

# Financing Options for Strengthening Social Protection in Africa

Policy Options for Effective & Sustainable Social Protection Floors

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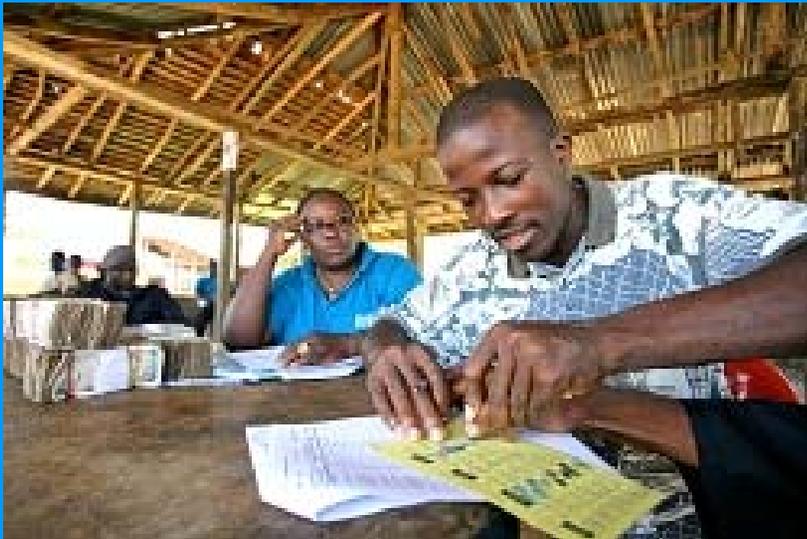
Jenn Yablonski

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# Overview

- Rationale for UNICEF engagement
- Costing SP – African examples and challenges
- Financing & Subsidy Reform
- Sustainable financing – a few thoughts on making it a reality



# Social Protection Financing

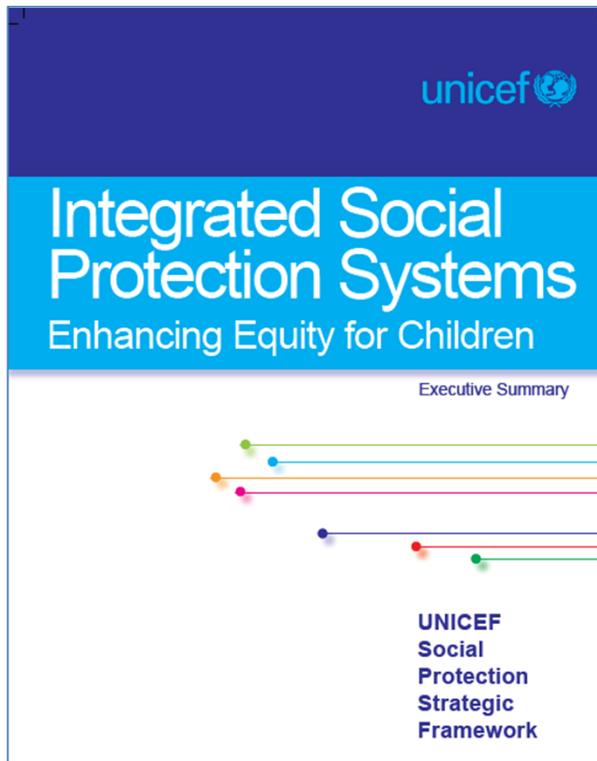
- Benefits of social protection are widely documented and recognized
- *Financing of social protection*, however remains a key policy debate and challenge.
  - Critical to expansion of coverage
- This challenge often varies given the country context.
- In order to support and influence governments' decisions around reform and/or expansion of SP, it is crucial to also have reliable information on interrelated aspects such as **cost and affordability of social protection which then informs the financing** options for SP programmes.

# UNICEF work on social protection

- UNICEF supports more than 232 social protection programmes in 97 countries. About a third of these are cash transfers reaching over 12 million households.
- Strong field presence, including in low income and fragile settings



# UNICEF Strategic Framework: Implications for financing



## Developing & Strengthening Social Protection Systems

→ supporting countries in developing national social protection floors

Key principles of the framework have implications for financing options :

- ✓ Progressive realization of universal coverage
- ✓ National systems and leadership
- ✓ Inclusive social protection

# Integral Components of Financing

- **Costing**

- ✓ An assessment of cost a specific of a range of social protection interventions.

- **Affordability**

- ✓ This is a technical and political exercise that includes an assessment of the returns of investment.
- ✓ Affordability is at the core : how much is a society willing to redistribute and how.

- Prioritizing between spending on different policies will require conducting cost-benefit analyses of SP programmes vis-à-vis other policy options

# Country Examples: Costing & Affordability

**Exercises to cost different SP options and combinations:**

- **Zimbabwe**

a package of CTs which would constitute its nationally defined SPF

- **Senegal**

different SP options (child benefit, etc.) of different targeting methods

- **Madagascar**

costing of a CT to poor HH with different benefit levels

# Country Examples: Costing & Affordability

- **Ethiopia**

- Looking at costing the national social protection strategy, and in relation to current financing of SP programmes

- **Mozambique**

- Costing & simulation exercise compared the introduction of a food subsidy with introduction of a SP programme
- Indicated subsidies would be costly and unsustainable for the government; SP programmes provided a more effective alternative
- Subsidy program consequently not implemented

# Costing & Affordability

- Often an iterative process between goals & costing
  - especially when looking at immediate affordability
- Challenges in costing SP systems/strategies as a whole
  - Across ministries
  - Possible synergies and interactions
  - Different types of programmes – not all easy to cost and different dynamics over time

# Financing Options

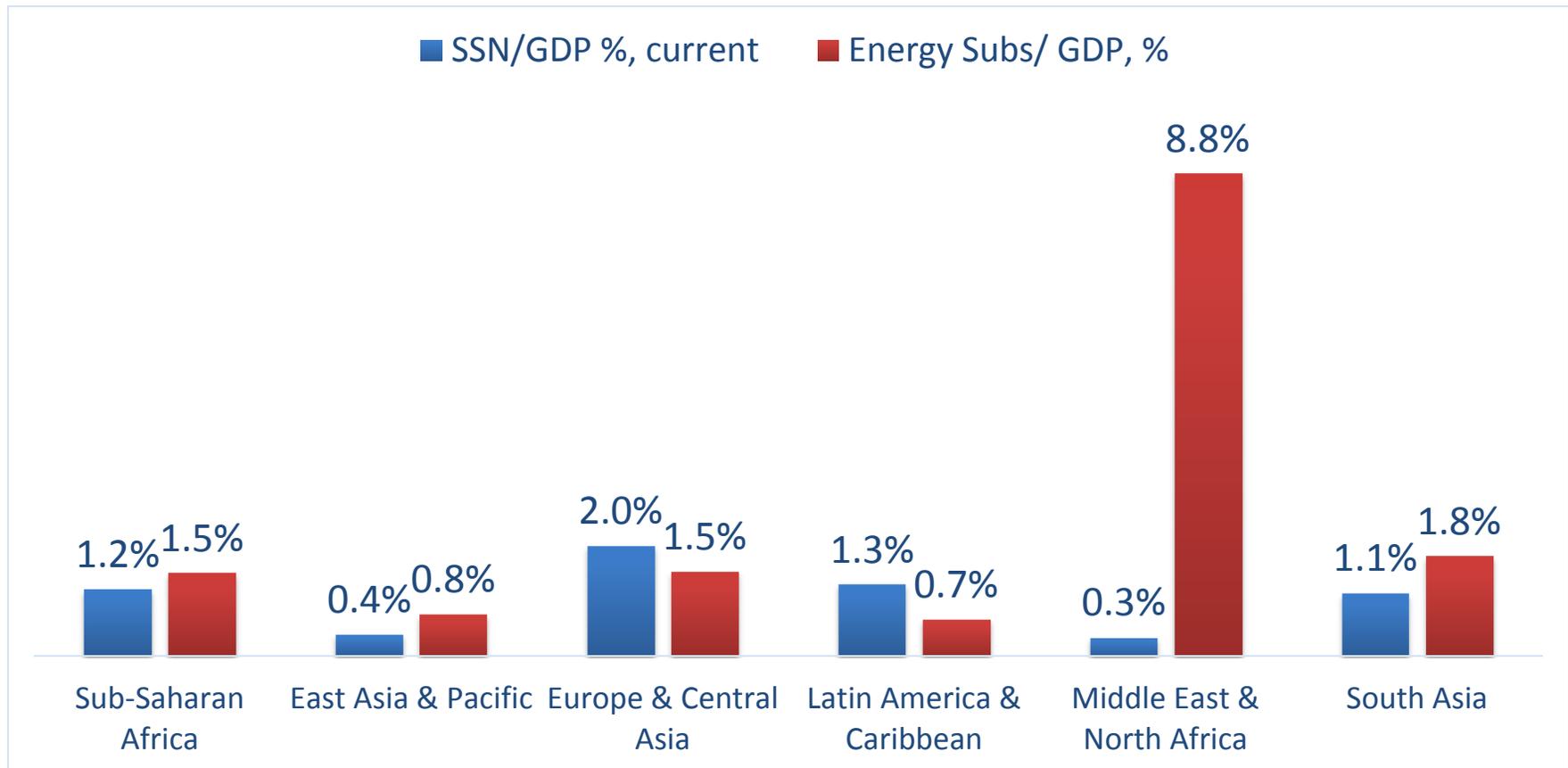
Financing options available include:

- ✓ Re-allocating current public expenditures
- ✓ Increasing tax revenues
- ✓ Using fiscal and central bank foreign exchange reserves
- ✓ Borrowing or restructuring existing debt
- ✓ Adopting more accommodating macroeconomic framework
- ✓ International aid

# SP Financing & Subsidy Reform

- 42 developing countries have some form of commodity subsidy in place that tend to be regressive and expensive
- MENA - energy subsidies account for about 8.5% of regional GDP (22% government spending)
- Opportunity to allocate the spending on programs such as SP that can help about 27 million people climb out of poverty.
- Nonetheless, caution
  - Highly political
  - Not all subsidies are the same

# Subsidy vs SP spending



Source: Fiszbein, Kanbur and Yemtsov (2013): "Social Protection, Poverty and the Post-2015 Agenda," The World Bank

# SP Financing & Subsidy Reform

## Context

- Advising process of subsidy reform in select countries in Africa, specifically on using savings from subsidy reform to finance SP guided by child sensitive principles

## Lessons

- Financing of SP often entails a broader discussion regarding efficient public spending and political choices.
- Often driven by concerns about fiscal consolidation
  - how to engage without being used to justify austerity
  - maintain neutrality, and be clear about principles for both reform and mitigation/replacement measures
- Using the subsidy reform as an window of opportunity to use inefficient public expenditure to finance social protection interventions (expansion as well as introduction)

# SP Financing & Subsidy Reform: Ghana

- Ghana : GoG used a portion of the savings resulting from fuel subsidy removal to scale-up their LEAP programme
- Budget allocation - 4 million USD in 2012 to 15 million USD in 2013 (increase of more than 300% of national contribution)

# What we always say.. (and is true)

- SP can be sustainably financed even in developing countries
- Move towards stronger domestically financing options of SP
- Diverse ways to increase fiscal space for social protection
- Financing of social protection is often a political choice

## ..But need to translate into reality

- Get involved in discussions broader than SP, re: efficiency, national allocation
- Financing social protection is not just about resource mobilization, but also about effectiveness and legitimacy
  - Sustainability is inevitably about national politics
- Therefore, how do we engage with government counterparts and others in these discussions?

## ..But need to translate into reality



Coordination and partnership is necessary to provide coherent support to countries:

- ✓ Enhance analytical work to understand various financing options
- ✓ Promote knowledge sharing and capacity building - key drivers to help countries manage transitions towards stronger and financially sustainable SP systems
- ✓ New partnerships & alliances

[www.unicef.org/socialprotection/framework](http://www.unicef.org/socialprotection/framework)

[jyablonski@unicef.org](mailto:jyablonski@unicef.org)