

Social protection in East Africa: harnessing the future

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The **European Union Social Protection Systems (EU-SPS)** project has recently published a report on the future of social protection in six countries in East Africa: Ethiopia, Kenya, Mozambique, Tanzania, Uganda and Zambia (OECD 2017).¹ The report examines key demographic, economic, social and environmental trends that are likely to affect the demand for social protection between now and 2065, a timeframe aligned to the African Union's Agenda 2063—its vision for the future of the continent in which social protection has a key role to play.

The report also explores ways in which social protection can positively influence some of these major trends and harness their potential to ensure that the six countries can continue the impressive progress achieved since the start of the 21st century.

The demographic challenge facing sub-Saharan Africa looms large in this report. Over the next 50 years, the United Nations Population Projections show that the populations of the six countries will treble on average, growing fastest in Uganda and slowest in Ethiopia. Amid evidence that declines in total fertility rates across the sample countries are stalling, population growth may be even more dramatic. Although these countries are urbanising rapidly, rural populations will also keep growing and will remain larger than urban populations until 2050 in some of them. This growth will put severe pressure on public service provision and infrastructure, and the supply of labour is at risk of far outstripping demand, especially among the youth.

On the positive side, dependency ratios across the six countries are falling, meaning that the number of producers in the economy is increasing relative to the number of consumers. The report shows how this favourable change to the age structure of the population will sustain robust growth in gross domestic product (GDP) for the foreseeable future. This effect, known as a demographic dividend, was an integral part of the East Asian growth miracle. However, for this to occur, the working-age population needs to be employed productively, and fertility rates must keep declining—the faster the better.

The structure of the six economies has changed only slowly since the start of the century; if structural change does not accelerate, productivity levels will remain low relative to other parts of the world. Assuming current trends continue, the structure of employment will also change slowly; new entrants to the labour force (averaging a combined 7 million per year across the six countries over the next 50 years) will struggle to find wage employment in industry or services; the majority of the workforce will remain in household enterprises or agriculture. As such, they will remain highly vulnerable, with those in rural areas especially prone to the impact of climate change.

The report also shows how population growth and inequality combine to slow the decline in poverty across the six countries, even in a context of reasonably robust GDP growth. High population growth dilutes the per capita income gains, while high inequality prevents the benefits of growth from reaching those at the bottom of the income distribution. The prospects for poverty reduction are best in Ethiopia, which has the lowest fertility rate and the lowest level of inequality among the sample countries, while they

are worst in Zambia, where inequality is presently highest. In none of the countries will the rate of extreme poverty fall below 10 per cent by 2030 at the current rate of progress. In absolute terms, the performance is even worse: the number of people living in extreme poverty across the six countries will decline very little over the next 50 years.

The report then distils these trends into seven grand challenges for social protection:

- Accelerate the decline in extreme poverty by increasing coverage of social assistance among the lowest quintile
- Promote social insurance in a context of high informality to ensure lasting declines in poverty
- Alleviate pressure on labour markets associated with rapid growth of the working-age population through the provision of public works programmes
- Adapt social assistance programmes to urban settings in a context of rapid, often disorderly urbanisation
- Integrate social protection into climate-change adaptation strategies, prioritising developmental, ex ante programmes that build resilience over ex post humanitarian aid in vulnerable areas
- Secure a demographic dividend by leveraging social protection's capacity to empower women and boost human capital as a means of reducing fertility rates and enhancing productivity
- Achieve the sustainable step-change in financing for social protection required for the sector to meet these challenges in ways that do not worsen poverty or inequality

The policy responses to these grand challenges require a number of key enabling factors to be in place across the six countries. These include the establishment of social protection systems that achieve coherence both within the sector and between social protection and countries' broader development plans. Capacity development strategies are also needed to improve the design, delivery and monitoring of social protection programmes, both at an individual and an institutional level. The collaboration of social partners, from government, labour, business and civil society, in designing social protection programmes is essential for achieving popular support for reforms. Finally, there is a need for more and better data to understand the needs of the population and the impact of different interventions, as well as to improve administration.

Reference:

OECD. 2017. *Social Protection in East Africa: Harnessing the Future*. Paris: OECD Publishing. <<http://dx.doi.org/10.1787/9789264274228-en>>. Accessed 31 July 2017.

Note:

1. See a webinar presenting the OECD (2017) report at <<http://socialprotection.org/discover/publications/webinar-presentation-social-protection-east-africa-harnessing-future>>.