



Social Safety Nets in Namibia: assessing current programmes and future options

15th Annual Symposium



**Bank of Namibia
15th Annual Symposium
2013**

**Social Safety Nets in Namibia:
assessing current programmes and future options**

Edited by the Research Department

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Preface

The Bank of Namibia held its 15th Annual Symposium on September 26, 2013 at the Safari Hotel and Conference Centre under the theme: Social Safety Nets in Namibia: assessing current programmes and future options.

Namibia, like many developing countries, has a number of social protection programmes targeting vulnerable groups with the aim of cushioning them against the adverse impact of poverty and climatic shocks. In this regard, it is imperative for countries to undertake periodic reviews on the efficacy of such programmes. It is postulated that such programmes not only alleviate poverty, but also support economic growth. Given the above, the symposium sought to provide a platform to critically examine such issues in order to inform future national policy responses. Specifically, the objectives of the symposium were as follows:

- To provide an overview of the structure and effectiveness of Namibia's social safety nets programmes and assessing the merits of introducing a Basic Income Grant;
- To review the international experience with regards to the implementation of the Basic Income Grant; and
- To assess the global trends with regards to the implementation of social safety nets.

These issues were addressed through presentations given by international and national speakers. The presentations were supplemented by a panel discussion with the panel comprising of the speakers and a representative from a Non-Governmental Organisation.

Welcoming Remarks

By Mr Ipumbu Shiimi, Governor of the Bank of Namibia

15th Annual Symposium

26th September 2013, Safari Hotel and Conference Centre

Theme: Social Safety Nets in Namibia: assessing current programmes and future options

Director of Ceremonies
Right Honourable Prime Minister Hage Geingob
Members of parliament
Members of the diplomatic corps
Permanent Secretaries
Distinguished speakers and panellists
Members of the Media

Ladies and Gentlemen;

I am delighted to welcome you to this prestigious event on the Bank of Namibia calendar. Indeed, this is the 15th year since the Bank of Namibia started hosting the annual symposium. As some of you might recall, we have covered a broad range of issues spanning from central banking, finance, economics and social development. Our topics have been selected based on current pertinent policy issues facing Namibia. I am sure you will agree with me that this year's theme on **“Social Safety Nets in Namibia: assessing current programmes and future options”** is a topical and important subject both at the national and international level. But before I go into the details of my remarks, let me; on behalf of all Namibians extend a warm welcome to our international speakers.

Ladies and Gentlemen! My job here is not to go into the details and explain what social safety nets are as there are experts here who will do that. I would like to focus on the relevance of the theme. That is, why are social safety nets important! And is it worthwhile for the government to allocate resources towards such so called 'non productive activities/expenditure?'

Ladies and gentlemen! In developing economies like ours; a significant share of the population lives below the poverty line, making them vulnerable and economically insecure. Despite years of positive economic growth, the poverty levels for the bulk of the population remain elevated, and the gap between the extreme poor and the rising middle class continues to grow. It is against this background that the provision of social safety nets remains imperative in developing countries. Therefore, for the Government to provide such is not only a moral obligation, but a necessity!

The importance of social safety nets emanates from the impact on **poverty alleviation** and promoting of **economic growth and development**.

With regards to **poverty alleviation**, SSNs are the shield that protects families from economic and climatic shocks; help ensure that children grow up healthy, well-fed, and stay in school and learn; empower women and girls; and create jobs. Through these programmes, countries are able to meet their commitments under the Millennium Development Programme (MDG)!

In terms of **economic growth**, social transfers/grants promote local economic development as the beneficiaries spend part of the grants to buy basic goods. By so doing, grants sustain small businesses in rural areas. The impact of SSNs is better illustrated by Mr Emahoy Belaynesh, a beneficiary of the SSN in Ethiopia:

“The safety net program has been a life saver. I now sell my products and earn enough money to put my three children to school, put food on the table and buy anything that we need. I am also able to put some money aside”.

Emahoy Belaynesh: Beneficiary of the safety net program in Ethiopia

Having highlighted the importance of social safety nets, we have to take account of certain realities! That is, social safety nets require injection of substantial financial resources. That means diverting resources away from other pressing needs that the government is required to attend to. Namibia, like many developing countries does not have abundant financial resources to sustain such programs in the long term. This raises the following questions, which I hope will be addressed by the presenters and the discussions here today!

- Are the current programmes sufficient or do we need to supplement them?
- Should we consider consolidating the current programmes into one, for instance, a BIG?
- How do we ensure that SSNs reach the most vulnerable or how do we improve coverage?
- How can we strike a balance between fiscal sustainability and social safety nets provision to the most vulnerable in our society?
- What are the roles of the private sector, Non-Governmental organisations in the provision of the SSNs?
- What lessons can we draw from other countries experiences?

I thank you for your attention!

Keynote Address

by

*The Right Honourable Dr Hage G GEINGOB, MP and Prime Minister of the Republic of Namibia
at The Bank of Namibia 15th Annual Symposium*

Windhoek

September 26, 2013

Director of Ceremonies

Distinguished guests

Distinguished speakers and discussants

Members of the Media

Ladies and Gentlemen

It is my privilege to address this distinguished gathering at the Bank of Namibia 15th Annual Symposium. This year's theme, ***Social Safety Nets in Namibia: Assessing Current Programs and Future Options*** is particularly relevant and important for a number of reasons because it is a topic that cuts across the core of our socio-economic development drive and seeks to answer the question of how we protect, and how we can best protect, our most vulnerable citizens from the scourge of poverty and hunger. Despite the progress made during the 23 years of Independence, we recognize that a great deal still needs to be done to ensure that no Namibian falls victim to hunger. Ultimate solution to this problem, no doubt, lies in helping all Namibians escape the poverty trap. As Mohammad Ali had said, "Wars of nations are fought to change maps. But wars of poverty are fought to map change." Mapping change is where social safety nets play a key role. It is my hope today's discourse will bring forth new ideas and methods of improving current social safety net programs and possible programs for the future that will target the most vulnerable of our citizens.

Our playbook would need to identify and incorporate the causes of hunger, drought, and poverty and then make recommendations for overcoming the constraints. I know that the theme of the conference is more focused on social safety nets, but without doubt your input to this playbook would be of great value.

Namibia is a drought prone country. Every few years we have drought. The current devastating drought situation in the country is something else in its onslaught. In fact, it has been a wakeup call for many of us. It has laid bare the fact that our most vulnerable and our most fragile citizens are unable to insulate themselves against natural disasters, such as drought. Without undermining the crisis in the rural areas, I find myself deeply distressed that the drought has revealed that the level of urban hunger and poverty is far greater than that found in the rural areas. Yet, it is a fact that urbanization goes hand in hand with development.

As Namibia continues its drive towards social and economic development, more of our citizens migrate from the rural areas to the urban centres in the hope for better opportunities, better job prospects, and an opportunity for better wages or income. Unfortunately not all people who make the decision to move to the urban centres are able to find employment, leaving them worse off and more vulnerable to hunger than their counterparts in the rural areas.

Ladies and gentlemen,

Until recently, many African countries approached social protection on a largely ad hoc basis. However, when the global economic crisis threatened recent progress in poverty reduction, safety nets increasingly began to be viewed as core instruments for poverty reduction in the region. “400 million people in sub-Saharan Africa live in extreme poverty and require interventions beyond the broader benefits of growth.” Herein lies the reason why social safety nets are increasing on the African continent, and continue to evolve from scattered stand-alone programs into dependable safety net systems.

Strong economic growth has not translated into reduced poverty levels for the bulk of the population, and the gap between the extreme poor and the rising middle class is growing in many countries. Poor households consume food of lower quality and inadequate quantity; their children have a higher risk of dropping out of school and these households cannot afford basic health services. Economic and other types of shocks reduce the ability of the poor to receive reasonable income and, hence, deprive them of their capability to obtain basic services that are necessary to develop themselves. It is for this reason that social safety nets play a key role in salvaging and assisting the poor out of poverty and food insecurity. In countries, such as, Namibia, Botswana and South Africa, where there are solid programs in place, we need to focus on improving efficiency and effectiveness of these programs as well as linking these programs in order to have a more consolidated approach to addressing issues of poverty.

The most recent Poverty Dynamics Report which was compiled by the Namibian Statistics Agency indicates that the general trend is a decrease in both poverty and inequality in Namibia. Since Independence, Government has implemented several programs to address poverty and inequality in the country and we are bearing witness to the results of these programs. According to the 2010 Income and Expenditure Survey, the Namibian social safety net comprised of the following:

- Pensions(12.1 percent);
- state child maintenance grant (0.8 percent);
- disability grant (0.7 percent);
- foster care (0.3 percent);
- war veterans (0.1 percent); and
- drought relief assistance (0.5 percent).

In total, these programs cover about 300 000 Namibians. This does not cover the full range of the available social safety nets in Namibia such as maternity, sick and death benefits offered by the Namibia Social Security Commission.

However, there is still a long way to go to redress the social imbalances caused by systems which were meant to favour one section of the population rather than the entire population. Therefore the scale-up of safety nets in Namibia should focus on programs that are well targeted and provide the most needed benefits, while gradually reducing regressive or ineffective programs.

In order to achieve this, it is critical to improve monitoring and evaluation systems. Often times we have excellent policies and programs in place but fail to match them with excellence in monitoring and evaluation. For our social protection mechanism to be robust, we need better core data on the number and types of beneficiaries reached as well as information about program outcomes in terms of their impact. This information is critical in order to improve program design and coordination, to inform decision makers, and to attract financial resources and donor support.

Unfortunately on the issue of donor support, I must once again express my displeasure at the current situation Namibia finds itself in. According to the World Bank, Namibia is classified as an upper-middle income country with a GDP per capita of around US\$ 5700. I could either rejoice, or look at the inequities this statement conceals. For me, the simple arithmetic used to reach this conclusion, without taking into consideration severe social imbalances which are still in existence, is baffling. What this simplistic approach hides is the fact that the wealth is concentrated in the hands of just 5 percent of the people. The rest, the 95 percent of the people are poor – as poor as anywhere in the third world. This skew wealth distribution because of historical reasons is a challenge that we need to address peacefully. Those, including the World Bank, claim that the problem is of equitable distribution as if we didn't know that! What they forget is that when someone tries to correct the situation, as Zimbabwe did, it faced unprecedented criticism and reprisal. Yes, Namibia is a resource-rich country, Yes Namibia has a good governance architecture, but there is no way anyone can claim that our people are wealthy. Unfortunately this classification has come as a handicap for a country which is still in the process of trying to develop a robust socio-economic infrastructure by ensuring equitable distribution of the country's wealth. Rest assured, despite the handicap the World Bank has given us, we will meet the targets we have set for ourselves in our Vision 2030 by managing our resources, and adding value to them. Our commitment is to ensure access to jobs, housing, education, and health services for all. That is our Vision 2030.

One outcome of this iniquitous situation imposed on us by the World Bank is that our access to aid becomes restricted. The recent report, Investment to End Poverty, reaffirms the critical role of international aid.

“The report reveals that:

- International aid plays a critical role in reaching the poorest people around the world where other resources (such as FDI and remittances) may not be available.
- Extreme poverty - the number of people living on less than US\$1.25 a day -- has fallen from 43 percent in 1990 to 21 percent in 2010, making it possible to end poverty by 2030. But economic growth alone may not be enough to get there.
- Aid plays a critical role where governments can't or won't. It can be targeted at the poorest people, and used to leverage other funds. 400 million people in sub-Saharan Africa live in extreme poverty and require interventions beyond the broader benefits of growth to overcome risks and structural barriers to raise them out of extreme poverty by 2030.”

Despite the facts that I have just mentioned, we can do a lot as stakeholders to ensure that we improve our social safety nets and continue to support our needy citizens. For instance, one of the drawbacks of most of our social safety net programs is the lack of strong institutional homes and coordinating bodies, such as inter-ministerial steering committees. We have a number of effective and targeted safety net programs but these are generally spread over a number of ministries creating a situation where there is duplication of programs which could be more effective if consolidated. There is also the issue of scattered donor support which has led to the creation of small and isolated programs without real champions for the overall safety net agenda.

In order for our social safety net programs to generate the desired impact at a reasonable cost, they need to be well targeted, cover the identified groups, provide adequate benefits, and be flexible enough to adjust to changing needs and respond to shocks. The problem is that little is known about the effectiveness of a number of our safety net programs since monitoring data are often unavailable. By improving our ability to monitor the impact of these programs, we will ensure that there is improved coverage of poor and reduced vulnerability due to the expansion of well-targeted programs. Our safety net programs have to improve in flexibility and predictability, which will make them more effective as crisis response mechanisms. I hope that in future we are not caught off guard by either drought, floods or economic shocks. Our ability to deal with shocks will depend on how we are able to buttress those of our citizens who are most vulnerable to these shocks.

Beyond the intrinsic value of social safety net programs in addressing issues of income inequality, they also have an often overlooked role to play in promoting economic growth. These programs can be an effective tool in offsetting credit and insurance market failures, which leave poor households unable to make future investments that could raise their future incomes, purchasing power or even protect them from adverse events. It is therefore pertinent that we identify the type of social safety net programs that are most suited to addressing poverty through helping raise the asset levels of poor households. By providing liquidity to poor households, these households will then be in a position to acquire assets which will help them escape the cycle of poverty.

Ladies and gentlemen,

I am certain that the future of our country is bright. We have the governance architecture in place, we have the macro-economic architecture in place and we have the capacity to ensure that we will put in place the socio-economic infrastructure and redress the imbalances of yesteryear. However, we have to be weary. The 21st century brings great opportunity but with the opportunity comes numerous risks and shocks. These include floods, droughts, price shocks, market collapses and civil strife. As the past several years have shown us, these shocks are prevalent in both the developing and the developed world.

Therefore, it is my hope that we will use this opportunity to put our minds together, to assess the effectiveness and relevance of the current programs in place but most importantly to look towards the future and identify social safety nets that will address the long term consequences of transitory shocks. An integrated approach also requires that we identify those most affected by the various shocks and ensure that we design targeted programs to safeguard their livelihoods, nay, their very lives. I look forward to hearing from our panel of experts as I am sure they have a wide range of ideas on how we can achieve this. Let me close my remarks by quoting Nelson Mandela. On poverty he had said, "Overcoming poverty is not a task of charity, it is an act of justice. Like Slavery and Apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. YOU can be that great generation. Let your greatness blossom."

I thank you!

Social safety nets in Namibia: Structure, effectiveness and the possibility for a universal cash transfer scheme

Dr. Blessing M. Chiripanhura¹ and Dr. Miguel Niño-Zarazúa^{2}*

ABSTRACT

This paper examines the types and coverage of social safety nets in Namibia. It assesses coverage, adequacy and effectiveness of the measures in achieving the set objectives. The paper also discusses important issues that need to be considered if the country chooses to introduce an additional social transfer measure in the form of a basic income grant. It stresses the need to ensure sustainability and affordability of social protection, and the possibility of consolidating the existing schemes into a comprehensive scheme with lower costs and greater efficiency.

1. INTRODUCTION – WHY SOCIAL PROTECTION?

The need for social protection arises from the realisation that there is always a degree of inequality and limit to opportunities for some households in any economy. It is human nature to give a helping hand to the less fortunate members of society. This realisation forms the foundation of the Millennium Development Goals, which seek to improve the living standards of the poorest people in the world. Worldwide, countries are working hard towards achieving the goals, and as part of these efforts, various forms of social protection programmes have been introduced. In Africa, the African Union (AU) has called on its member countries to intensify the use of cash transfers in the fight against poverty (AU, 2006).

Historically, communities have developed coping mechanisms in the face of adversities. They have ways of shielding the poorest from the worst of crises through the development of intricate social networks and relationships which broadly revolve around community social capital. In Namibia, these informal social safety nets consist of help from the extended family (e.g. with childcare from grandparents); taking care of orphaned children of relatives; sharing food, draught power and other productive assets with neighbours; gifts and contributions to social functions like marriage ceremonies, weddings and funerals; and soft loans to neighbours and relatives. There are also cash transfers from household members in urban areas to members in rural areas, and food transfers in reverse. However, these social safety nets are not robust to covariant shocks like drought and over time, the communal bonds have weakened, and the government has increasingly taken over the provision of social protection.

¹Lecturer, Polytechnic of Namibia, Windhoek, Namibia, Email: chiripanhura@yahoo.co.uk

²Research Fellow at the United Nations University's World Institute for Development Economics Research (UNU-WIDER), Helsinki, Finland. Correspondence contact at UNU-WIDER, Katajanokanlaituri 6B, FI-00160 Helsinki, Finland. Email: miguel@wider.unu.edu.

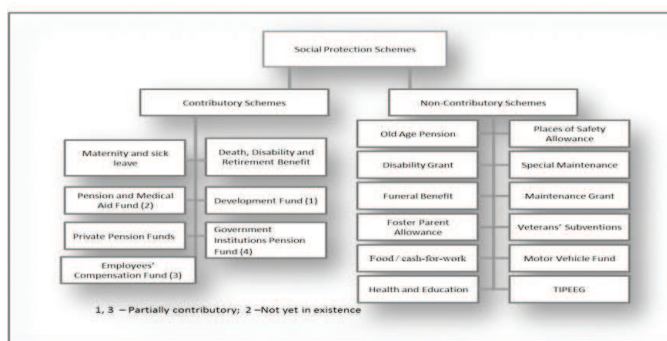
^{*}We acknowledge the assistance we received from Hileni Nangula Kalimbo with data collection.

In Namibia there is a high degree of state provision of social assistance. The outcomes of the schemes depend on the design, institutional capacity of the government, implementation mechanisms, costs, and the political acceptability of the measures. The following section examines the social protection schemes in Namibia.

2. THE SOCIAL PROTECTION SCHEMES IN NAMIBIA³

Namibia has a variety of legislations that provide for social protection in the country. It has a number of social protection measures, including housing and living expenses allowances for vulnerable groups, means-tested cash transfers, food-for-work programmes, and free access to primary healthcare and basic education. The structure of the social protection schemes is shown in the figure below. Among contributory schemes, the government institutions pension fund and private pension funds are provident funds, while the rest are defined benefit funds. The maternity, sick leave, pension and death benefits fund is popularly known as the MSD Fund.

Figure 1: Structure of social protection schemes in Namibia



The following discussion focuses on non-contributory social protection schemes. **Non-contributory social transfers are often called social safety nets.** These can be conditional (meaning access depends on compliance with given conditions; thus there is targeting), or unconditional (meaning they can be applied without the requirement to meet certain behaviours). They can be categorical, meaning they can be restricted to sections of society falling in certain categories (e.g. children, pensioners, etc.). They can also be targeted and/or means-tested (which restrict access) or universal (i.e. accessible to all people). Some are contributory (meaning the beneficiaries have to make a contribution prior to receiving the benefits), while others are non-contributory (beneficiaries do not have to make any contributions before accessing benefits).

³The analysis in this paper is constrained by lack of data. We tried, as much as we could, to piece together all sources of available data to strengthen our arguments.

2.1. Existing types of social safety nets

The different types of social safety nets are shown in Figure 1 above under non-contributory social protection schemes. The Old Age Pension / Basic Social Grant, Disability Grant and Funeral Benefit are administered by the Ministry of Labour and Social Welfare; the Place of Safety Allowance, the Special Maintenance Allowance, Maintenance Grant, and Foster Parent Allowance are administered by the Ministry of Gender Equality and Child Welfare; and the War Veterans Grant is administered by the Ministry of War Veteran Affairs. The different schemes are examined below.

Table 1: Type of grant and administering authority

Ministry administering the grant	Type of grant
Ministry of Labour and Social Welfare	Social Pension / Basic Social Grant
	Disability Grant
	Funeral Benefit
Ministry of Gender Equality and Child Welfare	Place of Safety Allowance
	Special Maintenance Allowance
	Maintenance Grant
	Foster Parent Allowance
Ministry of Veterans' Affairs	Veterans' grant

2.1.1. The Old Age Pension / Basic Social Grant (BSG)

The Old Age Pension, later renamed the Basic Social Grant (BSG) in 1998, is a universal and unconditional cash transfer to persons aged 60 years and above aimed at preventing poverty among the beneficiaries. This dates back to the colonial period where as from 1973, all citizens of Namibia could receive the social grant. For the historical background analysis, see Subbarao (1998), Devereux (2001) and Levine et al, (2009). The main qualifying criteria have remained age (60 years and above) and citizenship (beneficiary must be a citizen of Namibia; or must have permanent residence; and must be residing in Namibia).

At independence, white Namibians' social pension income was 7 times higher than that of the Owambo, Caprivi and Kavango ethnic groups (Devereux, 2001), which, according to the colonial administration, occupied the lowest echelons of the social hierarchy. To equalise the social assistance income, the government opted to freeze the top level while adjusting the lower levels upwards. However, in 1994, all social pension income was equalised at N\$120, to the chagrin of white pensioners whose incomes were reduced by over a third. The social pension first increased to N\$135; and to N\$160 in 1996. In 2008 and 2009 it amounted to N\$450, and was increased to N\$500 in 2010. As from April 2013, it amounts to N\$600.

i.) Coverage and impacts of the BSG

The coverage of the social pension has increased since independence. In 1990, 50 percent of old-aged people received the social assistance income. According to Subbarao (1998), coverage was 49 percent in the period 1993-94, and it increased to 88 percent by 1998. The International Labour Organisation's Social Security Department (ILO SSD, 2013)⁴ says coverage reached 95 percent in 2001. Coverage may still not be 100 percent because of large distances across the country, isolation of some communities, and illiteracy among some qualifying individuals. According to the Namibia Household Income and Expenditure Survey (NHIES) of 2009/10, 25 percent of the pension beneficiaries travelled more than 6 kilometres to the nearest pension pay point. In addition, 11 percent travelled more than 20 kilometres to the pension point.

The administration of the social pension was initially done by the government. However, in the mid-1990s, the government decided to privatise the administration and distribution of the pension. Since then, the company responsible reduced the number of access points especially in rural areas thereby making it difficult if not impossible for some elderly people to access their pensions (Levine et al, 2009). This is confirmed by the distance to pay points discussed above. In fact, privatisation imposed significant transaction costs to the recipients, resulting in reduced access and possibly coverage. The privatisation also increased the administration costs of the programme, which the ILO SSD (2013) pegs at 9 percent of total benefits. However, privatisation brought about efficiency gains when it introduced biometric identification of recipients. This reduced leakages as only the pensioners or their named procurators got access to the money.

Notwithstanding this, the process of drawing the pension still has loopholes for possible fraudulent access, especially where the pensioners' procurators continue to draw the money after the recipients have died. The Auditor-General's 2012 report (Government of Namibia, 2012) highlighted these issues, although the report noted a few cases where the money drawn after the death of the pensioner was returned. Administrative inefficiencies, paper-based records, and shortage of transport were noted as some of the reasons why recipients' files remained open after they die.

One factor inhibiting the effectiveness of the basic social grant is that it is not targeted at the needy. Thus, it suffers from exclusion and inclusion errors. Exclusion errors refer to the exclusion of households that deserve and qualify for the social pension but are not receiving it. Inclusion errors refer to inclusion of households that do not deserve or that do not qualify for the social pension but are receiving it. From the NHIES 2009/10, the inclusion error is less than 5 percent. The error varies across regions, depending on the level of literacy and state of infrastructure.

In general, there is more intensive coverage in urban areas where most of the qualifying individuals are non-poor. Apparently, about half the beneficiaries of

⁴http://www.ilo.org/dyn/ilossi/ssimain.schemes?p_lang=en&p_geoid=516

the social grant are regarded as non-poor, implying that the social grant is a poor redistribution tool that reinforces income inequality (Levine et al, 2009). Further, the universality of the grant results in 'perverse redistribution' since richer pensioners have a higher likelihood of living longer and will therefore draw the pension for longer (Beattie and McGillivray, 1995).

In order to enhance equity and sustainability, Subbarao (1998) argues for the introduction of more exclusion criteria so as to exclude the clearly non-poor pensioners from accessing the pension. More targeting removes the universality of the grant, but exclusion of some existing beneficiaries may result in political backlash and stigmatisation of beneficiaries. Nonetheless, the long-term sustainability of the programme would require that changes are introduced.

Apart from reducing poverty among senior citizens, the social grant is a vital source of income for many households. The NHIES 1993/94 states that the social pension constituted the main source of income in about 10.5 percent of the households, the majority of which were in rural areas. The situation did not change significantly in 2009/10: the NHIES 2009/10 shows that the basic social grant was the main source of income in 10.2 percent of all households, the majority of which were in rural areas. The grant enhances the social and economic standing of pensioners in their households. The pension is also an important injection into the local economy, and it promotes local commerce. The demands on the social pension are so large that it ends up being spread too thinly that the pensioners may end up poor. Given the high level of poverty in the country, there are arguments for the introduction of a universal basic income grant (see discussion below).

ii.) Affordability and sustainability of the BSG

The affordability and sustainability of the social grant is a matter of concern, especially in the context of population growth and longevity of pensioners' lives, which impose a growing fiscal burden on the economy. This is particularly so because the grant is not linked to labour market outcomes / participation. The ratio of the social grant to government expenditure was 3.4 percent in 1994, and this increased to 3.7 percent in 1996/7 (Subbarao, 1998). High unemployment means the government has a reduced tax base. As coverage increases and people live longer, it is clear that the long-term sustainability of the programme will be tenuous. The following table shows the expenditure on various social grants between 2004 and 2010. The Maintenance Grant and Foster Parent Allowance increased by an average 36.8 percent between 2004 and 2010, the Social pension increased by an average 13.9 percent, while the Funeral Plan increased by an average 17.9 percent over the same period. All increases far outstrip economic growth, resulting in doubts about long-term sustainability of the schemes.

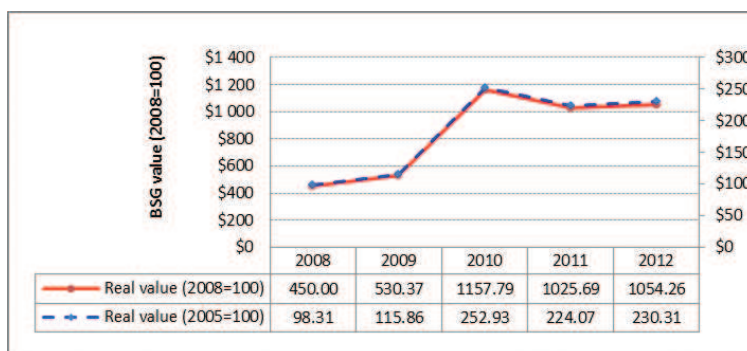
Table 2: Expenditure on some social grants, 2004-2010 (in N\$ million)

	2004	2005	2006	2007*	2008	2009*	2010
Maintenance Grant, Foster Parent Allowance	49.18	89.69	99.59	130.13	176.48	202.06	296.04
Social Pension	442.78	455.06	589.93	659.78	851.45	880.18	940.59
Funeral Plan	--	17.47	14	29	32.72	34.25	29.04
Veterans' Subventions	12	14	17.39	21	24.7	--	221.8

Source: Various issues of the Budget books – Estimates of Revenue and Expenditure; Note: 2007 and 2009 figures are estimates.

The fiscal sustainability of the programme is also a major concern because of its **universal nature and low age cut off point of 60 years**. A retirement age of 60 years is quite low and in the long term will likely lead to a pension crisis. Some European countries, faced with a rising pensions bill, have increased their retirement age limits and encourage old people to continue working if they can. Given that the social grant has been increasing in real terms (Figure 2 below), the total spending on the grant will likely have significant adverse effects on the budget deficit.

Figure 2: The real value of the social grant in 2005 and 2008 prices



Source: Ministry of Labour and Social Welfare

It is apparent that the real value of the social grant has been increasing over time, both because of falling consumer prices, and because of adjustments over time. The increase in the real value of the grant reinforces concerns about sustainability.

2.1.2. Disability Grant and Funeral Benefit

The disability grant is given to people with temporary or permanent disability, including the blind. The grant supports disability prevention and rehabilitation. The benefits are administered by the Ministry of Labour and Social Welfare. The disability

grant amounts to N\$600 per month from April 2013, up from N\$550 per month. Individuals registered for the old age pension and the disability grant are automatically registered for the funeral benefit grant. This is a lump-sum payment of N\$3,000 since April 2013 (up from N\$2,200 before that). It is paid directly to the undertaker for the burial of a qualifying member. The funeral grant ensures dignified burial of pensioners and disabled people, and it also makes it possible for the authorities to update their records by cancelling accounts for the people who are declared dead at the time of application for the funeral benefits.

Coverage of the disability grant and funeral benefit was relatively low in the 1990s (Subbarao, 1998). It has improved over time, but disparities still exist between regions, particularly because of large distances across the country. Fundamental problems hindering access to the grants include illiteracy and lack of information, isolation of qualifying individuals, and complex claiming procedures.

2.1.3. Child and family grants and allowances

The government has a number of grants and allowances targeted at the protection of orphaned and vulnerable children. There are principally four child grants and allowances, namely the Child Maintenance Grant, the Foster Parent Grant, the Places of Safety Allowance, and the Special Maintenance Grant. Child and family benefits are mainly administered by the Ministry of Gender Equality and Child Welfare.

2.1.3.1. The Child Maintenance Grant

The Child Maintenance Grant is received by a person who satisfies the following conditions: be a biological parent to a child younger than 18 years, with a spouse receiving the disability or old age grant, or is deceased, or is serving a jail term of not less than 3 months. The grant is also given to persons whose spouses are certified as unfit for labour market activity. To access the benefits, the applicant must produce the child's birth or baptism certificate. The grant is means-tested and targeted at people with incomes of less than N\$1,000 per month. The grant was initially valued at N\$200 for the first child and N\$100 for an additional child, up to a maximum of six children. Now they have been equalised and all qualifying children receive N\$200 per month. In 2004 there were 15,625 beneficiaries, and the number increased to 86,086 in 2008.

2.1.3.2. The Foster Parent Grant (FPG)

The FPG is given in accordance with the Children's Act of 1960. The FPG is a means-tested cash allowance given to any person who cares for any child placed in their custody. The allowance is N\$200 per month per foster child. Unlike the child maintenance grant, there is no restriction on the number of children that one can care for. It is restricted to Namibian citizens or those with permanent resident status. The grant is payable until the day it is terminated by the Social Assistance Clerk.

2.1.3.3. The Place of Safety Allowance

This allowance is administered under the Children's Act or the Criminal Procedure Act. The allowance is given to families or individuals who take custody of a child under the age of 21 placed in care by the Commissioner of Child Welfare, or placed in the place of safety in terms of the Children's Act or the Criminal Procedure Act of 1977. The approved amount is N\$10 per day per child. It is administered by the Ministry of Gender Equality and Child Welfare for the benefit of vulnerable children in need of such help.

2.1.3.4. The Special Maintenance Grant

This grant is paid to all caregivers of children under 16 years who have been diagnosed as temporarily or permanently disabled. This includes children with HIV/AIDS, and those that are blind. The caregiver receives an allowance of N\$200 per month.

i.) Coverage of family and child grants

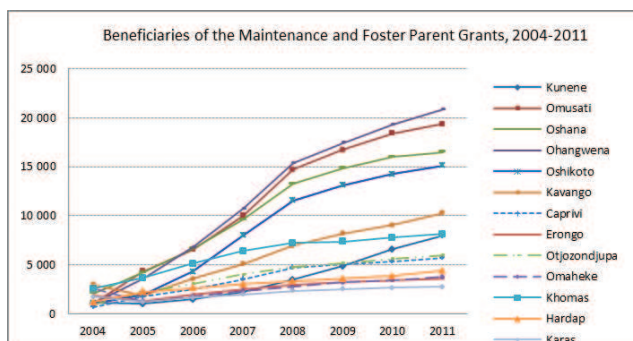
National data on coverage of the child and family grants, targeting and administration is scarce and/or incomplete. However, in 2008, a total of 250,000 persons benefited from the child grants and family allowances. Levine et al (2009) reported that the number of Child Maintenance Grant beneficiaries increased almost ten times, while Foster Parent Grant beneficiaries increased by nearly 40 percent between 2003 and 2008. In general, the beneficiaries of child and family benefits and grants have, over the years, been fewer than social pension beneficiaries despite the dominance of children and young people in the population structure. Some of the reasons for this include bottlenecks posed by registration requirements and documentation for some benefits, lack of knowledge and illiteracy, and isolation of some communities.

The coverage of child and family grants is skewed in favour of some regions. In 1998, fewer children in the North received the children's grants, while large numbers in Windhoek did. This indicates that exposure and access to information play an important role in determining coverage, especially in the more remote and distant places. The consequence of the low coverage is that the neediest children in remote areas fail to access the children's grants, including those being cared for by their grandparents. The grants also fail to be adequately redistributive as they tend to be urban-biased and, because of information asymmetry, are more accessible to better-off households.

Figure 3 on the next page shows the number of children benefiting from the maintenance and foster parents' grants. The total number of recipients in 2011 was 124,615⁵. Marginal areas of the country have the lowest number of recipients, yet sometimes they are the neediest.

⁵See Appendix 2 for the annual regional and national totals.

Figure 3: Total number of orphaned and vulnerable children benefiting from the Maintenance and Foster Parent Grants



Source: Ministry of Gender and Child Welfare

The effectiveness of the child maintenance grant may also be limited given that it is received by the parent. If the parent is based in town while the child is being looked after by grandparents in the rural areas, the amount that reaches the child may be lower than the initial grant. The lack of a monitoring mechanism that the money is indeed spent on the child reduces the grant's effectiveness. This area needs to be revisited to ensure that the bulk of the money really benefits the children and their carers.

Child grants are generally targeted more at children who are single or double orphans. This ensures that the grants and allowances are more pro-poor, given the higher concentration of such needy children in poor households. Worse still, the child and family grants have lost value in real terms and are no longer linked to the value of the pension as was the situation before 2000 (see Table 3 on the next page).

ii.) Impact and real value of family and child grants

The grants have been pegged at N\$200 per child, and have not been adjusted since 2008. Table 3 shows the real values of the grants in 2005 prices. It shows that apart from 2010, the grants' real values have fallen below what they were in 2005, and have been declining from 2010 onwards. The nominal values compare badly with the adult-equivalent severe poverty line of N\$3,330.48 (Namibia Statistics Agency, 2012). The situation is likely to be worse this year, given the drought situation in the country.

Table 3: The real value of child grants and benefits

	Price Index (2005=100)	Child Maintenance Grant	Foster Parent Grant	Special Maintenance Grant
2008	457.8	43.69	43.69	21.85
2009	388.4	51.49	51.49	25.75
2010	197.7	101.17	101.17	101.17
2011	223.1	89.63	89.63	89.63
2012	238.8	83.75	83.75	83.75

Source: Ministry of Gender and Child Welfare

The poverty impacts of the child and family grants and allowances have been found to be minimal. Levine et al (2009) reported that child grants have very minimal impact on poverty, while the social pension has a statistically significant poverty-reducing impact. Nearly 40 percent of the poorest individuals command half of the child grants, implying that the other half goes to relatively better off households.

The NHIES 2009/10 data shows that there are very few households for which the grants are the main sources of income as shown in Table 4. There are more rural than urban households for which the child and family grants are the main sources of income.

Table 4: Proportion of households for which the social grants are the main sources of income

Grant	Percentage of households for which grant is main source of income
Disability grant for adults	0.88
Child maintenance grant	0.63
Foster care grant	0.18
Special maintenance grant (disability)	0.43

Source: Author calculations from NHIES 2009/10

2.1.4. War Veterans' Grant

This is a grant offered to people who participated in the liberation war. The grant is administered by the Ministry of Veterans' Affairs (from 2006) under the Veterans Subventions Act of 1999. Beneficiaries have to undergo a comprehensive vetting process in order to be eligible. Initially, to qualify for the grant and pension, one must have participated in the armed struggle for independence, 55 years or older, a Namibian citizen, and residing in Namibia. Later, the age condition of 55 years was removed, paving way for younger people to apply for recognition for their roles in the war of liberation. Prospective veterans have to be vetted by a Veterans Board that administers the Veterans Fund and approves benefits.

Veterans are entitled to a once-off gratuity of N\$50,000 for those who participated in the liberation struggle between 1959 and 1987; and N\$20,000 for those who participated in the struggle between 1988 and 1989. The veterans who are unemployed receive a monthly subvention of N\$2,200. Those whose income is below the tax threshold also receive the monthly subvention income. The government also builds two- to three-bedroomed houses for disabled and aged war veterans with individual cost not exceeding N\$300,000. War veterans are also eligible for medical assistance, counselling, land resettlement, funeral assistance, educational grants for them and their dependants, and other subsidies to costs of water, electricity and transport. They also receive funding for projects. By the beginning of 2013, 242 projects were reported to have been completed.

(i) Coverage and impact of the War Veteran' grant

The coverage of the veterans' grant is narrow and restricted by the qualifying conditions. It is not surprising therefore, that Levine et al (2009) reported that the number of beneficiaries increased from about 100 in 1999 to 1,767 in 2007. As of 2011, there were 70,000 registered veterans, 6,896 of which were receiving the monthly subvention income.

Coverage improved significantly between 2008 and 2013. The changes to the qualification criteria resulted in growth in application, with 40,608 applications received by the vetting authority.⁶ This year, 2013, the government has come up with a commission to vet possible members. This will likely improve the transparency of the vetting process, and increase the number of beneficiaries.

The real value of the veterans' benefits increased significantly between 2009 and 2012. The table below shows government actual expenditure on the benefits.

Table 5: Expenditure on War Veterans' benefits (N\$ '000)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Expenditure on Veterans' benefits	--	--	--	17,358	7,767	5,361	5,559	10,619
Inflation Index	100	223	298	458	388	198	223	239
Real expenditure (2005=100)				3,792	2,000	2,712	2,491	4,447

Source: Ministry of Veterans Affairs

The increase in the real value of total expenditure is reflected through the high increase in individual benefits. The amount of the monthly allowance increased significantly over time, from N\$500 in 1999 to N\$2,000 in 2007, and currently stands at N\$2,200.

⁶Ministry of Veterans Affairs, on <http://209.88.21.36/openncms/openncms/grnnet/MOVA/MinisterialActivities/Registration/>

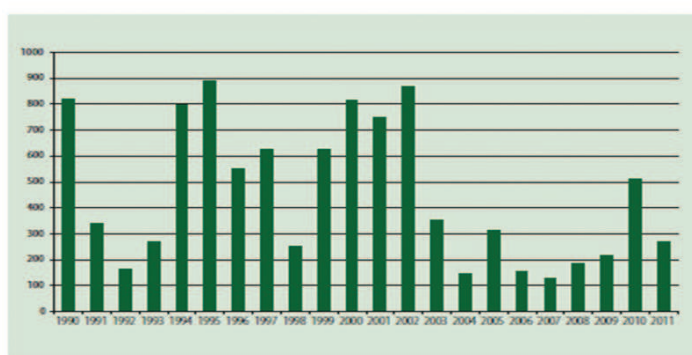
2.2. Other social expenditures and subsidies

Namibia has other social transfers and subsidies. These include funds that are given to non-governmental organisations and churches that offer social services to communities. Some organisations look after pensioners, others look after the disabled. Generally it is richer and urban-based old people who get to be looked after in privately-operated welfare homes. The extended family system promotes the looking-after of old people by their relations, usually with no extra support from the government. The government also spends significant amounts of money on social housing and on education and health.

2.2.1. Housing

The government has two initiatives targeted at providing housing to low and medium income households. These are the National Housing Enterprise and the Build Together programme. The National Housing Enterprise (NHE) is administered by the Ministry of Regional, Local Government and Housing. It succeeded the National Building and Investment Corporation in 1993, and seeks to develop affordable housing to households. It targets households earning between N\$5,000 and N\$20,000 per month. It requires collateral or a deposit of 5 percent. Figure 4 shows the house delivery rate between 1990 and 2011. It shows that the highest number of houses was delivered in 1995 (close to 900 units), and the lowest was in 2007 (less than 150 units). Generally, the largest number of houses was constructed between 1990 and 2002. Between 1990 and 2010, the NHE received \$109 million dollars from the government.

Figure 4: Housing delivery by the NHE, 1990-2011



Source: Housing Policy and Delivery in Namibia, by E. Sweeney-Bindels, IPPR, 2013, page 18.

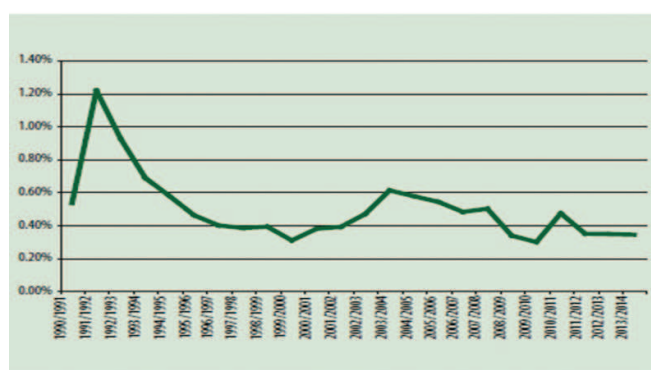
The scheme is hampered in housing delivery by scarcity of land to build on. Between 2011 and 2013 it received significant amounts as subsidies to allow it to acquire land to build on. Overall, the programme lags behind in housing provision, and nationally the backlog remains quite significant. In addition, the programme has an urban bias, meaning that poor rural households may not be benefitting enough.

The Build-Together Programme is administered by the Ministry of Regional, Local Government and Housing. It was introduced in 1992/93 to help low and very low income households build their own houses. It was decentralised to local authorities and regional councils from 1998. The programme has four sub-categories, namely the a) the urban/rural housing loans scheme; b) the social housing scheme; c) the single quarter transformation scheme; and d) the informal settlement upgrading scheme. The Urban/rural housing loans scheme provides loans to a maximum \$40,000 to low income people with monthly income less than \$3,000 who cannot access to credit. Between 1992 and 2006, 13,263 individuals benefitted from the scheme.

The social housing scheme provides loans to local authorities to provide social housing to pensioners, the destitute and the disabled. A total of 339 houses in Oshana, Otjosondjupa, Oshikoto, Kunene, Erongo, Hardap, Karas and Omaheke regions were constructed under the scheme. The Single-Quarter Transformation scheme seeks to transform the Single Quarters across the country into family units for individual residents. The scheme recovers the costs of construction from the beneficiaries. As of 2006, 1,355 houses had been constructed. The Informal Settlement Upgrading Scheme provides basic services like water, roads, electricity, sewerage disposal and electricity to informal settlements. It has provided services to hundreds of families across the country.

The government spent over \$900 million dollars on the BTP between 1990 and 2011. Before the BTP programme was decentralised, a total of 10,244 houses were constructed; after decentralisation (1998-2010), nearly 16,430 houses were constructed. Overall, government spending on housing has generally been low, averaging about 0.5 percent of total government expenditure over a number of years. It peaked at 1.2 percent in 1992/93 consistently declined thereafter, averaging less than 0.4 percent between 2010 and 2013.

Figure 5: Housing budget as a percentage of total government expenditure, 1990-2013



Source: *Housing Policy and Delivery in Namibia*, by E. Sweeney-Bindels, IPPR, 2013, page 14.

In addition to the initiatives above, the government offers housing subsidies to households that fall on difficult times. Needy households in urban areas who have defaulted on rent can appeal to councils for assistance with rent. The remission of rent is granted upon written submission to the local authorities. However, the main weakness of this type of subsidy is that it is urban-biased. It is also reported that in the majority of cases, the beneficiaries are actually in a position to pay their own rent. For this reason, such transfers end up benefiting the non-poor.

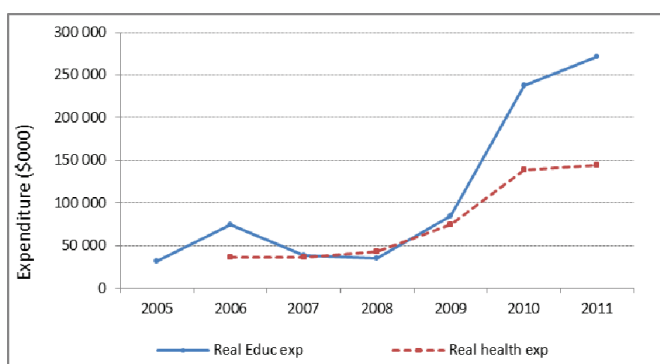
2.2.2. Education and health

Health and education expenditures account for the bulk of the government's expenditure. The Constitution and the Education Act (2001) make primary school education compulsory and prohibit the charging of school fees in the state sector. There is a vibrant private sector presence at pre-primary, primary, secondary and tertiary levels of education. In the 1990s, primary school enrolment rate averaged above 80 percent, and expenditure on primary education as a percentage of GNP averaged 5.1 percent. Between 2008 and 2011, the primary enrolment rate was 86 percent (UNICEF, 2013). During the 1990s and 2000s, many poor parents face the challenge of securing books and uniforms for their children. High levels of poverty resulted in some children dropping out of school. Nonetheless, the government introduced free primary education in 2013. In higher education, poor and vulnerable children access bursaries under various schemes. The commitment to expenditure on education (Figure 6 below) has resulted in a high literacy rate of 89 percent as of 2013 (UNICEF, 2013), which is an improvement from the 1995-2004 average of 85 percent (World Bank, 2013).

There are also school-feeding schemes administered by the Ministry of Education in collaboration with donors. The bulk of the scheme benefits primary and pre-primary schools, but also covers private and informal hostels. Geographically, there is a concentration of beneficiaries in Keetmanshoop, Ondangwa and Windhoek. The distribution is skewed in favour of urban areas.

In the health sector, primary healthcare is subsidised to ensure that many households have access. Again some households face challenges in raising the user fees required, even though they may be relatively small. In both the education and health sectors, there are complaints from households about declining quality of services resulting in those that can afford going to the private sector. This creates two tiers in both the education and health sectors, with the state sector being the poorer sector. The discrepancies translate into labour market outcomes which perpetuate rather than eliminate inequality.

Despite the quality differences, expenditure on both basic education and health has been increasing. Figure 6 on the next page show the real values of health and education expenditures between 2008 and 2012.

Figure 6: Real expenditure on health and education, 2008-2011

Source: Ministry of Finance

Real expenditure on education shows significant increase from 2008 onwards. Expenditure on higher education has also been increasing, but this has not translated into higher employability of graduates. Skills shortages still persist, especially in medical, science and engineering fields. Unemployment remains high, especially long-term unemployment. Expenditure on health has also been increasing, but at a lower rate. The decline in the quality of service may be indicative of inherent inefficiencies that need to be addressed.

The government also provides assistance to marginalised communities to protect and promote food security and nutrition among them. One such programme targets the San community. Under this initiative, the government provides livestock (for draught power) and implements to poor households. It also helps with water provision, building of community gardens, and runs a small livestock revolving scheme. In 2008, 135 households benefited from the various schemes. It also runs temporary employment schemes to benefit the unemployed in the San communities. They engage in projects such as water reservoir construction and fencing community gardens.

2.3. Labour market-linked transfers

Namibia has some transfers that are linked to labour market participation. These are conditional in the sense that households or individuals can only access them if they participate in given economic activities, or if they exhibit given characteristics. The main programmes linked to the labour market are: food-for-work/cash-for-food programmes, public works programmes, and informal sector and micro-enterprise support.

2.3.1. Food-for-work programmes

The food-for-work programmes are usually implemented in times of covariant shocks like drought or floods. For example, the poor rainfall of the 2012/13 season has seen the government introducing the food-for-work programme.⁷ Since the able-

⁷President's Press Conference on the drought situation in the country, 17 May 2013, State House, Windhoek.

bodied are not eligible for free food distribution, they have to participate in some economic/development activity and receive food in return. In addition to getting food or cash, the participants also gain useful experience that helps improve their future labour market outcomes. In some cases the food may be available but unaffordable. Under these circumstances, a cash-for-work programme may be more appropriate.

The challenges arising from these programmes include inadequate coverage, especially during drought periods, given that over 90 percent of the country receives erratic rainfall. In some cases the return to labour, be it in the form of food or cash, has been set at a higher reservation level, making it attractive to non-poor households, thus increasing leakages. Another challenge to the effectiveness of the programmes is the low administrative capacity of the country, which is apparent when faced with shocks like drought. To counter this, Subbarao (1998) suggested developing capacity outside government, say, in non-governmental organisations and the private sector, to augment the state's capacity. During times of need, the government can then delegate implementation of programmes to these agents, or operate alongside them. The government, in collaboration with donors, already applies this approach to public works such as the construction and maintenance of infrastructure like schools and roads, with the private sector as the implementing agency. In general, the wage levels for these programmes are low enough to target the poor, and the private sector companies are encouraged to equip the workers with skills that improve the workers' labour market chances. The challenge faced by the programme is incompetence of some of the private sector contractors and corruption in the award of tenders. Sometimes the public works can be important strategies for dealing with unemployment, as is intended by the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) programme.

2.3.2. TIPEEG

The TIPEEG programme is flagship government programme aimed at dealing with unemployment, especially youth unemployment which is generally long-term in nature. It is scheduled to last for three years (2011-2014), promoting employment in high growth sectors of the economy (agriculture, tourism, housing, transport and public works). Although the employment being created is generally short-term in nature, the programme has a skills development component which is anticipated to increase the long-term employability of the recipients. Although the programme is still on-going, interim evaluation by the National Planning Commission shows that the implementation has been slow, resulting in fewer jobs being created relative to the number of new entrants into the job market and those that are unemployed. The programme created only about a third of the targeted new jobs, and the implementation was slow between 2011 and 2012^a. Further, weaknesses in inter- and intra-sectoral linkages result in low employment creation potential. It may also be necessary to increase horticultural production and reduce reliance on imports.

^aMinistry of Finance: *Fiscal Policy Framework 2012/2013 – 2014/2015*. At: http://www.mof.na/Downloads/Budget%20Documents/Budget%202012/Budget%20new/Final%20FPF%202012%2007%2003%2012%20%282%29_new2.pdf

2.3.3. Informal sector support

The government provides support for employment creation to the informal sector. The support is directed through the Namibia Development Corporation (NDC), which is a state institution mandated with providing credit and business training to small enterprises. Interest is charged at the going bank rate, with a loan duration of up to five years. Usually no collateral is required, but the purchased equipment belongs to the corporation until the loan has been fully repaid.

The challenge to this initiative is the urban-bias of the activities (Seiche, 1995), and the lack of attention to marketing because there is separation between credit from business training. Yet, to complement the government initiative, non-governmental organisations assist rural households by providing small loans to households intent on starting small businesses. A major problem the organisations face is deficient demand because of viability problems that result in high enterprise death rates. In addition, the venture-capital nature of the NDC operations precludes the poor and the unskilled people from benefitting substantially from the initiative. With a high default rate which, according to Subbarao (1998) was between 30 - 40 percent, the sustainability of the initiative is doubtful.

The government, through the Ministry of Gender Equality and Child Welfare, also has an initiative to promote entrepreneurship and employment creation. It offers an income generating activity grant to deserving individuals (see appendix for access conditions) so that they can purchase equipment and materials for their small businesses. Funding depends on project viability and potential to create additional employment. Some of the projects supported include tailoring, brick making, catering and carpentry. Supported projects are supposed to submit annual reports to the ministry. In the event of a project failing within a three year period of being funded, the purchased equipment can be repossessed by the ministry and allocated to new applicants in a similar line of business.

The discussion above covered the main types of social safety nets in Namibia. It has been noted that there is a plethora of social safety schemes with complex and sometimes inconsistent eligibility criteria which is difficult to navigate for potential beneficiaries, and which is inefficient for government. This compromises coverage and, together with the inefficiencies of paper-based records systems, reduce the effectiveness of the systems. The existing schemes have overlaps in coverage and entitlement. With the main objective being poverty reduction, multiple entitlements support this objective, but it is an inefficient way of achieving it. The concentration of benefits on some households may generate pervasive responses from themselves and from those around them. This reduces the effectiveness of the social safety nets and, increases costs, and may damage social cohesion. Further, long-term sustainability of the social safety schemes may be compromised. It can thus be argued that efficiency and sustainability of the social safety nets can be enhanced through consolidation of the existing schemes into fewer, simpler and more targeted schemes. The design of the

schemes needs to be simple and coordinated across programmes and government departments, with emphasis placed on assisting the majority of the neediest.

Simplification of qualifying criteria will increase uptake; consolidation will reduce overlaps and implementation costs; and targeting ensures that benefits go to the neediest households. The harmonisation of benefits should be accompanied by improvements in the system to achieve greater efficiency through assisting beneficiaries' transition to employment. Further, the consolidation process should help solve the problems of gaps and duplication. This can be done by developing and implementing comprehensive integrated management information systems with unified payments systems and effective supervision and controls. This approach would require improvements in monitoring and evaluation, and investment in building management and implementation capacities. It would also require the government to actively communicate the changes in the rules and types of benefits. Most importantly, the government would need to build consensus around the need and processes of consolidation.

One way to enhance sustainability is to link social safety nets to labour markets so that households can increase their earning power and thus graduate from some of the benefits. The focus should be on creating jobs rather than transfers to households. It has been discussed above that generally people are living longer after retirement. It may be that mean-testing of the basic social grant is becoming necessary in order to improve resource allocative efficiency. Further, the fact current pensioners' emoluments are funded by the current working age may compromise sustainability because there is no guarantee that they young will remain in the country. They may migrate to countries offering better living conditions and higher salaries, leaving a funding gap in the current system. The growth of the non-formal economy implies there is a growing portion of the population that is not contributing to the provision of social assistance, but would itself require such assistance on retirement.

So far the discussion has focused on the existing social protection schemes and their challenges and possibility for reform. There are suggestions that such schemes should be replaced by a universal basic income grant. The Namibian Tax Commission (in 2002) and the BIG Coalition (2009) argued for the introduction of a basic income grant. The following section examines the issues that need to be considered in that regard.

3. THE CASE FOR A UNIVERSAL BASIC INCOME GRANT IN NAMIBIA: ISSUES FOR CONSIDERATION

One of the topical arguments in Namibia as in the world over is the issue of a basic income grant. This is a transfer to households with no means testing and/or conditionality. In Namibia, the original idea came out of the Namibian Tax Commission of 2002 (Kaufmann, 2010). The arguments for and against cash transfers with or without means testing have been explored above. Yet in the context of Namibia, the fact that it is a middle income country characterised by high levels of income inequality and poverty, arguably makes it a suitable candidate for a basic income grant. In addition, the country has a relatively small population, making the total cost of the grant low. The basic income grant would be an unconditional and universal grant to all individuals in the country, conditional on them not receiving other grants like that social pension (Kaufmann, 2010). The universality of a basic income grant will likely be acceptable to both poor and better off individuals (the latter getting a negative income tax).

Basic income is defined by Van Parijs (2004) as the non-means tested and universal cash transfer to all individuals in a society. An example is the Alaska Permanent Fund (Kaufmann, 2010). Such a transfer empowers individuals to choose what they want to spend money on. Samson (2009) argues that cash transfers are a more effective way of delivering social transfers because they have multiple impacts on poverty, food security and asset accumulation. Cash transfers can also enhance financial inclusion of the unbanked poor people where the cash is transferred through accounts held with financial institutions. Since cash is portable, it can be delivered at lower transaction costs, especially in the modern days of debit cards and internet and cell-phone banking. Electronic transactions tend to reduce losses associated with pilferage and corruption, problems common with physical goods.

Further, poor households have greater knowledge of what they want than policy-makers, and cash transfers ensure that households retain their independence in decision-making. The basic income grant can stimulate local commerce in ways that enhance pro-poor growth (BIG Coalition, 2009). Samson (2009) argues that in Zambia, 80 percent of cash transfer money was used to purchase locally produced goods. However, under conditions of severe market failures and high inflation, it may be more effective to provide in-kind (e.g. food) rather than cash transfers (DFID, 2005).

The universality of a basic income grant eliminates targeting costs and lowers administrative costs. Universality also reduces exclusion errors (i.e. when eligible beneficiaries are denied access to benefits (under-coverage)), but requires more financial resources because of higher inclusion errors. Universality may also be preferred because it maintains / enhances community cohesion, whereas targeting may result in recipients 'leapfrogging' the income distribution spectrum to above their neighbours who may be non-beneficiaries and create animosity (Ellis, 2008). This is a serious problem where the income spectrum is very narrow.

The opposing views against possible introduction of a basic income grant include that such transfers breed laziness and dependence on the state (the welfare trap), that it has adverse substitutions effects in the labour market and hence is inefficient, and that it will be costly to finance. It is argued that targeted cash transfer programmes are more efficient and effective than universal schemes. Means-tested benefits are politically more acceptable, but can be costly to implement. Targeting reduces inclusion error (i.e. when non-eligible households receive benefits), which usually damages public support for transfer programmes. Proponents of conditional cash transfers cite success stories from Latin America and Asia.

Examples include:

1. Mexico's Progressa /Oportunidades (which reduced school dropouts (Levy, 2006));
2. Brazil's Bolsa Escola / Bolsa Familia cash transfer scheme (reduced inequality and extreme poverty (Soares et al, 2007));
3. Nicaragua's Red de Proteccion Social (improved children's health and education (Maluccio and Flores, 2004; Moore, 2009));
4. Uruguay's Ingreso Ciudadano (helped reduce female child labour in Montevideo (Borraz and Gonzalez, 2009));
5. Bangladesh's BRAC cash transfers linked to microfinance (resulted in thousands of households being lifted out of extreme poverty (Matin, etal 2008)); and
6. Bolivia's Bono Solidario (significantly reduced poverty and improved the livelihoods especially of rural households (Martinez, 2004)).

Given the support and opposition to the introduction of a basic income grant, the following issues need to be considered:

Affordability: The BIG Coalition in Namibia conducted a pilot survey in Otjivero - Omitara in 2010 which revealed that a universal basic income grant can result in a net positive outcome. The coalition argued that such a programme can be funded to through an increase in value added tax by about 2 percent, and that it is affordable because it will cost between 2.2 percent and 3.8 percent of GDP. The coalition also suggested that the grant can be funded through a marginal income tax increase (1 percent) on the top rate. It contends that a VAT-financed grant will have a lower net cost. However, in 2006, the IMF had argued that such a programme on a national scale would not be affordable, estimating the total cost to be about 5.5 percent of GDP.

Policy makers will therefore be worried about the affordability of a national basic income grant. Affordability should be considered in terms of the design and implementation of the programme, as well as possible impacts. There is need for relevant and up-to-date survey data to measure living standards to form the basis for appropriate poverty thresholds. The cost of the transfer can also be very high given the depth of poverty and income inequality in the country. As with all countries, Namibia faces binding budget constraint which may limit the degrees of freedom of the government

in reallocating expenditures. In some countries like Bolivia, the cash transfer is funded from proceeds of privatisation of state owned enterprises; and in Alaska, from revenue from a natural resource. In the Namibian context, one may consider a levy on mining or fishing resources to fund the grant. The level of such a tax should not harm production.

Errors, coverage and likely migration impacts: A basic social grant eliminates the chances of exclusion errors (that is, the ratio of the non-beneficiary poor to total population). However, it will likely suffer from significant inclusion errors (a leakage), that is, it may end up being obtained by non-Namibian citizens, especially in border areas where the residents have cultural and linguistic linkages.

The prospects for higher living standards backed by a basic income grant in Namibia potentially impacts on migration patterns in the region. Surrounded by economies not performing so well, like Angola, Zambia and Zimbabwe, there is chance that some residents of these countries may migrate to Namibia to benefit from the grant.

Level of grant: the government would need to establish the poverty line and level of the grant. The choice is between a grant sufficient to meet the basic needs and one that partially does so. A sufficient grant improves the living standards of recipients at the lower end of the income distribution, but may interfere with work decisions if it is set at a level that is higher than the reservation wage. Although receipt of such a grant does not substitute for work, it may result in reduced work effort, and as Wright (2006) puts it, this changes the power relations in the labour market in favour of employees. A partially sufficient grant may result in sub-optimal results given that the poorest households may not have the extra capacity to top up the income, hence may not realise improvements in living standards. In an environment with adequate job opportunities, a partial grant may motivate individuals to work more in order to achieve a higher standard of living.

Universality versus targeting: the discussion above has shown that targeted social grants have been introduced across the world. Effective targeting that reduces inclusion and exclusion errors requires comprehensive survey datasets that are periodically updated for poverty lines to remain relevant. These data requirements prompt some researchers to argue that targeting makes social protection costly and that some deserving households may be missed. Targeting can also generate resentment from the non-beneficiaries.

Targeting may also result in behaviour change towards the conditionality as households shape up in order to benefit from the scheme, which is a hidden indirect cost of conditional transfers (OECD, 2009). But it ensures efficiency, and the set objectives will more likely be realised. It also improves income distribution, and is more politically acceptable. Universal schemes avoid exclusion errors, but potentially suffer from inclusion errors. However, they are more costly and inefficient because they do not improve income distribution.

It is all about politics: whether or not a basic income grant can be introduced depends on political power relations. Lobby groups may favour one outcome over another, and politicians may be driven more by votes and future support than economic necessity. Ideological persuasion may also influence the decision. The spectrum ranges from means-testing and benefits linked to labour market outcomes, to universal and unconditional transfers.

4. CONCLUSION

The analysis above shows that Namibia has an extensive system of social protection with varying degrees of coverage and effectiveness. The multiplicity of the schemes results in duplication of benefits, and in some cases the intention to avoid duplication complicates the access such that some deserving cases are actually excluded. These issues reduce the overall effectiveness of the schemes. The different programmes generally suffer from varying degrees of administrative bottlenecks and exclusion errors. Given the country's limited implementation capacity, it may be best for the country to scale-back the number of schemes and work on improving the coverage, efficiency and effectiveness of a few more widely available programmes.

One of the cornerstones of social protection is to reduce poverty, yet in much of the discussion above, this is far from being realised. The social pension and disability grants have been observed to play the poverty-reducing role, but other programmes are poorly targeted and tend to be more accessible to better-off households. There is therefore need for stricter targeting and more effective monitoring to ensure that the neediest get access to the programmes. In addition, the universality of most of the programmes poses serious challenges about their sustainability, especially given the fact that the economy is relatively small, with less than half a million people employed in the formal sector.

Coverage problems persist because of large distances across the country and relative isolation of some communities where the inhabitants qualify for the various grants and allowances. There is need for adequate infrastructure and equipment to reach all corners of the country, with information campaigns to ensure that qualifying persons know about the different grants and allowance. In some cases, it is important that the requirements are stream-lined so that they are not unnecessarily cumbersome and therefore put off some needy persons. It may also be necessary to enhance the implementation of some of the programmes, especially child and family grants and allowances, in order to address the moral hazard problem that results in parents neglecting their duties to take care of their offspring.

The desirability and introduction of a basic income grant remains controversial from both an economic perspective (affordability and sustainability issues) and from a socio-political perspective (social justice and political will). There are interesting and plausible arguments both for and against such a grant, but it is not possible to be conclusive on

this without further information. In particular, there is need for a robust piloting approach based on a nationally representative sample, with a control group, and that controls for data quality, equilibrium effects, and a possible ‘Hawthorne effect’ where other interventions may influence the outcome of the pilot.

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Appendix 1: Social safety nets conditionalities

Social safety net / Expenditure	Contributory/ non-contributory	Responsible authority for disbursement / administration	Targeted group and criteria for access / Conditionalities
Old age Pension	Non-contributory	Ministry of Labour	60 years and older; Namibian citizen or permanent resident; Applicant residing in Namibia
Disability grant	Non-contributory	Ministry of Labour	16 years plus, and medically diagnosed by state doctor as temporarily or permanently disabled; Blind people and those with full blown AIDS certified by a doctor; Namibian citizen or permanent resident; Applicant residing in Namibia
Funeral benefit	Non-contributory	Ministry of Labour	Must be recipient of old age or disability grant; for purchase of standard coffin, grave site, burial preparation services, and transport within regions.
Places of safety allowance	Non-contributory	Ministry of Gender Equality and Child Welfare	Person or institution that is taking care of a child (i) under the age of 21 years (ii) placed in a place of safety by a Commissioner of Child Welfare in terms of the Children's Act No 33 of 1960 or the Criminal Procedure Act No 51 of 1977; Application through the office of the Magistrate; form to be completed and signed by the claimant and Commissioner of Child Welfare; requires place of safety grant claim form and original order/s of detention. Paid by cheque.
Special maintenance grant	Non-contributory	Ministry of Gender Equality and Child Welfare	Children below 16 years medically diagnosed by a state doctor as being temporarily or permanently disabled; Blind people and those with full blown AIDS certified by a doctor; Namibian citizen or permanent resident; Applicant residing in Namibia

			Requirements: -A certified copy of the child's birth certificate; -Certified copies of parent / caregiver's ID and birth certificates; -A medical certificate from a state medical officer or doctor confirming disability; and -Certified copies of parent / caregiver's ID and birth certificates; -A social background report from a social worker.
Maintenance grant	Non-contributory	Ministry of Gender Equality and Child Welfare	Biological parent with a child or children under 18, whose gross-income is not more than N\$1000 per month or is unemployed, and whose spouse (mother/father of the child) (i) is receiving an old age or disability grant or (ii) has passed away or (iii) is serving a prison sentence of 3 months or longer (iv) If child is older than 7 years, he/she needs to attend School (v) Namibian citizenship / permanent residents if not born in Namibia. Other qualifying criterion is: a child whose parents receive an old-age pension. Requirements: -Certified copies of the applicant's birth certificate and Identity document; -Certified copies of the child or children's full birth certificates/ confirmation of birth or baptism card; -A certified copy of the applicant's marriage certificate where applicable; -The latest school report of each school-going child; -A certified copy of the spouse's death certificate in case of death; -If the spouse is in prison, a letter from the prison and a declaration from him/her confirming this; -Proof of the spouse receiving a disability grant or an old age pension; and

Maintenance grant	Non-contributory	Ministry of Gender Equality and Child Welfare	- If the applicant is employed, a pay slip with the name, phone number and address of the employer, if not employed a police declaration.
Foster parent allowance	Non-contributory	Ministry of Gender Equality and Child Welfare	<p>A foster parent is anyone person who undertakes the temporary care of any child found to be in need of care and placed in their custody in terms of section 31(1)b or section 50(1) of the Children Act, 1960 (Act No. 33 of 1960). Grant is payable as from date of application until the advice for the termination of the grant is received from the Social Assistance Clerk;</p> <p>Any person who (whether for reward or otherwise), undertakes the temporary care of any child, placed in his/her custody; Namibian citizenship / permanent residents if not born in Namibia.</p> <p>Requirements:</p> <ul style="list-style-type: none"> -A certified copy of the Court Order, or if the child was transferred, (i.e. from one foster parent to another) a section 50 Transfer Order; -A certified copy of the child's birth certificate; -A certified copy of the foster parent's Identity Document (ID); -A certified copy of the marriage certificate of the foster parents if applicable; -The latest school report of each school-going child; -A certified copy of the death certificate(s) of the biological parent(s) if applicable.

Income Generating Activity Grant	Non-contributory	Ministry of Gender Equality and Child Welfare	It is targeted at all Namibian citizens of 18 years or older, previously disadvantaged: who cannot access bank loans due to lack of collateral; women living with disabilities who can engage in business activities; and those with project proposals that are economically viable and with the potential to create employment opportunities.
			Requirements: The project should be new or in existence; Existing projects should produce good quality items and must have a market to sell to; and New projects should show potential for growth into small firms, and should also have potential to create jobs.
Veterans' subventions	Non-contributory	Ministry of War Veterans	Recipient be a Namibian citizenship; Participated in the struggle for independence; must reside in Namibia.
Maternity and sick leave	Contributory	Social Security Commission	Maternity leave benefits cover a 12 week period (4 weeks before the expected date of delivery and 8 weeks after birth); claims to be submitted to the Commission not later than 7 days before the expected date of confinement. Sick leave benefits are payable after an employee has exhausted the leave period given under the Labour Act or employment contract; claims must be submitted within 30 days of the expiry of paid sick leave , as provided under the Labour Act
Death, disability and retirement benefits	Contributory	Social Security Commission	Claims for death-, retirement – or permanent disablement benefit must be submitted to the Commission within 30 days after the member has died, retired or become disabled
Development fund		Social Security Commission	Funding for training and employment schemes for the unemployed and the socially disadvantaged persons; Have to apply for loans, bursaries and financial aid; for students enrolled at technical and academic institutions of higher learning.

Appendix 2

National figure on OVC receiving Maintenance and Foster parent grants per month per year for the period of 2004-2011								
Region	2004	2005	2006	2007	2008	2009	2010	2011
Kunene	1107	1035	1472	2255	3496	4868	6585	8031
Omusati	1024	4355	6572	10026	14741	16707	18421	19391
Oshana	2099	4239	6626	9588	13257	14874	15974	16510
Ohangwena	1064	3653	6761	10681	15339	17403	19275	20812
Oshikoto	1075	2011	4306	7996	11573	13100	14277	15145
Kavango	3010	1910	3574	5075	6981	8177	9074	10289
Caprivi	697	1742	2557	3522	4709	5036	5347	5721
Erongo	1893	1337	1986	2533	2952	3202	3402	3624
Otjozondjupa	1006	2235	3108	4064	4789	5206	5619	5991
Omaheke	2612	1242	1783	2309	2781	3203	3455	3773
Khomas	2562	3670	5142	6437	7224	7373	7775	8158
Hardap	1221	2285	2641	3055	3333	3591	3839	4415
Karas	1748	1218	1650	1972	2366	2529	2680	2756
NATIONAL	21118	30932	48178	69513	93541	105269	115723	124615
National growth rate	46.5	55.8	44.3	34.6	12.5	9.9	7.7	

Source: Ministry of Gender Equality and Child Welfare

The Basic Income Grant as a Social Safety Net for Namibia: Experience and lessons from around the world

Prof Karl Widerquist

Associate Professor at SFS-Q, Georgetown University

3300 Whitehaven Street, N.W.

Suite 2100, Harris Building

Karl@widerquist.com

ABSTRACT

This paper discusses strategies for providing a social safety net and argues that the Basic Income Grant (BIG) is the best way forward for Namibia. BIG is a regular, unconditional income given to all individuals as a right of citizenship. This paper draws on international experience from countries (such as the United States, Brazil, India, Kenya, and others) that have experimented with BIG or employed some form of cash transfer. It compares these experiences with the more traditional targeted approach, in which recipients are required to work unless they can show they are unable to work or unable to find work. It discusses the successes and weaknesses of various approaches and the pros and cons of implementing unconditional cash transfers versus targeted programs. It assesses the potential financing of a fiscally sustainable BIG and the impact of BIG on poverty and inequality for Namibia.

1. INTRODUCTION

Unquestionably, the social safety net in Namibia needs a major expansion. Namibia is one of the most economically unequal countries in the world with more than a quarter of its citizens living in poverty and more than an eighth of its citizens living in severe poverty (Central Bureau of Statistics, 2008). This paper does not have to argue the need for expanding the social safety net. Instead, it addresses the question of what is the best way to do it. The best way for Namibia has to be the most cost-effective way. Namibia is a relatively poor country without many financial resources to draw on. It has to get the most out of its money. It has to choose the approach that will provide the maximum benefit to those in need for each dollar it spends. This paper will argue that the best approach is the Basic Income Grant (BIG).

BIG is an unconditional income paid to all citizens on an individual basis without means test or work requirement. Under BIG, every man, woman, and child gets a small, steady, reliable income to protect them from abject poverty or destitution. They do not lose this income when they get a job. Therefore, they always have an incentive to earn more money by working. BIG represents a significant break with the traditional welfare-state model, which usually devotes a significant amount of resources to ensuring that recipients meet certain requirements to prove their worthiness. Fulfilling

those requirements cost money, and that is why the BIG is more cost-effective than more traditional targeted welfare state programs.

This paper argues that BIG is the most cost-effective model for an expanded social safety net in Namibia. Section 2 discusses the definition of BIG in greater detail and shows how it represents a substantial change in approach from more traditional targeted policies. Section 3 examines experience around the world gained from cash-transfer programs that move in the direction of BIG and from experiments with BIG itself. Section 4 compares experiences with the BIG approach and with the categorical or targeted approach. Section 5 discusses the cost and sustainability of BIG. Section 6 discusses financing options for BIG in Namibia. Section 7 discusses BIG's potential impact on poverty and inequality in Namibia. Section 8 concludes with a discussion of the lessons for Namibia.

2. HOW BIG DIFFERS FROM THE MORE TRADITIONAL APPROACH TO THE SOCIAL SAFETY NET

BIG, known also as Universal Basic Income, Unconditional Basic Income, or simply Basic Income, is a significantly different approach to more traditional welfare-state policies, which tend to be both targeted and conditional. Targeted policies pick out a demographic category of people to receive aid, based on the expectation that people in that category have a special need or are more likely to be needy. Programs could be targeted at the aged, the disabled, the unemployed, low-wage workers, etc. Conditional policies impose restrictions on the behavior of aid recipients. For example, disability compensation usually requires recipients to show that they are unable to work, while unemployment compensation usually requires recipients to show that they are able to and looking for work. Many traditional welfare-state policies provide cash benefits, but some provide in-kind benefits, including direct food aid, food vouchers, and public housing (Widerquist and Lewis, 2006).

BIG is a regular, universal, unconditional, individual, in-cash income, provided to help individuals meet their basic needs. It is universal in the sense that it is paid to all citizens without a means test. That is, without regard to a person's income, wealth, or any other demographic factors. All citizens, rich or poor, able or disabled, young or old receive the BIG. It is unconditional in the sense that citizens do not have to fulfill any requirements in order to receive it. All citizens receive BIG regardless of whether they are working or willing to work or willing to fulfill any other conditions. It is individual in the sense that it is given to persons rather than households. The BIG is paid to each person in a household rather than to the household as a group. The goal of BIG is to help ensure that all citizens are able to meet their basic needs. A great deal of literature exists on BIG (Atkinson, 1995, Fitzpatrick, 1999, Haarmann et al., 2009, Sheahan, 2012, Standing, 2002, Van Parijs, 1995, Widerquist, 2013, Widerquist et al., 2013, Widerquist et al., 2005).

One of the most common questions about BIG is, if its goal is to help people meet their basic needs, why is it given to everyone including people with high incomes, who already have secure access to an income sufficient to meet more than their basic needs? To understand the answer to this question, one must first understand that it does not cost any more to give BIG to everyone than it does to give it only to those in need. This statement might appear counter-intuitive, but it is true because the non-needy people who receive grants are the same people who pay the taxes that support the grant. For this group of people, the BIG they receive is essentially a tax rebate, lowering their overall tax burden. If the government takes a dollar from you in taxes but gives it back to you in BIG, it costs you nothing: you have as much money as you had before. Your overall tax burden—which is what we care about when we discuss the cost of a government program—is not affected by the portion of your taxes that are returned to you in BIG. If you pay more than you receive back as a BIG, the cost to you is determined by the increase in taxes minus the amount you receive as a BIG. If you pay more in new taxes than you receive in BIG, you're a net-taxpayer into the program. If you pay less in new taxes than you receive in BIG, you are a net-recipient of the program. The overall tax burden is entirely determined by how much money is finally redistributed from net-payers to net-recipients. The cost of giving BIG back to the net-payers drops out. Therefore, the overall cost of the program is no greater for an income given to everyone than it is for an income given only to the poor.

Once it's been established that there is no added cost of giving the income to everyone, consideration can be given to the advantages of doing so. BIG is given to the least needy because doing so is good for the most needy. A means-tested program forces individuals to prove they are needy to receive it. This added effort involves costly bureaucracy, paperwork, and verification. It might force individuals with a sudden acute need to wait for benefits that they need right away. It might mean that individuals, who truly are needy, but unable to prove it, will be refused benefits entirely. With a universal BIG, the income is always there. No one has to wait and wonder whether it will be there when they need it (Van Parijs, 1995).

The universal BIG also has the advantage of avoiding the poverty trap associated with many targeted policies. A policy giving a person an income only because they are unable to work or unemployed puts them in the position in which they lose their entire benefit if they take a job. This could be especially devastating if the job turns out to be terrible and the individual is forced to quit. BIG has no poverty trap at all. Individuals receive the BIG regardless of their private income, and therefore, they have nothing to lose by making more money privately if they can. As long as wages are good, they have an incentive to take jobs.

Another advantage of BIG's universality is that it fosters feelings of solidarity. Everyone receives the BIG as a right of citizenship. We all receive the BIG because we all jointly own the nation and the nation's resources. The government's payment of BIG is recognition of this shared ownership. Middle- and high-income people are much

more likely to support a policy that pays an income to everyone than a policy that pays an income only to people in a situation that they see themselves as unlikely to need.

Although there are many advantages associated with BIG, it has not been introduced on a large scale. This begs the question as to why it has not yet been introduced on a large scale. There are many possible explanations. One explanation could be vested interests. Employers might want workers to have no other potential source of income so that they are willing to work for low wages. Some elements within the government might want to use more bureaucratic policies for the benefit of the bureaucrats.

A second explanation for resistance to BIG might be that it is such an unknown. The idea of the government sending a regular payment to all citizens is so different from our usual understanding of what governments do that it is hard to imagine it as a serious proposal. The discussion of the Alaska Dividend below shows that it is extremely popular in Alaska now that people have experience with it, but it was not nearly as popular when it was just a proposal.

A third and fourth reason to oppose BIG have to do with people's attitudes toward work. Many people think if other people get something without working they will not work and that the program will therefore become unaffordable. Many people think that, even if most other people will work, a policy giving money to everyone whether or not work will benefit mostly those who are unwilling to work or who for some other reason do not deserve it.

If people have a vested interest against BIG, evidence of its efficacy might not convince them to support it. But the evidence below has a lot to say about the other reasons for opposing BIG. It is a serious and affordable proposal that will benefit those most in need and those who meet almost any criteria for deservingness.

3. LESSONS FROM BIG EXPERIENCE AROUND THE WORLD

Although no country has yet implemented a full BIG, distributed regularly and large enough to meet a person's basic needs, the idea is not new and we have learned a lot about it from experiments and from programs that share some aspects of it. Usually the experience around the world has been with some policy that moves in the direction of BIG rather than BIG itself. But as this section will show, a solid trend emerges: the closer you get to BIG the better the cost-effectiveness of the program is.

3.1 The NIT experiments in the United States and Canada

The American revolutionary, Thomas Paine, proposed something very much like BIG in 1796 (Paine, 2000). The idea has been endorsed by philosophers, such as Bertrand Russell; political activists, such as Martin Luther King; and many Nobel Prize-winning economists, such as James Tobin, F.A. Hayek, Herbert Simon, Milton

Friedman, and James Buchanan (Widerquist et al., 2013). But it was only in the 1960s that the “guaranteed income” became widely discussed by policymakers.

Both BIG and NIT are income guarantees—both can ensure that no citizen’s income falls below a certain amount. Both are unconditional in the sense that they have no work requirement. The difference is that NIT has a means test and BIG does not. While BIG is given to all citizens as a right of citizenship, the NIT is given only to those citizens whose income falls below a certain amount. The NIT is phased out as income increases to maintain the incentive for individuals to take work if they can get it. If designed similarly, NIT and BIG can have very similar effects on the distribution of income and the incentive structure. Some of the differences between the BIG and NIT are discussed below. The term “Basic Income Guarantee” is often used as a generic term applying to both BIG and the NIT (USBIG, 2013).

The U.S. and Canadian government conducted a total of five NIT experiments between 1968 and 1980 with positive results. These were randomized field experiments, comparing a treatment group (receiving the grant) to a control group (remaining with the existing system). Table 1 summarizes the implementation specifications of five experiments. Column t shows the effective “marginal tax rate” for recipients—the rate at which their grant was phased out as they earned higher income. Column G shows the guarantee level; that is, the maximum grant individuals were allowed to receive. The Canadian experiment reports the grant level in Canadian dollars. The U.S. experiments report the grant level relative to the U.S. official poverty line. Some of the experiments were fairly generous, giving grant levels of as much as 1.48 times the official poverty line—ensuring a recipient an income at least 48 percent above the amount the government judged as sufficient to meet basic needs. The lowest grant levels, 0.5 (half of the poverty level), were received by some recipients in the New Jersey and Rural studies.

We can define Y_t as After-Tax Income. That is an individual’s income after all taxes and transfers include the Grant (G). We can define Y as Before-Tax Income. That is, the income an individual earns privately. After Tax Income Equals the Grant plus Before Tax Income minus Taxes, and in the experiment were the Tax Rate (t) times Before Tax Income. Thus, the experiments tested how individuals responded to this equation:

After Tax Income = Grant + Before Tax Income - Taxes

Or, in symbols: $Y_t = G + Y - tY$
Which simplifies to: $Y_t = G + Y(1 - t)$

The Tax Rate (t) varied from about 0.3 (30 percent) to about 0.75 (75 percent). Although these rates seem high, they are actually much less than the effective tax rates of most targeted programs, which put individuals in the position in which they have to give up their entire grant in order to take a job—sometimes creating effective tax rates in excessive 100 percent.

Table 1: Summary of the Negative Income Tax Experiments in the U.S. & Canada

Name	Location(s)	Data collection	Sample size: Initial (final)	Sample Characteristics	G*	t**
The New Jersey Graduated Work Incentive Experiment (NJ)	New Jersey & Pennsylvania	1968-1972	1,216 (983)	Black, white, and Latino, 2-parent families in urban areas with a male head aged 18-58 and income below 150% of the poverty line.	0.5	0.3
					0.75	0.5
					1.00	0.7
					1.25	
The Rural Income-Maintenance Experiment (RIME)	Iowa & North Carolina	1970-1972	809 (729)	Both 2-parent families and female-headed households in rural areas with income below 150% of poverty line.	0.5	0.3
					0.75	0.5
					1.00	0.7
The Seattle/Denver Income-Maintenance Experiments (SIME/DIME)	Seattle & Denver	1970-1976, (some to 1980)	4,800	Black, white, and Latino families with at least one dependant and incomes below \$11,00 for single parents, \$13,000 for two parent families.	0.75,	0.5
					1.26,	0.7
					1.48	0.7-
						.025y 08-.025y
The Gary, Indiana Experiment (Gary)	Gary, Indiana	1971-1974	1,799 (967)	Black households, primarily female-headed, head 18-58, income below 240% of poverty line.	0.75	1.0
					0.4	0.6
The Manitoba Basic Annual Income Experiment (Mincome)	Winnipeg and Dauphin, Manitoba	1975-1978	1,300	Families with, head younger than 58 and income below \$13,000 for a family of four.	C\$3,800	0.35
					C\$4,800	0.5
					C\$5,800	0.75

* G = the Guarantee level.

** t = the marginal tax rate

Source: Reproduced from (Widerquist, 2005).

Experiments which collected a great deal of data on how individuals were affected by the NIT revealed many positive results, some of them pleasantly surprising.

Some experiments found that children in families receiving the NIT had increased school attendance, higher test scores, and lower dropout rates. Some even found increased rate of college attendance (Levine et al., 2005). One might wonder what giving money to the parents has to do with a child's performance in school, when these variables are extremely hard to affect through direct intervention, such as increased lessons. Why should something as indirect as NIT be more effective at improving childhood educational attainment than direct policies? The answer to these questions has to do with the underlying cause of poor educational attainment among poverty-stricken households. It is stressful to grow up in poverty. A child whose parents are struggling to keep her fed and housed doesn't have as much time and energy to devote to learning. Reduce the stress on the family and you will increase the educational attainment and life prospects of the child. This lesson must be especially important for Namibia, which badly needs to improve school attendance and performance of poor children in rural areas.

The NIT increased nutritional adequacy and homeownership rates. It reduced incidents of low-birth-weight babies. Low birth weight is a very important indicator of overall prenatal and early childhood health—variables that have significant lifetime affects. This means that, children in families that received the NIT back in the 1970s are still benefiting today—40 years later (Levine et al., 2005).

The Canadian experiment included a saturation experiment. That is, every one of the 10,000 people in the town of Dauphin, Manitoba was promised that they would receive the NIT if they needed it. For five years in the 1970s, Dauphin was the only place in Canada, perhaps the only place in the world, where not a single person lived in fear of poverty. Recent research on the experiment has revealed that it had significant positive effects on health and education. This result is extremely important. It shows that even in a highly developed country, poverty makes people sick and makes them unable to get educated and get ahead. Hospitalization rates fell by 8.5 percent, affected by declines in accidents, injuries, and physical and mental health problems (Forget, 2011).

The experiments in the United States and Canada also shed a great deal of light on one of the most common arguments against BIG: the fear, based on hypothetical reasoning, that if it were possible for people to live without working, large numbers of people would stop working. This complaint is sometimes phrased as an argument that the system would be financially unsustainable because of withdrawal from the labour force, and it is sometimes phrased as an argument that it would be immoral for any person to live without working.

All five experiments indicated that such fears are unfounded. No one quit their job to live off the NIT. There is little incentive to do so because—unlike most targeted

programs—an NIT or a BIG ensures that someone who works full time makes a lot more money than someone who lives entirely off the grant. To the extent that there was a labour market reduction among primary income earners, it was that if they happened to lose their job, they tended to take a few more weeks to find the next job—taking the time to look around for the best fit. Within families, some secondary earners reduced their work hours. That is, mothers sometimes worked less to spend more time with children, and working age children sometimes worked less so that they could stay in school (Levine et al., 2005, Widerquist, 2005). These results reveal how misplaced the complaint about work hours is. It is not a bad thing for a mother to spend more time with children, for a young person to stay in school, or for an unemployed worker to have the flexibility to take his or her time to find the best job available. In fact, it is not always bad for a fulltime, primary income earner to work less. Many workers—especially in the developing world—work extremely long hours at very low wages just to get enough money to survive. There is nothing wrong with an overworked person using higher income to find relief from overwork.

3.2 Other experience of the U.S. federal government

Although the United States did not adopt a full NIT or a BIG when the idea was widely discussed, two federal programs were highly influenced by the guaranteed income proposal. The Earned Income Tax Credit works like a NIT except only workers who work a certain amount are eligible for it. This program has become extremely important in reducing poverty in the United States. It has a side effect though, because it is a wage subsidy, it can reduce wages and some of the benefits of the program end up going to the owners of businesses paying low wages (Widerquist, 2008, Widerquist and Sheahen, 2012).

The Supplemental Nutrition Assistance Program (popularly known as “Food Stamps”) is also largely an outgrowth of the guaranteed income movement in the United States. Like an NIT, it gives a supplement to any citizen with a low income. It has no work requirement. Unlike an NIT, which gives cash, the Food Stamp program gives vouchers—special money that can only be spent on food. Food Stamps have been extremely valuable in relieving the effects of poverty in the United States, especially during the post-2008 recession. However, Food Stamps have two important inefficiencies that do not affect BIG. First, people whose greatest need at the moment might be for shelter, clothing, heating, or something else cannot use their Food Stamps for it. Second, the government has to print up the vouchers and monitor their usage to ensure that no one exchanges them for things other than food. This is not only an additional expense; it is an opportunity for corruption. The government could provide greater help to each individual by simply giving cash (Widerquist and Sheahen, 2012).

3.3 The Alaska Dividend

At about the same time that the U.S. Federal Government was debating the guaranteed income, the U.S. State of Alaska was debating what to do with the

enormous monetary windfall from newly discovered oil resources. Then Governor Jay Hammond used the opportunity to create the world's first BIG under the name of the Permanent Fund Dividend (PFD). The state committed to depositing a small amount of its yearly revenue from oil and natural gas exports into a sovereign wealth fund, called the Alaska Permanent Fund (APF). Since 1982, the state has used the interest on the fund to finance a yearly dividend (the PFD) for Alaskans who meet the residency requirement. The amount of the dividend varies with the stock market. It usually fluctuates between \$1000 and \$2000 per year. It has recently dipped below \$1000 because of the stock market losses since the 2008 financial melt down. But with the recent comeback in world markets, the dividend is expected to rise gradually over the coming years (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The dividend has been an enormous benefit to Alaskans. It has helped Alaska cut its poverty rate from one of the highest in the nation to one of the lowest in the nation. It has helped Alaska move from being one of the most economically unequal states in the United States to being one of the most equal. In the 1980s and 1990s, when economic inequality was rising across the United States and most of the industrialized world, Alaska was the only state in the United States where inequality was decreasing (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The Alaska Dividend has also proved enormously popular. Opinion polls conducted over the last 40 years have consistently shown an overwhelming majority in favor of the PFD. In a 1999 referendum, 84 percent of Alaskan voters rejected a proposal to redirect some money from the fund that supports the PFD to the state government budget. It is rare for 84 percent of people to vote on the same side on anything. This result provides an extremely important reason to support BIG. A universal policy, like BIG, giving benefits not only to the poor but to everyone is likely to be much more popular and, therefore, more politically stable than programs targeted specifically at the poor. Although the Alaska Dividend is an important part of Alaska's safety net, and it means much more to the poor than to anyone else, Alaskans do not even think of it as an anti-poverty policy. They think of it as something that benefits everyone, rich and poor alike, and they believe everyone deserves a share in those benefits, because every Alaskan is part owner of the state's resources (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

The tangible benefit that Alaskans receive from oil exports is important. If you ask low-income people in depressed neighborhoods in Mexico how they have benefited from Mexico's decades of oil exports, they might not be able to tell you. The same might be true if you ask people in informal settlements in Southern Africa how they have benefited from diamond and gold mining in their region. But Alaskans can tell you. They've received 30 years of dividends, and they share a fund capable of generating dividends for years to come.

People often think that Alaska's experience doesn't mean anything for them because Alaska is resource rich. But such a conclusion would be an error. Every state in the world has extremely valuable resources. In many ways, the difference between so-called "resource-rich" nations and "resource-poor" nations is that resource rich nations are rich in the type of resources that governments typically tax and resource poor nations are rich in the type of resources that governments typically give away to corporations for free. All countries have valuable land, especially in their urban areas. All countries have a broadcast spectrum. All countries have access to the atmosphere, water system, or seacoast. But most countries give away the broadcast spectrum for free, under-tax land value, and allow corporations to pollute the atmosphere, the land, and the water without paying a penalty commensurate with the harm that pollution causes other citizens. All nations have a currency, but almost every nation lets banks create most of the money supply without paying for the privilege. Any nation that managed even a portion of its resources the way a for-profit company manages its resources would have enormous revenue (Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

A study which was recently conducted by Gary Flomenhoft to find out whether the resource-poor state of Vermont could finance something like the Alaska dividend revealed that Vermont could support a dividend two- to five-times the size of Alaska's, if Vermont made judicious use of its resources. A major resource-exporting state, such as Alaska, could create a much larger dividend if it taxed all of its resources the way it taxes oil and devoted more of its resource revenue to a dividend (Flomenhoft, 2012). Flomenhoft's study provides a very important lesson for nations all over the world. While governments all over the world are struggling to raise revenue, they routinely give away resources to companies who sell those resources back to individuals at a profit. Those companies might add value to the resources before selling them back, but if they get the resources free, they capture not only the value they add, but also the rental value of the resources. The government could reclaim the rental value of those resources, leaving the value-added to the companies, and distribute that rental value back to the people who need it most.

4. EXPERIENCE WITH CASH TRANSFERS IN THE DEVELOPING WORLD

Many nations in the developing world have recently begun moving in the direction of the BIG model by introducing direct cash transfers that are not accompanied by work requirements. These programs are often targeted at specific groups, and they often have some conditions attached, such as keeping children immunized or in school, but the conditions are usually much easier to fulfill than work requirements. These programs do not exactly follow the BIG model, but they are a significant step in that direction, and so they provide valuable information about the efficacy of BIG. As the discussion below reveals, the main lesson from the international experience with cash transfers is that they have a greater effect on poverty the fewer conditions they have and the more easily recipients can fulfill those conditions. Of course, the limit of

moving toward fewer and more easily fulfilled conditions is to arrive at BIG, which has no conditions at all.

Almost every country in Latin America has a conditional cash transfer program and major ones also exist in Africa, South Asia, and Southeast Asia. Cash transfer programs (both conditional and unconditional) include Oportunidades in Mexico, Programa de Asignación Familiar in Honduras, Programme of Advancement through Health and Education in Jamaica, Red de Protección Social in Nicaragua, Familias en Accion in Colombia, Bolsa Familia in Brazil, Cash for Herders in Mongolia, Jaring Pengamanan Sosial in Indonesia, the Productive Safety Net Programme's Direct Support component in Ethiopia, the Hunger Safety Net in Kenya, Emergency Cash Relief in Somalia, Zomba Cash Transfer in Malawi, the Child Support Grant in South Africa, the Old Age Pension in South Africa, the Old Age Pension in Namibia, and many others (Aguero and Woolard, 2007, Baez and Camacho, 2011, Fiszbein and Schady, 2009, Garcia and M. T. Moore, 2012, Rasella et al., 2013, Standing, 2008).

Evidence accumulating from these programs is impressive. Many cash transfer programs have been linked to better health outcomes. The Bolsa Familia in Brazil has caused a large reduction in childhood mortality, especially from causes related to malnutrition and diarrhea. Cash transfers have a stimulative effect on the local economy because, as one study found, most of the money is spent on local goods and services. In-kind benefits such as food aid often have the opposite effect—reducing demand for local products. Simple cash transfer programs have greatly reduced the overhead costs of programs. Cash transfers have been shown to reduce child poverty and child labor while increasing children's attendance of school and their learning performance in school. Social pensions have been shown to have low overhead costs and to have benefits not only to recipients but also to entire families, as pensioners are able to help out financially if and when their children and grandchildren need it. Cash transfers have significantly increased food consumption and improved the growth of children. (Aguero and Woolard, 2007, Baez and Camacho, 2011, Garcia and M. T. Moore, 2012, Rasella et al., 2013, Standing, 2008)

A major World Bank study of more than a half dozen conditional cash transfer programs found that they all had desirable effects on household consumption and poverty. The positive effects on poverty were larger for the more generous programs. The effects on adult work effort were negligible, but the programs tend to cause substantial reductions in child labor (Fiszbein and Schady, 2009).

Programs requiring school attendance have increased school attendance more than those without that condition. But programs not requiring school attendance have also had substantial positive affects on school attendance, indicating that poverty is the main factor preventing children in developing nations from attending school.

5. PILOT PROJECTS AND CHARITIES USING THE BIG MODEL

Several recent pilot projects and at least one charity have experimented with employing the BIG model in developing nations. In each case, the results have been extremely positive.

Christopher Blattman, Nathan Fiala, and Sebastian Martinez conducted a large, randomized, field trial of unconditional cash transfers in Uganda concluding in 2013. The study gave the treatment group a one-time, unconditional grant of \$382, roughly a year's salary for participants in the study. Researchers followed thousands of young adults two and four years after receiving grants. Because most of them started new skilled trades, labor supply of the treatment group increased 17 percent, and total earnings rose nearly 50 percent compared to the control group. Researchers found few if any measurable negative side effects (Blattman et al., 2013).

A U.S.-based charity called GiveDirectly has been giving grants of \$1000 to impoverished households in Kenya. Johannes Haushofer of the University of Zurich has received funding from the U.S. National Institutes of Health to study the effectiveness of GiveDirectly with a randomized controlled trial. The study is not yet complete, but preliminary results from the study appearing in GiveDirectly's annual report indicate a large and significant decrease in child hunger and a large and significant increase in household investment spending on items such as land, farm implements, and livestock. Preliminary results also indicate no significant impacts on expenditure on weddings, dowries, funerals, ceremonies, alcohol, tobacco, gambling, or recreation (GiveDirectly, 2012).

A large pilot project has recently been completed in India. Organized by the Self-Employed Women's Association (SEWA), the project randomly assigned 8 out of 20 villages in the study to receive the grant, while the other 12 villages were used as controls. Every adult man and woman in the treatment villages received a grant of 200 Rupees (about US\$3 or N\$30) per month and every child received 100 Rupees per month. After one year, the amounts were increased to 300 Rupees and 150 Rupees respectively. A total of 6,000 individuals in the 8 villages received the grants for 12 to 17 months. The amount was equivalent to about 20 to 30 percent of household income for the lower-income families in the study (SEWA, 2013).

Researchers conducting the Indian study found that the grants significantly reduced hunger, malnutrition, and illness among recipients. Recipients increased ownership of livestock, improved school attendance, and increased investment in agricultural implements. Researchers found no increase in alcohol consumption in the treatment villages. Importantly, the study also found that grant recipients worked more than people in the control villages and that they were three times more likely to start a new business (SEWA, 2013). These results for a positive effect on work effort and earned income (found in both the Uganda and the India studies) are confirmed

by evidence from cash transfer programs. For example, in South Africa, the Old Age Pension, the Child Support Grant, and the Disability Grant all helped to raise labor force participation and employment (Samson et al., 2004).

Conventional wisdom holds that giving people money without conditions will make them work less. How can it actually make them work more? The answer to this probably has to do with how desperately poor so many people in the developing world are. People living on a dollar a day are often tired, sick, ill, or malnourished. These problems keep them from working more, starting businesses, investing in education, obtaining capital, and building up their lives. A BIG gives them that opportunity, and evidence indicates that many people are ready to take advantage of such an opportunity.

A BIG Pilot Project was also conducted in Namibia. For two full years, from January 2008 to December 2009, the BIG Coalition of Namibia implemented a pilot project in Otjivero, Omitara, a village of about 1,000 people. Every person not receiving a state pension and registered as living in the village in July 2007 received a monthly grant of N\$100, regardless of their socio-economic status. Pensioners were left out because they already received a grant from the government that was larger than the BIG and very much like a BIG. New migrants to the community were not eligible for the grant, but a significant number of migrants came anyway—attracted by the increased economic activity generated by the grant (Haarmann et al., 2009).

Despite the influx of migrants, BIG cut the poverty rate for the village as a whole in half. In November 2007, 76 percent of residents fell below the food poverty line. One year after the BIG was implemented 37 percent of all households including migrants were below the food poverty line. Only 16 percent of households that were unaffected by in-migration remained below the food poverty line. That is, food poverty was reduced to little more than a fifth of what it had been before implementation. The decline in food poverty was accompanied by a decline in child malnutrition. Incidence of underweight children fell by 75 percent (Haarmann et al., 2009).

The BIG enabled recipients to increase work and self-employment. The portion of residents (above the age of 15) engaged in income-generating activities increased by 25 percent. School attendance increased, with the dropout rate falling to almost nothing. Use of the village health clinic increased. Household debt and crime both decreased. Researchers found no evidence of increased abuse of alcohol (Haarmann et al., 2009).

6. UNCONDITIONAL CASH TRANSFERS VS. TARGETED PROGRAMMES

The experience with cash transfers and BIG pilot projects, discussed above, indicates that BIG is something that needs to be tried on a larger scale. Conditional, targeted programs have been the mainstay of the traditional welfare state, especially

in the industrialized world. But even the better-funded welfare states have been unable to eliminate poverty with targeted programs. Even very wealthy states have people in serious poverty who are not eligible for any or for enough targeted programs to lift them out of poverty. Many needy people have to undergo humiliating scrutiny to obtain the relief they need. This section discusses some of the shortcomings of targeted programs that can be reduced or eliminated by moving in the direction of BIG.

One of the most successful traditional, welfare state programs has been the provision of old-age pensions. As the last section discussed, many of the characteristics that make state pensions so successful are the characteristics they share with BIG, such as being given to everyone in an age group without means test. Even the United States, which has a less generous welfare system than many other wealthy, developed nations, has greatly reduced poverty among its elderly with a generous, non-means-tested state pension system called Social Security. Because Social Security is not means tested, individuals can combine their state pension with income from savings or continued work. This aspect gives individuals a strong incentive to save for their own retirement alongside Social Security benefits. The biggest drawback of Social Security stems from its departure from the BIG model: it is conditional on an individual's past earnings record. This feature causes significant problems despite the overall success of the program. People who work for low wages their whole lives often find that they have not built up enough credit with the Social Security System to qualify for a retirement above the poverty level. Because women tend to have lower life-time earnings profiles than men, and because they are more likely than men to spend years out of the labor force caring for children or the infirmed, women receive significantly less in Social Security retirement benefits than many men (Alstott, 2013). Therefore, the Social Security System in a small way preserves some of the inequalities based on race and gender that prevail in the United States labor market. It could relieve those problems by transforming Social Security into a uniform citizens pension, as Namibia and South Africa already have. This move, of course, would bring Social Security closer to the BIG model with unconditional, universal, individual, cash payments to every citizen of retirement age.

The British pension system is a little further from the BIG model in the sense that it is means tested: retired people with greater need get larger payments. Although this provision is supposed to help low-income people, it causes significant problems for the people at the low end of the income spectrum. People with low incomes who are at or near retirement age often have a hard time determining whether saving more for retirement will cost them more in lost state pension than it will benefit them in higher private income in retirement.

One of the central problems with conditional programs is that they are based on the belief that the poor can be separated into the “deserving” and “undeserving” poor (Zastrow, 1986) and that the government is capable of separating those groups, giving aid only to those who are deserving, and thereby teaching the

undeserving to work themselves out of poverty. If the government could perfectly separate people into these two groups, they could target programs to help all of the deserving poor without creating any work disincentives for the undeserving poor. Even if such groups can be said to exist, it is implausible to believe that the government is likely to be very good at separating them. In any case, there are billions of people living in poverty throughout the developing world. It is implausible to think that all—or even very many—of those people are poor because they are undeserving. Most, if not all, of the billions of people living in poverty around the world are poor because of a complicated set of historical factors that caused the nation or region of their birth to be underdeveloped. By devoting resources to separating the deserving from the undeserving, governments waste resources that could help people who are deserving.

The effort required to determine who is deserving is considerable, because to do so, the government has to figure out all the causes of poverty, decide which make people deserving and which do not, and then target programs to all of the categories of need that make people deserving (Widerquist and Lewis, 2006). Take the United States for example: it has a large and complex system of overlapping policies targeted at different need categories, as the following table shows.

Table 2: Summary of targeted social safety net policies in the United States

Category (supposed cause of poverty)	Program
Physically unable to work	Social Security, SSI, Medicare, Worker's Compensation, Medicaid
Single parenthood	TANF, public housing, Medicaid, Food Stamps
Unemployment	Unemployment Insurance, food stamps, public housing, Medicaid
Low wages	The minimum wage, food stamps, public housing, Medicaid, the earned income tax credit
Inadequate Human capital	Public education, some counseling as a part of TANF and other programs
Lack of work ethic	Employment Counseling, denial of benefits

Source: Reproduced from (Widerquist and Lewis, 2006)

Despite the large number of programs, they are not enough to bring all of the people that meet almost anyone's criteria for deservingness up to the poverty line. For example, workers are usually considered deserving, but the US Department of Labor calculates a working poverty rate of 7 percent, meaning that 7 percent of people who work more than 27 weeks per year, remain in poverty (U.S. Bureau of Labor Statistics, 2013). Children meet almost anyone's conception of deservingness. Yet, in 2010, 21.6 percent of children in the United States lived in poverty (Macartney, 2011).

This evidence shows that the desert-based redistributive system in the United States does a poor job of targeting the most deserving people in the country.

At the same time, it creates hardships for the very people it targets. The system is so complex that people often do not know what programs they are eligible for. They have to expend time and effort to apply for and maintain eligibility. Often the requirements take a very significant amount of time and effort that individuals could use more productively. And perhaps worst of all, these programs put individuals in the position in which they are constantly judged and scrutinized. Personal accounts of people who have sought the aid of the U.S. welfare system attest to the difficulty of being constantly subjected to this judgment (Funciello, 1994). There is no moment at the end of the judging where an individual is congratulated for being found one of the truly deserving people the system was designed to help. There is a presumption that if you are in need, you must be undeserving. You might meet the eligibility criteria right now, but the system will keep an eye on you and always be on the lookout for a reason to reclassify you as undeserving. The stress of being under this constant scrutiny and the very real possibility of losing eligibility for a technicality multiply the hardships of people trying to get through the system and get on with their lives. The system could help people out of poverty more effectively by taking less of their time, giving them the aid they need, and letting them get on with their lives.

The effort of separating people into categories of need is extremely costly. Using any targeted strategy, therefore, invariably leads to more of the welfare system's budget going to overhead costs and less of it going to the aid of the people who need it. The myriad of programs listed on the table above all have their own separate administrations with executives, management, field workers, janitors, and many other employees. Some require offices all over the country. Different programs in the social safety net system vary greatly in the portion of total spending taken up by administrative costs, some being surprisingly high. Almost invariably, the closer the program is to the BIG model, the lower its administrative costs. For example, the administrative cost of unemployment insurance is more than 85 percent of its total budget while the administrative costs of Social Security is less than 1 percent of its total budget (Widerquist and Lewis, 2006).

If Namibia were to expand its social safety net with targeted programs, it would have to be prepared for a large portion of the increased funding to go not to the poor, but to administrative overhead. Namibia simply can't afford that. It has relatively low national income and a very large number of people in poverty. It has to choose the type of program that has the lowest administrative cost and that will get the largest share of the budget into the hands of the people who need it. This program is the BIG. How much BIG can Namibia afford?

7. THE COST AND SUSTAINABILITY OF BIG IN NAMIBIA

The first and most important thing to understand about the cost of BIG is that it is much less costly than it sounds. Because BIG is universal, the people who pay the taxes to support it, also receive some of those taxes back as a BIG.

For all taxpayers, the increase in taxes needed to finance BIG will be at least partially offset by the BIG they receive. As described above, whatever amount a net-taxpayer receives back in BIG is not a cost of the program, because it does not affect his or her overall tax burden. Of course, the BIG will not completely offset the additional taxes for all taxpayers. Those with low incomes will receive more in the BIG than they pay in additional taxes. These are net-recipients. Those with higher incomes will pay more in additional taxes than they receive in the BIG. These are net-taxpayers. To understand the actual increase in the tax burden—the cost to net-taxpayers—of introducing a BIG, we have to figure out how much money will go from net-taxpayers to net-recipients of the BIG. This is the net cost of BIG and it is far more important to understand than the gross cost of BIG.

The gross cost of BIG is simply the size of the BIG multiplied by the population receiving it. Assume the BIG is N\$100 per month, or N\$1200 per year, and it is given to every citizen who does not receive a state pension. In 2009, Namibia's population was about 2.1 million people. About 150,000 of them receive pensions. So, about 1.9 million people would be eligible for the BIG, making the gross cost about N\$2.3 billion (Samson and van Niekerk, 2009).

The net cost of BIG depends on the exact structure of the tax code. Samson and van Niekerk used a microsimulation model to estimate the cost of BIG depending on various tax structures and found that the net cost ranges from a low of N\$1.2 billion to a high of N\$1.6 billion or about 2.2 percent - 3 percent of national income (Samson and van Niekerk, 2009).

Can Namibia afford to devote 2.2 percent - 3 percent of national income to a BIG, and can it sustain that level of commitment over time? Currently, Namibia collects less than 25 percent of GDP in taxes. Many nations collect a far larger percent, some well over 40 percent. Namibia, being a middle-to-low-income country, might not be able to sustain that level of taxation, but it can certainly sustain more than 25 percent. Namibia is one of the most economically unequal countries in the world (Central Bureau of Statistics, 2008), which is de facto evidence that people with higher incomes can afford to pay higher taxes. Econometric estimates of tax capacity indicate that Namibia has a tax capacity well in excess of 30 percent of GDP (Samson and van Niekerk, 2009), and so the cost of BIG is well within the country's ability.

Of course, 2.2 percent of GDP is a significant amount of money, but it is an investment in human capital. Evidence discussed above indicates that this money will raise the incomes of all the neediest Namibians, reducing poverty, hunger, malnutrition, infant mortality, school dropouts, among others. These improvements will reduce costs of other programs in the social safety net, and improve individuals' ability to contribute to Namibia's economy, increasing the affordability of the program over time, further ensuring its long-term sustainability. The plan will also have positive macroeconomic effects. Recipients of the BIG in the Namibian pilot project spent most of their grants

locally on food, housing, and transportation, stimulating the most important sectors of the local economy (Haarmann et al., 2009).

8. FINANCING OPTIONS FOR BIG IN NAMIBIA

A BIG can be financed by any tax. If Namibia has the political will to introduce a BIG, it has many options for financing it. In one sense, the financing of BIG is easy. The government could introduce a new tax or raise an existing tax by a specific amount and dedicate whatever additional revenue is raised by that action to financing a BIG of whatever size the revenue from that tax can support.

The most obvious options for Namibia would be to raise the rate of the largest existing taxes, the VAT and the income tax. However, the VAT is a regressive tax; it takes relatively more from lower-income households than from higher-income households, leading to greater economic inequality. Using the VAT to finance a highly progressive program like BIG would mitigate some of that regressive affect, but not all of it. A VAT-financed BIG would put more of the burden for financing BIG on the middle-income deciles relative to the highest-income deciles. Given the level of inequality in Namibia today, is not what the country needs. It could much more effectively reduce economic inequality by raising the income tax rate on people with high incomes as part of a funding program for BIG. A wealth tax is also a powerful tool for addressing inequality (Wolff, 1994).

Namibia could consider following the Alaska model by using resource taxation to finance BIG. The government already does a good job of capturing revenue from its diamond industry. If it were to dedicate that revenue to BIG or an Alaskan-style fund to support a future BIG, it would have to raise other taxes to replace that revenue. It is never too late to start, but the best years of Namibia's diamond-export revenue might already have passed. However, resource-tax opportunities do not end with a nation's largest export. Like all other nations, Namibia has valuable resources that are under-taxed. Imagine that Namibia introduced a land value tax, pollution taxes, a broadcast spectrum tax, and taxes on resource-extraction industries, such as fishing and minerals. These taxes can raise a lot of revenue, and they can do so efficiently because they tax economic rents rather than value added. The use of these rents for a BIG is important for fostering feelings of solidarity. Namibia's land belongs to all Namibians, as do its atmosphere, its water, its broadcast spectrum, its fisheries, and its mineral deposits. The government would no longer simply give these resources away to corporations who sell them back to Namibians. It would effectively lease them. Every Namibian—rich and poor—would receive a check once a month representing their share of their country's resources and rents. Options for this kind of financing have been well-studied (Maxwell and Vigor, 2005, Widerquist and Howard, 2012a, Widerquist and Howard, 2012b).

Namibia gets a significant amount of revenue from its membership in the Southern African Customs Union (SACU). It could finance a BIG of N\$100 by dedicating only

a portion of SACU revenues to it. This action could be seen as compensation for the higher prices that all Namibians pay because of customs duties on imports. It could also be seen as reflecting individuals' joint ownership of the government's duty-imposing powers. Of course, if SACU revenues are already ear-marked for other uses, the government would have to raise revenue elsewhere, perhaps through an income tax, a resource tax, or a wealth tax, to replace the SACU revenue now dedicated to BIG.

9. IMPACT OF BIG ON POVERTY AND INEQUALITY IN NAMIBIA

Indications from experience with cash transfers around the world and from the BIG pilot projects and experiments in India, Uganda, and Namibia are that a nationwide BIG in Namibia would dramatically reduce poverty. We saw that the Namibian experiment cut the food poverty rate in Otjivero in half. We saw that people who received grants in the Ugandan experiment increased their work effort and their wages. Putting these effects together implies that a national BIG in Namibia would affect poverty both directly and indirectly.

The Central Bureau of Statistics (Namibia) defines the poverty line as a household expenditure level of N\$262.45 per adult equivalent per month, and defines the poverty line as a household expenditure level of N\$184.56 per adult equivalent per month. Using these definitions, the Bureau calculated that 27.6 percent of Namibians live in poverty and 13.8 percent live in severe poverty. That is, 27.6 percent of Namibians have consumption levels below N\$262.45 per adult equivalent and 13.8 percent have consumption levels below N\$184.56.⁹ The same report includes the information about adult equivalent expenditure by decile collected in the following table. For the purpose of this table, a decile is one tenth of the population grouped by expenditure from the lowest to the highest with 1 being the lowest and 10 being the highest-spending decile. The numbers in the second column are average consumption expenditure levels for each decile.

Table 3: Adult equivalent expenditure by decile,

Namibia 2003/2004	
Decile	Mean expenditure (N\$)
1	116.20
2	191.79
3	247.24
4	311.67
5	387.42
6	500.22
7	673.67
8	968.62
9	1691.93
10	5743.88
Total (i.e. average)	1083.03

Source: (Central Bureau of Statistics, 2008), p. 40.

⁹The Central Bureau of Statistics report bases these figures on expenditure data from the 2003/2004 Namibia Household Income and Expenditure Survey.

This table shows that the average consumption expenditure of households in deciles 1-3 are all below the poverty line. The average household in decile 3 is just below the poverty line of N\$262.45 with expenditure of N\$247.24. The average household in decile 2 is well below the poverty line and barely above the severe poverty line of N\$184.56 with an expenditure level of N\$191.79. The average household in decile 1 is well below the severe poverty line with an expenditure level of only N\$116.20.

We cannot know exactly how much impact a BIG would have on these figures without knowing exactly how it would be financed and without estimating everyone's labor and expenditure responses to the BIG and the associated taxation. If persons receiving the state pension are not eligible, we would have to know how many people in each decile receive the state pension. However, for the purpose of illustration, assume that whatever taxes are used to finance the BIG do not fall on deciles 1-3 and that everyone in those deciles is eligible for BIG, so that their expenditures rise by the full amount of BIG. Under this assumption, the following table summarizes the effect of a BIG of N\$100 on expenditures of households in deciles 1-3.

Table 4: Hypothetical effects of N\$100 BIG on deciles 1-3, 2003/2004

Decile	Actual mean expenditure (N\$)	Hypothetical mean expenditure with BIG (N\$)
1	116.20	216.20
2	191.79	291.79
3	247.24	347.24

 Indicates severe poverty (below N\$184.56)

 Indicates poverty (below N\$262.45)

Source: Actual mean expenditure (Central Bureau of Statistics, 2008); Hypothetical mean expenditure with BIG, author's calculations.

This table shows the enormity of BIG's impact on poverty. Households in deciles 2 and 3 are lifted out of poverty. The average household in decile 1 is lifted out of severe poverty. These figures mean that, under our assumptions, poverty in Namibia would fall from 27.6 percent to less than 15 percent and that severe poverty would fall from 13.8 percent to less than 5 percent. Without more complete data and much more complex modeling, it is impossible to say much more than that, but this is enough to show that the impact of BIG on poverty would be dramatic. A rule making pensioners ineligible would significantly reduce the impact; taxes that fell partially on people in deciles 1-3 would also decrease the impact. However, increased economic activity, work effort, and investment among the poor would increase the program's impact on poverty. The effect on childhood health and education would again increase the impact of BIG on poverty over time, as healthier, better educated children grow up and enter the labor force.

10. LESSONS FOR NAMIBIA

The international and national evidence discussed above indicates that Namibia would more effectively improve its social safety net by introducing BIG than by using a like amount of net spending on any other project. Consider the following summary of lessons.

- A BIG given to everyone is not any more expensive than an income guarantee given only to net recipients, but it has many advantages in terms of simplicity, efficiency, reliability, and solidarity.
- The BIG eliminates poverty traps associated with most targeted social safety net policies.
- Cash transfer policies have been very effective in developing nations and they tend to be more effective the closer they are to the BIG model. That is, the fewer conditions they have and the more easily those conditions are fulfilled.
- Cash transfer policies in developing nations have been associated with reduced poverty, improved health, reduced childhood mortality, reduced child labor, increased school attendance, and increased local economic activity in depressed areas.
- Most cash transfer policies in developing nations have had negligible effects on work effort and some have had positive effects on work effort.
- Randomized field experiments in the United States, Canada, India, and Uganda show that a BIG or similar policies have enormous positive effects including reduced poverty, increased school attendance, improved school performance, improved health, reduced incidence of low-birth-weight babies, reduced malnutrition, increased labor effort, and increased self-employment.
- Although field experiments in developed nations have shown minor negative effects on work effort, field experiments and pilot projects in developing nations (Uganda, India, Kenya, and Namibia) have shown a positive relationship between BIG and work effort.
- Field experiments have shown little or no effect on consumption of alcohol, tobacco, gambling, and so on.
- Experience with the Alaska dividend shows that a BIG financed by resource taxation can reduce poverty and inequality while maintaining strong support from middle- and higher-income people and fostering feelings of shared ownership.
- Experience in Alaska also shows how Namibia could reclaim the rental value of privately held resources, leave the value-added to the companies that hold those resources, and distribute that rental value back to the citizens who need it most.
- Targeted programs waste a lot of money on overhead costs and impose significant costs on the people they are intended to help. By choosing the BIG model, Namibia will direct much more of its scarce available funds into the hands of the people who need it.
- The tax base is available in Namibia to sustainably support a monthly BIG of N\$100 or more.
- A BIG of N\$100 per month would probably cut Namibia's poverty rate in half, and it would probably cut the severe poverty rate by even more than half.

All of this evidence adds up to a powerful case for BIG in Namibia. The fear that many people will not work if they receive BIG is unfounded, as is the fear that it will be unaffordable. BIG does a better job of actually helping people who are usually picked out as most deserving of help than proposals targeted at specific categories of people.

The Namibian government could move in the direction of BIG by introducing a cash-transfer project along the lines of Brazil's Bolsa Familia, but by doing so it would create unneeded bureaucracy, and it would not help those in need as much as it could by beginning to phase in a BIG.

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Social Safety Nets: Lessons from Global Evidence and Practice*

Dr Arup Banerji & Dr Ugo Gentilini

The World Bank

Washington DC

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Abstract

This paper reviews the global lessons and evidence on social safety net programs from cross-country experience. Over 130 countries in the emerging world are introducing and expanding social safety net programs, inspired by the strong international evidence base about efficacy – including documented impacts on a range of economic and social dimensions. The design and type of major social safety net programs vary across the world – and partly depend on the prevalence and importance of different types of risk that may prevail in a specific country. This includes natural disasters and other crises – once established, social safety nets offer a platform for timely and effective crises response. Despite the pervasive evidence, emerging lessons show that to ensure that programs work coherently, effectively and efficiently, it is important to build systems of social protection that work together as a portfolio to cover multiple risks across the life cycle; and cost-effective program should be the result of informed decision-making processes, as well as of the careful consideration of various design details. Yet, it takes time and investments in capacities to progressively build flexible systems.

1. RATIONALE

Social safety nets are defined as non-contributory transfers provided to people vulnerable to or living in poverty and other forms of deprivation. These transfers can be provided by governments in-kind, or through cash or vouchers; they can be directly targeted to identified categories of the poor, or provided universally with an aim to including the poor; and they can be provided “conditionally” (in exchange for the recipients’ “socially good” behaviour) or unconditionally.¹⁰ Social safety nets are only one component of broader social protection systems that aim to mitigate risk and poverty, which also include insurance-related interventions (such as health insurance and pensions) and a range of labor-oriented programs.

Over the last two decades, there have been enormous developments and innovations in social protection across the developing world, with new approaches, techniques and paradigms that have been scientifically evaluated

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as being extremely effective. Social safety nets have expanded in recent years across the developing world from their earlier roots in Eastern Europe and Latin America, and now almost 100 developing and emerging countries are initiating and developing national, at-scale social safety nets as part of their social protection system.

The core objective of this paper is to review lessons and evidence on social safety nets emerging from cross-country experience. The paper is intended to outline the global state of social safety nets and thus to provide a basis for informed choices around further developing social safety nets in various contexts – including for Namibia. The paper is structured as follows: the next section provides a brief overview of global trends and evidence, while section 3 explores emerging lessons. Section 4 summarizes the paper’s discussion and outlines potential options for countries in the process of enhancing their social safety net programs, with a particular emphasis on building systemic approaches and portfolios of safety net programs to address different risks (such as working-age poverty and natural disasters), improving administrative efficiency, and effective evaluation and evidence-based design.

2. SOCIAL SAFETY NETS: GLOBAL OUTLOOK AND GLOBAL EVIDENCE

2.1 The Global expansion in social safety net programs

Globally, there is strong political commitment for social safety nets. For example, the high-level Cannes Summit Final Declaration called for “... safety net programmes to address hunger and malnutrition”, and the Seoul Action Plan recommended efforts to “... support developing countries to strengthen and enhance social protection programs”. A main priority set out by the G20 Development Working Group includes “... cushioning vulnerable population from shocks through social protection systems”, while the Busan Outcome Document underscores the importance of “... social protection systems for at risk communities”. Continental movements, such as the African Union-sponsored Livingstone Call for Action and subsequent declarations, have galvanized governments’ financing commitments for social protection, especially for the poorest and more vulnerable.

A growing number of countries are introducing and expanding safety net programs. Social safety nets are currently available to individuals and families in 131 developing and emerging countries. The expansion of programs in social protection has experienced a paradigm shift (sometimes referred to as the “quiet revolution”¹⁰), with at-scale safety net programs expanding at a rate of around two countries per year.

¹⁰Specifically, social safety net programs can be grouped into three core categories. These include (i) conditional transfers, designed to enhance access to social services and are provided subject to compliance with specific conditions (e.g., school feeding programs, conditional cash transfers); (ii) unconditional transfers provided people in need with direct support without reciprocal activities (e.g., cash transfers to the elderly); and (iii) public works programs, which provide labor-intensive, temporary employment for the poor and vulnerable. Social safety nets, in different contexts, are also referred to as social assistance or social transfers.

Social safety nets are being implemented on a national scale in 98 countries today, up from just 72 in 2000. In addition, some 33 countries are experimenting with innovative pilot initiatives, 22 of which are in Sub-Saharan Africa.

Among social safety nets, the number of countries with conditional cash transfer (CCT) programs increased ten-fold, from three in 1997 to over thirty in 2008 (figure 1). Unconditional cash transfers are also increasingly popular, including in the form of non-contributory (social) pensions. East Asia is the region with the highest population participation rate for social pensions (7 percent of population), while the rate declines to 3 percent for Latin America and Caribbean and to 0.3 percent for Sub-Saharan Africa. Table 1 offers an overview of recent social pension programs in Asia. Globally, there are also at least 368 million children benefiting from school feeding programs. In lower-middle income countries (LMICs), 49 percent of primary-school children have access to school feeding, while in low-income countries (LICs) this figure is 18 percent¹². Similarly, public works programs have also expanded remarkably, especially in LICs. As an aggregate conservative estimate, over 60 million beneficiaries participate in public works in eight countries (table 2).

Figure 1: Global expansion in CCTs, 1997 (left) and 2008 (right)



Source: Fiszbein and Schady (2009)

¹¹For example, see Barrientos and Hume (2008)

¹²For data on school feeding, see WFP (2013).

Table 1: Characteristics of social pensions in Asia

Country, program	Transfers as % of average per-capita income	Share of people aged 60 and above receiving social pensions	Social pension as % of GDP
Bangladesh, Old Age Allowance	8.3	31	0.12
India, Indira Gandhi National Old-Age Pension Scheme	6.8	12	0.05
Nepal, Old Age Allowance	17.3	80	0.35
Philippines, Expanded Senior Citizens Act	na	na	0.1
Thailand, Old Age Allowance	4.5	73	0.33
Viet Nam, Social Pension	6.5	10	0.05

Source: ADB (2012)

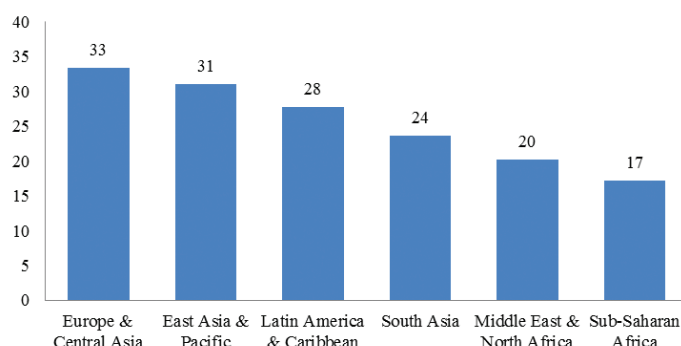
Table 2: Major public works programs by country

Country, program	Annual number of beneficiaries	Share of female beneficiaries
Bangladesh, 100 Days Employment Generation program	2,000,000	60
Haiti, PRODEP	450,000	33
Ethiopia, PSNP	7,600,000	10
India, NREGA*	50,000,000	na
Kenya,, KKVP	300,000	na
Malawi, Social Action Fund, Public Works Program	223,000	45
Laos, Poverty Reduction Fund	660,000	49
Uganda, Northern Uganda Social Action Fund 2	300,000	30

Source: de Haan (2013), Subbarao et al. (2013). *NREGA refers to household-level estimates.

Yet, large sections of the world's population remain uncovered by social safety nets. While, as explained earlier, there is a move to develop and expand social safety net programs across the world, only about 27 percent of the world's population has access to social safety nets. In low-income countries (LICs), 87.5 percent of households are not supported by any form of public social transfer; such percentage declines to nearly 70 percent for middle income countries (MICs). Geographically, households in Sub-Saharan Africa are the least covered: in that region, only 17.2 percent of the population benefits from social safety nets, compared to about 20 percent in the Middle-East and North Africa and 23.7 percent in South Asia. Coverage slightly increases in Latin America and Caribbean (27.8 percent), East Asia and Pacific (31 percent) and East and Central Europe (33.3 percent) (figure 2).

Figure 2: Share of population covered by social safety nets, regional averages (percent)



Source: World Bank/ASPIRE database (<http://datatopics.worldbank.org/aspire>, accessed July 2013)

2.2 Global evidence on social safety nets

Social safety nets are among the best-evaluated interventions in development, including based on experimental and other robust evaluation techniques. For instance, a comprehensive report by the Independent Evaluation Group of the World Bank concluded that evidence on social safety nets is “... richer than most other areas of social policy” and that “... each intervention has positive impacts on the original objectives set out in the programs” .

Box 1. What's the impact of social safety nets? Evidence at a glance

Reducing poverty. Evidence from the new World Bank ASPIRE database shows that, each year, social safety nets in developing countries lift 50.3 million people from absolute poverty (living on less than US\$1.25/day). At the same time, 96.4 million people are uplifted from the bottom quintile (relative poverty). Overall, this represents a significant impact on the global fight against poverty. Yet, social safety nets coverage in low-income countries (LICs) remains limited, with poverty reduction occurring primarily in middle-income countries (MICs).

- Reducing inequality and promoting shared prosperity. Social safety nets, by providing income security for the poorest, also have helped lower inequality. For example, the Child Support Grant in South Africa has led to a reduction of the Gini index by 3 percentage points. In Brazil, about 28 percent of the fall in the Gini can be attributed to the Bolsa Familia program, combined with other non-contributory measures.
- Stimulating local economies. Social safety nets provided to poor households

¹³See IEG (2011, p.3).

can have significant multiplicative effects on others in the local economy. In Malawi, a cash transfer program generated up to US\$2.45 in local communities for every dollar provided to beneficiaries. In Lesotho and Mexico, similar programs are estimated to have, respectively, a multiplier effect of US\$2.23 and up to US\$2.60 per dollar distributed.

- Investing in human capital: education, health and nutrition. Conditional cash transfers (CCT) have increased school attendance in Bangladesh and Cambodia by 12 and 31 percent, respectively. In other words, in the absence of the CCT, school attendance by poor children in parts of Cambodia would have been around 60 percent instead of nearly 90 percent. CCT programs in Colombia and Ecuador have bolstered health center visits for children by 33 and 20 percent respectively. In Uganda, anemia among girls who qualified for the school feeding program was 20 percentage points lower compared to girls that didn't participate in the program. In Indonesia, part of the response to the economic crisis in late 1990s included the provision of food supplements. Such safety net reduced the likelihood chronic malnutrition among children by 15 percentage points.
- Promoting better job opportunities in the future. In Guatemala, children under two years of age who benefited from a nutritional safety net earned wages 46 percent higher as adults compared to those who did not benefit from the intervention. Similarly, children participating in early childhood development programs in Jamaica showed, as adults, average monthly lifetime earnings 60 percent higher than non-participants. The Oportunidades program in Mexico sparked demand for higher-level education and improved job prospects. Recent evaluations show that former beneficiaries are more likely to enter middle-class occupations than non-beneficiaries. This result is particularly significant for indigenous women. On average, their share in better-paying jobs was about 25 percentage points higher than their peers who did not benefit from Oportunidades.
- Enhancing resilience. Connecting programs is key to enhance resilience. For example, the Productive Safety Net Programme (PSNP) in Ethiopia has also been leveraged to provide targeted beneficiaries with financial services (i.e., Household Asset Building Program, HABP). The combination of interventions amplified the impacts and resilience of the programs: when single-intervention beneficiaries are compared to dual-interventional beneficiaries (PSNP and HABP), the latter produced 147 kg more of grains and were over 20 percentage points more likely to use fertilizers and invest in land improvements. The increased agricultural self-reliance, in turn, also helps to protect poor and vulnerable families against calamitous food shortages.

Source: World Bank (2013a); Barrientos (2012); and Alderman and Hoddinott (2009)

The unique finding from the collective evidence is that, by relaxing the multiple constraints faced by the poor, predictable transfers even in small amounts have effects that go far beyond just addressing consumption poverty and income inequalities. These include investments in individual-level human capital – such as greater education, health and nutrition for children – that would not have been otherwise affordable (if only because of the opportunity cost of accessing them), and which have a large payoff in terms of future productivity and incomes. But social safety nets can also be transformational in other ways – evaluations have linked well-functioning social safety nets with increased investment in family infrastructure (as with planting trees in Ethiopia and acquiring livestock in Tanzania), in increased productive activities (such as use of high-yield farming techniques in Western Africa). And there is little evidence of major economic “bads” caused by safety nets – one frequent concern, that transfers will reduce work effort, has been disproven by most evaluations of social safety nets in developing countries.

Social safety nets are key ingredients for sustained and inclusive economic growth. As evident from the previous discussion, social safety nets are productive investments, especially for countries that have large numbers of poor people who are then allowed to make productive investments. Indeed, they can contribute to national economic growth in a number of ways, including by accumulating human capital (e.g., by bolstering child cognitive development, school attainments and future labor productivity), helping to manage risks (e.g., by allowing people to seize higher-income livelihood opportunities), addressing some market failures (e.g., through building infrastructure that connect markets; and cash-based programs that generate local market multipliers), and reducing inequality in opportunity. More generally, Box 1 provides an overview of recent evidence on poverty reduction, inequality, human capital, local economies, job prospects and enhancing resilience.

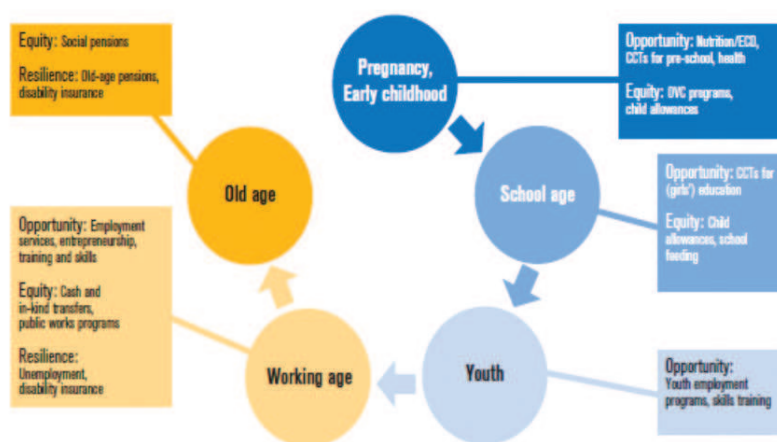
3. EMERGING LESSONS FROM CROSS-COUNTRY EXPERIENCE

It is now well understood from cross-country experience that building systems of social protection, with social safety nets as a key ingredient linked to complementary programs, is key for coherence, effectiveness and efficiency.

This involves moving from ad-hoc programs to coherent portfolios of interventions that work together to address complementary issues of poverty, risk, vulnerability and opportunity, covering the full set of risks at different stages of the life-cycle. While LICs are often at the early stages of introducing and expanding basic social protection, middle-income countries have more advanced and sophisticated systems, although not necessarily comprehensive. In most cases, countries tend to have well-designed programs that, as a whole, may leave gaps at critical stages in the life cycle (figure 3). For example, some countries, such as Brazil, may have extensive CCT and social pension programs, which address the needs of families with children and the elderly – but limited or no public works, which can help alleviate poverty among the working-age poor without children; others, such as India, may have well-developed public works

schemes, but less effective early childhood programs. Identifying and calibrating the right blend of interventions is instrumental to building coherent and inclusive social protection portfolios that are tailored for different risks and beneficiary profiles.

Figure 3: Illustrative social protection interventions throughout the life-cycle



Source: World Bank (2012)

Source: Ferreira et al. (2010); Lindert et al. (2007)

Box 2. Integrating and expanding a safety net through redistribution: Insights from Brazil

Launched in 2003, the Bolsa Familia Program (BFP) provides CCTs for an average R\$95 (US\$53) per month to poor families, for a total cost of about 0.4 percent of GDP in 2010. There are important lessons from the BTF that could be useful for countries like Namibia. Specifically, a set of key ingredients and factors helped shape the performance of BFP, including the following:

- **Poverty reduction through redistribution.** A significant share of Brazil's poverty reduction efforts was achieved through redistribution – that is, BFP was key for poverty reduction in a context of high initial inequality (i.e., comparable to Namibia's) and during periods of limited growth. For instance, if the absence of BFP it is estimated that poverty rates would have been about 5 percentage points higher.
- **The BFP as a reform program,** which consolidated four pre-reform programs into one, building on Brazil's experience in pioneering CCTs at the municipal and federal levels, and representing an important degree of continuity and innovation across levels of government and political administrations.
- **The size and rapid expansion of the program,** which increased from 3.8 million families (15.7 million people) in December 2003 to about 13 million

families (nearly 53 million people, or one-quarter of the population) in 2013. At the inception stage, Brazil's experience in terms of scale-up from pilot to national levels is impressive, basically growing from zero to about 5 million households in 6 years (Bolsa Escola in 1995-2001) – that is, Brazil expanded coverage by an average of 830,000 families/year (e.g., other successful programs such as the CCT program in the Philippines scaled up at a pace of 780,000 families/year).

- **The targeting accuracy of the program**, achieved through geographic mechanisms and means-testing under the unified family registry (Cadastro Único, CU), with three-quarters of the transfers of the BFP going to the poorest quintile and 94 percent going to the poorest two quintiles. About 46.6 percent of household in the poorest quintile are covered by social safety nets.
- **Decentralization and performance-based management mechanisms**. These promoted incentives for quality implementation in this context so as to overcome the “principal-agent” dilemma – that is, the need to develop management mechanisms to oversee and promote quality in implementation by actors other than the Federal Government, namely, (a) the 5,564 municipalities responsible for registration into the CU, monitoring of conditionalities, and formation of social controls councils; and (b) the Caixa (federal bank) responsible for operating the CU database and making payments to BFP beneficiaries.
- **The role of the BFP as a unifying force in social policy**. This integrating role has occurred “horizontally,” with the integration of federal CCTs and the linking of the BFP with complementary services and programs. It has also been promoted “vertically”, by integrating the federal program with sub-national CCTs. This led to greater coherence of social policy with coordinated activities in the areas of social assistance, health, agriculture, education and labor-support programs.

There are no “one-size fits all” formulae for social safety nets, which need to be designed based on country characteristics, capacity and resources, and social context. The most prominent social safety net programs across the developing world, while broadly similar in providing government resources to poor households, are each specifically tailored to country circumstances and context. For instance, among conditional cash transfer (CCT) programs, Bolsa Familia in Brazil and Oportunidades in Mexico place a great deal of emphasis on monitoring whether beneficiary households meet the conditions on school attendance; but others such as Ecuador's BDH or Malawi's CTS programs, while having explicit encouragement of children's schooling, employ much less monitoring and enforcement. Among unconditional cash transfer programs, some such as South Africa's Older Person's Grant and Brazil's Benefício de Prestação Continuada (BPC), are means-tested to those with lower incomes; others,

¹⁴See Ozler (2013) for a categorization of different types of conditional and unconditional programs.

¹⁵See Subbarao et al (2013).

including in Namibia and Botswana, are universal. But even for means-tested pensions programs, the level at which someone is eligible varies greatly: currently for South Africa, all elderly in families with less than 99,840 Rands (around US\$ 9,800) per year are eligible; for Brazil's BPC, only the poorest are eligible, at below a quarter of the minimum wage (currently just 2,025 Real, or around US\$ 860) per year.¹⁴ Methods of targeting vary as well; among major public works programs, Ethiopia's Productive Safety Nets Programme (PSNP) employs a mix of geographic, community and administrative targeting methods, while India's National Rural Employment Guarantee (NREG) program mostly has poor households target themselves through participation up to 100 days a year.¹⁵

A major shortcoming of current social safety nets in a number of countries is their fragmentation. In most countries, social safety nets are based on a large number of small and often weakly coordinated programs. These poverty-oriented transfers tend to be scattered across different ministries (and are, in poorer countries, often designed and financed by different development partners using varied approaches). Most critically, they deploy disparate and often inconsistent definitional, operational and governance features. For instance, different safety net programs may have different targeting and eligibility criteria (so that an individual or family defined as 'poor' under one program may not be considered so by another); they may have overlap in terms of design (for example, with an unconditional transfer program coexisting in the same area with a public works program); and they may have different rules as to how resources are transferred (for example, in terms of electronic transfers or in-cash payment). For administrators, this generates inefficiency through duplications and overlaps, and limits potential coverage and performance. For beneficiaries, this greatly adds to coordination and information costs and reduces the power of the programs.

Building social protection systems involve reducing fragmentation among different social safety net programs. For example, the Mexican Progresa-Oportunidades program replaced 15 existing inefficient, ineffective and uncoordinated programs with a single, effective and integrated conditional cash transfer initiative. In Romania, the Social Assistance Reform Strategy and Action Plan 2011-13 is consolidating all means-tested social safety nets into a single program targeting low-income households. Similar

¹⁴See Ozler (2013) and Caldes et al. (2004).

¹⁵For a discussion on the economic, technical and political issues to gauging the appropriateness of CCTs, see for example the framework in Fiszbein and Schady (2009), p.12.

¹⁶The model includes public works programs that offer links to employment (e.g., through skills training) or access to community and health services (e.g., through existing social assistance programs, such as health care or nutrition programs). The aim of such programs is to help beneficiaries not only in the short term, but also to enable them to actually graduate from poverty. While the effectiveness of public works programs as a safety net has been well established, the international evidence on public works programs as an effective active labor market program is limited, and experience with linkages to service provision is only just emerging (Subbarao et al., 2013).

¹⁷It is here acknowledged that decision-making processes are generally fluid, and that a number of design choices are closely connected to the instrument selected – whether conditional, unconditional or public works programs. Also, the paragraph doesn't intent to discuss the full gamut of design (e.g. monitoring systems, graduation, etc.), but only illustrative of some of the quandaries that practitioners often face.

initiatives are underway, including in countries like Brazil that have pioneered integrated safety net systems, including expanding it through redistribution (box 2).

The choice of the most cost-effective program should be the result of informed decision-making processes around objectives, capacity and eligibility. Given that well-designed social safety nets can deliver on a large number of desirable socio-economic objectives, clearly identifying these objectives are critical. For instance:

- If the objective is ***pure poverty or inequality reduction***, unconditional cash transfers targeted to the poor may be the most straightforward instrument, though targeting methods, as described below, will play a role in efficacy. Alternatively, if the objective is to address skewed levels of poverty for a specific demographic group, there can be more focused transfers – such as child allowances, widows' allowances, social pensions and, for the working poor or the seasonally poor, self-targeted public works programs.
- If the challenge is to ***increase household demand for children's human capital (education, health, nutrition)***, then cash transfers are often the most powerful instrument, often as CCTs with conditions or co-responsibilities of households aimed towards the specific gap (be it girls' education, as in the Turkey CCT, or child nutrition, etc.). In general, evidence shows that both CCTs and unconditional transfers are effective instruments for human capital development, with CCTs having more power but being more resource-intensive: in the realm of education, preliminary systematic reviews show that the likelihood of children being in school increases by 41 percent with CCTs and by 23 percent with unconditional cash transfers; but CCTs entail higher costs in the range of 14 to 27 percent of total program costs.¹⁶ For CCTs, whether the co-responsibility is strictly monitored and enforced has to depend upon capacities for planning, communicating, monitoring and enforcing conditions – in Mexico and Brazil, these were weaker at early stages of the programs, and were gradually strengthened later. It is also important to ensure that services of adequate quality and quantity are supplied, and that are in place – if transfers require school attendance, and there are few schools within a reasonable distance or if education quality is poor, the objective will obviously not be met.¹⁷ Moreover, conditionalities may not be needed if the major issue is information – unconditional transfers that ease a family's constraints bundled with information about returns to education or effective child nutrition practices may be sufficient.
- If the intended objective is to ***provide temporary employment to poor households and build assets***, then public works programs might be considered – provided that people are physically able to work and that technical capacity is available for program implementation. More recently, there is increasing attention to the “public works plus” model that integrates safety net with other holistic interventions, particularly for longer-term employment such as in Argentina and El Salvador.¹⁸
- Particular design features also relate to ***crisis responsiveness and urban contexts***. These are discussed in more detail below.

Country evidence shows that the performance of social safety nets also hinges on specific design details. Identifying the population in need of social safety nets is closely connected to choosing the appropriate targeting method.¹⁹ In this regard, evidence shows that the appropriateness of methods is context specific and may include a combination of techniques (table 3). Program performance is also affected by calibrating design nuances, such as determining the right transfer size, duration, frequency, delivery, location, timing and recipient within the household. Especially when programs are food security-oriented, the choice of the type of safety net transfers – whether cash, food or voucher-based – is also important. In this regard, evidence shows that appropriateness depends on whether nutrition is a core objective, the functioning of markets, implementation capacities, gender and other factors.²⁰

When effective social safety nets are in place, they also represent an important platform for timely and effective crises response. In general, different shocks require diverse types of responses in different contexts. In the wake of the 2008 food and economic crisis, a number of countries leveraged existing systems to increase the size of available transfers, such as Brazil and Mexico; others have expanded the coverage of existing programs, like the Philippines and Malawi; and other countries, like Chile, provided one-off payments to pre-registered beneficiaries.²¹ In some regions, such as Latin America and the Caribbean, the response to the crisis also sparked broader policy changes in social protection. For example, recent analysis showed that of the 26 countries surveyed in that region, 15 countries expanded coverage of cash transfer programs, 14 increased their benefit levels, and 7 introduced new programs (figure 4).

Figure 4: Policy responses in Latin America and the Caribbean since the 2008 crisis



Source: Grosh et al. (2013)

²⁰For a discussion, see Grosh et al. (2008) and Gentilini (2007).

²¹For evidence and practices, see McCord (2013) and Fiszbein et al. (2011).

Table 3: Advantages and limitations of targeting methods

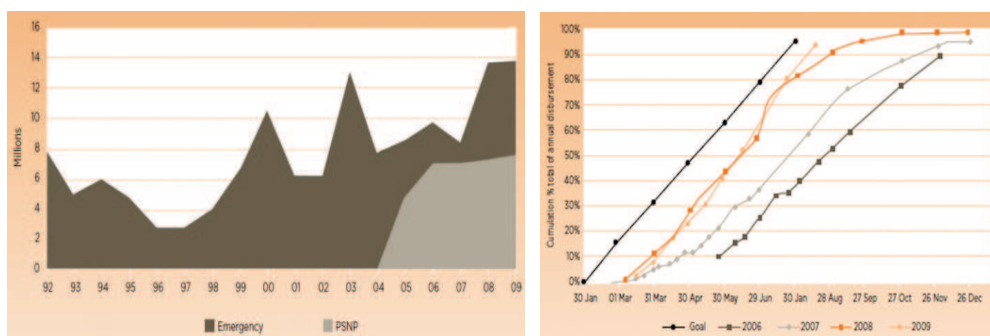
Targeting method	Appropriate circumstances	Advantages	Limitations
Means testing	<ul style="list-style-type: none"> - where declared income is verifiable or some form of self-selection limits applications by non-target groups - where administrative capacity is high - where benefits to recipients are large enough to justify costs of administering means test 	<ul style="list-style-type: none"> - in the best of cases, very accurate 	<ul style="list-style-type: none"> - requires high levels of literacy and documentation of economic transactions, preferably of income - administratively demanding where there are meaningful attempts at verification - most likely to induce work disincentives
Proxy-means testing	<ul style="list-style-type: none"> - reasonably high administrative capacity - programs meant to address chronic poverty in stable situations - where applicable to a large program or to several programs so as to maximize return for fixed overhead 	<ul style="list-style-type: none"> - verifiable, may allay concerns over politicization or randomness of benefit assignment - uses readily observable household characteristics - is less likely than means test to affect work effort 	<ul style="list-style-type: none"> - may seem arbitrary to some - requires large body of literate and probably computer-trained staff, moderate-to-high levels of information and technology - inherent inaccuracies at household level, although good on average - insensitive to quick changes in welfare, as in a crisis or in some transition countries
Community targeting	<ul style="list-style-type: none"> - where local communities are clearly defined and cohesive - for programs that propose to include a small portion of the population - for temporary or low benefit programs that cannot support an administrative structure of their own 	<ul style="list-style-type: none"> - takes advantage of local information on individual circumstances - allows for local definition of need and welfare - transfers costs of identifying beneficiaries from intervention to community (this can also be seen as a limitation) 	<ul style="list-style-type: none"> - targeting of the program - may lower authority or cohesion of local actors - may continue or exacerbate patterns of social exclusion - if local definitions of welfare are used, evaluation is more difficult and ambiguous

Geographical targeting	<ul style="list-style-type: none"> - where considerable variations exist in living standards across regions - where administrative capacity is sufficiently limited to preclude use of individual/household assessment - where delivery of intervention will use a fixed site such as a school, clinic, or ration shop 	<ul style="list-style-type: none"> - administratively simple - no labor disincentive - unlikely to create stigma effects - easy to combine with other methods 	<ul style="list-style-type: none"> - depends critically on the accuracy of information - performs poorly where poverty is not spatially concentrated - can be politically controversial
Categorical (demographic) targeting	<ul style="list-style-type: none"> - where registration of vital statistics or other demographic characteristics is extensive - where a low-cost targeting method is required 	<ul style="list-style-type: none"> - administratively simple - low stigma - often politically popular 	<ul style="list-style-type: none"> - inaccurate where demographic characteristics are weak correlates of poverty;
Self-targeting	<ul style="list-style-type: none"> - countries with very low administrative capacity - inaccurate where demographic characteristics are weak correlates of poverty; - settings where individuals are moving rapidly in and out of poverty - where a wage or consumption patterns separates poor from nonpoor (e.g., consumption of inferior goods) 	<ul style="list-style-type: none"> - administrative costs of targeting likely to be low - unlikely to induce labor disincentives 	<ul style="list-style-type: none"> - cost on the recipient, which lowers the net value of the benefit - stigma may be considerable - may be difficult to find a means of delivering a large benefit

Source: Coady et al. (2004)

Yet, it takes time and investments in capacities to progressively build flexible systems. In Ethiopia, the Productive Safety Net Programme (PSNP) was launched in 2005 to shift from annual humanitarian, emergency-oriented approaches to more predictable and multi-year social safety nets. On average, the PSNP reaches about 7.6 million households with transfers in-kind or cash through a mix of public works and unconditional transfers. In 2011, the PSNP scaled-up to meet the additional needs sparked by the Horn of Africa crisis, including reaching an additional 3.1 million people with transfers over a three-month period. The entire response process – from financing to disbursement – took only six weeks.²² The overall shift from emergency response to PSNP dramatically improved the timeliness and predictability of transfers. Timeliness of cash and food transfers continued to improve year-on-year as compared with the performance target for the timeliness of transfers (figure 5). Yet, this was the result of intensive institutional coordination and capacity-strengthening investments underway for almost a decade (box 3).

Figure 5: Evolution in PSNP transition (left) and transfers timeliness (right)



Source: Wiseman et al. (2010)

Box 3. Managing crises: integrating emergency assistance and safety nets in Mexico and Ethiopia

In Mexico, the Programa de Empleo Temporal Inmediato (PETi) is an emergency response mechanism that was added to the Programa de Empleo Temporal (PET) in 2003 to ensure the timely and efficient response to populations affected by systemic crises. The mechanism operates within the broader PET framework but has modified systems and procedures for a post-disaster context:

- All PET implementing ministries are required to allocate a percentage of PET funding to a contingency fund (up to 20 percent for the Ministry of Communication and Transport (SCT) and the Ministry of Environment and Natural Resources (SEMARNAT) and at least 20 percent for the Ministry of Social Welfare (SEDESOL). This share is deemed sufficient to respond to higher-frequency events (such as hurricanes or flooding) of low to medium impact.
- If necessary and justified by the magnitude of the disaster, all remaining funds in SEDESOL's annual budget for PET can be channeled through PETi to address the needs of people affected. If this funding is not adequate to support participation in the cash-for-work scheme for all people in need, Mexico's Fund for Natural Disasters (FONDEN) can provide supplementary resources to PET.

In Ethiopia, the annual budget of the Productive Safety Nets Program (PSNP) includes a contingency equivalent to 20 percent of the base program and a risk financing facility designed to respond to transitory needs in chronically food-insecure districts (woredas) when large shocks occur.

- Fifteen percent of the contingency budget is held at the regional level and 5 percent at the woreda level. Both mechanisms are used to address the unexpected needs of chronically food-insecure households and transitory food insecurity among PSNP and non-PSNP households in PSNP-supported woredas.

²²See Hobson and Campbell (2012).

- Funds that are not used during the fiscal year are rolled over.
- If a shock is too large to be handled by the contingency fund, the risk financing facility responds (see figure below). This facility is based on four principles: contingent emergency grant financing from an external partner; use of the government's early warning system, which triggers a response; contingency planning in worded; and adequate institutional capacity at all levels.

Source: World Bank (2013b)

Box 4. Combining rights, social safety nets and employment: the case of public works in India

In 2005, India's Parliament passed the National Rural Employment Guarantee Act (NREGA). The Act guarantees 100 days of annual employment at statutory minimum wage rates to any rural household whose adult members are willing to engage in unskilled manual work.

The total cost of the scheme was about 0.5 percent of GDP and reached 33 percent of rural households in 2009-10. The manual work needs to create sustainable assets that promote the economic and infrastructure development of villages.

Implemented in three phases beginning in 2006, the Act extended to all of rural India in April 2008. Participants are entitled to receive wages between 7 and 15 days after the date on which the work was executed for a period of at least 14 days. The wage rate must be at least as high as the minimum wage rate set by the central government or the state according to the Minimum Wages Act 1948 for agricultural laborers and must be paid according to a piece rate or daily rate and disbursed on a weekly or fortnightly basis. The minimum wage should not be less than 60 rupees per day and must be the same for men and women. Also, NREGA mandates a wage-to-material ratio of 60:40.

In terms of funding, NREGA activities are financed with funds from the central as well as state government. The central government releases funds directly to the districts through the National Employment Guarantee Fund. The funds cover 75 percent of the NREGA-related material and wage expenses of semiskilled and skilled workers. The central government is required to fund 100 percent of the wage costs of unskilled workers. The state government is mandated to provide the funds for the remaining 25 percent of expenses as well as the funds for the unemployment allowance payments and the administrative expenses of the SEGC. To this end, the state government releases revolving funds under the projects to the implementing agencies at the district, block, and village levels.

At all levels, implementation is facilitated by line departments, nongovernmental organizations (NGOs), central and state government undertakings, and self-help groups.

Source: World Bank (2011); Raabe et al. (2010)

Box 5. Technology for social protection and beyond: the ongoing revolution

Delivery and coverage of social protection is often hampered in large countries with distant or less accessible population centers. But in many countries in the developing world, new technologies have reduced the costs of delivering assistance and increased its coverage.

In this regard, Kenya has been one of the countries at the forefront of using mobile phones to provide cash transfers, including in remote areas. In the country, Safaricom (working with Vodafone) launched an initiative called M-PESA to enable customers with no access to conventional banking to receive benefit payments through a pre-paid phone. This system currently serves 4 million customers supported by over 360 M-PESA agents nationwide.

- All customers need to register at an authorized M-PESA agent – usually petrol stations, supermarkets, and Safaricom stores – by providing a Safaricom mobile number and their identification card. The agent then activates an account on their mobile phone handset that enables customers to load cash in and take cash out at any M-PESA outlet, including their benefit payments.
- Targeted households are clustered into groups of up to 10 to share the phone, and one literate person is nominated as the cluster leader.
- Although the equipment is shared by all cluster members, each beneficiary receives his or her own SIM card to register for M-PESA to reduce the risk of fraud among cluster members.
- Another major area of technological innovation, which minimizes error and fraud, is formal identification – a prerequisite for development in the modern world. Biometric identification is spreading rapidly across the developing world, including 160 programs in 70 countries. Among them, India's Unique Identification (UID) project is the largest one which aims to provide a unique identity to all 1.2 billion residents.
- Many of these programs use digital biometric identification technology that distinguish physical or behavioral features, such as fingerprints or iris scans, to help “leapfrog” traditional paper-based identity systems.
- However, projects can be too ambitious or too small and fragmented with an excessive focus on individual applications rather than working towards a coherent, cost-effective, multi-purpose national ID strategy.

- The most appropriate strategy should be one that takes national context and capacity into account and recognizes the value of incentives to adopt the new technology and for institutional coordination.
- Data quality and quantity are paramount, but technology is maturing rapidly and costs are plummeting.

Source: Gelb and Clark (2013); World Bank (2012); Vincent and Cull (2011)

Social safety nets are key to strengthen social contracts and enhance social stability. Country experiences show weak social contracts between citizens and the State are often a core factor fuelling riots and instability. To this effect, inadequate social safety nets can further fuel pre-existing social discontent, for example when social safety nets are not able to maintain purchasing power. More generally, when enshrined into legislation social safety nets tend to reflect broader national preferences over the role of social policy. Indeed, societies may have different views around rights and responsibilities, which often translate into preferences for one program or the other – for example, public works or rights-based unconditional transfers. In some cases, countries are managing to combine the objectives of fulfilling social protection rights while engaging in productive activities (box 4).

Box 6. Social safety nets in urban areas: what's different?

The world is urbanizing rapidly, and poverty is increasingly becoming an urban phenomenon. Between 1990 and 2008, the share of urban poverty increased from 17.9 percent to 24.4 percent. By 2025, the urban population in Sub-Saharan Africa is projected to reach 642 million people, a level that will outstrip that of Latin America.

The nature, features and dynamics of poverty in urban areas are remarkably different from those in rural contexts. Urban areas are characterized by more diversified and heterogeneous socioeconomic environments, including as shaped by migration patterns; poverty is more dynamic and transitory; informal social safety nets and social networks are weaker, with limited extended families and more single parents; urban economies are more complex, market-based and integrated, including with higher sensitivity to prices fluctuations; the poor face higher opportunity and transaction costs; violence and crime are more widespread, while infrastructure and sanitary services face significant challenges, including raising public health risks.

All those factors have significant implications for the design of social safety nets, as shown by emerging evidence from Mexico, Colombia, El Salvador, Honduras, the Philippines, Kenya and Mozambique. For example:

- transfer levels often need to be higher in value;
- the identification of beneficiaries can be challenging because of temporary and informal migration and weaker family and community networks;
- enrolment of beneficiaries can seldom be based on public advertisements, but should rather adopt census approaches demanding higher implementation capacities;
- there could be overlaps in mandates between central and local governments;
- when conditioned on education, transfers may need to be linked to attainments in higher schooling grades;
- social services such as health clinics face clear physical limits in absorbing new demand.
- Such emerging evidence, therefore, calls for rethinking and adapting social safety nets in light of the new and immediate challenges posed by urban, peri-urban and slums contexts.

Source: Gentilini (2013)

The effectiveness of social safety net programs today are being greatly strengthened by the application of technology to beneficiary identification and delivery of assistance. Social safety nets are incorporating a wide variety of technologies as part of standard operations, including the use of mobile phones, smart cards, internet-based monitoring and integrated databases. For example, box 5 sets out lessons from new biometric systems for identification of beneficiaries and the delivery of cash transfers in challenging contexts. These are helping not only to leapfrog a number of traditional barriers to social safety nets implementation, but also providing more general transformative benefits in terms of inclusion and empowerment. For example, the Benazir Income Support Program (BISP) in Pakistan is currently delivering cash transfers electronically to nearly 70 percent of beneficiaries, or 3.5 million households. Since its launch, more than 15 million BISP women beneficiaries have registered for a Computerized National Identity Card, which also lets them vote and access financial services.

As a remaining challenge, social safety net programs need to be better adapted to urban contexts. As urbanization in the developing world increases, poverty tends to concentrate in urban areas. The different nature of poverty and vulnerabilities that characterize urban areas implies a range of analytical and operational adjustments for social protection interventions (box 6). A number of countries are implementing innovative urban cash-based interventions, either by adapting existing rural social safety nets to urban contexts (e.g. Brazil, Colombia, Honduras and Mexico) or by deliberately designing urban programs (e.g. China, Kenya and Mozambique). Also being tested in urban areas are public works programs (e.g., El Salvador and Liberia) and electronic urban food voucher schemes (e.g., Zambia, Zimbabwe and Gaza). Yet, experience remains limited and more experimentation and adaptation would be required in the coming years

4. DISCUSSION: OPTIONS FOR REFORM

As discussed in this paper, a new generation of social safety nets are being implemented and modernized by most emerging and developing countries, with special emphases being given to make them effective and efficient components of broader social protection systems. Four major conclusions emerge from the survey of global evidence and practice:

1. First, there is considerable evidence that well-designed social safety net programs are extremely effective at reducing poverty and inequality, and come with relatively low ancillary economic costs (there is, for instance, little evidence that social safety nets in developing countries reduce work effort).
2. Second, for effectiveness and cost-efficiency, social safety net programs need to be made part of systemic approaches to social protection – both harmonizing design and administrative considerations (such as eligibility thresholds) among individual social safety net programs, and coordinating risk coverage with other social protection programs (such as social insurance and select labor market programs)
3. Third, social safety net programs need to be developed with a mind to the particular objectives that the program needs to achieve – different program types and designs will facilitate, for instance, poverty and inequality reduction, human capital development, crisis and shock response, and employability.
4. Fourth, the design of social safety net programs also need to take into account the different levels of capacity (administrative and financial) present in a country at a point in time. While program design can become more sophisticated and its coverage expand over time, this phased expansion path is best incorporated into initial thinking.

The typical challenges faced by a number of countries, particularly middle-income contexts, correspondingly suggest some options for governments as they consider reforming social safety nets to fully realize their effective, efficient and socio-economically transformative potential. The analysis of global experience in this paper suggests five key options towards setting a reform agenda:

1. ***Undertake a comprehensive assessment of the system as a whole.*** The universe of existing social safety nets programs in most countries is often under-analyzed. In particular, there is a need for in-depth analysis of the process and implementation details underpinning the design and administration of the programs. A comprehensive assessment of the system – including a catalogue of existing programs, their administrative performance, their success (including cost-effectiveness) at meeting their stated objectives – is a first step to inform possible analysis and reforms in a more nuanced fashion. As mentioned above, this can be used as a basis for developing a strategy for the refinement and improvement of social safety nets as a part of an overall social protection system in line with fiscal resources and administrative capacity.

2. **Reduce fragmentation, and strengthen institutional coordination and capacities.** In many countries, the system assessment will invariably unearth the fact that the governance and institutional architecture for social safety nets is scattered across different ministries. This leads to operational fragmentation and duplications of roles and mandates. For most reforms of safety nets, therefore, a major set of reforms involve re-thinking the institutional architecture – including in terms of analysis of functions and roles – with a view of concentrating social protection strategy, planning and oversight within a single institution or coordination body. Moreover, a key bottleneck hampering program performance is usually the limited institutional capacity of implementing agencies, including in terms of availability and quality of human resources. Strengthening the capacity of human resources would be an important priority to pursue, especially, as discussed above, as a precursor to developing more effective social safety net programs.
3. **Build a coherent portfolio.** For every country, a major reform direction is expanding social safety nets to cover all people in need, including working and non-working age populations. This would require revisiting the current set of programs in light of a “portfolio approach”, whereby programs are tailored to meet the diversity of needs and objectives that societies present. This is a key feature of the broader “social protection systems” agenda underway in many low- and middle-income countries. For instance, the application of new assessment tools may help in identifying gaps from a systems perspective and inform options for addressing them at various levels. Some important elements of the portfolio, relevant for many middle-income countries, are:
 - **Public works programs, with an emphasis on youth employment.** In countries where there are a large number of working-age poor, as well as high levels of unemployment among the young, there is a potential important role for public works, in both rural and urban areas. Well-designed public works programs represent a compelling instrument to providing temporary jobs, especially for the youth, as well as building infrastructure.²³ Design features that focus on skills, inputs and training (the so-called “public works plus” model) can also connect those benefiting from such social safety nets to employment. For rights-oriented policy environments, there are relevant examples that combine employment and rights approaches, such as India’s NREGA.
 - **Cash or food transfer programs,** including unconditional and conditional cash transfer programs. Unconditional transfers usually include social pensions and child grants, but, as discussed earlier, may be weaker instruments if there is either a prominent desire to increase demand for human capital investment, or a socio-political need for co-responsibility by poor families. CCTs focused on – as is pertinent for the country – education, health and nutrition outcomes can be alternatives or supplements to such transfers, and, if targeted to the poor, are often more cost-effective at delivering these ancillary outcomes. For

²³*Interventions for unemployment insurance could also be part of the vision, although they fall outside the remit of this paper.*

middle-income countries where basic educational attainment is relatively high, this may not necessarily be a policy objective. However, given the precarious health status of many in the population in such countries, immunization and vaccination programs as well as regular check-ups could be made part of co-responsibility.²⁴ Moreover, early childhood nutrition and well-baby checkups, as in Brazil, may also be important co-responsibilities for younger families. A critical factor for successful CCT programs, however, is effective supply-side provision of services – that is, well-functioning and accessible schools, health clinics etc.

- **Crisis-responsive social safety nets**, to channel resources to families affected by natural disasters such as floods, droughts etc., which are part of the environment in many low and middle-income countries. These are not necessarily separate programs, but can be connected institutionally and incorporated explicitly in the design of existing or proposed programs – including, for instance, public works, school feeding or cash transfer programs – but would be triggered as additional resources (or cover additional people) if there is a natural disaster or other crisis.
4. **Streamline procedures to access and deliver transfers.** A major challenge for getting the best results from safety nets is ensuring that eligible households have full and unencumbered access to transfers. Cumbersome bureaucratic procedures often prevent eligible beneficiaries from accessing transfers in most developing countries. Accordingly, a key element of reform diagnostics is the need for a clearer understanding of the specific administrative problems when identifying and enrolling beneficiaries. Usually, the process could be made lighter, while ensuring the robustness of program identification and enrolment to avoid fraud and corruption. During delivery of transfers, given the extent of mobile phone penetration (including in sub-Saharan Africa, and including among the poor) a broader application of mobile phone-based technology for transfers along the lines of Kenya's M-PESA might be considered. In this regard, it might also be interesting to consider options for combining the payments of different programs under a common delivery platform.
 5. **Strengthen the evidence-base.** The current state of social safety nets in various countries and future directions for improvement could benefit substantially from initiatives geared at sharing practices from other contexts (the so-called "South-South learning") as well as up-scaling the number and quality of evaluations on existing programs. This has been an important feature of the emergence of the social safety nets agenda, and has helped to both build political and social buy-in for the programs (by scientifically demonstrating their effectiveness) and for mid-course corrections to make the programs even more effective. As a related benefit, more high-quality research and communication of results could play an important role in informing important policy and operational debates, such as on public works versus unconditional transfers, concerns around dependency and alternative options offering pathways for graduation out of poverty.

²⁴There is preliminary evidence that cash transfer programs can be effective in reducing the prevalence of HIV/AIDS. To date, the largest transfer program to show these results is the Kenya Cash Transfer for

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Annex 1. Salient features of existing social safety nets in Namibia

Program	Transfer size (N\$)	Eligibility	Targeting method	Coverage (latest data)	Institution	Public spending
(N\$ million, 2012-13)						
Old Age Pension (OAP)	550	60+ years	Categorical	140,567	Ministry of Labor & Social Welfare	1,031.8*
Disability Pension (DP)	550	16+ years, disabled, blind or AIDS	Categorical	26,346	Ministry of Labor & Social Welfare	1,155.3
War Veterans Subventions (WVS)	2,000	Independence struggle	Means test (< N\$ 36,000/year)	1,767	Ministry of Veteran Affairs	
Child Maintenance Grant (CMG)	200 (+100 per additional child)	<18 years (<21), single parent, or spouse pensioner or prisoner; school attendance	Means test (< N\$ 1,000/year)	117,663	Ministry of Gender Equality and Children Welfare	348.1**
Foster Care Grant (FCG)	200 (+100 per additional child)	<18 years (<21), in custody; school attendance	Categorical	17,825	Ministry of Gender Equality and Children Welfare	
Special Maintenance Grant (SMG)	200	<16 years; disabled, blind or AIDS	Categorical	na	Ministry of Gender Equality and Children Welfare	na
Place of Safety Allowance (PSA)	10/day per child	<21 years; in place of safety	Categorical	na	Ministry of Health and Social Services	na
National School Feeding program (NSFP)	In-kind meal/day (475Kcal)	Orphans (Grades 1-7)	Multiple (categorical or means test < N\$500/month)	270,772	Ministry of Education	55

Source: GRN (2013, 2012a, 2012b, 2008); WFP (2012); Jauch and Kaapama (2011). *Figure is for OAP and DP combined; ** figure is for CMG and FCG combined.

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Policy Issues emanating from the 15th Bank of Namibia Annual Symposium

By

Bank of Namibia Research Department

The Bank of Namibia hosted its 15th annual symposium at the Safari Hotel and Conference Centre on 26 September 2013 under the theme: ***Social Safety Nets in Namibia: Assessing current programmes and future options***. The selection of the theme was informed by the realisation that social safety nets (SSNs) are an important tool to reduce poverty, inequality and the impact of risks among vulnerable communities. As such, a growing number of countries have introduced or expanded their social safety nets. For a country such as Namibia, mainly characterised by high levels of poverty, inequalities, unemployment and prone to climatic shocks, social safety nets are an important tool to protect the most vulnerable communities. Furthermore, cases of urban hunger remains prevalent thus requiring liquidity provision to poor households in urban areas. It is against this background that the symposium was organised to address the following key issues:

- Are Namibia's SSNs efficient and effective in their current format?
- Should they remain targeted to specific vulnerable groups?
- Or should they be consolidated into a universal and unconditional Basic Income Grant (BIG)?
- What is the global experience in relation to the implementation of social safety nets?

KEY POLICY ISSUES AND QUESTIONS:

The following is a synopsis of the five [5] key issues raised and conclusions made at the symposium in an attempt to ***inform policy decision regarding SSNs in Namibia:***

(i) SSNs promote sustainable economic growth through multiplier effects in the local economy

The emerging consensus from the symposium is the efficacy of social safety nets due to evidence based impacts on a range of economic and social dimension. There is evidence that social safety nets promote sustainable economic growth through multiplier effects in the local economy. This underscores the importance of **building systems of social protections** that work together as a portfolio to cover multiple risks and poverty across the life cycle. Furthermore, like many other SSN programmes, Namibia's programmes, **have had a positive impact in terms of poverty alleviation among the beneficiaries**. The old age pension is cited in this regard.

(ii) SSNs in Namibia are fragmented and there is need for consolidation to ensure efficiency of delivery

Namibia has a number of social safety nets in place administered by different Government agencies, which could result in possible duplication and inefficiencies. These include the old age pension grant, the disability grant, vulnerable children grants and those targeting war veterans. In addition, Namibia has special funds to assist vulnerable communities against climatic calamities of drought and flooding. Also, Namibia allocates a substantial part of its budget towards social spending such as education, health and housing; although the end output in this regard has been less than desirable. Lastly, there exist scattered supplementary donor support programmes across the country.

(iii) The Country size and lack of database on beneficiaries are key challenges in the administration of SSNs in Namibia

The geographical size of the country is cited as a binding constraint, as it makes it very difficult to reach all the intended beneficiaries, resulting in exclusion and also increased administrative costs. Also, there are differences in SSN coverage across different regions in the country owing to illiteracy, isolation and complex claiming procedures. Finally, **lack of information on intended beneficiaries** is a major constraint for policy makers. Going forward, policy makers have to find ways to improve the effectiveness of the programmes whilst at the same time ensuring that current and future programmes do not pose a threat to fiscal sustainability.

(iv) Namibia should consider introducing a universal and unconditional Basic Income Grant (BIG) by consolidating the current targeted SSN programmes.

Namibia's SSNs are currently means-tested and targeted and this might result in exclusion of some of the potential beneficiaries. That is, only groups considered to be vulnerable and at risk benefit from such programmes. While this approach ensures that resources are allocated to only those who need assistance, thereby saving the Government resources, **there are weaknesses embedded with such systems**. For instance, because of information asymmetries, **some of the needy may be excluded**. Moreover, there are administrative costs associated with such schemes given the need to verify that the people getting the grants are indeed the intended beneficiaries. This brings to the fore the need to consider consolidating some or all of the social safety nets. A key argument for consolidation and possible introduction of BIG is that it is cost effective as it reduces administrative costs required to identify the deserving from the undeserving. Moreover, BIG address resilience to shocks, equity (by covering all the poor) and provides opportunities to the poor (by giving them the chance to search for good jobs). This makes it possible for the poor to escape the intergenerational poverty gap.

(v) The option adopted by Namibia should be informed by taking account of medium to long term sustainability and affordability

The average growth rate of different allowances over the years has been higher than economic growth in the country, thereby posing questions of whether the status quo is financially sustainable over the long-term, and especially if the country were to introduce BIG. The issue is further compounded by the fact that to date **no country has implemented a BIG on a national scale** whilst the few cases where BIG (i.e., Alaska) was introduced funded it **from a sovereign wealth fund**. For a developing country such as Namibia, creating a fund for such whilst pressed with multiple socioeconomic developmental challenges may not be realistic. Given that Namibia has a number of schemes in place, **any proposal to introduce a new scheme would require a clear plan of action regarding the current schemes.**

(vi) Namibia could benefit from the global experience in relation to the implementation of social safety nets

Finally, the discussion on the global experience revealed that in addition to an increase in the number of countries implementing SSNs, **the implementation thereof is evolving towards consolidation**. For countries where consolidation has taken effect, a **universal registry of all the needy** was created using various sources of information (such as the household income and expenditure survey and the communities) to check eligibility and improve accountability. In this regard, there are a number of policy decisions which countries should take into consideration in designing their social protection schemes.

- A well-designed programme is important in ensuring success and adequate coverage, especially among those who need social safety nets the most. For Namibia, this could be achieved by undertaking a mapping and assessment of all existing programmes focusing on coverage, impact, possible duplication, and predictability.
- There does not exist a “one-size fits all” formulae for SSNs as they rather need to be designed based on a country’s unique characteristics, capacity and resources, and social context.
- Affordability and sustainability should receive adequate attention in the selection and design of SSNs programmes.
- An initial investment in an integrating service delivery system (information tool) is required to be able to identify the vulnerable and needy and enable the authorities to respond quickly during times of shocks.
- Technology and service delivery are core elements of improving coverage, thereby improving the effectiveness and efficiency of the schemes.
- Strong political support for reforms is also necessary.

Policy recommendations for Namibia:

- There is a need to improve the effectiveness and efficiency of **SSNs programmes in Namibia. This process should involve** conducting a study which would map out all the existing SSNs programmes in Namibia with a view of enhancing effectiveness

and efficiency of such programmes and finding ways to consolidate the existing programmes.

- Given the importance of **statistics to inform policy actions**, there is a need to improve availability of data whilst improving the monitoring mechanisms. There is a need to identify an appropriate integrating service delivery system to improve data availability. Namibia could learn from countries such as Ethiopia and Kenya which have used technology and good information systems to improve the efficiency and effectiveness of delivering SSNs.
- **There is a need to evaluate the merits of the BIG for Namibia** through adequate research to ascertain the sustainability of such a programme; analysis of the medium to long term sustainability based on national affordability; and finally, be nationally driven after adequate national consultations.

Concluding remarks and vote of thanks

By Mr Ebson Uanguta, Deputy Governor

Bank of Namibia

26th September 2013, Safari Hotel and Conference Centre

Theme: Social Safety Nets in Namibia: assessing current programmes and future options

Director of Ceremonies
Right Honourable Prime Minister, Dr. Hage Geingob
Honourable Ministers
Members of parliament
Members of the diplomatic corps
Permanent Secretaries and Captains of the industry
Invited distinguished international and local speakers
Members of the Media

Ladies and Gentlemen;

Good afternoon!

It has been an honour and privilege for us at the Bank of Namibia to once again host the annual symposium, a platform where we interact with the public and policy makers to discuss issues of national importance, which have an impact on policy making! The support we have received from our policy makers and the public at large when it comes to this event not only highlights its relevance, but also gives us the motivation required to continue hosting such events!

Director of Ceremonies, ladies and gentlemen! Before delivering my vote of thanks, allow me to point out a few key issues which emerged from the discussions today: The deliberations thus far point that social safety nets are indeed important! Their relevance emanates from the fact that all societies comprise of people who have and those who do not have (the haves and the have nots). Given this, there is a need to have social safety nets to ensure that those who do not have/or the vulnerable people in our societies are taken care of.

In the case of Namibia, we already have a number of social safety programs in place. The questions which remain are:

- Are they efficient and effective in their current format?
- Should they remain targeted to specific vulnerable groups?
- Or should we consolidate them into a universal and unconditional Basic Income Grant (BIG)?

Whichever approach is selected, at the core is the issue of future sustainability of the programs. In other words, can the country afford the programmes in the medium to long