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## Affordability and the political economy of social protection in contemporary Africa

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WIDER Working Paper 2017/43

**‘Affordability’ and the political economy of  
social protection in contemporary Africa**

Jeremy Seekings\*

February 2017

**Abstract:** The ‘affordability’ of new or expanded social protection programmes depends on more than an assessment of the fiscal costs or the poverty-reducing or developmental benefits. Diverse international organizations have shown that programmes costing less than or about 1 per cent of GDP have substantial benefits, and most low-income countries have the ‘fiscal space’ for such programmes (including through increased taxation). These international organizations have generally failed to convince national policy-making elites to raise and to allocate scarce domestic resources to social protection programmes. The result is an ‘affordability gap’ between what is advocated for African countries and what these countries’ governments are willing to spend. This paper examines four cases of contestation over the ‘affordability’ of social protection reforms in Africa: Botswana, South Africa, Zambia, and the semi-autonomous territory of Zanzibar. In all four cases, political elites have resisted or rejected proposals for expensive reforms, and the most expensive reforms adopted cost only 0.4 to 0.5 per cent of GDP. The governments of Zambia and Botswana generally resisted even expenditures of this magnitude. The cost ceiling for reforms is far below the estimates of international organizations, reflecting political, normative and ideological factors.

**Keywords:** social protection, fiscal space, social spending

**JEL classification:** I38, O29, O57, O21

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## 1 Introduction

Across much (but not all) of Africa the social protection debate pits international agencies, aid donors, and their local allies (mostly in civil society) favouring the expansion of social protection—although often in divergent directions—against domestic political elites who resist proposals that the state should provide direct income support to the poor. This debate often appears to counterpose empirical and normative arguments: advocates of social protection present evidence of the positive effects of social protection on poverty-reduction and development, whilst local elites assert that states should not let the poor become ‘dependent’ on ‘handouts’.<sup>1</sup>

The issue of ‘affordability’ spans both empirical and normative approaches. Whilst often presented as a straightforward empirical question—what can be afforded within reasonable fiscal constraints?—the issue of affordability has inevitable distributional implications that render the questions as much normative as empirical: should states impose additional taxes, and on whom, in order to finance cash transfer programmes? Should they spend scarce resources on cash transfers, and for whom, if the opportunity cost is undoubtedly important expenditure on (for example) education or health care or infrastructure? When local elites resist arguments that social protection programmes are ‘affordable’, they are almost certainly fusing apparently technocratic arguments (about the consequences of raising taxes or increasing debt or depriving other areas of public expenditure) with normative ones (about who should get what and who should be paying for what).

What states choose to do or not to do is resolved politically. Since the turn of the century, neither international agencies nor aid donors have had the kind of ‘hard’ power that they enjoyed in the 1980s, when conditions could easily be attached to bridging finance. Despite massive aid flows, their power has been primarily ‘soft’. This is not to say that they have no power: soft power can be potent, not only in terms of framing the policy-making agenda but also in terms of strengthening reformers, by providing them with the ‘evidence’ that undercuts resistance, and facilitating implementation through technical assistance. Soft power thus shapes and feeds into political struggles over policy-making, and especially over the raising and allocation of public revenues.

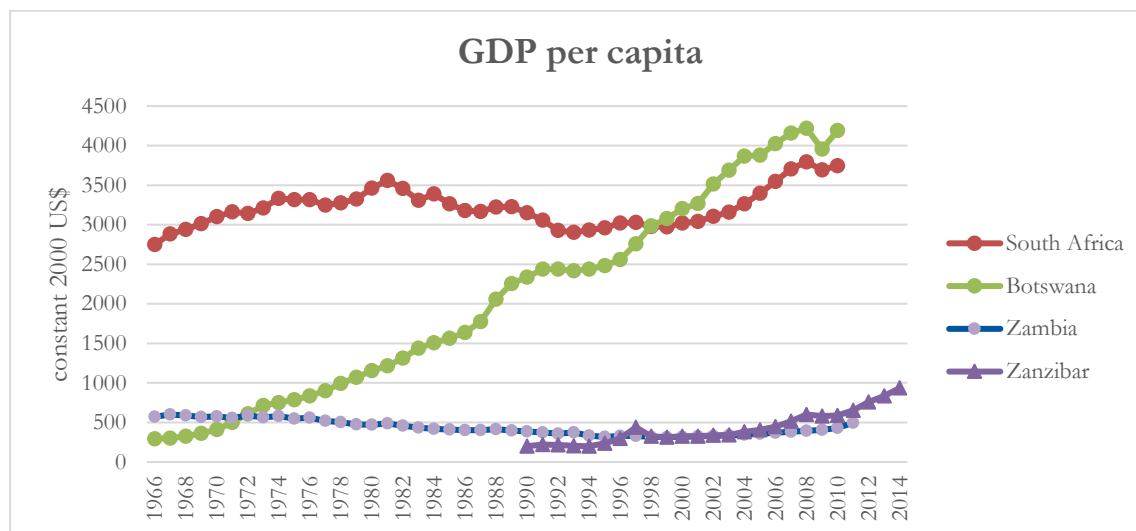
In this paper, I examine political arguments about, and discourses of, ‘affordability’ in Anglophone East and Southern Africa. The first half of the paper examines the arguments about affordability put forward by international organizations including, especially, the ILO. The second half of the paper examines the politics of affordability in four cases: Botswana (over the 50 years following independence in 1966), South Africa (focusing on the reform of child benefits following democratization in 1994, Zambia (focusing specifically on the mid-2000s, when social protection was resisted strongly), and Zanzibar (in the mid-2010s, during deliberation over the introduction of universal old-age pensions). These cases are not presented as being typical or representative. Rather, they illustrate distinct scenarios in the politics of ‘affordability’. The four cases include one country (Botswana) that grew from low- to middle-income status, one (South Africa) that was middle-income throughout the period under review, and two that remained low-income (Zambia

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<sup>1</sup> This juxtaposition is not as neat as it often seems, however: international agencies and aid donors generally hold a normative position in favour of state interventions (at least for some groups of deserving poor), whilst the views of local elites are often rooted in evidence derived from their personal experience (which they privilege over more systematic studies).

and Zanzibar) (see Figure 1).<sup>2</sup> The differences in terms of GDP per capita are substantial: by the early 2000s, GDP per capita in Botswana and South Africa was about 10 times higher than in Zambia and Zanzibar.

Figure 1: GDP per capita since 1966



Source: Author's construction.

There are also obvious political differences between these four cases. South Africa (since 1994) and Botswana have governments elected through free and fair elections, and states with unusually developed systems of taxation and social protection. In Zambia and Zanzibar, democracy is clearly flawed, with persistent allegations that elections have been either unfree or unfair or both, and their states have less capacity.

Public welfare provision developed along quite different lines in the four cases (see Table 1). In Zambia, successive governments have generally been reluctant to take responsibility for or to expand cash transfer programmes that were initiated, on an experimental basis, by donors. In Zanzibar, after considerable debate over affordability, universal old-age pensions were introduced in 2016, although only for the very elderly and with modest benefits. In South Africa, a Child Support Grant (CSG) was introduced and repeatedly expanded despite continuing anxieties about affordability. Botswana, finally, used its rapidly growing resources from minerals to expand its welfare state, but it did so in distinctly conservative ways, such that its welfare state in the 2010s is quite different from that of its similarly developed neighbour South Africa. In all four cases, policy-makers worried about affordability, with diverse outcomes.

Table 1: Welfare provision and level of development in the 2000s

	Middle-income economy	Low-income economy
Less generous welfare provision	Botswana	Zambia
More generous welfare provision	South Africa	Zanzibar

Source: Author.

<sup>2</sup> Data on South Africa, Botswana, and Zambia from World Development Indicators (WDI), variable NY.GDP.PCAP.KD. Data on Zanzibar collated from various Government of Zanzibar sources.

## 2 Estimating the fiscal cost of social protection

International agencies—led by the International Labour Organization (ILO) and the World Bank—emphasize that Sub-Saharan African countries are, in general, laggards in terms of expenditure on social protection. The ILO's *World Social Protection Report* (ILO 2014) and the World Bank's *State of Social Safety Nets* (World Bank 2015) both present data that suggest that spending in Africa is consistently lower than in most other parts of the world. The ILO reports, for example, that Africa has the lowest expenditure in relation to GDP on both pensions for the elderly and child benefits, and the lowest proportion of unemployed workers receiving unemployment benefits. Health coverage, measured in terms of the proportion of the population affiliated to public health systems or private insurance schemes, is also lowest in Africa, at 25 per cent of the population compared with 61 per cent globally (ILO 2014). In Africa, only 2.8 per cent of GDP is spent on 'social security', compared with a global average of 5.8 per cent, according to World Bank studies (World Bank 2012b, 2015; see also Garcia and Moore 2012).

Elsewhere I have argued that welfare regimes in Africa should be viewed as moving down a distinct trajectory rather than as laggards following countries in other regions down a standard path (Seekings 2013, 2014). This is in part because various categories of expenditure—including especially agrarian welfare programmes<sup>3</sup> and food programmes<sup>4</sup>, as well as programmes funded by non-state agencies—are often excluded from the data. Regardless of the merits of this argument, it is clear that there is significant international pressure on African governments to expand their apparent expenditures on social protection, and international agencies and aid donors emphasize that expanded expenditure is affordable. African governments themselves have nominally committed themselves to the expansion of social protection, although with an emphasis on strengthening the family. Every two years since 2008, the African Union (AU) has convened a conference of 'Ministers in Charge of Social Development'. The first conference, in Windhoek (Namibia), approved a Social Policy Framework for Africa and adopted the Windhoek Declaration on Social Development.<sup>5</sup> The AU also endorsed social protection in its Ouagadougou Declaration (2004) and Livingstone Declaration (2006) (Wright and Noble 2010).<sup>6</sup>

What it would cost to expand social protection depends, of course, on how extensive the system might be. Evidence on the costs of programmes comes from two sources: the actual costs of existing programmes, including pilot or experimental programmes that can be scaled up; and modelling of the prospective costs of possible programmes, using appropriate economic and demographic data to gauge the effects of conditions on coverage. Given that administrative costs and other overheads tend to be low (except for public employment programmes, where supervision and materials can account for a significant fraction of total costs), the most important

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<sup>3</sup> For example, should programmes such as Malawi's Agricultural Input Subsidy Programme (AISP), later transformed into the Farm Input Subsidy Programme (FISP), be counted as social protection (Hagen-Zanker and McCord 2010)?

<sup>4</sup> The World Bank's *State of Social Safety Nets 2015* includes (I think for the first time) in-kind transfers and school feeding programmes in its assessment of social safety nets. It reports that, globally, in 2015, 718 million people received cash transfers, including through workfare, whilst 600 million received in-kind transfers, 276 million participated in school feeding programmes, and 381 million benefited from fee waivers or targeted transfers.

<sup>5</sup> Subsequent ministerial conferences were held in Khartoum in November 2010 and Addis Ababa in November 2012 and May 2014.

<sup>6</sup> Wright and Noble note that the reference to social protection in the Framework was inserted at the last minute. Most poverty-reduction strategy papers (PRSPs) and National Development Plans (NDPs) initiated between 2005 and 2010 mentioned social protection, but most did not include any substantial discussion of it (UNECA 2011).

determinants of costs are the eligibility conditions (such as the age threshold for pensions and any means test for poverty-targeting) and the generosity of the benefits provided.

## 2.1 Modelling the costs of prospective programmes, 2005–2010

In 2005, both the ILO and the World Bank completed their first detailed studies on the cost of social protection in lower-income African countries. Kakwani and Subbarao (2005, 2007), for the World Bank, examined the role of pensions in reducing poverty among the elderly in 15 African countries. They concluded their study with a simple cost calculation: a universal social pension, set at 70 per cent of each country's poverty line for men and women from the age of 60, would cost between 1 and 4 per cent of GDP. The cost would decline massively, however, if benefits were more parsimonious (set at, say, 35 per cent of the poverty threshold), the age of eligibility was higher (65 rather than 60 years), or the programme was targeted at the poor (through a means test). Kakwani and Subbarao concluded that the case for a generous, universal pension was weak in terms of both reducing poverty and fiscal affordability. Allocating substantial sums to pensions would clearly crowd out other, more important, programmes, including basic health care and provision for poorer groups of people such as children. Kakwani and Subbarao were more positive, however, about a targeted, parsimonious pension.

At the same time, an ILO team costed a set of social assistance programmes for seven low-income countries in Africa (Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal, and Tanzania).<sup>7</sup> Pal et al. (2005) costed universal old-age pensions, child benefits, and disability grants, with different benefit levels and (for children) eligibility conditions. A universal old-age pension of US\$0.50/day (adjusted for purchasing power) paid to all men and women above the age of 65 would cost about 0.5 per cent of GDP. The cost would be greater if benefits were set at a higher level, such as (in the less-poor countries) 30 per cent of GDP per capita. Alternative child benefit programmes were costed at between 1 and 4.5 per cent of GDP, the cheapest programmes covering only double orphans. Pal et al. also costed a targeted grant to the poorest 10 per cent of households, with benefits of just under US\$14/household/month (modelled on an experimental cash transfer programme in Zambia). The cost of this would vary from 0.15 per cent to a high of 0.7 per cent of GDP (the proportional cost being highest in the poorest countries, i.e. Ethiopia and Tanzania).

The ILO's costing for the African cases was updated and extended in 2008 (ILO 2008a).<sup>8</sup> The updated analysis costed the following programmes (together with administrative costs):

- An old-age pension programme, set at 30 per cent of GDP per capita (on the basis of a Tanzanian study of the cost of living), with a maximum of US\$1/day (adjusted for purchasing power) paid to all men and women above the age of 65; together with a disability pension programme paying the same benefits to 1 per cent of the working-age population; the total cost varied between 0.6 per cent and 1.5 per cent of GDP.
- Basic child benefits, set at 15 per cent of GDP per capita, with a maximum of US\$0.50/day (PPP), payable to the mother for each of two children up to the age of 14; the total cost varied between 1.5 per cent and 3.5 per cent of GDP.

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<sup>7</sup> These programmes were costed as part of a larger social protection package that also included basic health care and education, which were very much more expensive. Pal et al. also costed administrative overheads at 15 per cent of benefits. A separate study costed similar programmes in five South Asian countries. A further study was envisaged of selected countries in Latin America.

<sup>8</sup> The authors were Behrendt and Hagemeyer.

- Social assistance to un- or underemployed working-age adults through workfare, along the lines of the Indian National Rural Employment Guarantee Scheme, that guaranteed low-wage work for 100 days p.a. per household; the ILO assumed that the programme would need to reach 10 per cent of the working-age population (excluding households benefiting from either old-age pensions or child benefits); benefits would be set at 30 per cent of GDP per capita, with a maximum of US\$1/day (PPP); the cost would vary between 0.3 per cent and 0.8 per cent of GDP.

The ILO team also costed basic universal health care.

Soon afterwards, a third international agency—UNICEF, in conjunction with the Overseas Development Institute (ODI) in the UK—conducted a set of studies of the costs of (and possible financing options for) child benefits and old-age pensions in five West and Central African cases (Congo, Equatorial Guinea, Ghana, Mali, Senegal) (Handley 2009).<sup>9</sup> Three cash transfer programmes were costed:

- A universal child benefit, payable for all children up to the age of 14, with benefits set at 30 per cent of the extreme (food) poverty line; the cost would be a modest 0.9 per cent and 2 per cent of GDP in oil-rich Equatorial Guinea and Congo, respectively, but would be about 6 per cent of GDP in each of Mali and Senegal, and a massive 9 per cent of GDP in Ghana.
- A targeted child benefit, payable for all children up to the age of 14, with benefits set at 30 per cent of the extreme (food) poverty line (as with the universal child benefit), but only for children in households below the poverty line; this would cost just over half as much as the universal child benefit option.
- An old-age pension programme, payable to men and women above the age of 60, with benefits set at 70 per cent of the poverty line; in the Equatorial Guinea this would cost a paltry 0.2 per cent of GDP, and in Congo only 1 per cent of GDP; in Ghana, it would cost 2.6 per cent of GDP (it was not costed in either Mali or Senegal).

Administrative costs were assumed to be 10 per cent for the universal programmes and 15 per cent for the targeted one. The UNICEF study discussed in some detail the fiscal space in each country for these kinds of programme.

These UNICEF costs were very much higher than the ILO's. For Senegal—which was the only country included in both studies—UNICEF costed the universal child benefit at 6.4 per cent of GDP, and the means-tested child benefit at 3.7 per cent of GDP, whereas the ILO costed the universal child benefit component of the 'basic social protection package' at 2.3 per cent of GDP in 2005 (dropping to 1 per cent over time) (Pal et al. 2005: 24). The reason for this presumably lay in the level of the benefit: 30 per cent of the national poverty line (as used by UNICEF) must have been much more generous than the US\$0.25/day (PPP) used in the ILO studies.

Since the mid-2000s there have been numerous studies of the costs of cash transfer programmes in individual countries. In Senegal, for example, a child benefit programme was costed at 1.7 per cent of GDP by Samson and Cherrier (2009, cited in Schnitzer 2011). Schnitzer (2011: 18), however, assessed that Samson and Cherrier's proposals were 'likely not to be affordable in the current situation of recovery from the economic crisis and likely fiscal readjustment and budget

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<sup>9</sup> The costing studies were undertaken by various authors: Notten et al. on Congo; Barrientos and Bossavie on Mali and Senegal; Barrientos on Equatorial Guinea and Ghana.



austerity in the few years to come'. A more modest programme was more realistic, and could be funded by reallocating resources spent on food and fuel subsidies, which cost 3 per cent of GDP (and benefited primarily the non-poor). Schnitzer costed a child grant programme limited to the 15 poorest districts at 0.55 per cent of GDP. In Tanzania, to take another example, ILO researchers examined in detail in 2006 and 2008 the costs of several possible programmes. The 2008 study found that a poverty-targeted programme would cost about 0.6 per cent of GDP at the outset, a universal pension would cost about 1.3 per cent of GDP, and a child benefit programme would cost just under 2 per cent, giving a total of about 4 per cent of GDP (ILO 2008c). In 2010, both the UK-based NGO HelpAge International and the local (Tanzanian) NGO REPOA costed universal pensions, examining the cost implications of different age thresholds and benefit levels. HelpAge (2010) costed different versions at between 0.26 and 1.28 per cent of GDP, whilst REPOA (2010) costed their versions at between 1.1 and 2.3 per cent.

## 2.2 The costs of existing programmes

As more programmes were initiated across Africa, more data slowly became available on actual costs. O'Cleirigh (from Irish Aid, in a 2009 report for the OECD) referred to the PSNP in Ethiopia, which targeted the 10 per cent of households that were most food-insecure in the long term, at a cost of 1.7 per cent of GDP. O'Cleirigh also pointed to the experience of a five-month district-specific feeding programme in Malawi. Scaling up the programme to cover the 6 per cent of households experiencing food insecurity across Malawi as a whole would cost 0.5 per cent of GDP. Expanding the programme to the poorest 10 per cent of households for the entire year would cost 1.8 per cent of GDP (O'Cleirigh 2009). Garcia and Moore (2012: 175-78, for the World Bank) collated data on more than one hundred cash transfer programmes across Africa. Most were still in pilot stages, and the costs were generally negligible. The larger programmes—such as the PSNP in Ethiopia, and universal old-age pension programmes in Namibia and Lesotho (as well as in South Africa)—cost more than 1 per cent of GDP. Programmes that paid more modest benefits—such as old-age pensions in Botswana—generally cost less (although the South African child grant, payable to most children up to the age of 18, cost more than 1 per cent of GDP).

The experience of actual programmes revealed further complexities. The World Bank tends to favour targeted programmes in part on the basis that they are more affordable, while the ILO favours less generous universal programmes. In the mid-2000s, however, South Africa's means-tested old-age pension scheme cost just over 1.2 per cent of GDP,<sup>10</sup> whereas Botswana's universal<sup>11</sup> pension cost about one-fifth of this in relation to GDP.<sup>12</sup> These cases remind us that costs depend on benefit levels as well as eligibility conditions: South Africa's pension was generous, whereas Botswana's was parsimonious.<sup>13</sup>

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<sup>10</sup> As we shall see below, the old-age pension was then paid to women from the age of 60 but to men from the age of 65. Later, the age of eligibility for men was lowered to remove this discrimination. The cost of the programme rose marginally.

<sup>11</sup> From age 65.

<sup>12</sup> PensionWatch reports that, in 2010, the cost was 0.26 per cent of GDP (HelpAge n.d.).

<sup>13</sup> In 2010 the pension benefit was US\$56 per month in purchasing power. By contrast, the pension in South Africa was worth US\$248 per month in purchasing power (HelpAge n.d.).

## 2.3 Fiscal space

From the outset, even the ILO recognized that anything approaching a ‘basic social protection package’ would be beyond the means of most low-income countries on their own, although the reallocation of domestic resources would go a long way towards covering the costs. Pal et al.’s (2005) calculations showed that external financing would need to account for the lion’s share of expenditure on the most ambitious proposals. The 2008 ILO report reiterated this:

The projections show that introducing a complete package of basic social security benefits requires a level of resources that is higher than current spending in the majority of low-income countries (which rarely spend more than 3 per cent of GDP on health care and rarely more than 1 per cent of GDP on non-health social security measures). Therefore, a considerable joint domestic and international effort is needed to invest in basic social protection to bring about significant social development and a sharp reduction of poverty (ILO 2008a: 11).

Pal et al. (2005: xii) emphasized, however, that ‘a basic social protection benefit package can be affordable if it is made a priority area of national policy’, i.e. if governments reallocate expenditure to social protection. ‘If the national commitment exists and one third of total government expenditure can be reallocated to meet basic social protection needs then the necessity for international financing would show a steady decline in the medium-term’ (2005: 41). The 2008 ILO study pointed to the possibilities of funding health care in part through a contributory programme (along the lines of Ghana’s National Health Insurance system) and in part through debt financing, with donor support to fill any resulting gaps. The ILO concluded that it had shown that ‘a basic social protection package is demonstrably affordable’, but

on condition that the package is implemented through the joint efforts of the low-income countries themselves (reallocating existing resources and raising new resources, i.e. through health insurance or other earmarked sources of financing for social security) and of the international donor community – which would in some cases have to refocus international grants on the supplementary direct financing of social protection benefits, on strengthening the administrative and delivery capacity of national social protection institutions in low-income countries, and on providing the necessary technical advice and other support (ILO 2008a: 18).

In 2006, the ILO had calculated that it would cost less than 2 per cent of global GDP to provide basic benefits to all of the world’s poor (cited in ILO 2008a: 3).

Other studies were less sanguine than the ILO’s. The UNICEF study showed that some countries—notably oil-producing Congo and Equatorial Guinea—had substantial available resources, although their governments chose to spend very little on social protection. ‘Affordability’ was ‘more of a problem’ in the other, ‘aid-dependent’ countries (Handley 2009). O’Cleirigh (2009) noted that both domestic tax revenues and donor aid were rising, and concluded that ‘The levels and trends of revenue growth would seem to imply that financial affordability should not be a binding constraint to financing *modest* but significant social protection programmes’ (O’Cleirigh 2009: 121, emphasis added).

The clearest warning came from Hagen-Zanker and McCord (2010), in a report for the ODI in the UK. They noted that African governments would need to balance spending on social protection (narrowly defined in terms of income support) with spending on other pressing priorities. Most African governments had formally endorsed a set of spending targets covering

health, education, sanitation, agriculture and rural development, and infrastructure, in addition to social protection (as shown in Table 2). If governments are spending below other targets, then social protection will be competing with other public policy areas for additional funding.

Table 2: Spending commitments by African countries

<b>Sector</b>	<b>Agreement</b>	<b>Target</b>
<i>Social protection</i>	Social Policy Framework for Africa (2008)	4.5% GDP
<i>Health</i>	Abuja Declaration (2001)	15% Government Expenditure
<i>Education</i>	Education for All Initiative (2000)	20% Government Expenditure
<i>Water and sanitation</i>	eThekweni Declaration (2008) Sharm El-Sheik Commitment (2008)	1.5% GDP
<i>Agriculture</i>	Maputo Agreement (2003)	10% Government Expenditure
<i>Infrastructure</i>	African Union Declaration (2009)	9.6% GDP

Source: Hagen-Zanker and McCord (2010: Table 9), reproduced with permission.

Hagen-Zanker and McCord (2010) examined what this would mean for five African countries (Ethiopia, Kenya, Malawi, Mozambique, and Uganda). Using data from 2006–2007 (which predated some of the spending targets listed above), they found that three of their five countries’ governments met the targets with respect to education spending, only two did so with respect to agriculture, and only one with respect to health. None came close to the targets for social protection, water and sanitation, or infrastructure (see their table 3, p. 13). They extended their analysis to include ‘off-budget’ official development assistance (ODA)—i.e. ODA not recorded in data on government expenditure<sup>14</sup>—for two of their cases (Malawi and Uganda). In Malawi, off-budget donor aid pushed aggregate spending on health and agriculture even further above the target, and raised spending on education and water/sanitation close to the target. Social protection remained far below the target, as did infrastructure. In Uganda, off-budget ODA made little difference, and even aggregate spending remained below target in all six categories. Certainly in Uganda and probably in Malawi, social protection faced stiff competition from other sectors for resources. The intensity of this competition is evident from Hagen-Zanker and McCord’s calculations of the increase in spending that would be required to meet all of the targets. Even if *all* government expenditure were reallocated to these six expenditure categories, only one of their five countries (Kenya) could meet the targets (2010: 18).

The World Bank’s response has generally been to emphasize the possibilities of reallocating existing public expenditure as well as of harnessing the resources that are becoming available through economic growth. In 2012, the World Bank pointed to low levels of expenditure on social protection across most (but not all) of Africa, but insisted that ‘achieving national coverage’ was ‘fiscally affordable’. Economic growth was expanding the ‘fiscal space’, domestic resources could be shifted from other programmes—especially from poorly targeted (and often distortionary) general price subsidies (which, in the case of Senegal, cost 3–4 per cent of GDP in the late 2000s)—and donor funding could continue to play an important role (World Bank 2012a, 2012b).

As the World Bank itself acknowledged, however, there was a clear political challenge:

Increasing policymakers’ awareness of the links between social protection and economic growth will be imperative for building political coalitions in support of

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<sup>14</sup> Government expenditure including government-recorded ODA came to between 20 and 27 per cent of GDP in their five cases. I estimate (on the basis of the data reported by Hagen-Zanker and McCord) that ‘off-budget’ ODA constituted as much as another 10 per cent of GDP in Uganda and perhaps even more in Malawi.

social protection funding, by overcoming concerns that social protection promotes dependency. In other countries, a case should be made for increasing financing for social protection as a means of realizing the constitutional rights of citizens, such as in Kenya and South Africa (World Bank 2012a: 4).

The World Bank recognized that policymakers in low-income countries in Africa and elsewhere would not prioritize (or support at all) social protection if they saw transfers as ‘handouts’. This pointed to the imperative of countering such perceptions with evidence of the developmental benefits of social protection. The World Bank also recognized that, politically, more spending was not always productive: social protection expenditure ‘should be focused on efficient and effective programs that have been evaluated, proven to be effective, and then scaled up’, with programme benefits set at ‘affordable’ levels and well targeted (2012b: 65).

## 2.4 Revisiting affordability in the 2010s

The international agencies’ approach to the affordability of social protection shifted from 2009, in response to two main factors. First, the global economic crisis pushed diverse organizations to embrace more fully a ‘social protection agenda’. Various UN agencies agreed to the ILO’s proposal to launch a Social Protection Floor Initiative as one of nine UN joint initiatives to cope with the effects of the economic crisis. In 2010, the ILO published a report on *Extending Social Security to All: A guide through challenges and options* (as well as a once-off *World Social Security Report*). In 2011, the Social Protection Floor Advisory Group (chaired by former Chilean president Michele Bachelet) recommended that countries adopt social protection floors, although the Group acknowledged that there was no template that would suit all contexts. The following year, the ILO adopted Recommendation 202 on Social Protection Floors. The World Bank also restated its case for social protection—including in Africa (see World Bank 2012a, 2012b). Whilst the ILO and World Bank differed in their priorities, both endorsed the expansion of social protection.

Both the ILO and the World Bank renewed their efforts to demonstrate that social protection was affordable.<sup>15</sup> As part of its preparations for its 2014/15 *World Social Protection Report*, the ILO costed a universal child benefit programme in more than fifty low- and middle-income countries, using standardized criteria. The programme would pay benefits set at the equivalent of 12 per cent of the national poverty line (this being the average ratio in Europe) for non-orphaned children up to age 18, together with more generous benefits for double orphans (100 per cent of the poverty line) and modest administrative costs. The average cost would be 1.9 per cent of GDP (using an arithmetic average for 57 countries, or 0.9 per cent using a weighted average). The cost was higher in countries with higher poverty, a higher poverty line, or more children in the population. In one-third of their global set of countries, the cost would be less than 1 per cent of GDP. This sub-set included only two African countries, however (Cape Verde and Ghana). The projected cost exceeded 3 per cent for only one in five countries in the global set, but these included many African countries, especially in West Africa, and also Kenya, Ethiopia, Malawi, and Mozambique. These costings did not adjust for savings on existing programmes, but these were unlikely to be significant (ILO 2015a). The World Bank began to publish its own annual review of ‘the state of social safety nets’ in 2014, with the explicit goal of disseminating data and analysis to guide policy-making. In its 2015 *State of Social Safety Nets*, the World Bank proclaimed boldly and unambiguously that ‘safety nets are affordable at all levels of income’ (World Bank 2015: 21).

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<sup>15</sup> On 30 June 2015, the World Bank and ILO put out a joint statement ‘calling the attention of world leaders to the importance of universal social protection policies and financing’.

The second shift in the 2010s was a growing focus on revenues as much as costs. A series of studies considered fiscal space in selected countries. For example, Handley (2009) examined fiscal space in five West and Central African countries, showing that some (especially the oil-rich ones) clearly had ample fiscal space for new social programmes, but some other countries faced tougher challenges. In another example, Aguzzoni (2011) examined fiscal space in Zambia for the ILO, three years after the ILO's detailed costing of social protection programmes there. Gough and Abu Sharkh (2011) conducted a cluster analysis on the composition of public revenues for a set of 59 developing countries, distinguishing between clusters on the basis of whether countries relied primarily on domestic taxation, social security contributions, aid, or other revenues, or had no dominant source of revenue. Most of their African cases were either tax-dependent or aid-dependent.

In 2015, the ILO's Ortiz, Cummins, and Karunanethy collated evidence on fiscal space in a large number of middle- and low-income countries. 'The argument that spending on social protection is unaffordable is becoming less common in international development forums', they stated at the outset: 'Finding fiscal space for critical economic and social investments is necessary for inclusive growth as well as for sustained human development, particularly during downturns' (ILO 2015b: 1). Ortiz et al. discussed eight mechanisms for expanding the fiscal space for social protection. These included: re-allocating public expenditures from 'areas with limited development returns', for example from military expenditure to health (as in Costa Rica and Thailand); increasing tax revenues, as in Brazil (which had introduced a financial transactions tax) and in Bolivia and Mongolia (which used mining and gas revenues); expanding social security coverage and contributory revenues, as in much of Latin America; and lobbying for additional aid and transfers.<sup>16</sup> Additional mechanisms included the elimination of illicit financial flows, using fiscal and foreign exchange reserves, borrowing or restructuring existing debt, and adopting a more accommodative macroeconomic framework. Ortiz et al. collated basic data on fiscal space for middle- and low-income countries, revealing, for example, whether each country was collecting little tax or spending a lot on the military. Unfortunately, key fiscal data were unavailable for a number of countries. Their conclusion was clear: even the poorest countries had the fiscal space to expand social protection for the poor.

Analyses of fiscal space suggested that, in the words of the then Director-General of the ILO (Juan Somavia), 'the world does not lack the resources to abolish poverty, it only lacks the right priorities'.<sup>17</sup> Taxation is, of course, as political as public expenditure, although often in different ways. The growing attention paid to taxes and fiscal space generally prompted pioneering studies of the political economy of taxation, for example by UNRISD with respect to Uganda (including Kjaer and Ulriksen 2014).

### **3 Case studies of the political economy of affordability in Africa**

The second half of this paper examines four case studies of the political economy of affordability in Africa. In each case there appears to be an 'affordability gap' between international agencies and aid donors, advocating expanded social protection and claiming that there was fiscal space, and domestic political elites, expressing anxiety about 'affordability'—perhaps because they did not really buy into the whole idea of social protection. The first case study is of Botswana, where for

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<sup>16</sup> O'Cleirigh (2009) noted that the cost of universal social protection was a small fraction of the total aid flowing into many countries.

<sup>17</sup> Cited in ILO (2009: 7).

several decades the political elite expressed ambivalence about social protection at the same time as they gradually expanded it. The second case study is of South Africa, where the African National Congress-led government inherited in 1994 an extensive welfare state, but then had to decide whether and how to reform it. The final two case studies are of low-income countries. In Zambia, the government resisted pressure to expand social protection in the mid-2000s, before a more populist government agreed to modest reforms after 2011. In Zanzibar, in 2016, the government introduced universal old-age pensions, albeit only from the age of 70 and with modest benefits, despite severe fiscal constraints.

### 3.1 Botswana

Botswana has experienced exceptional economic growth since independence in 1966, lifting the country from being one of the poorest in the world to a middle-income economy. By 2008, GDP per capita was 14 times higher in real terms than it had been at independence, and was much the same as in its affluent neighbour South Africa. The construction of a welfare state in Botswana, however, is a story of fiscal and programmatic expansion despite the generally conservative attitude of its governments, which explains why the welfare state has distinctly conservative features (Seekings 2016c).

Growth was fuelled primarily by the rapid expansion of mining, from the early 1970s. Mining fuelled also the rapid growth of government revenue and public expenditure, as a result of the government's shrewd negotiations with mining companies. Economic growth made possible the expansion and institutionalization of a welfare state. The fact that the benefits of growth were not shared across the whole population also provided strong impetus for remedial state interventions. Through the first five decades following independence, however, government ministers repeatedly spoke out against 'dependency' on 'handouts'. The government regularly expressed concern over the affordability of its welfare programmes, the cost of which (less than 2 per cent of GDP in the 2010s) is much less than in South Africa or Mauritius (although it is more than in most lower-income African countries).

The fiscal expansion of the welfare state in Botswana entailed a series of phases, reflecting in part the fiscal space as perceived by the government. The first phase entailed large-scale drought relief and then post-drought recovery programmes in the mid- and late 1960s. The Bechuanaland (later Botswana) Democratic Party (BDP) won elections in early 1965 and proceeded to form a government, with Seretse Khama as Prime Minister. At independence, in September 1966, Khama became President of the new Republic of Botswana. This took place in the middle of the worst drought in many decades. Faced with the prospect of famine and the devastation of cattle herds, the newly elected government was compelled to provide drought relief—even though it had no money. Expenditure was 'acutely constrained by a shortage of funds' (Colclough and McCarthy 1980: 85). At independence, grants from the British government funded more than half of the government of Botswana's recurrent expenditure and all of its developmental expenditure. The drought relief and recovery programme was made possible—and its design shaped—by the availability of large volumes of free food (and even stockfeed) through the new World Food Programme (WFP). Between mid-1965 and mid-1969, the WFP spent approximately \$15 million on Botswana, which was about one half of the total domestic revenues (i.e. excluding grants from the UK) of the government of Bechuanaland/Botswana over this period.<sup>18</sup> The cost of the drought

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<sup>18</sup> Total WFP expenditure over the period 1965–1969 is calculated from data provided by the WFP (see Seekings 2016a: appendix 1). The exchange rate at the time was about R0.7:\$1 (according to World Development Indicators). The domestic revenues of the government of Botswana were about R6–7 m p.a. at this time (Colclough and McCarthy 1980: 80).

relief and recovery operation ran at about 2 per cent of GDP at this time (Stevens 1978), but was nonetheless far beyond the current fiscal capacity of the government of Botswana. The fact that almost all WFP aid was provided in kind—as food or stockfeed—reinforced the preference for in-kind benefits within the new political elite, with lasting implications for the design of the welfare state in Botswana.

The second phase of welfare state-building in Botswana was based on further drought relief and recovery programmes over the following 25 years. Drought recurred in 1979/80, through most of the mid-1980s, and again in the early 1990s. In contrast to the 1960s, however, the government of Botswana enjoyed rapidly growing domestic revenues. In the late 1960s, the government's fiscal priority had been to raise additional revenues to free it from dependence on grants provided by the UK (and hence the necessity of securing British approval of all additional expenditures). Expatriate technocrats had helped to renegotiate the terms of the Southern African Customs Union, resulting in a large increase in customs revenues; income tax revenues also grew rapidly. Domestic revenues rose fourfold (in current prices) between 1968/69 and 1972/73, by when the recurrent budget was balanced and did not require British subvention (Colclough and McCarthy 1980). Despite improved public finances and economic growth, the WFP continued to provide substantial food aid, through both regular feeding programmes (especially in schools) all of the time and emergency relief during and after drought.

Although a large part of the total cost of welfare provision—between 1 and 3 per cent of GDP—continued to be borne by the WFP, the government of Botswana did have to make occasional decisions about its financial commitments. The government assumed almost all of the non-food costs of relief and recovery programmes. In 1984, during chronic drought, Botswana received about P31 million in food aid (mostly from the WFP); the government itself spent about P27 million (Holm and Morgan 1985: 476). The total cost amounted to about 3 per cent of GDP. Outside of droughts, the government incurred costs in running feeding programmes (although the food itself came from abroad) and for 'destitute' relief, but the latter at least was very inexpensive. Destitute relief served, like the poor laws in 19<sup>th</sup>-century Europe, to mitigate extreme poverty, but the government looked primarily to economic growth and agricultural programmes to reduce poverty.

In the second half of the 1990s, the subsidization of the welfare state through the WFP (as well as development aid from the UK and elsewhere) largely dried up. Some foreign aid continued: the US President's Plan for Emergency AIDS Relief (PEPFAR), for example, funded Botswana's Orphan and Child Programme until 2013. In general, however, it was during this period that the government of Botswana assumed financial responsibility for programmes hitherto funded externally (especially the feeding programmes) and introduced new programmes (such as the old-age pension) even though the cost was borne entirely by the government itself. Both of these reforms entailed significant additional financial commitments. First, the new old-age pension cost almost P100 million, or 0.5 per cent of GDP, in 1997/98. The cost in relation to GDP subsequently declined to about 0.2 per cent, because the real value of the pension was not increased whilst the GDP continued to grow. It is likely that the government anticipated this when it decided to introduce the pension. Second, the government assumed full responsibility for the feeding programmes. Outside of drought (and drought recovery) years, the cost of feeding programmes was modest. In 1997/98, the government spent only P42 million or 0.2 per cent of GDP, although expenditure rose subsequently to about 0.5 per cent of GDP during the drought of the early 2000s.

Although the government's detailed financial projections do not seem to be public, the government probably anticipated that these two reforms would cost it close to 1 per cent of GDP. This level of expenditure would have been a massive outlay for many African countries, but for Botswana it was less than was being spent on drought relief and recovery programmes for much

of the time. It was also deemed affordable given the apparently healthy condition of public finances. The expansion of mining had, thanks to a shrewdly negotiated deal with De Beers, resulted in a massive increase in government revenues from the 1970s. At the time that the government was considering the old-age pension and the feeding programmes, it was projecting continued budget surpluses. The 8<sup>th</sup> National Development Plan (NDP, for the years 1997/98–2002/03) forecast that rising revenues would continue to outpace rising expenditure (although the NDP did warn that a combination of slower-than-forecast economic growth and unrestrained public expenditure would result in budget deficits, and hence slower growth—Botswana, 1997: 69–71). Quett Masire, who served as Khama’s Vice-president and Minister of Finance and Development Planning, had been said to be ‘thrifty to the point of being miserly’, according to fellow-BDP leader David Magang; but after Masire succeeded Khama as President (in 1980), ‘there dawned the era of freebies, which included literally free, throwaway money’ (Magang 2008: 475).

In the late 1990s, as Masire handed over the presidency to his deputy, Festus Mogae, the budget slid into unanticipated crisis. Economic growth was better than expected but public expenditure rose so fast that the government incurred a massive budget deficit of P1.4 billion or more than 6 per cent of GDP in 1998/99. This was the first budget deficit since 1982/83 (when the deficit had been about a modest 2 per cent of GDP). Deficits recurred in 2001/02 and 2002/03, as expenditure continued to rise whilst revenues in fact declined (Botswana 2003: 35–39). Increased domestic funding of welfare programmes in the late 1990s contributed to these budget deficits, although rising expenditure was driven primarily by the public sector wage bill. In response, the government introduced VAT in July 2002, and proposed ‘cost recovery’ for public services.

This fiscal crisis formed the backdrop for the fourth phase of welfare state-building in Botswana, in the early 2000s. The government agreed to a series of mostly parametric reforms that raised the total costs of its social assistance programmes to close to 2 per cent of GDP despite economic growth. The value of food baskets was raised, and workfare was expanded. But the government rejected proposals for two expensive reforms: a Child Support Grant, which would have cost 1.2 per cent of GDP, in 2010; and a Family Support Grant, costing up to 0.35 per cent of GDP, three years later. This was a period of renewed anxiety over the cost of welfare programmes. Public finances had recovered in the early 2000s after the unprecedented budget deficit of 1998/99. The global economic crisis of 2008–2009 caused commodity prices to crash, however, which meant that the government of Botswana’s revenues from mining collapsed. The 10<sup>th</sup> NDP (2009–2016) budgeted for deficits, and warned that it would be difficult to maintain safety nets (Botswana 2009: 46). The need for fiscal caution was restated in 2013 in the mid-term review of the 10<sup>th</sup> NDP (Botswana 2013).<sup>19</sup>

Fiscal considerations were clearly important in this process of policy reform. Large-scale drought relief and recovery programmes could be adopted at the time of independence in large part because most of the cost was shouldered by the WFP. Improved public finances (together with continued support from the WFP through to the 1990s) enabled the subsequent institutionalization of these programmes, eventually at the expense of the government of Botswana alone, and their expansion through the old-age pension and other programmes. The fiscal crisis of 1998–2002 and the later global economic crisis from 2008 both heightened fiscal anxiety, prompting the government to reject proposals for expensive reforms.

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<sup>19</sup> Isaac Chinyoka tells me that anxiety over the sustainability of social assistance is rooted in the fear that diamonds are *not* for ever. This point was also made by President Ian Khama in an interview by Greg Mills, *Daily Maverick*, 29 June 2016.



Botswana's welfare programmes evolved very consistently, despite these changes over time in their perceived affordability. In the late 1960s and early 1970s, Khama, Masire, and the BDP developed a welfare doctrine that justified the state's provision of relief, primarily in the face of drought but also taking into account the erosion of 'traditional' norms of extra-state support by kin or within the 'community', with benefits at a minimal level, often in kind rather than cash, and generally to families rather than individuals. This doctrine reflected political conditions, as the elected government assumed roles previously played by hereditary chiefs and the BDP secured its support base in rural areas against the threat posed by competing political parties (Seekings 2016b). Subsequent reforms to the welfare state were generally incremental. The most dramatic reform—the introduction of an old-age pension—represented the modernization of the existing and insufficient system of relief for 'destitutes'. The government's over-optimistic assessment of public finances allowed it to introduce a programme that would cost about 0.5 per cent of GDP, but the cost was contained by setting benefits at a level that was parsimonious relative to neighbouring South Africa (where the old-age pension programme therefore cost three times as much in relation to GDP). The other similarly 'expensive' reform was the government's assumption of responsibility for the school and other feeding programmes hitherto supported by the WFP. The government rejected more expensive reform proposals.

### **3.2 The Child Support Grant in South Africa<sup>20</sup>**

When South Africa democratized in the early 1990s, it was already a middle-income economy with an extensive set of cash transfer programmes, although the apartheid-era National Party government had repeatedly insisted that the country did not have a 'welfare state'. The decline of subsistence agriculture in South Africa meant that drought ceased to be a significant cause of poverty. From the 1930s and 1940s—i.e. almost half a century earlier than in Botswana—the 'deserving poor' in South Africa were seen to comprise individuals who were too old, too infirm, or too young to work. South Africa's welfare system had originally been established to privilege white citizens, but over time was expanded to cover the black majority. The government led by the African National Congress (ANC) therefore inherited in 1994 a social protection system that provided generous non-contributory pensions to the elderly (costing 1.5 per cent of GDP in 1994/95) and disabled (costing 0.5 per cent of GDP), as well as grants to some single mothers with children (costing 0.2 per cent of GDP).

After 1994, the ANC government's reforms were largely 'parametric', i.e. it adjusted the benefit levels and eligibility conditions of existing programmes rather than introducing entirely new programmes (see Seekings and Nattrass 2015: chapter 6). The age of eligibility for the old-age pension was reduced to 60 years for men, i.e. to the same level as for women. Access to disability grants was first made easier, then tightened. Access to all pensions and grants was extended to legally resident non-citizens. The level of benefits paid under most programmes changed little in real terms (i.e. taking inflation into account). Public employment programmes were expanded, and benefits increased.

Only one programme experienced dramatic reform: the democratic government replaced the State Maintenance Grant (SMG) it had inherited from the apartheid state by a new Child Support Grant (CSG), and subsequently raised the age threshold at which children ceased to be eligible. This was a parametric reform in the sense that it entailed changes to the level of the benefit and the conditions of eligibility. It was dramatic in the sense that it led to a massive increase in the number of beneficiaries and a significant increase in real expenditure. In the mid-1990s, the SMG was paid

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<sup>20</sup> This section is based on Seekings (2016d).

out for only about 200,000 children, at a cost of about 0.2 per cent of GDP. Almost none of these beneficiaries were black (or African). In the mid-2010s, the CSG was paid out for about 12 million children, at a cost of about 1.3 per cent of GDP, making it one of a small number of social assistance programmes in the global South that cost more than 1 per cent of GDP.

The government of South Africa never decided to spend an additional 1 or more per cent of GDP on this or any other social assistance programme. Rather, the process of introducing and later expanding the CSG entailed at least six distinct episodes of reform. In 1995/96, a government-appointed commission was tasked with recommending whether to abolish the existing SMG, to expand access to all South Africans (which would have cost 2 per cent of GDP), or to reform it, scaling back benefits whilst expanding access so that the overall cost remained unchanged (at about 0.2 per cent of GDP). The commission recommended the third option. During deliberations over the recommendation, however, both benefits and access were improved somewhat, pushing the cost up by an additional 0.2 per cent of GDP. In 2002/03, another official commission recommended that the means test be abolished and/or the age threshold raised, which would have cost an additional 1.6 per cent of GDP. The government rejected most of this proposal, instead raising the age threshold modestly at an additional cost of only 0.4 per cent of GDP. In 2005–2008, the age limit was again discussed. In the face of proposals that would have cost an additional 0.4 per cent of GDP, the government again proceeded cautiously, raising the age threshold only enough to cost an additional 0.1 per cent of GDP. In 2008/09, the government reformed the means test (at a cost of 0.1 per cent of GDP) and then raised the age threshold once more, at a cost of 0.4 per cent of GDP.

Political pressures pushed the government to expand this programme incrementally. ‘Affordability’ was a constraint at times, but not at others. Overall, its effect remains unclear. The initial cautious recommendation (in 1995/96) and the modest revision of benefits and age threshold (in 1997/98) occurred against the backdrop of fiscal crisis, as the budget deficit and government debt spiralled out of control. In these episodes, the fiscal context appears to have been a constraint on expansion. The following two episodes of reform—i.e. the expansions of 2002/03 and 2005–2008—occurred against the backdrop of strong public finances, with revenues rising rapidly, the deficit shifting to surplus, and government debt declining in relation to GDP. Yet these expansions were only a little more generous than the reforms in the preceding period of austerity. Healthy public finances in the 2000s did not lead to profligacy; expensive reforms were rejected. The two final episodes of reform—i.e. the expansions of 2008/09—occurred against the backdrop of growing budget deficits but still low levels of government debt. Despite the partial deterioration in public finances, the expansions of 2008/09 cost in total as much as the expansions in the preceding period of fiscal boom. There is no clear correlation between fiscal space and policy reform.

The pattern of steady but non-linear expansion reflected political conditions. The government could reject bold and expensive reform proposals because it faced little external pressure, and the dominant ideology within the ANC was sceptical about ‘handouts’ to working-age adults, even if the adults in question were young mothers or others who were caring for children.<sup>21</sup> At the same time, the CSG had political champions within the ANC (especially a wily Minister of Social Development), and cautious expansion made political sense in the context of enduring poverty and rising inequality that threatened to compromise electorally the ANC.

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<sup>21</sup> One reform that was unambiguously *not* parametric was proposed (including by a government-appointed commission of inquiry) but rejected (by the government): a basic income grant, which would have been payable to all adults and children, including adults of working age.

### 3.3 Zambia<sup>22</sup>

Zambia was the first country in East or Central Africa to experiment with a cash transfer programme but, 10 years later, donor-funded pilot programmes had not been scaled up significantly. Up to 2011, the government resisted cash transfers in part on the grounds of unaffordability. A change of government in 2011 resulted in more support for policy reforms, but only limited reforms were actually implemented. Given the pressures on public finances in Zambia, affordability was a real concern. But, especially until 2011, it also masked a deeper ideological hostility to ‘handouts’.

The need for cash transfers in Zambia arose from the combination of drought (which intermittently devastated peasant agriculture) and AIDS (which resulted in rising numbers of ‘labour-constrained’ households comprising the elderly, the sick, and children). In 2000, the government half-heartedly sought to resuscitate its Public Welfare Assistance Scheme, i.e. poor relief dating back to the colonial era. This came to naught, largely because neither the government nor donors were willing to fund a system of ‘handouts’. In the early 2000s, however, severe drought pushed donors into a massive emergency food relief operation. Some of the donors decided that they should address the underlying vulnerability that made people susceptible to drought rather than provide endless food aid. In 2002, the German Gesellschaft für Technische Zusammenarbeit (GTZ) funded a ‘Social Safety Net Project’ in the Ministry of Community Development and Social Services (MCDSS); the following year, it funded a study of how it might support people who had been impoverished by AIDS; and then (in late 2003) it launched a pilot cash transfer scheme focused on ‘incapacitated’—i.e. ‘labour-scarce and destitute’—households. By early 2004, the scheme was paying monthly benefits to just over one thousand households.

The Kalomo scheme led to further pilot schemes, mostly funded by the Department for International Development (DFID). The purpose of the pilot schemes was primarily to generate the data needed to convince the Zambian government that cash transfers were possible and effective and would not have negative social effects. In other words, the pilot schemes were essentially an exercise in political advocacy. But they were an exercise that largely failed. From the outset it was clear that the donor-driven pilot programmes enjoyed limited support from the government. Even within the Department of Social Welfare (within the MCDSS), officials seem to have favoured food aid programmes over cash transfers. The Ministry of Finance blocked funds from the African Development Bank for a proposed child grant programme, and declined to make any contribution from domestic revenues.

In the face of this deep ambivalence within the government, the GTZ, DFID, and other donors sought to collect evidence of the efficacy of their experimental cash transfer programmes. The Kalomo and later pilot programmes were subjected to increasingly thorough monitoring and evaluation (Van Ufford et al. 2016). Donors pushed successfully for the establishment of a ‘sectoral advisory group’ for social protection, chaired by an MCDSS official and bringing together government and donor/agency personnel. The government incorporated a rhetorical commitment to social protection in its Fifth National Development Plan, published in December 2005. Opening an African Union (AU) conference on social protection in Livingstone in 2006, Zambian President Levy Mwanawasa described social protection as a ‘basic human right’ and as affordable. But Mwanawasa’s own Minister of Finance, Ng’andu Magande, conspicuously stayed away from the AU’s Livingstone conference, and the Ministry of Finance continued to resist calls to scale up the

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<sup>22</sup> The first part of this section is based on Kabandula and Seekings (2014).

pilot schemes. Instead, the government continued to prioritize infrastructural and other obviously developmental programmes.

In 2005, the GTZ's consultant estimated that extending the Kalomo scheme 'to all of the 200,000 destitute households in Zambia' would cost about US\$21 million, which was 'the equivalent of 5% of the annual foreign aid inflow, or 0.5% of the Zambian GDP'. This was interpreted as showing that a countrywide scheme was affordable (Schubert 2005: 24). MCDSS bureaucrats were flown to a World Bank workshop on 'mainstreaming' social protection within poverty-reduction programmes. Growing support within the MCDSS resulted, in 2006/07, in its adoption of an 'Implementation Framework for Scaling up a National System on Cash Transfer', providing for a 'road map' for rolling out social cash transfers to more and more districts, culminating in complete countrywide coverage by the end of 2012 (Chiwela 2010: 48).

But the government remained unconvinced. A 'nationally agreed implementation plan' was needed before any roll-out could begin (quoted in Chiwela 2010: 6), and an implementation plan could not be agreed until there was more evidence of the efficacy and affordability of cash transfers. The DFID and the GTZ funded more research, as well as study tours to South Africa and Lesotho, and radio and television programmes within Zambia. In a 2009 report for the DFID, Hickey et al. concluded that 'the current regime cannot be described as particularly pro-poor and the current Minister of Finance has repeatedly stated that poverty does not exist, that "poor people" are simply lazy, and that policy should focus on wealth creation [rather] than poverty reduction. This fits the prevailing political discourse that tends to favour the "productive" segment of the population' (Hickey et al. 2009: 21). Cash transfers might 'have received favourable mentions in Presidential speeches', and proponents suggested 'that the only obstacle to scaling up the ST pilots is now financial', but 'ownership within MCDSS is patchy and the Ministry lacks the capacity and political clout to make serious headway with this agenda.' Crucially, 'key decision-makers in MFNP' were not convinced 'of the viability and desirability' of cash transfers; 'there is little evidence that the Minister of Finance and others in powerful positions have overcome their strong ideological opposition' (Hickey et al.: 22). The following year, Chiwela assessed that social protection had attracted 'little political support' and the Ministry of Finance remained 'unconvinced regarding its economic merits':

That MCDSS has problems rallying technocratic and political support around a coherent agenda of social protection is also seen in the fact that a Social Welfare Policy has been under development for the past four years. The Ministry of Finance is still unconvinced. Other line ministries continue to protect their areas and are not collaborating effectively with the MCDSS. Social protection programmes are too thinly scattered in various ministries. Larger ministries such as Finance, Health, and Education are able to marshal a lot of support (Chiwela 2010: 5, 26).

Meanwhile, evidence accumulated on both the benefits and costs of cash transfer programmes. A 2008 study by the ILO, funded by the DFID, provided much fuller costing estimates than hitherto. The ILO reported that public education (fully funded by the Zambian government) and public health care (more than half of which was funded by donors) cost approximately 14 per cent of GDP, and this was predicted to rise slightly. Nonetheless, the ILO concluded, there was 'fiscal space' to expand social assistance programmes from their current meagre 0.2 per cent of GDP (part of which was funded externally, including by the WFP) to provide 'a minimum social protection package'. This was defined as comprising 'affordable universal access to essential health care services; targeted social assistance; basic cash and in-kind benefits for children (mothers and carers); and a basic universal pension for the elderly and for persons with disabilities' (ILO 2008b: 5). First, the ILO costed a national roll-out of Kalomo-style cash transfers, targeted at the poorest

10 per cent of households in each district; the cost of a benefit of just over K50,000 (i.e. about \$12) per household per month (rising with inflation) would rise steadily to about 0.25 per cent of GDP by 2012. The study proposed that the Zambian government assume full financial responsibility from 2012 (ILO 2008b: 106–11). A universal old-age pension (from age 60, paying K60,000 or about \$15 per month) and child benefit schemes (paying lower benefits, for the first child only) were costed at about 0.5 per cent of GDP and 1.2 per cent of GDP respectively (ILO 2008b: 164).

In 2011, a follow-up study by the ILO concluded that fiscal constraints meant that schemes would need to be phased in over five years, even if donors met most of the cost at the outset and half of the cost after five years. Donor funding would amount to almost 1 per cent of GDP p.a., but this was a small proportion of total European Union aid to Zambia at the time. The study assessed that the Zambian government could gradually increase its share of the cost through additional taxation (Aguzzoni 2011: xiv).

As the ILO recognized, the Zambian state did face fiscal constraints. Debt relief in the early 2000s improved its external debt position, but it remained dependent on grants to keep its budget deficit under control. The government's response was to contain expenditure. With steady growth of GDP, government expenditure fell from more than 30 per cent of GDP in the early 2000s to about 25 per cent in the mid-2000s (ILO 2008b). The result was that the government had more fiscal space than hitherto, but was reluctant to increase expenditure for fear of returning to the fiscal problems of earlier years. The government did, however, fund heavily agricultural programmes, including means-tested programmes intended to assist poor farmers to increase production.

In practice, the government of Zambia continued to underfund social protection. The budget allocation to social protection remained less than 3 per cent in 2009, 2010, and 2011. The Sixth NDP, published in January 2011, referred grandly to the expansion of cash transfers to 300,000 'incapacitated' households by 2015 (as well as to the extension of other cash transfer and feeding programmes), but the budgetary allocations did not match this scale-up. The projected allocation to social assistance barely rose between 2011 and 2015, despite the envisaged explosion in the number of beneficiaries (Zambia 2011). It has been suggested that the chapter on social protection in the Sixth NDP was dropped entirely from the penultimate draft, before being re-included after strident protests from civil society and donors.<sup>23</sup> There remained an evident lack of political will on the part of the government.

In the 2011 elections, however, the incumbent Movement for Multiparty Democracy (MMD) lost to the populist Patriotic Front, led by Michael Sata. A social democratic faction within the MMD had ensured the inclusion of a commitment to expanding social protection in the party's 2011 election manifesto. Following his election, Sata restated this commitment, but the number of households receiving social cash transfers only slowly increased in line with the Sixth NDP. It was not until October 2013 that the Finance Minister actually announced an increase in the government's budget allocation for cash transfers beyond the modest growth envisaged by the previous government. The increased contribution sounded large—a '700 per cent increase'—but this was from a tiny base, with only 61,000 households receiving cash transfers and three-quarters of the costs covered by donors. The following year, the PF government published its Revised Sixth NDP, which included a promise to scale up the poverty-targeted 'social cash transfer' scheme to 500,000 households by 2016. By 2015, the number of beneficiary households had tripled, to

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<sup>23</sup> Interview with Mutale Wakunuma, 20 March 2014.

190,000, with donors paying for only one-sixth of the total cost (less in current prices than in 2013) (Siachiwena 2016).

The 2013/14 reforms represented an important shift, but even the new plans were very modest in comparison with the proposals made by the ILO. The budgeted expenditure in 2015 amounted to only 0.1 per cent of GDP,<sup>24</sup> compared with the approximately 2 per cent of GDP in the ILO proposals.

For about ten years, from 2003 to 2013, international donors and agencies tried but failed to persuade the government of Zambia to implement its promised scale-up of cash transfer programmes or to commit necessary funds. Only in 2013/14 did the government commit any funds, and then the cost amounted to only 0.1 per cent of GDP. Donors and agencies made relentless efforts to collect and present evidence that a set of programmes was affordable, poverty-reducing, and developmental, contributing to economic growth. But they failed to persuade the MMD government in office until 2011, and had limited success during the subsequent Sata government.

For the first five years—from 2003 to 2008—opposition was personified by the Minister of Finance and National Planning, Nga'ndu Magande, who fervently opposed cash transfers on largely neoliberal grounds. In his view, laziness was the primary cause of poverty, and 'handouts' promoted laziness and a 'culture of dependency'. Recipients, Magande claimed, spent benefits on alcohol. He was opposed even to old-age pensions, because these discouraged people from saving for their old age. Magande was indifferent to donors who chose to fund cash transfer programmes, but the Zambian government should not allocate scarce resources—or accumulate debt—in order to fund unproductive 'handouts' (Kabandula and Seekings 2014).

Magande's views may be extreme, but they were not entirely out of line with the ideology of other MMD leaders, which explains why there was little or no pressure from other senior party members in government to scale up. Not even the Minister of Community Development supported cash transfers enthusiastically.<sup>25</sup> The MMD had been formed in reaction to the Kaunda regime. Kaunda had abolished multi-party democracy, so the MMD championed it. Kaunda had adopted disastrous statist economic policies, so the MMD embraced free markets. In the introduction to its 1991 manifesto, the MMD had declared:

MMD believes that economic prosperity for all can best be created by free men and women through free enterprise; by economic and social justice involving all the productive resources—human, material and financial, and by liberalising the industry, trade and commerce, with the government only creating an enabling environment whereby economic growth must follow as it has in all the world's successful countries (MMD 1991).

The 1991 manifesto—and subsequent party documents—referred to 'safety nets' for the 'destitute', but it was clear that the government's responsibility was minimally residual. From 2007, in the face of a stronger challenge from Sata and the PF, the MMD made more generous promises, but its priority remained clearly increased production through free enterprise and a smaller state (Larmer and Fraser 2007; Cheeseman and Hinfelaar 2010).

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<sup>24</sup> Budgeted expenditure of ZMK180 million; GDP in current prices of ZMK190 billion.

<sup>25</sup> Interview, Michael Kaingu, 10 March 2014.

Sata and the PF government were more populist in general (Resnick 2014), and a faction within the PF advocated expanded social protection. But even after 2013, the PF's plans remained very modest, with expenditure rising to only 0.1 per cent of GDP. The PF might have emphasized its commitment to 'delivering inclusive development and social justice' (which was the theme of its 2013 budget that made provision for increased expenditure), and it might have said that it sought to reallocate funds to social protection from the MMD's subsidy programmes. In practice, however, the PF retained its predecessor's productivist priorities and scepticism about cash transfers. As the Finance Minister made clear in his 2012 budget speech, inclusive development and social justice 'will not be achieved simply by promoting handouts'; rather, he explained, the PF's 'fundamental approach is to build a self-reliant people able to sustainably generate money for their own pockets'.<sup>26</sup>

In sum, successive MMD and PF governments in Zambia favoured other areas of public expenditure—including especially support for farmers—over social protection. The government did face fiscal constraints, but these cannot explain the allocation of only 0.1 per cent of GDP to the cash transfer programmes.

### 3.4 Pension reform in Zanzibar<sup>27</sup>

In Zanzibar, which comprises a semi-autonomous territory within the United Republic of Tanzania, non-contributory, a tax-financed old-age pension was introduced in April 2016. The programme was universal—meaning that there was no means test—but was limited to men and women from the age of 70. The value of the pension was a modest TZS20,000 or just under US\$10 per month. It was funded entirely from the budget of the Government of Zanzibar, without any direct funding by foreign aid donors. Zanzibar's recently re-elected President, Dr Ali Mohamed Shein, expressed his strong support for the new programme and for gradual increases in the value of the pension: 'If we record admirable growth of our economy, definitely the amount for universal social pension will be increased. Our elderly should accept our donation and be patient, looking forward for better future' (Yusuf 2016).

The government of Zanzibar repeatedly declared its commitment to reducing poverty. It saw economic growth as the most important mechanism for doing so, but acknowledged its responsibility for 'the poor majority in society', including through 'safety nets'. The government had long administered a system of poor relief through discretionary *posho* (i.e. small payments or allowances) and operated residential homes for some elderly men and women. Up until the 2010s, however, the governing elite seemed to prefer religious charity to government safety net programmes. As across much of Africa, conservatism within government was challenged from the outside, by international agencies, donors, and NGOs. One powerful influence was the World Bank, which helped to push the government into a conditional cash transfer programme for poor families with children, largely funded by the World Bank. This programme—which formed part of the third phase of the Tanzanian Social Action Fund—provided between TZS10,000 and 30,000 per month (depending on the number of children in the household) to a total of about 33,000 households by September 2016. A competing set of agencies—including primarily the ILO and HelpAge International (henceforth simply HelpAge)—pushed energetically for a universal non-contributory old-age pension. In 2009, in a report written with the Ministry of Health and Social Welfare, HelpAge recommended a pension costing 0.85 per cent of GDP (with other, more expensive, options costing up to double this). In January 2010, the ILO (in collaboration with the

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<sup>26</sup> Budget speech, October 2012.

<sup>27</sup> This section is based on Seekings (forthcoming).

Ministry of Labour, Youth, Women and Children Development) costed a pension for men and women from the age of 60, paying TZS15,000 per month (at 2009 prices), at approximately 1.2 per cent of GDP.

Support for the proposed pension within the state was initially concentrated within the Department of Social Welfare. In 2011/12, the Department began to prepare an overarching Social Protection Policy, established a Social Protection Unit, and sent personnel on relevant courses. Working closely with HelpAge, the new Ministry began to sell the idea of a pension to bureaucrats in other government departments, government ministers, and Members of Parliament. In early 2013, HelpAge organized a study tour of Mauritius by a team of government officials and politicians. The Social Protection Policy was drafted, including an explicit commitment to universal pensions, presented as an extension of the ‘existing social pension scheme’ (i.e. *posho*).

These efforts helped to build support for a pension, but there remained enough opposition in other ministries to stall the process. When the draft Social Protection Policy was presented to the Cabinet in early 2014, some ministers queried the proposed pension on the grounds of its affordability. The President himself was reportedly in favour, but he proposed that the issue should be referred to a technical committee to examine whether—or what kind of—a pension was affordable. Whilst the President’s motivation and intention were unclear, the decision made it more likely that the government’s final decision would be broadly consensual and would appear technocratic. The committee (or ‘task team’) comprised a mix of pro-reform and sceptical bureaucrats. The committee’s first meeting was difficult: ‘The issue was the budget: what could we pay?’, recalls one member of the Task Team; ‘the Ministry of Finance was reluctant to spend money. They said this is what we can afford.’ ‘We all knew that the Ministry of Finance had no money’, recalls another, but even proposals for a modest programme provoked opposition. Echoing the World Bank, sceptics argued that committing funds to the pension would deprive other programmes, such as infrastructural investments or programmes for the youth. They worried that Zanzibar’s foreign donors (‘our development partners’) did not like profligacy. They contrasted the proposed pension with the World Bank-funded conditional cash transfers, which were represented as ‘helping people to use their talent, to use their energy; it is not paying people to sit down and do nothing.’ The committee made progress only when the sceptics were assured that their concerns were being taken seriously.

The government’s financial position was indeed parlous, despite strong economic growth. The following May, the Minister of Finance summarized the state of Zanzibar’s economy and public finances in his budget speech. Despite healthy economic growth, the government remained heavily dependent on foreign aid, which funded most of the development budget and about one-tenth of recurrent expenditure (through general budget support). The government was expecting to raise TZS375 billion in the 2014/15 year, with foreign aid amounting to more than TZS300 billion. The proposed pension would entail a sizeable addition to the recurrent expenditure budget.

The question of affordability depended on more specific choices: should a pension be universal or targeted? At what level should the pension be set? From what age should pensions be paid? The sceptics quickly conceded that the pensions should be universal and agreed to set benefits at about TZS20,000 per month. The stumbling block was the age threshold. Social Welfare officials soon abandoned the goal of paying pensions from the age of 60, as recommended in the reports by HelpAge and the ILO in 2009–2010. The Task Team’s report recommended an age threshold of 65. This would cost TZS9.6 billion p.a. or 0.7 per cent of GDP. The Task Team added, however, that if resources did not permit this, the threshold should be 70, which would cost only TZS6.6 billion p.a. or 0.5 per cent of GDP. Proponents of a lower age threshold arranged for the former chief bureaucrat in the Mauritian Ministry of Social Security and National Solidarity to visit Zanzibar to meet key government officials and ministers in order to persuade them to follow the



lead of Mauritius in implementing a universal pension. Despite this, however, the Cabinet opted in March 2015 to introduce pensions only from the age of 70. This meant that, when payments began in 2016, only about 25,000 people received them, and the total cost was only about 0.4 per cent of GDP, which was far below the options put forward by HelpAge and the ILO in 2009–2010.

In several respects, the broader social, economic, and political context in Zanzibar was favourable to the introduction of a pension. First, there was a clear need for financial assistance for the elderly. To a greater extent than on the mainland, the Zanzibari economy and society were undergoing ‘deagrarianization’ in that the roles of subsistence agriculture and kin-based redistribution and care were both declining. Deep poverty persisted despite economic growth, as the benefits of growth barely trickled down to the very poor. Second, Zanzibar had a tradition of public responsibility for the poor, so that advocates of the pension could represent their proposals as improvements rather than entirely novel departures from existing policies. Moreover, at no point did sceptics or opponents invoke the discourse of ‘handouts’ and ‘dependency’ that is widespread elsewhere in East Africa. In Zanzibar, in contrast, the hegemonic public discourse was one of responsibility, not dependency. Third, Zanzibar had very competitive elections, giving the incumbent president and party strong electoral incentives to introduce a popular reform. Both President Karume (in 2009) and his successor, President Shain, seem to have favoured reform. The fiscal context was not favourable, however. The Minister of Finance was broadly supportive, but there was opposition—or, at least, ambivalence—among senior bureaucrats in various ministries. The cabinet’s decision in 2015 to introduce a universal pension but with the high age threshold of 70 represented a compromise.

The Zanzibari case suggests that concerns about affordability need to be addressed directly rather than side-stepped. Advocates of welfare expansion like to invoke the rights stipulated in international conventions and declarations. But fiscal anxieties are unlikely to be dispelled by any rhetoric of rights. In Zanzibar, fiscal conservatives felt that their concerns were taken seriously, that different options were costed properly, and both the benefits and costs of each option were made clear to the Cabinet, which could make an informed decision.

#### **4 Conclusion: the politics of (un)affordability**

A government’s assertion that a policy reform is unaffordable might reflect any one of several underlying arguments. First, it might reflect an assessment that the economic costs of raising additional revenues, whether through tax or debt, outweigh the benefits of the reform. This is especially likely if, in the government’s view, the additional government expenditure inhibits rather than promotes economic growth. Alternatively, it might reflect an assessment that the political costs of additional taxation outweigh the political benefits of redistributing resources to some poor citizens. Third, it might reflect the assessment that this particular reform is not a priority, and scarce funds should be spent on other programmes that might be more conducive to economic growth, or might provide the incumbent president or party with more useful political rewards, or might simply reflect a normative or ideological preference.

In exceptional circumstances, the economic costs of increased government spending can be small. Such circumstances existed in Botswana during some of the 1980s and early 1990s, when rapidly rising mining revenues encouraged profligacy. From the late 1990s, however, the governments in all four countries considered here were well aware of fiscal constraints, at least in the sense that the opportunity cost of increased expenditure on one programme was less new funding for other programmes. Governments in all four countries have limited reform in order to contain

expenditure. Even in Botswana, in 1996, the government set the value of the new old-age pension at a low level (most obviously in comparison with neighbouring South Africa), with the effect that the cost of the programme was only about 0.5 per cent of GDP.

In these four country case studies, even the most expensive reforms undertaken since the early 1990s cost no more than 0.5 per cent of GDP. The government of Botswana's assumption of financial responsibility for WFP feeding programmes and its introduction of an old-age pension has just been mentioned. The Zanzibar government's introduction of an old-age pension in 2015/16 was predicted to cost 0.5 per cent of GDP, although by the time the first pensions were paid, the cost was closer to 0.4 per cent of GDP. The South African government's decisions to expand its Child Support Grant cost about 0.4 per cent of GDP.

All four governments rejected proposals for reforms that would cost more than this. In South Africa, Child Support Grant reforms that would have cost 1.6 to 2 per cent of GDP were rejected summarily in the late 1990s and early 2000s. In Botswana, the government decided against setting pension benefits at a more generous level, which would have raised the programme's cost above 0.5 per cent of GDP, and later rejected proposed Child and Family Support Grants. In Zanzibar, the government decided against setting the old-age pension threshold lower than 70, which would have raised the programme's cost above 0.5 per cent of GDP. In Zambia, there is no evidence that either the MMD or PF governments seriously considered proposals by the ILO for pensions that would have cost about 0.5 per cent of GDP or for child grants that would have cost more than 1 per cent of GDP.

Many of the reforms cost a lot less than this. In Zambia, most obviously, even the post-2013 reforms by the PF government cost only 0.1 per cent of GDP. In Botswana, in 2012/13, the budget for the old-age pension programme had fallen to 0.2 per cent of GDP as the economy had grown and benefits remained modest. The Orphan Care and Destitute programmes each cost about 0.2 per cent of GDP. Feeding programmes cost, in total, about 0.5 per cent of GDP, whilst the Ipelegeng public works programme cost about 0.3 per cent of GDP (BIDPA and World Bank 2013: x). Whilst the total cost of these safety net programmes in Botswana came to about 1.7 per cent of GDP, the individual programmes were low-cost. In South Africa, only the Child Support Grant was expanded substantially, the cost of other programmes changing little over time, as the real value of benefits was not increased and growth in the number of beneficiaries was contained.

It seems that reforms costing more than 0.4 to 0.5 per cent of GDP are not politically feasible in countries such as the four cases considered in this paper. Often, reforms costing a lot less than this are not feasible. Precisely why is not the subject of this paper, but a large part of the answer involves widespread ideological or normative opposition to 'handouts' among African political elites (see also Kalebe-Nyamongo and Marquette 2014, on Malawi), such that even in competitive party systems incumbent parties are reluctant to promise and then implement bold reforms. The point for this paper is that the constraint on programmatic reform does not appear to be affordability in simple economic or fiscal terms. The political ceiling on reforms is far lower than the ceiling suggested in technical studies of fiscal space. In practice, 'affordability' in Africa is not about fiscal space, but is a matter of priorities.

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