Towards progressive realisation of a Universal Child Grant

KEY MESSAGES AND RECOMMENDATIONS

- The COVID-19 pandemic has worsened poverty and vulnerabilities of children and their families, thus exponentially increasing demand for social protection. According to the UN Namibia (2020), the pandemic pushed more than 105,000 people, including some 45,000 children into poverty. The Government is thus encouraged to continue investing in and supporting the expansion of comprehensive and inclusive social protection programmes across the lifecycle.

- Namibia’s investment in social protection is relatively high. In the 2022/23 financial year, an amount of N$6.5 billion (9.2% of total budget and 3.3% of GDP), was allocated towards non-contributory social protection, which is in line with previous trends. There is, therefore, need to boost spending efficiencies, including through the full deployment of an Integrated Management Information System (IMIS) for social protection.

- Social protection spending is disproportionately skewed towards adults (62.5%, compared to 18% for children), raising concerns about demographic equity and government’s commitment towards human capital development. Going forward, there would be need to redirect investments towards children, given that such investments have shown to yield better returns on investment (41% compared to 34% for the Old Age Grant (OAG), and 23% for the Veterans Grants). This would also help ensure that more children are covered by social protection, given that they are disproportionately impacted by multidimensional poverty—at 51.3%, compared to 37.4% for adults.

- Social protection coverage for children is low (31.6%), thereby impacting the grants’ impact on child poverty. Evidence shows that expanding child grants is one of the most effective policy strategies to fight poverty. Over time, there is need to progressively move towards a Universal Child Grant (UCG). Several options can be explored to finance a UCG, including: light targeting of the OAG, implementation of IMIS to eliminate unintended duplications, and strengthening domestic resource mobilisation.

- Furthermore, the child grant has significantly lost an estimated 36.5% of its value due to inflation, reducing its impact on child poverty. Thus, in the short-term there is need for a review of the value of the child grant to account for inflationary losses.
INTRODUCTION

This brief analyzes the extent to which the 2022/23 National Budget responds to social protection needs of children in Namibia. It does so by discussing the evolution of financing and spending trends in the social protection sector in Namibia, before offering insights on how to improve the efficiency and effectiveness of social protection spending, particularly non-contributory schemes.

SOCIO-ECONOMIC CONTEXT

Namibia, like the rest of the world, is facing significant challenges impacting on socio-economic outcomes for its people and children. Whereas the country had recorded impressive growth, averaging 5.6% between 2011 and 2015, the past 7 years have been particularly challenging for the economy, worsened by the COVID-19 pandemic, and the Ukraine crisis, among other emergencies. The economy recorded its deepest contraction of 8.5% in 2020, on account of the COVID-19 pandemic, and recovery remains under threat, due to continued global supply disruptions as a consequence of the Ukraine war. The projected near-term growth averaging 3%, is not only below pre-2016 levels and National Development Plan (NDP5) targets, but also not enough to make up for lost ground from the pandemic, and meeting the SDGs.

The country has been on a path towards improved human development. Its Human Development Index (HDI) increased from 0.581 in 1990 to 0.646 in 2019¹, making Namibia the 130th out of 189 countries and territories. However, inequalities remain high, with a Gini Index of 0.56 in 2015/16.

Whilst the country has made significant progress in reducing monetary poverty, progress is under threat. The COVID-19 pandemic compounded the situation of households and children, especially the most deprived. The UN Namibia Socio-economic impact analysis of COVID-19 (2020) estimates that the pandemic pushed more than 105,000 people, including some 45,000 children into poverty. On the other hand, the World Bank estimates that around 64.5% of the population were living on less than US$5.50 daily, in 2020² and in need of social protection. According to the Namibia Multidimensional Poverty Index (NaMPI) Report (2021), 43.3% of people in Namibia are living in multidimensional poverty.

Namibian children experience disproportionately higher levels of multidimensional poverty. On average, 51.3% of children aged 0-17 years are living in multidimensional poverty, compared to 37.4% for adults (18+years) and the national average of 43.3%, (Figure 1). Furthermore, poor children experience multiple deprivations at the same time. The intensity of multidimensional poverty amongst the child population is 45.1%. This means that each

Figure 1 Incidence & intensity of child poverty

- Headcount
- Intensity

Source: Namibia Multidimensional Poverty Index (NaMPI) Report (2021)

²Based on the upper middle-income poverty rate ($5.5 in 2011 PPP), World Bank (2021) Macro Poverty Outlook Report.
multidimensionally poor child in Namibia is deprived in 45.1% of the total indicators analyzed, which represents about 5 of the 11 indicators.

However, when compared to other countries across Africa, fewer children in Namibia are living in poverty. With monetary and multidimensional poverty rates of 20.6% and 51.3% respectively, Namibia’s poverty rate is dwarfed by many countries in the Eastern and Southern Africa Region (ESAR), (Figure 2). This notwithstanding, it is important to note the huge gap between monetary and multidimensional child poverty, suggesting that household income alone is not a sufficient predictor of poverty among children.

It can thus be concluded that relying on monetary poverty for policy targeting can result in high exclusion errors. In this case, according to the NaMPI (2021), a significant proportion of children (35.2%) who are multidimensionally poor, despite living in non-monetary poor households, would have been erroneously excluded from social protection targeting the monetary poor children. Complementarity between the two measures is thus key to better inform policies and programmes aimed at addressing the needs and deprivations faced by poor children.

Takeaways

- Whilst the country has made significant progress in reducing monetary poverty, progress is under threat, increasing social protection needs. In 2020, it is estimated that the COVID-19 pandemic pushed more than 105,000 people, including some 45,000 children into poverty.
- Despite low monetary poverty, multidimensional child poverty remains high. This underscores the need for complementarity between the two measures to reduce exclusion errors in the design of social protection and ensure that the poor children are truly reached.

SOCIAL PROTECTION SECTOR OVERVIEW

Social Protection Policies and Frameworks

Namibia’s social protection system is one of the most developed, and entirely government funded in Africa. The government sees social protection as an indispensable part of a coordinated policy response to poverty, and in addressing the high income inequalities. Sustained investments in social protection have, in part, contributed to a decrease in monetary poverty from 37.5% in 2003/04 to 17.4% in 2015/16, and in inequalities from a Gini Coefficient of 0.63 in 2003/14 to 0.56 in 2015/16.

The Government’s commitment to social protection was again reaffirmed by the recent launch of the national Social Protection Policy (SPP) in March 2022. The main goal of the Social Protection Policy is to provide a solid framework for the delivery of social protection in a way that is coherent, consistent, effective, and efficient in support of Namibia’s development goals: eradicating poverty, reducing inequality, upholding the dignity of all people and ensuring prosperity as a united nation.
The policy aims to improve efficiencies and consolidate gains made under existing social protection programmes. With increased risks and vulnerabilities that affect large numbers of people simultaneously, such as droughts and the COVID-19 pandemic, the Policy seeks to ensure that the system is shock-responsive, whilst addressing current challenges in the delivery of social protection. Some of the challenges include: (i) fragmentation and inadequate coordination, which hamper the effective implementation of social protection; (ii) unintegrated management information systems; (iii) low value and coverage of social transfers, particularly the Child Grant; and (iv) lack of effective monitoring arrangements. Further, the Policy seeks to strengthen Child Grants and increase the value of the Child Disability Grant from N$250 to N$1,300, with effect from the 2023 financial year.

The number of social protection beneficiaries has significantly increased in line with increasing expenditure. Total beneficiaries of non-contributory social protection increased by 68.7% from 353,339 in 2014 to 596,247 in 20213, (Figure 3). Child and Old Age Grant recipients account for the largest share of beneficiaries, with a combined total of 526,312, (88.3%). Child Grants, which includes: Vulnerable Child Grant (VCG), the Foster Care Grant, the Maintenance Grant and the Special Maintenance (SM) Grant, has a total of 335,159 beneficiaries, almost double from 152,144 in 2014. Over the same period, Veterans and Disability Grants experienced significant growth in beneficiaries - 69.9% and 46.6%, respectively. Beneficiaries of OAG also increased by 25.6%, to 191,153 people, achieving near universal coverage, at 98% coverage of the Namibian population above 60 years of age. For Disability Grants, only 74% of people with disabilities are covered.

However, despite doubling the number of beneficiaries for the Child Grants, total coverage remains relatively lower than the number of children in multidimensional poverty. At 335,159 beneficiaries, only 31.6% of children are receiving a grant, compared to the 51.3% (543,445) children living in multidimensional poverty. Furthermore, the value of the Grant has not been adjusted from N$250.00 (which is N$43.00 or 14.7% below the poverty

The value of the Child Grant is 14.7% below the poverty line, and it’s real value is N$159 per child.
line) and is estimated to have lost its real value, due to inflation, by 36.5% to N$159.00. The combination of low value and low coverage, inevitably impacts on the Grants’ overall impact on poverty and human capital development.

**Takeaways**

- The government’s recent launch of the SPP is commendable as a way of strengthening social protection outcomes. However, this is not an end in itself, and thus the need to ensure that all the Policy commitments and strategies are fully implemented, including through the allocation of sufficient resources, towards Policy implementations.

- Despite doubling the number of beneficiaries for the Child Grants, total coverage remains relatively lower than the number of children in multidimensional poverty. In addition, the combination of low value and low coverage, inevitably impacts on the Grants’ overall impact on poverty and human capital development.

- The Child Disability Grant will be increased to N$1,300 per beneficiary per month, thus the need for a corresponding increase in the budget allocation, with effect from the 2023/24 financial year.

**SOCIAL PROTECTION SECTOR SPENDING TRENDS**

**Size of Spending in Social Protection**

Public spending on social protection has increased significantly, in absolute terms, over the period 2016 – 2012. In 2022/23, N$9.7 billion was allocated to the social protections, which is 13.7% of total budget. The allocation represents a 0.1 percentage point increase from 2022/23. Actual spending in both contributory and non-contributory schemes rose by 11.4% of total budget in 2016/17 to 13.6% in 2021/22. Over the same period, total social protection spending averaged 4.9% of GDP. On average, 65.7% of all social protection spending is towards non-contributory schemes, whilst contributory (government pension through the Government Institutions Pension Fund (GIPF) and social insurance run by the Social Security Commission (SSC)) accounted for the remaining 34.3% (Figure 4).

**Size of Spending in Non-contribution Social Protection**

Total spending in non-contributory social protection has been increasing over time. In 2022/23, non-contributory social protection was allocated N$6.5 billion, 1% higher than in 2021/22 (Figure 5). However, in real terms, the 2022/23 allocation at N$5.1 billion is 2%
lower than the N$5.2 billion estimated expenditure in 2021/22. Of concern is that projected real spending in non-contributory social protection is declining to N$4.5 billion in 2024/25, the lowest during the period under review.4

**Namibia’s spending in non-contributory social protection is relatively high and above international targets.** As a share of GDP, the 2022/23 nominal allocation is 3.3% of GDP, double the 1.6% average spending for Sub-Saharan Africa(Figure 6). In absolute terms, spending in non-contributory social protection has grown from 7.3% of total budget in 2016/17 to an estimated peak of 9.3% in 2021/22. However, this is projected to decline in the near term to 8.1%. In 2025 an increase is anticipated, in response to the adjusted child disability grants and other commitments in the recently launched SPP.

In 2022/23, non-contributory social protection was allocated N$6.5 billion

**Spending Against other Countries**

Namibia’s spending in social protection is almost double the average of East and Southern African Region (ESAR) spending on non-contributory social protection. Based on the latest available data, Namibia’s spending in non-contributory social protection of 3.3% of GDP, is only surpassed by four countries in the ESAR (Figure 7). Whilst this high level of spending needs to be sustained and protected over time, there is need to also ensure efficiency and effectiveness to achieve better outcomes.

**Takeaway**

- Namibia’s overall spending in social protection is relatively high compared to other ESAR countries. Whilst this high level of spending needs to be sustained and protected over time, there is need to also ensure efficiency and effectiveness to achieve better outcomes.

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4This trend analysis doesn’t include the once off Emergence Income Grant (EIG) worth N$562.0 million paid in 2020 to over. 700,000 people at N$750.00 per qualifying person, in response to the COVID-19 pandemic.

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**Figure 6** Trends in non-contributory SP spending as % of Total Budget & GDP

**Figure 7** Non-contributory SP spending in ESAR

Source: Various Budget Statements: 2016/17 – 2022/23, own calculations

Source: World Bank ASPIRE database - based on 2020 data for most countries

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**Namibia’s spending in social protection is almost double the average of the East and Southern African Region (ESAR).**
Social protection spending in Namibia is largely skewed towards the elderly, raising concern over its overall contribution to early childhood development. In the 2022/23 budget, almost 50% (N$2.9 billion) of the non-contributory social protection spending is allocated towards the OAG (Figure 8). When combined with the Veterans’ Grants, which also directly benefit the elderly, total spending for the two programmes accounts for 62.5%, compared to 18% for the Child Grants.

However, as part of the SPP reforms, the government should be commended for increasing the value of the disability grant for children with effect from 2023/24. The Child Disability Grant will be increased to N$1,300.00 per beneficiary per month. This is a great step towards inclusivity and equitable social protection, given the higher costs associated with disability, or caring for a person with disability. Of concern, however, is the fact that the 2022/23 budget seems to not make enough provision for the foreseeable increase in Disability Grant expenditure from 2023 (Figure 3). In fact, nominal allocation is expected to decline by 6.6% to N$735 million in 2023, before rising back to N$787 million in 2024.

**Takeaway**

- Social protection spending in Namibia is largely skewed towards the elderly, raising concerns about demographic equity and government’s commitment towards human capital development.

**The Child Disability Grant will be increased to N$1,300 per beneficiary per month, with effect from 2023/24.**
BUDGET EXECUTION

Budget execution for the major social protection programmes remains relatively high in Namibia. Overall budget execution rate for the OAG and Child Grants averaged within the acceptable +/- 5% threshold (Figure 9), which can be a reflection of timely budget releases and an efficient payment system, which allows beneficiaries to collect their benefit on time. However, huge overspending was experienced in the Disability and Veterans Grants, which can be attributed to expenditure forecasting challenges to accommodate the increased number of beneficiaries.

Takeaway

- Overall budget execution for the main social protection programmes remains high, which should be commended and sustained.

Figure 9 Trend in Budget execution for the major SP programmes

![Graph showing budget execution trends for different social protection programmes between 2017/18 and 2021/22e.](image)

Source: Various Budget Statements: 2016/17 – 2022/23, own calculations

- The combined Old Age Grant and Veterans Grant, which directly benefits the elderly, represents 62.5% of total spending, compared to 18.0% for the Child Grants.
IMPACT OF SOCIAL PROTECTION

Namibia’s social protection contributes to a substantial reduction in poverty and inequality. According to benefit incidence analysis by the World Bank, social protection programmes reduce poverty headcount by 7.7 percentage points. In the absence of social protection, the poverty rate would increase from 17.4% to 25.1%, and the Gini coefficient would increase from 57.4 to 61.4. Certainly, due to the level of the benefit (N$1300) and coverage (98%), the OAG makes the largest contribution to poverty reduction (Table 1).

Table 1 Impact of social protection on poverty and inequality

<table>
<thead>
<tr>
<th></th>
<th>Poverty Headcount</th>
<th>Poverty Gap</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current – With All Social Protection Transfers</td>
<td>17.4</td>
<td>6.3</td>
<td>57.4</td>
</tr>
<tr>
<td>Indicators without listed transfer:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Social Protection</td>
<td>25.1</td>
<td>13.9</td>
<td>61.4</td>
</tr>
<tr>
<td>Old Age Grant</td>
<td>22.8</td>
<td>11.4</td>
<td>60.1</td>
</tr>
<tr>
<td>Veterans Grants</td>
<td>18.1</td>
<td>6.6</td>
<td>57.6</td>
</tr>
<tr>
<td>Disability Grants (Adults)</td>
<td>18.6</td>
<td>7.1</td>
<td>57.9</td>
</tr>
<tr>
<td>Child Grants</td>
<td>18.5</td>
<td>6.7</td>
<td>57.7</td>
</tr>
</tbody>
</table>

However, cost-benefit analysis shows that the returns of programs targeted at adults are much lower than those for children, implying that redirecting resources to children could have significant impacts. According to the World Bank (2021), every dollar invested in the Child Grants generates a return of 41% compared to 23% for the Veterans Grant, and 34% for the OAG. Therefore, directing more benefits to children (both beneficiaries and amounts), not only yields a better return on investment, but is a strategic policy choice for building sustainable human capital for future economic growth and societal progress.

Furthermore, strengthening the impact of social protection requires greater linkages between social protection and complementary services. There is growing global evidence showing that social cash transfers have greater impact if accompanied by complementary services, linked to human capital development. Commitments in the SPP to move towards integrated social protection need to be prioritized, targeting the key drivers of poverty such as nutrition, Early Childhood Development (ECD), sanitation and housing. For instance, Namibia could pilot mechanisms linking children from poor households who are receiving Child Grants, to ECD services.

Takeaways

- Namibia’s social protection contributes to a substantial reduction in poverty and inequality. However, better outcomes could be achieved by prioritizing Child Grants, with a higher return on investment.
- Greater impacts could also be achieved by strengthening social protection linkages to human capital development, such as in ECD, nutrition and sanitation.

Directing more benefits to children is a strategic policy choice for building sustainable human capital for future economic growth and societal progress.

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5https://www.unicef-irc.org/research/cash-plus/, and
EXPANDING CHILD GRANTS

Progressive realisation of a Universal Child Grant

Given the high levels of child poverty, there is need to progressively expand coverage of the child grants. Current spending patterns show that more social protection spending is directed towards adults. For instance, in the 2022/23 budget, social protection allocation towards adult grants (Old Age and Veterans), accounts for a combined 62.5% compared to 18.0% for children (Figure 10). Re-directing social protection benefits towards children is particularly important for breaking the inter-generational cycle of poverty, whilst building the much-needed human capital for sustainable socio-economic growth.

There are several benefits of expanding and progressively moving towards a Universal Child Grant. Drawing on other country experiences (Northern and Western Europe coverage is 100%, whilst South Africa has a light affluence test to its Child Support Grant, with coverage of 75% of all eligible children), the benefits of a Universal Child Grant include:

- A universal transfer for children would be highly progressive. The high incidence of child poverty in Namibia, particularly in rural areas (64.4%), and regions such as the Kavangos where multidimensional poverty is over 70%, means that any social transfer to children also becomes a transfer for poor people.

- Increasing the coverage of Children’s Grants is one of the most effective policies to reduce poverty. With children being the poorest demographic in Namibia, the International Monetary Fund report (IMF, 2019) shows that doubling the Child Grant would reduce poverty by 1.8% and inequality by 0.3%, whilst child poverty would drop by 8.1%.

- Universal coverage would save the government the substantial costs associated with targeting, and the attendant moral hazard problem and exclusion errors.

- Universality, particularly in the early years of life, and ensuring that there are links to other essential services, will bring the highest return on investment, build human capital, and ensure that no child is left behind.

Figure 10 Trend in Budget execution for the major SP programmes

Universality, particularly in the early years of life, and linked to other essential services, will ensure that no child is left behind.

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IMF (2019), Article IV Report for Namibia
Financing the Universal Child Grant

Given that Namibia’s social protection system is entirely public funded, there would be need for innovative mechanism to finance a Universal Child Grant. These could include the following:

- **Weak means test for the Old Age Grant:** Eliminating OAG for those in receipt of a civil service pension would free about N$630,000,000\(^7\) per year, which can be reinvested towards Child Grants. The impact would be even higher if pension testing is applied to those who (not civil servants) are also receive a contributory pension. Identifying and verifying such would be easy once the IMIS, with linkages to other social protection databases, is fully deployed.

- **Implementation of digital Integrated Management Information System (IMIS) for social protection.** In line with the SSP commitments, with support from EU and UNICEF, the government is building an IMIS to enhance efficiency and eliminating unintended duplications. The efficiency savings from the implementation of the IMIS could be reinvested towards expanding Child Grants.

**Takeaways**

- Overtime, there is need to progressively move towards a Universal Child Grant. This will help eliminate exclusion errors and targeting errors, whilst ensuring greater impact, given the high multidimensional child poverty – a social transfer to any child would be a transfer for the poor.

- Several options can be explored to finance a Universal Child Grant including: light targeting of the OAG, implementation of IMIS to eliminate unintended duplications and strengthening domestic resource mobilisation.

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\(^7\)World Bank (2021), Social Protection in Namibia: Spending and Performance Analysis, unpublished