in particular UNICEF and UNDP, specialises in developing institutionalisation and implementing policy and legislation.
- SOCIEUX, a network initiated and supported by the EU, provides technical assistance to 155 countries in designing and establishing social protection systems through partnerships with and between EU member states.
- As part of efforts to achieve the SDGs, a lobby of international civil society and trade unions has started to give shape to the minimum requirements for social protection by setting up a Global Fund for Social Protection. The UN High Commissioner for Human Rights called for this fund to be set up in December 2020. To date, no such fund has been established.

► Recommendation 6

**Develop persuasive and coercive measures and incentives to reinforce the trend in the private sector towards more sustainable business models.**

For example by only facilitating activities that demonstrably contribute to the realisation of the SDGs, possibly through stricter legislation, especially in the areas of tax avoidance and capital flight. Reporting obligations are important in this regard, for example as laid down in the Agreements on International Responsible Business Conduct (IRBC) and the Social and Economic Council (SER)'s 2030 agenda.

► Recommendation 7

**The Netherlands must actively work within the EU to combat tax avoidance and promote debt reduction in order to facilitate sustainable financing by national governments.**

A coherent policy requires the Netherlands and the EU to further review a number of tax treaties and ensure compliance with agreements made. In addition, the Netherlands can advocate debt cancellation in the EU and other multilateral forums. This should be made conditional on the funds benefiting the poorest through social protection programmes, and in any case on their not ending up in the hands of destructive, corrupt forces in the area of social protection. Greater transparency of money flows and stricter regulations are important means of achieving this.

► Recommendation 8

**To reach the very poorest it may be necessary to broaden the definition of the target groups.**

Who falls into this category depends, among other things, on when the measurements are taken and how the groups are identified. Moreover, the very poorest are not always visible, and selection within communities can sometimes cause political and other unrest and instability. Apart from humanitarian emergencies, donors should exercise some restraint in prioritising themes and target groups, especially when these have not been agreed with local authorities and other donors.





# Social protection in Africa

## ► 1.1 Introduction

On 26 September 2020, the AIV received a request from the Minister for Foreign Trade and Development Cooperation to ‘produce a report on the importance of social protection initiatives for the poorest and most vulnerable groups, in particular in Africa, and whether it is advisable for the Netherlands to become involved in these initiatives through development cooperation.’ (See Annexe I). This request for advice explicitly does not relate to temporary and acute social protection in the event of a crisis but to structural social protection. To date, Dutch efforts in the field of social protection in developing countries, in the form of cash transfers or otherwise, have been modest. The AIV has been asked to assess current initiatives in the field of structural social protection for effectiveness and sustainability, and to answer the following question:

What is the importance of initiatives for social protection for the poorest and most vulnerable groups in Africa in particular and what is the advisability of the Netherlands becoming involved in these initiatives through development cooperation?

Secondary questions are the following:

- What is the current state of affairs with social protection in Africa? What systems and facilities for specific purposes currently exist and how are they financed? To what extent can these initiatives be scaled up?
- What can we learn from experiences in Africa and elsewhere regarding the effectiveness and sustainability of programmes, in particular cash transfer programmes? To what extent are these more effective in reaching the target group (poor people and vulnerable groups in society) and reaching the goal of sustainable poverty reduction? What social and economic goals (including strengthening the position of women) do such programmes serve or fail to serve?
- How is African governments’ role assessed in this respect, particularly in view of the importance of strengthening their relationship with the public and of the danger of political abuse?
- What is the role of multilateral agencies and, in particular, the World Bank in this area? What is the role of NGOs?

When answering these questions, it is important to keep in mind that there is no point in thinking in terms of “social protection in Africa as a whole”: each social protection system is developed and implemented within a specific context. This does not, however, change the fact that similar factors play a role in any national system. The basic preconditions for the establishment of a system of social protection include a pre-existing relationship of trust between government and the public, and sufficiently good governance and administrative capacity on the part of governments.

The COVID-19 crisis has made the great need for social protection painfully clear. Around the world, all kinds of makeshift emergency socioeconomic measures are being taken under time pressure. The populations in countries with a better established, developed and proven system of social protection



find themselves in a privileged position. In the poorest and most vulnerable countries, however, the already bleak situation has further deteriorated. AIV advisory letter 34, 'The Netherlands and the Global Approach to COVID-19', stated earlier that 'a rapid temporary social safety net in the form of food aid or direct cash transfers will be needed for the most vulnerable population groups and communities'.<sup>1</sup> The government's response to this advisory letter stated that 'the government acknowledges the importance of (...) continuing access to food and social safety nets for the poorest people'.

Although the number and scope of such programmes is growing, Africa still lags far behind other continents. Only a quarter<sup>2</sup> of the African population is covered by a structured social protection programme; the rest must rely for protection on informal initiatives, such as help from family or religious groups. The need for structured social protection in Africa is growing as the significance of traditional systems wanes. At the same time, African governments do not seem to be sufficiently able to fill the void, despite the many government initiatives to improve social protection. In response to this void, international attention by the World Bank and others to social protection systems is growing rapidly.

The COVID-19 crisis is leading to renewed attention for social protection within the EU and elsewhere. In the Porto Declaration (May 2021), the European Council reaffirmed that, as set out in the European Strategic Agenda for 2019-2024, member states are committed to implementing the European Pillar of Social Rights, including in the area of social protection.<sup>3</sup> Many developing countries have structured social protection programmes coordinated by governments, often with international support. In the framework of Building Back Better,<sup>4</sup> the question arises as to whether and how social protection in developing countries can be structurally strengthened enable people to survive, combat inequality and promote social cohesion. The Netherlands has announced that it will support social safety nets for Sudan and Ethiopia (together €19 million). It has also stated, 'At EU level the government will call for bilateral programmes to focus more attention on social safety nets, and will seek to collaborate with other member states in these efforts'. The lack of adequate social protection is also a major push factor for migration. By investing in social protection, donors help develop a community of solidarity that is robust even in times of crisis.

The focus of this advisory report is on creating and/or strengthening structured systems of social protection. It is important note the difference in terminology between a social protection system and a social protection programme. A system relates to regulations and institutions, while a programme relates to a specific set of activities. Historically it has been shown that systems cannot function sustainably without government involvement. The report's emphasis, therefore, will be on the tasks, problems and opportunities facing publicly funded systems. This advisory report focuses on structured, institutional forms of protection. The first chapter elaborates on the broader concept of social protection. Chapter 1 also discusses the socioeconomic situation in Africa and the different types and terminology of social protection. The next chapter discusses the recent history and scope of social protection in Africa and relevant actors. Chapter 3 discusses financing, possibilities for scaling up, efficiency and unintended effects. Chapter 4 then addresses the five key elements that the AIV considers crucial in assessing the effectiveness of social protection. Finally, the questions posed in the request for advice are answered and the advisability of Dutch involvement in the functioning of social protection systems as a part of development cooperation is discussed.

## ► 1.2 Background

Although the right to social protection is often alluded to, there is no universally accepted definition. Social protection is included in the 1948 Universal Declaration of Human Rights (articles 22 and 25), and the International Labour Organisation's (ILO) Social Security (Minimum Standards) Convention (no. 102, 1952) elaborates on this right. It defines the nine categories of social security: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. The 1966 International Covenant on Economic, Social and Cultural Rights (articles 9 and 10) and the founding text of the World Health Organization (1946) also include the right to social protection. The right to social protection is also included in several regional human rights conventions and in national constitutions.<sup>5</sup> In the Netherlands, for example, a person who is unable to earn an income and does not qualify for any other benefit is eligible for social assistance benefit.<sup>6</sup>

Despite the inestimable value of the many human rights treaties concluded after World War II, they are not enough to make human rights a reality.<sup>7</sup> Freedom of speech is not worth much if you are hungry or your life is in danger. Investing in economic development, good working conditions, healthcare and a sustainable environment is just as important. The Sustainable Development Goals (SDGs) set detailed goals on all these terrains. This advisory report on social protection focuses particularly on SDG 1 – Ending poverty in all its forms, SDG 2 – Ending hunger, achieving food security and promoting sustainable agriculture, SDG 3 – Ensuring healthy lives and promoting wellbeing for all, SDG 8 – Promoting economic growth and decent work. SDG 17 – Revitalising the global partnership to achieve these goals, is seen as a way to realise structured social protection.

## Social protection plays an important role in poverty reduction.

Social protection systems and social protection programmes play an important role in poverty reduction. Although poverty in Africa has decreased in relative terms (from 54% in 1990 to 41% in 2015), it has increased in absolute numbers. In 2000, 388 million people in Africa were living below the \$1.90/day threshold. By 2010, this figure had risen to 405 million people and by 2020 to 420 million (see Figure 1).

Indicator	2000	2010	2020
Total population (millions)	664	868	1,106
Population growth (annual %)	2,7	2,8	2,7
GNI per capita (Atlas method, current US\$)	550	1,434	1,536
GDP per capita growth (annual %)	0,8	2,6	0,4
Population living below US\$ 1,90a day (millions)	388	405	420

**Figure 1** - Africa: Regional snapshot<sup>8</sup>



Even before the coronavirus crisis hit Africa, the situation in many parts of the continent was unstable. Apart from COVID-19, climate change and conflict are major causes of increasing poverty levels. As a result of the COVID-19 pandemic, 40 million people in Africa are at risk of extreme poverty – wiping out five years of progress in reducing poverty.<sup>9</sup> This growing level of poverty has given unexpected impetus to social protection programmes.<sup>10</sup>

Worldwide, and especially in northwestern European welfare states such as the Netherlands, large-scale social protection programmes were set up as a result of the COVID-19 pandemic to help businesses, employees and the self-employed cope with the economic blows of the coronavirus crisis. African governments also developed large-scale social protection programmes in 2020. In sub-Saharan Africa, 155 social protection initiatives were launched in 43 countries.<sup>11</sup> Twenty-two countries in sub-Saharan Africa expanded the size and scope of existing programmes. Ethiopia, Guinea, Mozambique, Rwanda and Zambia proved to be the most ambitious in expanding their social protection programmes as a result of the coronavirus crisis.<sup>12</sup> Often governments sought partners (or vice versa) who could help them reach the right groups. Partners included traditional leaders and communities with pre-existing and well-functioning social safety nets such as churches and mosques, as well as NGOs and businesses (for example telecom companies for digital remittances).

#### **Novissi programme - Togo**

In 2020, the government of Togo in West Africa launched an impressive activity: the Novissi programme. The loss of informal work, among other things, threatened countless households with hunger and a fall into the poverty trap. The government used digital technology to swiftly identify and reach out to affected people. The first payments were transferred within a few months, thereby limiting to some extent the number of households falling into poverty.<sup>13</sup>

In many cases, donors aim to reach the very poorest. So too does the Netherlands. Social protection programmes, in particular cash transfers, are seen as a good way of reaching this target group relatively quickly and without many administrative procedures. It is certainly possible to help poor, fragile countries (where the need is great) to set up social protection programmes. However, the idea of reaching only the very poorest is unrealistic. Poverty is a dynamic phenomenon. Whether the poorest people are reached depends, among other things, on when measurements are taken and how groups are identified. For example, the very poorest are not always visible, and identifying the poorest people within communities can cause political and other unrest and instability. In addition, there must be a certain degree of public acceptance of the choice to give particular groups more help first. At local level, in addition to economic criteria, factors such as age are regularly considered when selecting potential recipients. In the interests of political acceptance, it is therefore sometimes necessary to broaden the target group. Recognising this will demand a willingness by donors to negotiate and allow scope for local interpretation. The World Bank recognises this and warns that as programmes scale up it will become increasingly important for donors to limit any tendency to impose their own preferences, for example by treating transparency and accountability as key conditions. Apart from humanitarian emergencies, donors should exercise some restraint in prioritising themes and target groups, especially when these are not agreed with local authorities and other donors.

It is positive that governments in some countries were quick to offer support during this crisis. However, in many cases this was in the form of short-term solutions, which were not fully fledged alternatives to structured social protection. Structured social protection programmes are still limited in both scope and number in Africa.<sup>14</sup> Informal systems that provide some degree of socioeconomic security include religious or ethnic networks as well as funeral funds, savings groups, cooperatives and workers' collectives. Although there is no reliable data on the degree and scope of protection that these informal systems provide, several observations can be made about them.

Despite the importance of informal and often traditional forms of social protection, their long-term support by donors is not necessarily advisable.

The majority of the African population (90%<sup>15</sup>) works in the informal sector. Due to constant migration from the countryside to the city, this number continues to grow. These people have no access to structured social protection systems. Particularly in fragile states with poorly functioning governments, donors prefer to work with NGOs rather than governments, especially where there are past or present corruption scandals or fraud involving government funds. However, the fact that to date donors, including the World Bank, still regularly make use of NGOs to implement such programmes even in stable countries is a cause of some dismay among African governments, as doing so circumvents or even undermines the significance and functioning of government systems.

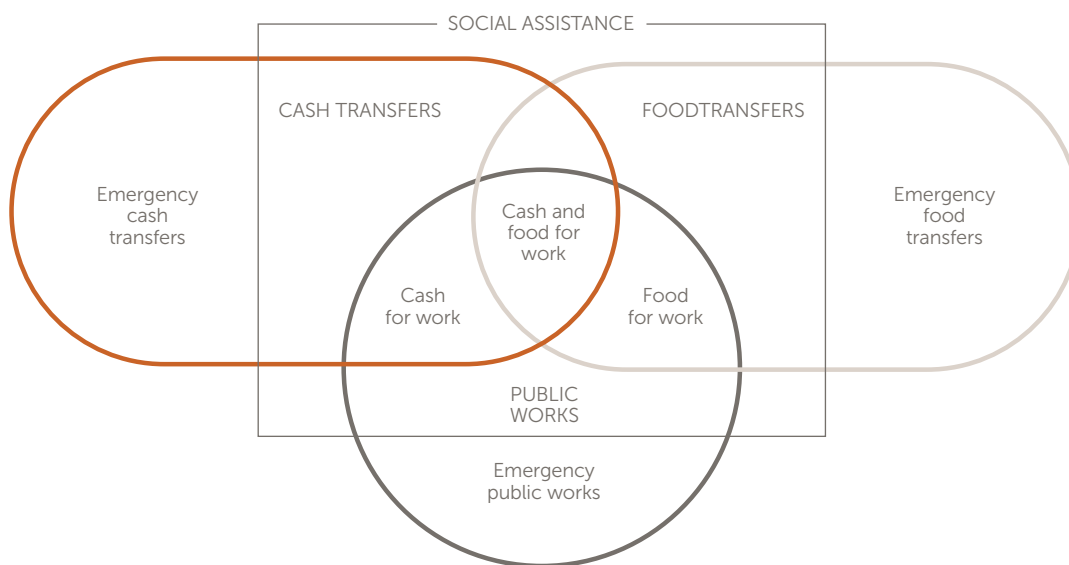
NGOs and supporting donors regularly argue that it is better to build on existing structures than to develop new ones. However, despite the obvious importance of informal and often traditional networks for socioeconomic security, long-term support of them by donors is not unequivocally advisable. One of the characteristics of existing informal systems is that they operate within a limited group with a homogeneous culture, often bound by time and place: familial, tribal or, for example, a closed faith community. Nowadays, such social and religious bonds have become weaker and looser. In addition, in Africa as elsewhere, the increase in mobility, both forced and voluntary, and the effects of major epidemics have torn holes in traditional systems. They have been partly replaced by other systems, such as remittances from successful emigrants. Furthermore, these informal systems are less natural partners for external donors, as they tend to discriminate in favour of certain groups. This is at odds with the idea of universal rights, all the more so because these informal networks tend to demand something in return, such as adherence to their faith or unpaid work. In addition, accountability may be difficult in informal systems. It may therefore be safely asserted that a structured system of universal, non-discriminatory social protection requires government intervention.

The main purpose of social protection is to meet minimum standards of well-being.

## ► 1.4 Structured social protection and definitions



The main aim of social protection is to meet minimum standards of wellbeing. Social protection falls roughly into two categories: social insurance schemes and social assistance. Social insurance schemes are relatively rare in Africa. They are generally aimed at working or retired people. Social assistance takes many forms, including both conditional and unconditional cash transfers, access to a stable income, education and healthcare, as well as ad hoc aid through, for example, cash for work or food for work programmes (see Figure 2). In this context there are specific programmes aimed at, for example, reducing inequality or providing access to healthcare or income security, particularly in cases of old age, unemployment, sickness, accidents, maternity or the death of the breadwinner.<sup>16</sup>



**Figure 2** - State-provisioned social assistance programmes<sup>17</sup>

Cash transfers are direct electronic or cash payments. To contribute effectively to poverty reduction, cash transfer programmes must have a broad reach and be long-term and predictable, particularly in terms of the level of payments. Programmes coordinated and funded by government have the greatest potential for durability.<sup>18</sup> The effect of cash transfers is greater in areas with a good physical and digital infrastructure than in areas with a weak infrastructure. Cash transfers are usually conditional, although the number of unconditional cash transfer programmes is increasing. In the case of unconditional cash transfers, the recipient does not have to meet any specific conditions. This approach does not identify an underlying cause of poverty that needs to be combated (such as unemployment) in advance, but assumes that the recipient is best placed to determine what they need.

With a view to budgetary accountability, conditional cash transfers are often the most risk-averse approach. Conditional cash transfers reach the target groups relatively quickly, avoid non-development-related spending and ensure that money is not captured by institutions. The idea behind a conditional cash transfer is that a donor and the recipient enter into a quasi-legal contract. The conditions often encourage behavioural changes such as undergoing a series of antenatal and postnatal health checks, children going to school, girls staying in school. The payment is conditional on this behaviour; how the recipient spends the money is often left up to them. The conditions are set on the assumption that only then can programmes be effective. However, they make programmes

more expensive and, in some cases, practically unfeasible. In terms of sustainability (transferability), it is important to make explicit the conditions under which programmes appear to be effective. Another disadvantage is that donors select the beneficiaries (target groups, countries and regions) to conform with their own policies, which do not always correspond with the priorities of the recipient country. The various donors may also impose different conditions that are not agreed either with each other or with the government. This can lead to a patchwork of facilities, with individual donors providing cash transfers for various purposes without coordination with each other or the local government.

Social insurance schemes are another form of social protection. They are generally aimed at working or retired people and are rare in Africa. They were introduced just before and after decolonisation and mostly benefited expatriates and local civil servants. Despite this, social insurance schemes, however minimal, are objectives that should not be neglected. The private sector regularly takes the lead in providing such insurance by improving social protection for workers and their families through health insurance, unemployment benefits and/or pensions.

# Structured social protection in Africa

## ▶ 2.1 Recent history

### **The first wave**

A number of social protection programmes set up during the colonial and post-colonial period are still in operation. These are considered 'the first wave' of social protection programmes. They are often based on the idea of the state as the engine of development. Colonial powers promoted state-building primarily through legislation and institution-building.

Countries in which such programmes were set up include Namibia, South Africa and Zimbabwe. South Africa has cash transfer programmes for vulnerable groups such as children, the disabled and older people. The first such programme was a pensions programme in South Africa, followed by Namibia, Botswana and Mauritius. Very few permanent programmes were set up in the decades following independence. The informal mechanisms that had provided social protection for centuries in Africa continued to operate but became weaker as societies modernised.

#### **Child Support Grant - South Africa**

In 1998 South Africa launched the largest social assistance programme in Africa – the Child Support Grant – aimed at combating racial inequality. The programme was financed by domestic taxes. International donors only became involved once the donor community started funding social protection pilot programmes in the 2000s.

### **The second wave**

In the 2000s social protection programmes were introduced in Ethiopia, Kenya and Rwanda. In these second wave programmes, donors tried to contribute not only financially but also with policy advice. These programmes introduced cash transfers to replace food aid. Their aim was to reduce food insecurity and empower people to make their own choices to improve their situation.

### **From humanitarian aid to structural assistance: the PNSP in Ethiopia**

The Productive Safety Net Programme (PNSP) was launched by the Ethiopian government in 2005. The programme provides unconditional cash transfers to households with hardly any food security, to pregnant women and to new mothers. The programme operates primarily in the Afar, Amhara, Oromiya, Somali, SNNP (Southern Nations, Nationalities and Peoples) and Tigray regions, due to the chronic food shortages experienced there.

The PNSP is the second largest programme in Africa and is supported by external donors including Canada, Denmark, Ireland, the Netherlands, Sweden, the United Kingdom, the EU, the UN and the World Bank. In 2019, 2.5 million people received a monthly payment of approximately \$30. This amount is equivalent to 15kg of cereals and 4kg of pulses. Payments are transferred electronically, in cash or as food vouchers.

The value of a national social protection programme like the PNSP was once again demonstrated during the COVID-19 crisis. Because the system had developed a thorough overview of socioeconomic and demographic data, the authorities were able to respond quickly to both new and former target groups that were suddenly faced with a loss of income. Research by the World Bank carried out in 2020 showed that those who were registered with the PNSP suffered less hunger and food insecurity than those who were not.<sup>19</sup> Such a system can therefore also be valuable in post-crisis reconstruction.

### **The third wave**

The Intergovernmental Conference on Social Protection held in Livingstone in 2006, which focused on poverty reduction and human rights for the poorest, set the tone for the third wave. At this conference, leaders of 13 African countries were shown the results of poverty reduction in Latin American and Asian countries (see box on the *Bolsa Família* programme). It led to South-South collaboration that created a new momentum for social protection programmes in Africa. As a result, governments in North, Southern and East Africa started to develop social protection programmes for older people and vulnerable groups. A follow-up conference took place in Windhoek in November 2008 to elaborate these programmes.

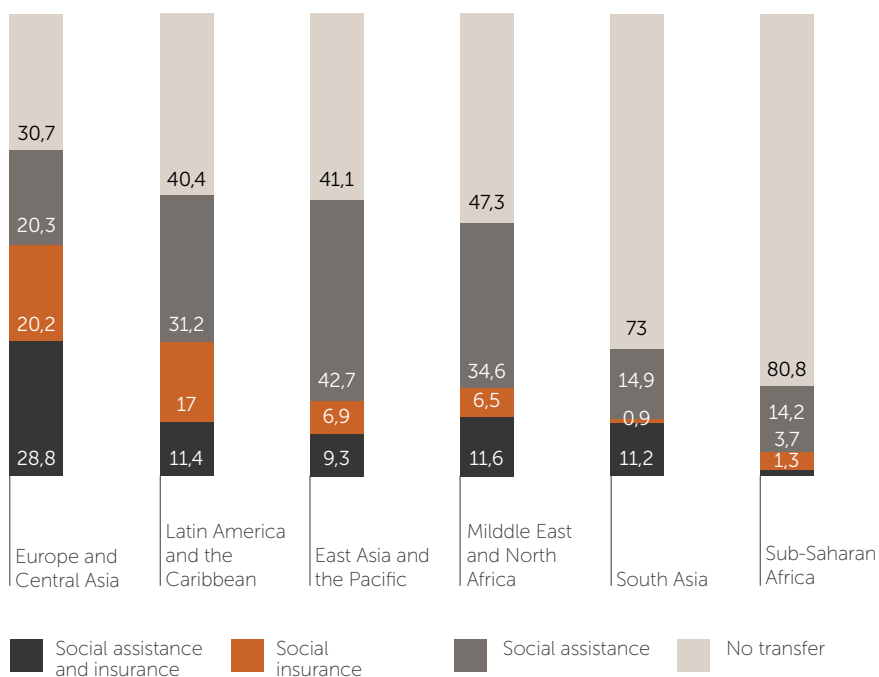
### ***Bolsa Família* programme - Brazil**

Nineteen Latin American countries had social protection programmes in 2013. Brazil's *Bolsa Família* programme was one of the first nationwide programmes and is considered one of the most successful in the field of poverty reduction. Established in 2003, this is a social protection programme set up by the Brazilian federal government within the framework of its Zero Hunger policy. A *Bolsa Família* grant is allocated to the poorest families on condition that children comply with compulsory education and participate in the national vaccination programme. Around 13 million families have taken part in the programme so far. That is more than 50 million Brazilians, a large proportion of Brazil's total population of 211 million.

## ► 2.2 Reach

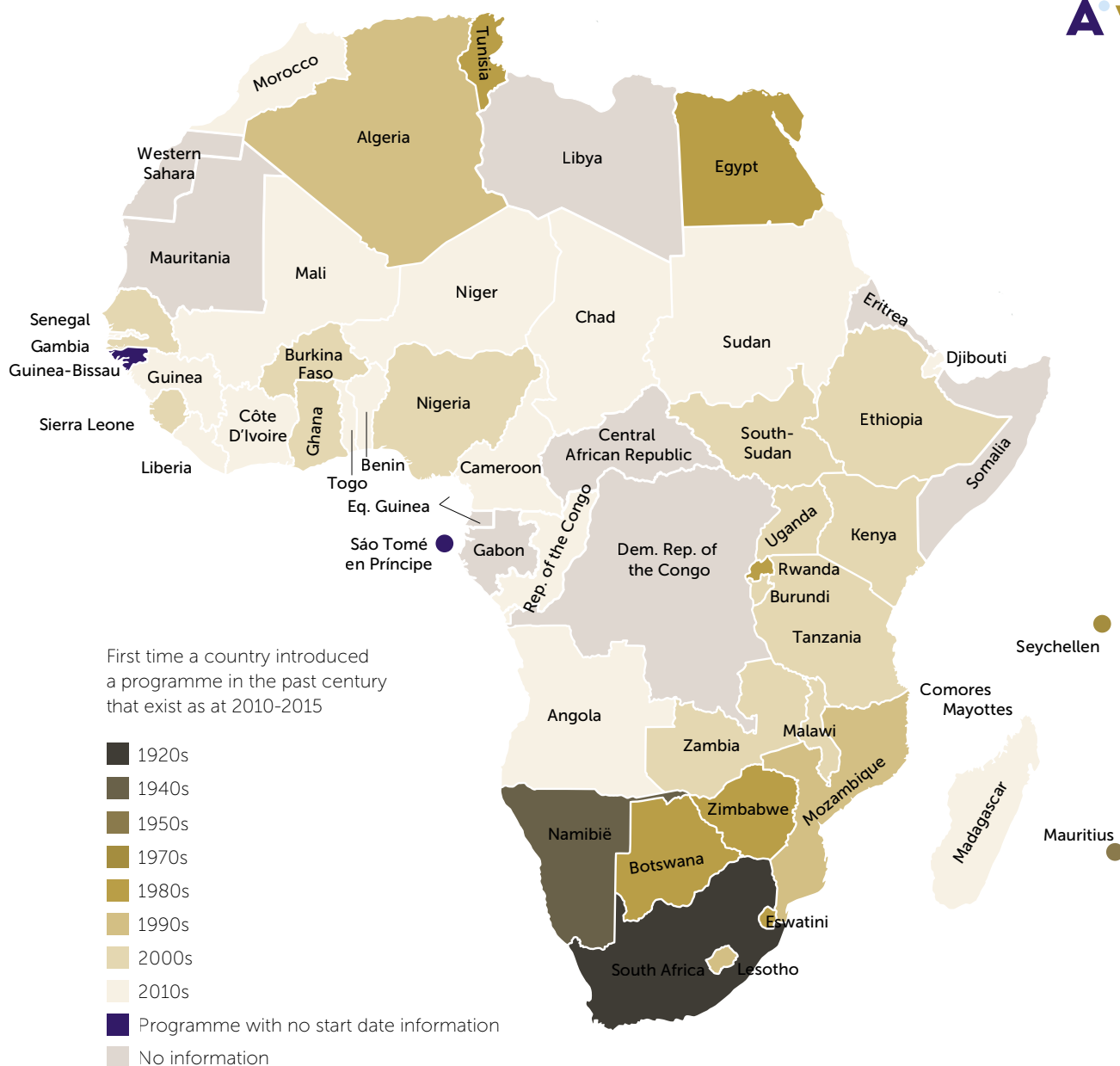


The reach of structural social protection programmes in sub-Saharan Africa is still rather limited. Only 19.2% of the sub-Saharan African population participates in an official social protection programme.<sup>20</sup> A small percentage is covered by insurance, while the rest receives some form of social assistance. This is very low when compared to other continents (see Figure 3).



**Figure 3** - Coverage of social protection by region<sup>21</sup>

The differences within Africa are also large. While programmes were established in some countries a century ago, other countries, especially in Central Africa, have no programmes at all. This is partly due to the low level of development of the countries in this region. The poorest countries have the smallest budgets and also spend relatively large amounts on defence for example. Although the ‘right to social protection’, especially in the French-speaking regions of West and Central Africa, is a standard feature of their constitutions, these countries have relatively few social protection programmes, except in the area of health insurance (*mutuelles*).<sup>22</sup> In North Africa, about half of the population receives social protection (see Figure 4).



**Figure 4** - Introduction of currently operational social assistance programmes in Africa, by decade and country<sup>23</sup>



Based on the conviction that any form of social protection depends on national commitment and cannot succeed without local coordination, this report focuses on national government as the coordinating actor. Ultimately, a structured system of social protection cannot function without government playing a role (see 1.3). This does not mean that everything has to go through the state, but projects should fit within a national framework. State donors, multilateral organisations, NGOs and the private sector also play a role in developing and implementing social protection programmes.

## A structured system of social protection cannot function without government playing a role.

### Multilateral institutions

Multilateral institutions such as the World Bank and the UN have a proven track record in social protection. The World Bank is the largest donor of development finance. Alongside funding, the World Bank offers technical assistance to facilitate more efficient identification and targeting of recipients, administers funds, monitors government compliance with conditions, and provides analytical and database-building support. The World Bank coordinates multi-donor trust funds, for example in fragile states such as Sudan, whose Dutch-supported Family Support Programme forms part of the response to the coronavirus crisis. In Africa, the World Bank joined forces with the UK Department for International Development (DfID), which had long been calling on African governments to provide better social protection. The World Bank usually works through governments, but regularly has its programmes implemented by NGOs. Both the UN and the World Bank work in fragile regions such as the Sahel.

#### **World Bank – *Sahel Adaptive Social Protection Program (SASPP)***

This multi-donor trust fund works with governments in Burkina Faso, Chad, Mali, Mauritania, Niger and Senegal to develop and implement social protection programmes. Most of the funds are provided to governments to finance innovative pilot programmes, partly because there are not yet many sustainable programmes in these regions. The World Bank finances this fund along with France, Germany and the UK (via AFD, BMZ and DfID respectively). The programme was established in 2014 and aims to increase the resilience of people in this poor region to the effects of climate change through social protection programmes. Two million people have already received support through this programme.

The UN, and in particular UNICEF, focuses on institutionalising systems within governments. UNICEF helps poor, vulnerable households create a healthy and stimulating environment for children and overcome financial barriers to enable children to access education and healthcare. In addition to its policy expertise, UNICEF also has experience in setting up, coordinating and operationalising programmes.

## NGOs

From the mid-1990s, NGOs increased their level of collaboration with local governments as a result of the growing importance attached to local ownership. In the sphere of social protection, this was usually with ministries of social affairs and community development. Unfortunately, these tend not to be the strongest or most developed ministries and often lacked the essential relationship with finance ministries. Local governments also proved at times to be slow or corrupt and to impose their own conditions on beneficiaries.<sup>24</sup> This is why donors often work through NGOs rather than directly with government. NGOs are often better placed to reach the poorest people and/or vulnerable groups in slums, rural areas and remote provinces. Moreover, NGOs regularly include minorities who are sometimes deliberately excluded from programmes by governments. An additional advantage for donors is that NGOs can often develop a programme more quickly, achieve positive results and set up programmes in accordance with the conditions set by the donor.

So, even when coordination appeared to be formally in government hands, the actual content was often still determined by donors, who rarely coordinated their activities with each other. This created a mosaic of various NGOs which, supported by a wide variety of donors, often duplicated work with the same target group and collectively ignored other groups (the donor orphans). This also led to fragmentation in cash transfer provision. Moreover, such quick-fix programmes are often only short term<sup>25</sup> and prove difficult to transfer to government control, for example because of the amount of the cash transfers (as in Uganda, see box). Another major drawback is that the decision to work with NGOs may undermine existing government systems and the relationship of trust between government and the public.<sup>26</sup>

This does not mean that working through NGOs should be ruled out. NGOs are a particularly useful alternative for reaching the very poorest people, those living in rural areas and minorities which the government does not reach. One of the conditions must be that the NGOs are willing to cooperate with government and that their activities are in line with national or local government policies.

### Uganda and the US NGO GiveDirectly

In September 2020 the Ugandan government's National Bureau for NGOs informed the US NGO GiveDirectly, which had been active in the country since 2013, that it had to suspend its cash transfer programmes, despite everything being in place for rollout. This affected 48,000 beneficiaries, 22,000 of whom had already received their first payment. The National Bureau claimed to have evidence that cash transfers encourage laziness and idleness and that they exacerbate domestic violence, dependency and tensions with neighbouring communities. There were also doubts about the source of GiveDirectly's funds, despite other officials having received that information, according to USAID and DfID.

## Private sector

Like state donors and NGOs, businesses can play a valuable role in assisting governments to develop a structured system of social protection. There is a growing awareness in the business community that they not only have a social responsibility but that focusing on social entrepreneurship can also create commercial opportunities. A change has taken place in the private sector over the years: from denial and neglect, via offsetting, to social entrepreneurship as an integral part of business operations. This development is reflected in the IRBC agreements that have been drawn up in collaboration with civil society organisations, trade unions and government in a number of sectors such as clothing and textiles, gold and finance. The aim of these agreements is to prevent abuses. This development is also perceptible in the 2030 Agenda drawn up by the Confederation of Netherlands Industry and Employers (NVO-NCW) and MKB-Nederland (small and medium-sized enterprises, SMEs) (see box). In this agenda, companies commit to taking responsibility for the external effects of their actions.

#### VNO-NCW – 2030 Agenda <sup>27</sup>

The members of VNO-NCW endorse the ten principles of the UN Global Compact supporting the realisation of the SDGs. VNO-NCW drew up a 2030 Agenda in which entrepreneurs and companies commit to taking responsibility for the external effects of their actions and to being transparent about their actions and omissions. In keeping with this commitment, VNO-NCW is working with frontrunners on:

- Developing standardised, highly practical systems to help enterprises identify and report on the negative external effects of their actions.
- A Tax Governance Code to ensure transparency about the tax position of corporate businesses.
- Due diligence in international value chains in accordance with OECD guidelines ('do no harm').
- Incorporating the philosophy of this new approach and the points made above in the Dutch Corporate Governance Code for listed companies.

Businesses operating in Africa or doing business with African companies should, in line with SDG 17, increasingly move beyond the 'do no harm' principle and adopt the 'do good' principle as their point of departure. In this advisory report, 'do good' should also be taken to mean that companies investing in African countries introduce or improve social protection for their employees by including, for example, unemployment insurance and health insurance for them and their families in their conditions of employment. This is not only a social responsibility, but also creates commercial opportunities by focusing on social entrepreneurship. The need for social protection will diminish as the business sector improves employment opportunities, all the more so when SDG 8 (decent work) is implemented.<sup>28</sup> In addition to adhering to general principles of 'do good', specialised companies can also provide support in setting up transparent, reliable payment and fintech systems, dealing responsibly with data, particularly big data,<sup>29</sup> and developing innovative sustainable business models. In this area commercial and development banks are also making demands on the revenue model: firstly, corporate responsibility is a way of complying with set international standards and, secondly, it allows companies to meet the growing demand among consumers for the responsible use of raw materials, production methods and waste management.

Companies should move beyond the 'do no harm' principle and adopt the 'do good' principle as their point of departure.

Globally, however, this development is not yet mainstream within the business community. As with donor intervention and working through NGOs, there are a number of issues to consider when it comes to private sector intervention. One of these is the risk of offsetting, which arises when companies feel the need or necessity to 'give something back' to society. This involves companies using a percentage of their profit or turnover (sometimes through corporate foundations) for social goals but also as a marketing tool, sometimes linked to commercial marketing campaigns. Furthermore, isolating a company's sustainability policy in philanthropy and foundations can cause a continuity risk when a change in leadership leads to new priorities.

The trend within companies does seem to be to integrate sustainability and long-term thinking into their overall business model. The serious ambitions which large international companies in particular have in this area influence the entire value chain. Locally, businesses often can and should play a role in the public arena by filling the large gaps left by some African governments and providing for their employees and the surrounding community. Examples include education and healthcare, and companies sometimes provide insurance and pensions as well. The private sector is increasingly involved in the practical implementation of social protection programmes, sometimes in close cooperation with government. Legislation in Rwanda, for example, requires social protection such as collective health insurance to be available in the informal sector and paid for through tax and salary structures.<sup>30</sup> In Ghana, a 2.5% levy has been added to VAT to pay for a national health insurance scheme. Locally, too, companies are increasingly sustainable and are conscious of their social impact (see box).

The Dutch government can help to strengthen this trend, for example by making grants and other forms of support conditional on a reporting obligation and by combating tax avoidance through stricter legislation.

#### **Babban Gona - Nigeria**

Babban Gona is a social enterprise that was initially established to make farming attractive to young people and thus keep them from joining extremist groups. Examples of how the company offers small farmers in rural areas prospects of a way out of structural poverty are its franchise system, which is used by thousands of small maize farmers in northern Nigeria, and its delivery of training and technology. Participants have seen their income increase to up to three times the national average. The organisation is partly owned by the farmers themselves.

# Effectiveness

The effectiveness of social protection programmes depends on funding, on how easily programmes can be scaled up and on how efficiently they are implemented. Unintended consequences may also have an impact on effectiveness.

## ► 3.1 Funding

UNDP has estimated that it would cost \$199 billion per month to provide a time-related, guaranteed basic income to the 2.7 billion people living below or just above the poverty line in 132 developing countries. UNDP's aim is for every country to have a social protection budget of approximately 2% of GNP.<sup>31</sup> However, this is not feasible in most African countries without additional external or internal funding. The economic recession caused by the coronavirus crisis has probably made this even more difficult to achieve.

There is a gap between the need for social protection and the ability of governments to meet it. The gap is widening as a result of the declining significance of traditional systems, while governments do not yet have sufficient financial capacity to take over this protection. This lack of financial capacity is in part due to limited domestic tax revenues. The domestic tax revenues of several African countries are less than 13% of GNP.<sup>32</sup> Such a budget is often insufficient to even maintain only basic government functions, let alone to cover national social protection programmes.

A second cause is the growing debt burden, which in some places is already out of control, and which in Zambia, for example, led to de facto bankruptcy in November 2020. Several countries are at great risk because of these debts. Thirdly, African governments are missing out on huge amounts of revenue as a result of tax treaties with countries such as the Netherlands. In the case of Uganda, for example, a Chinese oil company registered in the Netherlands benefits from the Dutch-Ugandan agreement so as to pay virtually no tax. Fourthly, there are practices of illicit finance (a form of illegal capital flight) and transfer mispricing (trading at price levels intended to manipulate the market or evade tax).<sup>33</sup>

## Setting up an adequate social protection system requires considerable initial investment.

Considerable initial investment (frontloading) is required to set up an adequate system that is efficient and ensures that results are measured and expenditures are accounted for.<sup>34</sup> The fear that developing country governments cannot cover the costs of social protection programmes is therefore logical. Furthermore, many of the existing programmes are not yet financially sustainable so the running costs of, for example, cash transfers are paid for with donor funds. It often takes years of preparation before a government reaches a turning point and can institutionalise and ultimately finance cash transfers.

Governments in a number of more developed African countries such as Ethiopia, Ghana, Kenya, Namibia, Senegal, South Africa and Zambia, are managing social protection programmes. These were often set up with the help of donors (providing technical, financial and institutional advice), but are now financed from the government budget. A fixed budget line has been created for this purpose. These government-led systems often show a similar pattern:

1. set up after a crisis as part of social recovery/political stability efforts
2. began with pensions or with a politically important group or region
3. focus on affordability (low cost of cash transfers)
4. in the form of unconditional cash transfers
5. gradual expansion by region and/or target group

The fact that several programmes are already running independently shows that social protection programmes can potentially function without external donors.<sup>35</sup>

#### **The Child Support Grant – South Africa**

The Child Support Grant (CSG) is the largest social assistance programme in Africa. It was established in 1998 and is aimed at the neediest children. This contrasts with many other programmes in Africa which focus on entire communities or regions. The programme has often been extended and adapted. The age limit was initially seven and has been raised to 18. The risk of child labour has been reduced for this group, and the programme has brought about an improvement in school results as well as in health and wellbeing. This is very important in communities with a high HIV prevalence. In 2019 12.5 million children benefited from this programme. Monthly payments of approximately \$60 are distributed via electronic transfer or cash payments.

### ► 3.2 Scaling up

The rapid response to COVID-19 shows that it is possible to scale up through both horizontal and vertical expansion. Horizontal expansion refers to reaching people who previously did not participate in social protection programmes. Vertical expansion refers to the depth of a programme and can include, for example, an increase in the amount transferred or an additional programme component.<sup>36</sup> Extra attention needs to be paid to how social protection is organised (the delivery system) when scaling up such systems. This includes registration, the selection of beneficiaries, a functioning payment system, monitoring, evaluation and a complaints system that follows up on inclusion and exclusion errors in the selection of recipients. If payment systems work well (through fintech and mobile phones), it is more likely that donor funds will actually reach their intended destination and contribute to poverty reduction. A system can be set up in such a way that it promotes transparency and includes sufficient additional controls to make the misuse of funds more difficult. A built-in complaints mechanism geared to the way complaints are voiced locally can also improve a system. Technological and fintech innovations can help governments with this. It is important here to take into account the digital divide between those who have access to the internet and the corresponding hardware and those who do not.<sup>37</sup>

African countries can learn from each other and from experiences elsewhere. However, government programmes in particular are not easily copied. For example, the state has more legitimacy in some regions, and it is more expected in some places than in others that people will be taken care of. One lesson that can be learned from other regions is that even very poor countries can establish a sustainable social protection programme. Nepal was a prime example some 10 years ago. Poor

and fragile countries that are not overly unstable can set up a simple system that is not excessively complicated, is relatively cheap and not overly bureaucratic. Such a system can then leapfrog directly to mobile payments and to making use of low-tech mechanisms for registration, selection and the collection of socioeconomic data, rather than first setting up a laborious, bureaucratic paper-based administration system.

### ► 3.3 Efficiency

Social protection has proven to be not only a tool for poverty reduction, but also a means of addressing economic, social and political exclusion. Research has shown that cash transfers generally have a positive effect on access to food, education, healthcare, employment and the position of women, and lead to more productive investments.<sup>38</sup> Cash transfers have also been shown to not only contribute to the support and even survival of individuals but also have a multiplier effect on the whole economy. This effect seems to be stronger in developing countries than in more developed ones.<sup>39</sup>

Cash transfers have a positive effect on access to food, education, healthcare, the position of women and the investment climate.

Most of the money appears to be used for food. For the most vulnerable groups in Africa, food is in any case their biggest expense. The fear that money will be spent directly on less useful expenditures has proven to be unfounded.<sup>40</sup> Cash transfers are used in the first instance for food, closely followed by education and healthcare. Better access to healthcare does not, however, necessarily lead to better health. If the quality of care is so low that, for example, maternal mortality remains high, its positive effect is limited.<sup>41</sup>

One of the advantages of social protection over humanitarian aid is that people, especially women, can choose to educate their children and improve their health. Because such social protection programmes are of a less incidental and temporary nature, people appear to be willing to invest in the future of their families. Another positive effect of cash transfers is the reduction in child labour. Digital access is crucial if cash transfers are to reach women, as direct transfers to their individual account give them more control. However, three quarters of Africans, mostly women, do not yet have an online presence.<sup>42</sup> Cash for work programmes are less appropriate for women because of their responsibilities in and around the home. They are more suited to young people who have a lot of time and few responsibilities but need a stepping stone onto the labour market.

Research by Research for Inclusive Development in Sub-Saharan Africa (RIDSSA)<sup>43</sup> shows that social protection can indeed be cost-effective for governments. Whether it is, depends mainly on other factors such as the quality of and integration with other social policies. Better coordination can significantly reduce costs, but this requires commitment (see box for an example). In short, the effectiveness of cash transfers can be improved by also investing in other social policies and by integrating interventions.<sup>44</sup>

### Coordinating social policy: *Livelihood Empowerment Against Poverty* - Ghana

Ghana has two programmes that provide healthcare assistance to the poorest people but which are not well aligned with one another: the Livelihood Empowerment Against Poverty (LEAP) programme and the National Health Insurance Scheme (NHIS). Preceded by a World Bank-supported pilot project, LEAP was established in 2007 by the Ghanaian government within the framework of the Millennium Development Goals (MDGs). It provides cash transfers to extremely poor households. The programme was quickly expanded to include households with pregnant women and mothers with babies. The programme now also includes the disabled, orphans and older people. A unique feature of the programme is the involvement of Community LEAP Implementation Committees through which citizens actively participate in programme decision-making rather than simply being passive beneficiaries. In 2018, 213,000 people benefited from the programme. Households received a monthly payment of between \$12-20, which was transferred electronically via a smartphone or bank account that had to be opened for that purpose. LEAP is primarily financed by VAT revenues on goods and services in Ghana. A step forward in LEAP's alignment with NHIS is that, in addition to a cash transfer, LEAP offers free registration and very basic coverage with the NHIS, just as in Ethiopia and Rwanda. This means that LEAP participants who want to insure themselves against medical expenses do not have to immediately use up the transfer to pay the premium.

## ► 3.4 Unintended effects

Alongside the documented positive effects of various social protection programmes, there may also be unintended negative side effects. Research has shown that concerns about the perverse incentives and undesirable effects of these programmes need to be taken into account in some regions.

Several impact studies have shown that current and prospective recipients of social protection adapt their behaviour in order to qualify or continue to qualify for support.<sup>45</sup> For example, the introduction of a safe motherhood scheme in India resulted in an increase in the birth rate, particularly in areas that were already known to have a high number of children per household.<sup>46</sup> A study on the effects of the Brazilian *Bolsa Alimentação* showed that children from households that received support from the programme gained less weight than other children. Mothers were afraid that they would no longer receive support from the programme if their children's development was too positive.<sup>47</sup> A number of studies have also identified some negative economic impacts as a result of cash transfer programmes in specific regions. For example, food prices in poor and remote areas of the Philippines rose in areas where programmes were introduced. The result was a cash transfer programme which led to increased stunted growth in children from beneficiary families.<sup>48</sup>

While many cash transfer programmes make a conscious decision to pay out to women, research has in fact shown that this can worsen their position. For example, in addition to an increase in children's school attendance, as in the case of *Progresá* in Mexico, a number of studies have shown that the programme<sup>49</sup> may reinforce traditional gender roles or lead to increased partner violence. Women may also have to spend a lot of time meeting the conditions of the programme. This can often be difficult in remote areas due, for example, to complex administrative processes, limited postal services or illiteracy.<sup>50</sup> In addition, women are often excluded from the negotiations on terms and conditions and therefore lack control over them. Unconditional cash transfers avoid these problems.



Although negative effects are not clearly identified across different programmes and situations, it is important to remain vigilant to potential unintended negative effects in the design and introduction of social protection programmes. Due consideration must also be paid to the risk of fraud and the possibility of corrupt officials. A good analysis of the context and the locally prevailing socioeconomic dynamics is essential for this purpose.



# Five key elements

The AIV has formulated five key elements for its assessment of whether or not it is advisable for the Netherlands to become involved in or donate to social protection programmes in Africa. These are: trust; political will and stability; policy and legislation; institutions and organisations; and structural funding. These elements are part of the good governance agenda and focus on the recipient government's administrative capacity. A government is said to have administrative capacity if it is rooted in a functioning state governed by the rule of law, demonstrates adequate socioeconomic performance and enjoys broad public support.<sup>51</sup> The five core elements provide a strong basis for addressing both the socioeconomic and political causes of inadequate social protection in Africa.

1. Trust
2. Political will and stability
3. Policy and legislation
4. Institutions and organisations
5. Structural funding

Policy proposals based on these key elements should take into account the heterogeneity and variety of trends in social protection in African societies. As a strategic approach, policy development can also focus on building on and scaling up successful experiences in different contexts, without assuming that a particular programme can be mechanically copied. It is important here to look not only at national governments but also at regional and especially local governments where specific actions by provincial and local governments and by non-governmental and civil society actors address social protection in ways that have a direct impact on communities. Certain tools will be more effective than others, depending on the context and how developed individual social protection programmes are. The main message here is to analyse potential problems well in advance as social protection systems are prone, for example, to fraud and corruption.

## ► 4.1 Trust

The basic precondition for the establishment of structured social protection is the existence of a social contract between government and the public, that is, a relationship of trust between the public and the state and the conviction that the state is there for all.<sup>52</sup> By using the term 'social contract', the AIV does not mean to imply that Western Enlightenment thought should or could be exported to Africa through social protection systems. However, in the AIV's opinion, strengthening social protection can lead to a more robust social contract and thus to greater trust between the people and the state. Trust is not constant but changeable: it can grow and shrink and is not evenly distributed across the population. In addition, not all governments in Africa are able or willing to protect the population, and corruption involving public funds is commonplace.

In many African countries the social contract is rather weak, with little trust between government and the public. Both ordinary people and leaders in African countries tend to view the state as a 'foreign' institution that had to be appropriated, disconnected from the development of the nation.<sup>53</sup> The refugee situation in Africa also plays a decisive role in the relationship between individuals and the state. In 2018 there were 24 million refugees in Africa, 35% of the total number of displaced people worldwide.<sup>54</sup> In 2019, 19.2 million people in sub-Saharan Africa were classified as internally displaced persons (IDPs) due to conflict and violence and another two million due to disasters.<sup>55</sup> Because of their legal status, these people often do not fall under the protection of any government. The plight of protracted refugees calls for a new approach, both for the refugees themselves and for the host communities. This is receiving increasing, though as yet insufficient, attention from the African Union and multilateral organisations. It forms a major obstacle to giving substance to the social contract. It is therefore not surprising that in large parts of Africa the population has little confidence that the state is there for them.<sup>56</sup>

A precondition for a functioning social contract is that the state is seen as a legitimate instrument of collective action. Both the public and the political authority have to abide by the contract, respectively by obeying and by protecting. There is a correlation between a lack of trust in government and the associated unwillingness to contribute to social insurance and taxes.<sup>57</sup> Conversely, it is also true that a lack of government-provided social security can be at the root of a low level of trust in government. The exact interpretation of this tacit contract depends on place, time and context. If government is unable, or unwilling, to protect its population, this creates tensions in the relationship between that government and its people. Government sometimes excludes minority groups from participating. These groups are more likely to have less trust in government. Government social protection programmes, possibly with donor support, can help strengthen the relationship between government and people, provided this support is sustainable, accountable and inclusive, and falls under democratic control.

In general, the starting point for donors should be respect for the presence or development of a sustainable relationship of trust between government and people. It is important to note here that external donors have only a limited influence on the level of trust between public and government. They should take this into account when determining whether or not to intervene. An external donor can, however, contribute to the legitimacy of and trust in government at the appropriate regional, national or local level. An awareness of the state of the relationship between people and governments and the effect of donor interventions on that relationship is essential.

## ► 4.2 Political will and stability

Countries implementing social protection programmes need to have a certain level of political will and stability if they are to succeed. This is by no means the case everywhere in Africa, and in places where it is, the government does not necessarily use the working methods preferred by donors. A country may, for example, have an effective socioeconomic policy but no respect for the rule of law. This can sometimes lead to problems. Despite this, working through governments to develop and maintain social protection systems is the most sustainable method. The best way to promote government accountability and control is to subject social protection programmes to the democratic process so that citizens can exercise their supervisory role through parliament.<sup>58</sup>

A structured system of social protection should not allow governments to exclude any social group. Excluding groups can fuel further instability, whereas inclusive social protection can help reduce instability. Nevertheless, social protection can also be a source of conflict if one group is seen to have a greater claim to social protection than others. Careful communication and sound social protection policies are therefore particularly important.

Success depends on a government that understands the importance of the social protection programme and is actively engaged in it. This should be an important point of reference for the Dutch government when considering whether or not to become involved. If there is a lack of political stability and/or political will to set up a structured system of social protection, it is wise to first invest in a policy dialogue with an interested partner at the appropriate level rather than move directly to putting together social protection programmes. This requires a thorough knowledge of the political situation, preferably through local diplomatic and technical presence, and political impartiality.

#### ► 4.3 Policy and legislation

There are enormous differences in the way social protection programmes in Africa are established in law and how they are implemented. In recent years, governments have introduced various small programmes, often pilot schemes, to new regions and new target groups. These are often embedded in legislation. Informal social protection based on principles of redistribution, reciprocity and social solidarity has existed in Africa for centuries; state policies, however, are relatively new. In 2017, 29 African countries (just over half) had such a strategy.

The ILO's Social Protection Floor (SPF) is an example of one such state policy. An SPF aspires to universal social protection coverage. The ILO stipulates that member states must guarantee income security for all children, working people and older people, as well as access to all essential healthcare services. It is one of the agreements made at the annual International Labour Conference. Governments are often reluctant to commit to this unless it can be implemented gradually. It took Ghana 10 years and Rwanda 15 years, and now Côte d'Ivoire has also incorporated the SPF into its legislation. Within the framework of the SDGs, an international civil society and trade union lobby is pressing to establish a Global Fund for Social Protection as a way of giving more substance to the concept of SPF. The aim of this fund would be to contribute to the realisation of a minimum level of social protection across countries. Policies and legislation can also focus on social security to encourage or oblige companies to improve social protection for their employees.

In countries where policies and legislation still need to be developed, support can be provided through technical assistance and policy dialogue. They should not be based on a Western-inspired blueprint, but context-specific on the basis of political and economic analyses and the availability of personal registration and taxation systems, and taking into account the development status and potential of each country. It is important that genuinely interested donors work together under the coordination of the country concerned.

## ► 4.4 Institutions and organisations



Institutions (and thus institutionalisation) are crucial for the effective implementation and scaling up of government-run social protection programmes. Each context demands its own approach. Therefore, apart from some form of population registration and a benefits agency, it is not possible to determine in advance which key institutions are necessary. How this is fleshed out will vary in different cases. In general terms, a ministry or agency should be responsible for sound implementation, rules should be transparent and there should be an accountability system to ensure that the benefits reach the right people. It is also vital to set up or repair the often-inadequate digital infrastructure. Such institutionalisation measures show people that they can count on government.

Key elements three and four (policy and legislation, institutions and organisations) in particular are closely related. Institutionalisation involves a coherent package of social services, including the provision of food, high quality schools and healthcare, within which cash transfers can be effective. This requires proper government coordination. Coordination within government and institutionalisation form the greatest challenges to the effectiveness and sustainability of cash transfers.

The actual implementation of a social protection system will usually be carried out by authorities and/or institutions operating at local level. This requires patience, flexibility, adaptability and, above all, long-term commitment. At this stage, donors need to receive enough information to enable them to make detailed assessments of the amount and duration of support that would make their involvement worthwhile over the longer term.

South Africa, with its long history of institutions, and Rwanda, where institutions have a far-reaching role with deeply felt impacts on society, have a wealth of experience in this area, though it may not be possible to reproduce their process of institutionalisation in other societies. In short, many context-specific steps still need to be taken towards more competent and accountable institutions in order to achieve the effective institutionalisation of social protection in Africa.

## ► 4.5 Structural funding

Social protection programmes without external funding are currently not possible in most African countries (see 3.1). First and foremost, sustainable financing requires adequate government revenue at national level: that is, tax. Taxation is the main and most sustainable source of financing for development. Yet at the same time the IMF and other organisations have concluded that the international taxation system is still not operating effectively.<sup>59</sup> Donors could substantially contribute to structural funding by helping to end tax avoidance, tax evasion and illicit financial flows.

Low-income countries are particularly vulnerable to multinationals which register their sales and profits in a way that minimises their tax payments, thus making it difficult for developing countries to collect taxes.<sup>60</sup> Moreover, these countries often have limited capacity to deal with this. As a result, developing countries lose more revenue through tax avoidance than they receive annually in foreign aid. This practice is facilitated by so-called tax havens where businesses can open letterbox companies and pay very little tax in the country in which they actually operate. The Netherlands ranks third in a list of the world's 15 largest tax havens.<sup>61</sup> Because of countries like the Netherlands, African countries lose \$50 billion in taxes every year.<sup>62</sup> The IMF's International Tax Conference in April 2021 again discussed designing a new international tax system, focusing in particular on introducing a global minimum tax rate and on taxing companies in the countries where they sell their services rather than in the country where they are headquartered, as proposed by US President Biden among others.<sup>63</sup> In

response to this, and as a result of ongoing discussions, the EU has also taken steps in this area. On Tuesday 1 June, the European Parliament and the Council of the European Union reached agreement on a law to make the tax records of large international companies more transparent. The new law requires all companies with a turnover over €750 million which operate in more than one country to publish tax statements for each member state in which they operate.<sup>65</sup> This law is less binding than the original proposal from 2016, which was continually blocked by a group of member states. According to some observers, the new law still leaves room for companies to transfer profits to countries that are not subject to transparency requirements.<sup>65</sup> On 5 June in London the G7 countries also reached agreement on a global tax for multinationals. The official text of the agreement states that the G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) will work towards a global minimum tax rate of 15%. Agreements have also been reached on an equitable division of taxation among the countries where a company does business.

Secondly, donors could cancel debts owed to them. The large debts faced by poor countries can have a huge impact on any room in government budgets for social protection. Negotiations are also under way to convince the G20 and the Paris Club that structural debt cancellation should be preferred to individual agreements with countries.<sup>66</sup> The G20 decided on a final extension of the Debt Service Suspension Initiative (DSSI). With the temporary suspension of debt services in selected countries, the DSSI aims to free up resources for healthcare and socioeconomic support. At the spring 2021 meeting of the World Bank and IMF, participants further emphasised the importance of implementing the Common Framework for Debt Treatments beyond the DSSI. The Netherlands called for a structural analysis of the debt issue to ensure a coherent approach to debt and climate concerns and to develop innovative options that link debt relief to incentives for a green and inclusive recovery from the COVID-19 crisis.

The Netherlands can continue to draw attention to these two issues (tax reform and debt cancellation) within the EU. It is also important to consider how the released funds can actually benefit the poorest people rather than ending up in the hands of corrupt, destructive forces that exacerbate the problems in developing countries. Greater transparency of money flows and stricter regulations are important to achieve this.

# Conclusion

This concluding chapter answers the questions posed in the request for advice. It starts with the secondary questions, and then moves on to the primary question, with particular reference to the advisability of Dutch involvement.

## ► 5.1 Answers to secondary questions

*What is the current state of affairs with social protection in Africa? What systems and facilities for specific purposes currently exist and how are they financed? To what extent can these initiatives be scaled up?*

Although the number and scope of social protection programmes is growing, Africa still lags far behind other continents. Only a quarter of the African population is covered by a structured social protection programme; the rest rely for protection on informal initiatives such as help from family or religious groups.<sup>67</sup> Each of these systems has its own history, context and related funding. The AIV does not consider it useful to elaborate on this for each separate situation, because the construction of social protection does not follow a fixed pattern. It is, however, safe to say that a structured system of universal, non-discriminatory social protection requires government intervention.

There are various systems and facilities (see 1.3). The main aim of social protection is to meet minimum standards of wellbeing. For this purpose there are specific programmes aimed, for example, at reducing inequality and at ensuring access to healthcare or income security, particularly in cases of old age, unemployment, sickness, accidents, maternity or the death of the breadwinner.

To date, social protection programmes in Africa have had a limited reach, both demographically and in relation to the level and duration of financial support. Furthermore, in many cases they have proven to be unsustainable, financially or otherwise. The rapid response to COVID-19, however, shows that scaling up is possible through both horizontal and vertical expansion. Horizontal expansion refers to reaching people who previously did not participate in social protection programmes. Vertical expansion refers to the depth of a programme and can include, for example, an increase in the amount transferred or an additional programme component.<sup>68</sup> For further upscaling of social protection systems it is important to focus on the full cycle: registration, selection of beneficiaries, a functioning payment system, monitoring, evaluation and a complaints system which follows up on inclusion and exclusion errors in the selection of recipients.

*What can we learn from experiences in Africa and elsewhere regarding the effectiveness and sustainability of programmes, in particular cash transfer programmes? To what extent are these more effective in reaching the target group (poor people and vulnerable groups in society) and reaching the goal of sustainable poverty reduction? What social and economic goals (including strengthening the position of women) do such programmes serve or fail to serve?*

This report shows that social protection programmes have a positive effect on access to food, education, healthcare and employment and on the position of women. They also lead to more productive investments. Cash transfers not only demonstrably help in the support, even survival, of individuals but also have a multiplier effect on the economy. This effect seems to be stronger in developing countries than in more developed countries (see 3.3). It is also important to keep in mind

the potential perverse incentives and undesirable effects of these programmes, including recipients deliberately changing their behaviour in order to remain eligible, or rising food prices due to the influx of cash (see 3.4).

Some caution is also called for in relation to reaching the very poorest. First of all, poverty is a dynamic phenomenon and it is difficult to determine whether each programme actually reaches the very poorest people. Moreover, the poorest people are not always visible, and the process of identifying them within communities can cause problems. Reaching only the poorest people is therefore difficult in African societies, though with a broader approach this group can be included among the people reached. In accepting this, donors must show a certain willingness to compromise. This does mean that, in accounting for their spending, they will not be able to show that every single euro reaches the poorest people.

*How is African governments' role assessed in this respect, particularly in view of the importance of strengthening their relationship with the public and of the danger of political abuse?*

Any structured system of social protection must be supported and coordinated by a country's own government. Donors, NGOs, multilateral organisations and the private sector can contribute to this and will have to fit their contributions into a national framework. However, this does not mean that all African governments are actually willing or able to coordinate this, let alone finance it. Although the picture is very diverse, African governments are generally perceived to be weak and slow, that is, to have limited administrative capacity. In addition, political abuse, in the form of mismanagement and corruption by elites with a political bias in providing public services, constitutes a real danger. At the same time, many informal systems have been functioning reasonably well for centuries. Social developments and the desire for equal rights for the whole population are putting these informal systems under pressure. Governments have started to set up more structured programmes and are expected to play a greater role in the future. After all, without state intervention, it will be difficult for social protection systems to become structured and permanent.

The basic precondition for the creation of a system of social protection is the existence of a relationship based on trust between the public and the state, in other words, a 'social contract' between people and government. Government-run social protection programmes can help strengthen that relationship, provided this is done in a sustainable and accountable way, partly through democratic control. External donors have only limited influence on strengthening that trust. They can, however, undermine the social contract with their actions by, for example, working via NGOs or setting their own conditions and thereby not aligning with national programmes.

*What is the role of multilateral agencies and, in particular, the World Bank in this area? What is the role of NGOs?*

Multilateral institutions such as the World Bank and the UN have a proven track record in social protection in Africa. The World Bank manages many multi-donor trust funds and not only provides funding but also conducts policy dialogues and responds to African governments' needs for technical and analytical assistance, including the building of databases. The UN, and in particular UNICEF, focuses on institutionalising systems within governments. Both organisations also work in fragile regions such as the Sahel. The World Bank continues to work through governments but regularly leaves the implementation of programmes to NGOs, which have often proven to be better at reaching vulnerable groups. These organisations can often reach the poorest people in slums, rural areas and remote provinces, usually through infrastructure built with earlier ODA funds. The disadvantage is that many of these quick-fix programmes only run for a short period of time. It has often proven to be difficult to transfer NGO or philanthropic programmes to governments, for example because of the amount paid through the cash transfers or restrictions placed on the target group.



The AIV was asked to answer the following question:

*What is the importance of initiatives for social protection for the poorest and most vulnerable groups in African countries in particular and what is the advisability of the Netherlands becoming involved in these initiatives through development cooperation?*

This primary question can be answered in several steps. First of all, what is the importance of social protection initiatives? The answer in this advisory report is unequivocal: their importance is great because of their direct effect on poverty as well as their multiplier effect. Social protection can thus be an effective form of poverty reduction, one that remains important at every stage of a country's development. Social developments are putting pressure on traditional systems. These systems will continue to be a factor of importance for so long as and in so far as they continue to operate. The AIV believes that when it comes to generic social protection systems, with equal rights and obligations for a country's entire population, the need for state-based systems will continue to increase. In addition, the lack of sufficient social protection is an important push factor for migration. By investing in social protection, donors help to develop a solidarity-based community that is robust even in times of crisis.

Secondly: Is involvement in social protection systems by external actors advisable? An inherent part of a system that functions in the long term is that all businesses and individuals in the country in question help pay for it through contributions and taxes. This strengthens the social contract and the power of government. In this respect, a fully donor-funded system may not only be counterproductive, but is also inconceivable in view of the amounts involved in the long term. This report shows that involvement by external donors, including the private sector, can give a necessary, welcome and important impetus, in particular, to setting up a system, sharing startup costs and providing temporary assistance in times of financial difficulties.

Lastly: Does collaborating with social protection initiatives fit within Dutch development cooperation policy? Dutch development cooperation policy aims, among other things, to reduce poverty and social inequality and to promote sustainable, inclusive growth. It also aims to strengthen the Netherlands' earning capacity.<sup>69</sup> In recent decades, investments have been made in the development of people and countries. The cliché goes that – apart from emergency aid – it is better to give people a fishing rod than a fish. This involves providing resources (knowledge, seeds, farming methods, wells, micro-credits) to enable recipients to enhance their own income and resilience. In addition to providing resources, in recent decades the Netherlands has also invested in developing and strengthening institutions, including through multilateral policy. There is also a need to link up with the knowledge and skills of Dutch business and knowledge institutions in, for example, the agricultural sector. Finally, Dutch policy aspires to place less emphasis on relationships based on aid and to move to ones based more on partnerships aimed at mutual learning.

Investing in social protection is neither the fish nor the fishing rod, but money for the poorest to spend as they see fit. Once people have met their basic needs, meaning food, cash transfers will enable them to decide for themselves whether they want to buy a fishing rod, a plough, a shop or a sewing machine, or to invest in healthcare and education. Despite this, reaching the very poorest is neither straightforward nor simple (see 1.1). As argued in this advisory report, adequate institutions are highly important in doing so (see 4.4), as is a willingness by donors to show a certain degree of flexibility in their desire to reach the very poorest.

### **Advisability**

The development and sustainable operation of a social protection system that provides structural coverage is politically and technically complex. It is a costly process that requires patience and perseverance. That does not mean that the Netherlands should, or even could, remain completely uninvolved, however. Whether it is advisable for the Netherlands to become involved depends to a large extent on the underlying focus: is it a universal perspective or more nationally oriented one?

The AIV is strongly committed to universal human rights and, by extension, to the universal right to social protection as articulated in various treaties (see 1.1). Donations from the Netherlands to benefit the poor in other countries are in line with this universal perspective, as are the establishment and strengthening of international partnerships in which countries can learn from each other and jointly take responsibility for poverty reduction. Nevertheless, the AIV also endorses the idea that the responsibility for direct poverty reduction lies primarily with national governments, and that it is specifically within states that the social contract can flourish.

There are various ways in which donors can contribute to social protection. The AIV has distinguished five key elements in its assessment of the advisability of the Netherlands becoming involved in social protection programmes in specific situations, namely: trust; political will and stability; policy and legislation; institutions and organisations; and structural funding. Policy proposals based on these key elements should take into account the heterogeneity and variety of trends in social protection in African societies. Most importantly, the establishment of a social protection system needs to be conducted within a national framework, demands patience and perseverance, and requires effective governmental, diplomatic and technical capabilities. A prerequisite for the establishment of structured social protection is the existence a relationship of trust between the public and the state. Moreover, political will and stability are indispensable. Donors can have some influence here through policy dialogue. For countries where this is not yet available, external support is best directed towards policymaking, regulation and help with institution-building. Launching a system generally requires financial frontloading. Scaling up not only requires extra funding but also makes demands on the strength of political and implementing bodies. Donors and businesses could substantially contribute to structural funding by collaborating in the fight against tax avoidance, tax evasion and illicit financial flows. Secondly, donors could cancel debts owed to them.

On the whole, social protection programmes are fully in line with current Dutch development cooperation policy objectives, namely addressing the root causes of poverty and inequality, food security, gender and education. Contributing to the provision of cash transfers not only enables the poorest people to cover the costs of living and eventually escape poverty but also has an economic multiplier effect. In addition, it is beneficial to set up and strengthen international partnerships in which countries can learn from each other and take joint responsibility for poverty reduction. The complexity, required resources and planning and perseverance required mean that it is important to carefully consider beforehand when the Netherlands will be in a position to make a meaningful contribution in terms of content, scope and duration. Such a contribution is best made through multilateral partnerships and in close cooperation with the national government, while at the same time avoiding unwanted interference in the relationship between a government and its people. In selecting countries and implementing programmes, the Netherlands can best seek alignment with activities of multilateral institutions that are relevant to its own priorities.





# Endnotes

- <sup>1</sup> Government response to 'The Netherlands and the Global Approach to COVID-19' (AIV advisory letter 34, 2020).
- <sup>2</sup> Bastagli, F. et al. 2017. *Social Protection and Inequality in Africa: Exploring the Interactions*, UNDP.
- <sup>3</sup> European Council (2021). *Porto Declaration*, consulted on 17 May 2021.
- <sup>4</sup> Under the banner of 'Building Back Better' there is discussion, both in the Netherlands and internationally, of achieving the best possible ('inclusive and sustainable' (Letter to parliament, 14 September 2020)) recovery from the COVID-19 crisis.
- <sup>5</sup> Detavernier, K. (2016). '*Sociale bescherming is een mensenrecht*' ('Social Protection is a Human Right') consulted on 18 May 2021.
- <sup>6</sup> Judex (2021). '*Wat is bijstand?*' ('What Is Social Assistance?') consulted on 18 May 2021.
- <sup>7</sup> See also AIV advisory report 110: '*Sustainable Development Goals and Human Rights: An Inseparable Bond*'.
- <sup>8</sup> World Bank (2020). *Annual Report 2020: Supporting Countries in Unprecedented Times*, Washington DC
- <sup>9</sup> World Bank (2020). '*The World Bank in Africa*', consulted on 18 May 2021.
- <sup>10</sup> See also AIV advisory letter 34 (2020). '*The Netherlands and the Global Approach to COVID-19*', The Hague.
- <sup>11</sup> Gronbach, L. (2020). '*Social Cash Transfer Payment Systems in Sub-Saharan Africa*', CSSR Working Paper No. 452, May 2020, University of Cape Town.
- <sup>12</sup> Gronbach, L. (2020). '*Social Cash Transfer Payment Systems in Sub-Saharan Africa*', CSSR Working Paper No. 452, May 2020, University of Cape Town.
- <sup>13</sup> INCLUDE (2020). '*Novissi Solidarity Fund: Exemplary Cash Transfers during Covid-19*'.
- <sup>14</sup> Getu, M., & Devereux, S. Eds (2013). '*Informal and Formal Social Protection Systems in Sub-Saharan Africa*', Kampala, Uganda: Fountain.
- <sup>15</sup> World Bank (2020). *Annual Report 2020: Supporting Countries in Unprecedented Times*, Washington DC
- <sup>16</sup> ILO (2020). '*Social Protection*', consulted on 18 May 2021.
- <sup>17</sup> UNDP (2019). *The State of Social Assistance in Africa*, New York.
- <sup>18</sup> Swinkels, C. (2020). '*The (Business) Case for Social Protection*', INCLUDE Platform.
- <sup>19</sup> Abay K. (2020). '*COVID-19 and Food Security in Ethiopia: Do Social Protection Programs Protect?*', Policy Research Working Paper 9475, World Bank, Washington DC
- <sup>20</sup> Bhorat, H. (2017). '*Social Protection and Inequality in Africa: Exploring the Interactions*', UNDP.
- <sup>21</sup> Based on World Bank data (2018). '*ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity*', Washington DC
- <sup>22</sup> African Union & UNDP (2019). *The State of Social Assistance in Africa*.
- <sup>23</sup> African Union & UNDP (2019). *The State of Social Assistance in Africa*.
- <sup>24</sup> A politician who wants to serve their constituency with a social protection programme is not necessarily culpable, however. A country's overall programme coverage will increase with each politician involved and their associated constituency. Working through government systems demands more patience and effort (Awortwi, 2017). Opinions on embracing 'working with the grain of African politics' are divided, even in Africa. While Awortwi (2017) implicitly accepts possible political abuse, others take a more principled stance, arguing that 'working with grain of African politics' can actually undermine democracy or its development in Africa (Adesina, J. (2020). 'Policy Merchandising and Social Assistance in Africa: Don't Call Dog Monkey for Me', in: *Development and Change*, Vol. 51, Issue 2, FORUM 2020, March, pp. 561-582; Awortwi, N. (2017). *Politics, Public Policy and Social Protection in Africa: Evidence from Cash Transfer Programmes*, London: Routledge).



- <sup>25</sup> Sometimes interest shifts away from a particular region, group or priority. In other cases, a *pilot* programme comes to an end, funding falls away or safety considerations make further implementation of the programme impossible.
- <sup>26</sup> Hickey believes that donors should be more modest in their ambition to strengthen the social contract between government and people because of the potential damage that interference from an outsider can cause. (Hickey (2011). *The Politics, Public Policy and Social Protection in Africa: What Do we Get from a "Social Contract" Approach?* Conference paper for European Report on Development.)
- <sup>27</sup> VNO-NCW (2021). *'Doing Business to Create Broad Welfare: Towards a New Rhineland Model of Cooperation'*, The Hague.
- <sup>28</sup> SDG 8 - Decent work and economic growth. *Decent work* is an integral part of the 2030 Agenda for Sustainable Development.
- <sup>29</sup> World Bank (2021). *World Development Report 2021: Data for Better Lives*. See also AIV advisory report 115, – *'Digitalisation and Youth Employment in Africa'* (2020).
- <sup>30</sup> New Times (Rwanda) (2020). *'Employees to Finance Community Health Insurance with 0.5 % Salary Deduction'*.
- <sup>31</sup> This percentage is based on research into the effectiveness and sustainability of cash transfers. The research shows that existing programmes can best be scaled up using the following three methods: 1) include more people in the programmes; 2) extend the duration of the transfers; 3) increase the amount paid out. See INCLUDE Platform (2020). *'COVID-19 and Social Protection in Africa: What Has Changed?'*
- <sup>32</sup> World Bank (2019). *Accelerating Poverty Reduction in Africa*. This report also shows that, in contrast to other regions, it is in fact resource-rich, high-income African countries (22 out of 37) that invest less in poverty reduction. This is especially true for education (costing about 4-6% of GNP) and healthcare, where investment is lacking. The World Bank's advice is to make government spending more *pro-poor* and efficient, but this has been its advice for decades (World Bank, 2020).
- <sup>33</sup> See also the Global Financial Integrity Network. *'Illicit Financial Flows'* ([gfintegrity.org](https://gfintegrity.org)).
- <sup>34</sup> The following conditions are important for setting up an effective social protection programme: 1) a reliable and universal personal registration and identification system; 2) financial inclusion and 3) integrated socioeconomic data (UNDP, 2019). Making progress on these issues will require considerable effort, for example in Côte d'Ivoire, where the ID system has still not been updated and one million Ivorians do not have an ID card.
- <sup>35</sup> The economic recession which began in 2020 could interrupt this trend. How sustainable the programmes launched during the coronavirus crisis will prove to be also remains to be seen; it is still too early to speculate on this.
- <sup>36</sup> INCLUDE (2020). *'Implementing Cash Transfer Programs.'*
- <sup>37</sup> See also AIV advisory report 115, *'Digitalisation and Youth Employment in Africa'*.
- <sup>38</sup> See, for example: FAO (2015). *The State of Food and Agriculture: Social Protection and Agriculture: Breaking the Cycle of Rural Poverty*, Rome: Food and Agriculture Organization; Bastagli, F., et al. (2016). *Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and of the Role of Design and Implementation Features*, London: ODI, 1(7); World Bank (2018). *The State of Social Safety Nets*, Washington, DC: World Bank Group, and United Nations (2018). *Promoting Inclusion through Social Protection*, New York: UN Department of Economic and Social Affairs (UNDESA). The FAO study looks primarily at productive expenditure, with subsequent reports expanding on this. It cites primarily the World Bank and ODI papers. The research carried out by ODI is very structured and nuanced on education, healthcare, savings, employment and the empowerment of women.

- 39 The multiplier effect of cash transfers is even greater on the economies of developing countries than it is on those of developed countries (Vuletin, G. (2021). 'Social Transfer Multipliers in Developed and Emerging Countries: The Role of Hand-to-Mouth Consumers, World Bank). In Kenya, a cash transfer of \$1 generates \$2.60 in the local economy (Egger et al. (2019). '*General Equilibrium Effects of Cash Transfers: Experimental Evidence from Kenya*', NBER Working Paper 26600)
- 40 Handa, S. et al. (2018). '*Myth-Busting? Confronting Six Common Perceptions about Unconditional Cash Transfers as a Poverty Reduction Strategy in Africa*', *The World Bank Research Observer*, Vol. 33, Issue 2, August 2018, pp. 259-298.
- 41 Kesteren, F. van et al. (2018). 'The Business Case for Social Protection', In: *Synthesis series*, Synthesis report by Research for Inclusive Development in Sub-Saharan Africa (RIDSSA), INCLUDE Platform.
- 42 The mobile gender gap (see AIV advisory report 115, '*Digitalisation and Youth Employment in Africa*') forms an obstacle to reaching women: they have substantially less access to digital resources and online opportunities than men. In 2020 the gap was 37% (GSMA, 2020). The Bill & Melinda Gates Foundation also points this out in '*Digital Cash Transfers in Times of COVID-19: Opportunities and Considerations for Women's Inclusion and Empowerment*' (2020).
- 43 'Research for Inclusive Development in Sub-Saharan Africa' (RIDSSA), research project from 2014-2018, facilitated by NWO-WOTRO. Kesteren, F. van et al. (2018). 'The Business Case for Social Protection', In: *Synthesis series*, Synthesis report by Research for Inclusive Development in Sub-Saharan Africa (RIDSSA), INCLUDE Platform.
- 44 Idem.
- 45 Groot, R. de et al. (2016). '*Cash Transfers and Child Nutrition: Pathways and Impacts*'.
- 46 Nandi, A. & Laxminarayan, R. (2015). '*The Unintended Effects of Cash Transfers on Fertility: Evidence from the Safe Motherhood Scheme in India*', *Journal of Population Economics*, vol. 29, pp. 457-491.
- 47 Morris S.S., Flores R., Olinto P., Medina J.M. (2004). '*Monetary Incentives in Primary Health Care and Effects on Use and Coverage of Preventive Health Care Interventions in Rural Honduras: Cluster Randomised Trial*', *The Lancet*, 364 (9450, 4-10 Dec.), pp. 2030-7.
- 48 Filmer, D. et al. (2018). 'Cash Transfers, Food Prices, and Nutrition Impacts on Nonbeneficiary Children', World Bank Policy Research Working Paper No. 8377.
- 49 Molyneux, M. (2006). '*Mothers at the Service of the New Poverty Agenda: The PROGRESA/Oportunidades programme in Mexico*', In *Gender and Social Policy in a Global Context* (pp. 43-67), Palgrave Macmillan, London.
- 50 Skoufias, E. & Parker, S.W. (2001). '*Conditional Cash Transfers and Their Impact on Child Work and Schooling*', FCND discussion papers 123, International Food Policy Research Institute (IFPRI).
- 51 Nelissen, N. (2002). '*The Administrative Capacity of New Types of Governance*', Public Organization Review: A Global Journal 2: 5-22.
- 52 The tacit contract in social contract theory refers to an agreement between naturally free and equal individuals who surrender some of their freedoms to a political authority in exchange for their protection by the state.
- 53 Englebert, P. (2000). *State Legitimacy and Development in Africa*. Boulder: Lynne Rienner
- 54 World Bank (2019). *Accelerating Poverty Reduction in Africa*, Washington DC.
- 55 GRID (2020). *Global Report on Internal Displacement*, p. 15.
- 56 Afrobarometer (2021)
- 57 Getu, M., & Devereux, S. (eds.). (2013). *Informal and Formal Social Protection Systems in Sub-Saharan Africa*, Kampala, Uganda: Fountain. See also AIV advisory report 115, - '*Digitalisation and Youth Employment in Africa*'.
- 58 Awortwi, N. (2017). *Politics, Public Policy and Social Protection in Africa: Evidence from Cash Transfer Programmes*, London: Routledge.
- 59 IMF (2019). *Corporate Taxation in the Global Economy*, Washington DC
- 60 'Eerlijke belastingen' ('Fair Taxation') - Tax Justice NL.
- 61 'Belastingontwijking' ('Tax Avoidance') - ActionAid International.

- <sup>62</sup> Financieel Dagblad (2021). *‘Exporteur van plofkraken’* (‘Exporting Ram Raiding’).
- <sup>63</sup> *Financial Times* (2021). *‘US Offers New Plan in Global Corporate Tax Talks’*, 8 June 2021.
- <sup>64</sup> Europa Nu (2021), *‘Raad en EU-parlement akkoord over wet belastingtransparantie multinationals’* (‘Council and EU Parliament Agree on Law on Tax Transparency for Multinationals’), visited on 5 June 2021.
- <sup>65</sup> Transparency International (2020). *‘Teleurstelling over zwak Europees wetsvoorstel voor belastingtransparantie’* (‘Disappointment at Weak European Proposal on Tax Transparency’), visited on 5 June 2021.
- <sup>66</sup> Interview with Koen Davidse, Dutch Executive Director of the World Bank.
- <sup>67</sup> Bastagli, F. et al. (2017). *Social Protection and Inequality in Africa: Exploring the Interactions*, UNDP.
- <sup>68</sup> INCLUDE (2020). *‘Implementing Cash Transfer Programs’*.
- <sup>69</sup> Kaag, S.A.M. (2018). *‘Investing in Global Prospects: For the world, for the Netherlands’*, The Hague.

# Request for advice



Ministry of Foreign Affairs of the  
Netherlands

Chair of the Advisory Council on  
International Affairs  
Postbus 20061  
2500 EB The Hague

Date 14 October 2020  
Re Request for advice on social protection for the most vulnerable

Dear Professor De Hoop Scheffer,

Global poverty has declined sharply in recent decades. Although most countries in Africa have also made progress in this area, a large portion of the African population still lives in extreme poverty.<sup>1</sup> Inequality plays a major role here, with many people benefiting little, if at all, from the continent's gradual increase in prosperity.<sup>2</sup>

The COVID-19 pandemic is expected to drive global poverty back up for the first time in decades.<sup>3</sup> It now seems increasingly unlikely that many countries in Africa where extreme poverty appeared to be most concentrated will be able to meet SDG1 by 2030.

Against this backdrop and with a view to *Building Back Better* in the post-pandemic period, I would like to request the Advisory Council on International Affairs to produce a report on the importance of social protection initiatives for the poorest and most vulnerable groups, in particular in Africa, and whether it is advisable for the Netherlands to become involved in these initiatives through development cooperation.

Below is background information relevant to this request.

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<sup>1</sup> The portion of the African population living in extreme poverty dropped from 54% in 1990 to 41% in 2015. Owing to rapid population growth, however, the absolute number of people living in extreme poverty has actually risen from nearly 280 million to over 410 million. *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle* (World Bank, 2018).

<sup>2</sup> *Income Inequality Trends in Sub-Saharan Africa* (UNDP, 2017); 'A Tale of Two Continents: Fighting Inequality in Africa' (Oxfam, 2019).

<sup>3</sup> Current World Bank estimates suggest that 70 to 100 million people will be pushed into or will remain in extreme poverty as a result of COVID-19.  
<https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty>





Ministry of Foreign Affairs of the  
Netherlands

### ***International attention for social protection and investing in the poorest groups***

Social protection initiatives for the poorest and most vulnerable individuals and households have become an important aspect of international cooperation. The World Bank, UNICEF and the International Labour Organization (ILO) in particular work with governments to shape national policy and the implementation of social protection programmes, especially in the world's poorest countries. This often includes establishing safety nets in the form of conditional or unconditional cash transfers, pensions, school food programmes, and workfare programmes involving public works.

Such programmes have previously been successful and implemented at scale in Latin America and Asia. Today nearly every country in Africa has a cash transfer programme, although the resources deployed are mostly small and the number of beneficiaries is limited. In the poorest countries in particular, these programmes are still largely donor-funded.<sup>4</sup>

There has been a sharp rise in the use of social safety nets, and especially cash transfers, to mitigate the impact of the coronavirus crisis on the most vulnerable groups. New social safety net programmes have been established or existing programmes expanded in nearly all African countries.<sup>5</sup> Support for these initiatives makes up a major part of the international response to the crisis.

As part of building back better, emphasis is placed on the need to structurally strengthen social safety nets to combat inequality and promote social cohesion.<sup>6</sup> The experience of recent decades has refuted the notion that economic growth automatically trickles down to every layer of the population. There are indications, however, that policy aimed specifically at providing economic and financial support to the poorest groups can in fact have a strong trickle-up effect on the whole of the economy.<sup>7</sup> A social contract – implicit or explicit – between the state and the people is important to assure people that their government is not just working for itself or select elites, and thus for achieving lasting stability and preventing conflict as well.

### ***Dutch policy to date***

To date, Dutch programmes on social safety nets and cash transfers in developing countries have been limited, except in the area of humanitarian aid. The use of cash transfers and food vouchers for humanitarian aid has

<sup>4</sup> *From Evidence to Action: The Story of Cash Transfers and Impact Evaluation in Sub-Saharan Africa* (FAO and UNICEF, 2016); *The State of Social Safety Nets 2018* (World Bank, 2018); *Realizing the Full Potential of Social Safety Nets in Africa* (World Bank, 2018).

<sup>5</sup> Updates available on this website: <https://www.ugogentilini.net/?cat=9>

<sup>6</sup> See, for example, the speech by UN Secretary-General António Guterres, 'Tackling the Inequality Pandemic: A New Social Contract for a New Era'.

<sup>7</sup> 'Fostering Inclusive Growth' (IMF, 2017); *Can Social Protection Be an Engine for Inclusive Growth?* (OECD, 2019).



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become increasingly common at international level, and certainly in Dutch policy;<sup>8</sup> this request for advice does not address this type of assistance.

Direct support for social safety nets under the regular development cooperation policy consists of a handful of programmes and has an annual budget of €20-30 million. The Netherlands contributes to a multi-donor trust fund for the broad Productive Safety Net Programme (PSNP) in Ethiopia, and to cash transfers for inclusive development and preparations for the National Basic Social Security Strategy in Mozambique. As part of the pandemic response, the Netherlands has increased its contribution to PSNP and is contributing to the multi-donor Family Support Programme in Sudan.

Conditional and unconditional cash transfers are also part of several thematic programmes to which the Netherlands contributes, such as the World Bank's Global Financing Facility, which works to protect sexual and reproductive health and rights (SRHR), and the Prospects Partnership for reception in the region, in which the Netherlands has partnered with the World Bank, the International Finance Corporation (IFC), the ILO, UNICEF and UNHCR. Dutch contributions indirectly support the extensive social protection initiatives of the World Bank's International Development Association (IDA) programmes and of other multilateral organisations such as UNICEF and the ILO. Additionally, the Include knowledge platform uses funds from the Ministry of Foreign Affairs in part for research and information on social safety nets and cash transfers in Africa.

#### **Questions for the Advisory Council**

The primary question which the government submits to the Advisory Council for advice is as follows:

What is the Advisory Council's view on the initiatives for and the perspective of social protection for the poorest and most vulnerable groups in Africa, and on the advisability of the Netherlands' becoming involved in these initiatives through development cooperation?

In answering this question, please consider the 2030 Agenda for Sustainable Development (in particular SDG1: no poverty; and SDG10: reduced inequalities), the effects of the coronavirus crisis and the aim to build back better in the post-pandemic period.

Secondary questions include the following:

- What is the current state of affairs with social protection in Africa? What systems and facilities for specific purposes currently exist and how are they financed? To what extent can these initiatives be scaled up?

<sup>8</sup> This includes the UN Refugee Agency (UNHCR), the International Committee of the Red Cross (ICRC) and the World Food Programme (WFP), to which the Netherlands contributes substantial unearmarked funds. In 2018, WFP spent approximately 35% of its programme budget in the form of cash transfers. At EU level, the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) currently spends 30-40% of its emergency aid budget on cash transfers and vouchers.



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- What can we learn from experiences in Africa and elsewhere regarding the effectiveness and sustainability of programmes, in particular cash transfer programmes? To what extent are these more effective in reaching the target group (poor people and vulnerable groups in society) and reaching the goal of sustainable poverty reduction? What social and economic goals (including strengthening the position of women) do such programmes serve or fail to serve?
- How are African governments' roles assessed in this respect, particularly in view of the importance of strengthening their relationship with the public and of the danger of political abuse?
- What is the role of multilateral agencies and, in particular, the World Bank in this area? What is the role of NGOs?

I look forward to receiving your report.

Yours sincerely,

Sigrid A.M. Kaag  
Minister for Foreign Trade and Development Cooperation

# List of persons consulted

In preparing this report, the AIV spoke to a number of external experts. The AIV is grateful to them for their insights and contributions.

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# List of abbreviations

AFD	Agence Française de Développement
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CSG	Child Support Grant
DfID	Department for International Development
DSSI	Debt Service Suspension Initiative
GNI	Gross National Income
GNP	Gross National Product
IDA	International Development Association
IDP	Internally displaced person
ILO	International Labour Organization
IMF	International Monetary Fund
LEAP	Livelihood Empowerment Against Poverty
MDGs	Millennium Development Goals
NGO	Non-governmental organisation
NHIS	National Health Insurance
ODA	Official Development Assistance
PNSP	Productive Safety Net Programme
RIDSSA	Research for Inclusive Development in Sub-Saharan Africa
SASSP	Sahel Adaptive Social Protection Program
SDGs	Sustainable Development Goals
SPF	Social Protection Floor
UN	United Nations
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
WHO	World Health Organization

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