2023/24

NAMIBIA BUDGET BRIEF
SOCIAL PROTECTION

Strengthening investments in children towards human capital development and child poverty reduction

KEY MESSAGES AND RECOMMENDATIONS

- **Namibia's spending in non-contributory social protection at 4.0% of GDP, remains relatively high by international standards, and double the SSA average spending of 1.6% of GDP.** However, impacts could be further boosted by ensuring greater linkages to complementary services critical for human capital development, and addressing specific aspects of multidimensional poverty: nutrition, Early Childhood Development (ECD), sanitation and housing.

- **Despite the notable increase in social protection spending, the real value of the benefits has been eroded due to inflation.** Whilst welcoming the 2023/24 Budget commitment for an upward review of the child grants - from N$250 to N$350, and child disability grants from N$250 to N$1400 - it should be noted that real values remain relatively lower, with child benefits being the least, at N$257. There is a need to index the value of these benefits to inflation, to preserve value and their impact on the wellbeing of beneficiaries, including children.

- **Social protection spending is disproportionately skewed towards adults (62.5%, compared to 18% for children), raising concerns over the system's impact on human capital development.** Investments need to be re-directed towards children, including through a light targeting of the Old Age Grant (OAG). Evidence shows that investments in child grants generally yield better returns on investment (41% compared to 34% for the OAG, and 23% for the Veterans Grants). This would also help ensure wider social protection coverage of children, given that they are disproportionately impacted by multidimensional poverty, at 51.3% compared to 37.4% for adults.

- **The management information system for social protection could be further strengthened to enhance efficiencies and impact.** There is need to expedite the full deployment of the Social Assistance System (SAS) database, and the Integrated Beneficiary Registry, both of which were developed in 2022. This will help facilitate better monitoring of social protection, enhance efficiencies by eliminating unintended duplications, and reduce the administrative burden on both officials and beneficiaries. Linkages to other government databases such as the national population register will facilitate verification and the referral of beneficiaries to other complementary social services.

INTRODUCTION

This brief analyzes the extent to which the 2023/24 National Budget responds to the social protection needs of vulnerable households and their children in Namibia.

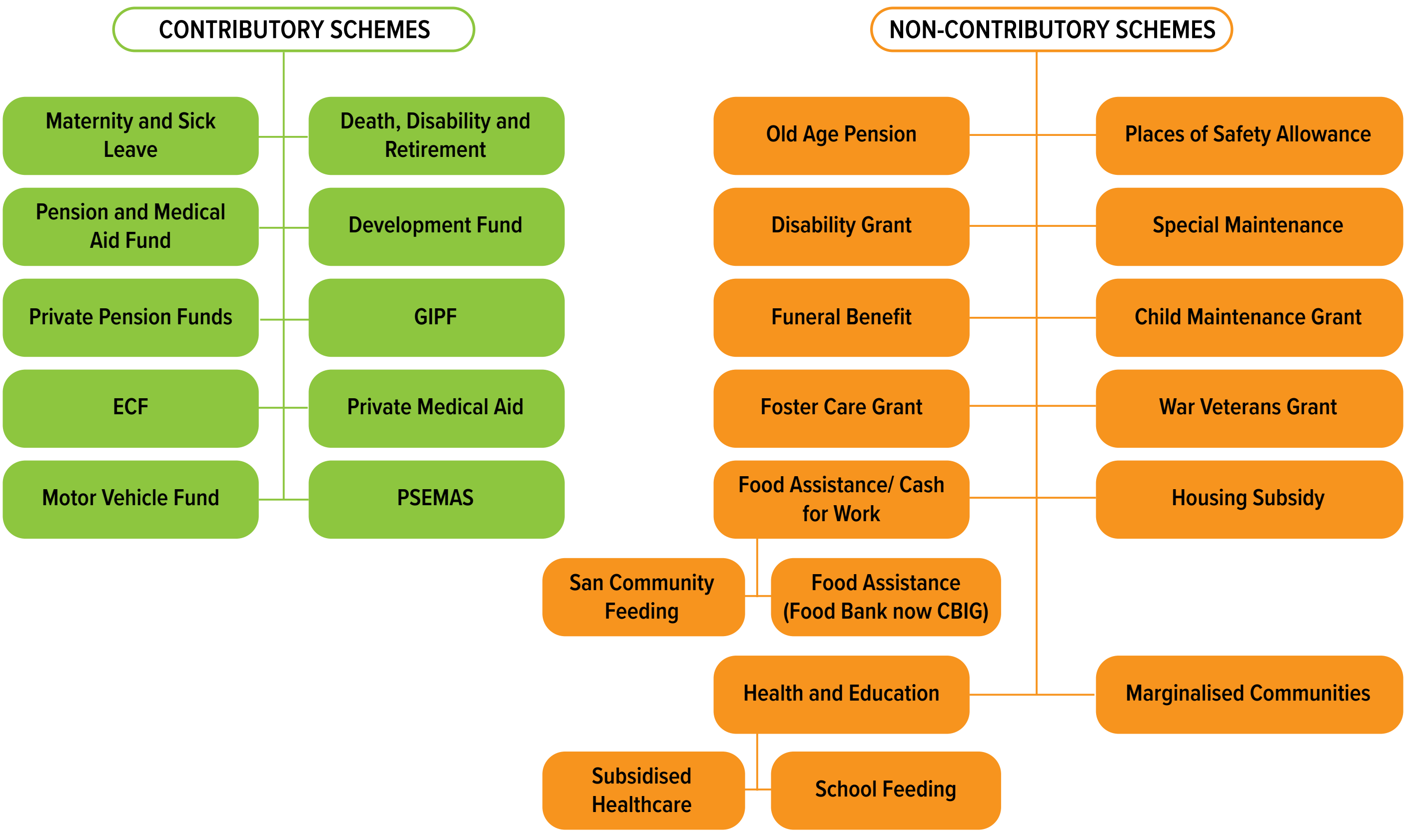
Part of a series of five briefs,[1] the Social Protection Brief discusses the evolution of financing and spending trends in the social protection sector in Namibia, before offering insights into how the government could improve the efficiency and effectiveness of social protection spending, particularly non-contributory schemes. The brief was prepared by the National Assembly and UNICEF to support informed debate, approval, and oversight of the Budget by Members of Parliament (MPs). It also provides insights for relevant Ministries and stakeholders for joint advocacy towards strengthening the social protection architecture for better outcomes.

BRIEF OVERVIEW OF THE SOCIAL PROTECTION SECTOR

Namibia's social protection system is embedded in Vision 2030 – the country's guiding development strategy.

Amongst other goals, Vision 2030 was crafted to ensure that: "Poverty is reduced to the minimum, the existing pattern of income-distribution is equitable, and disparity is at the minimum." Vision 2030 is being implemented through a series of five-year National Development Plans, currently in its fifth edition - National Development Plan (NDP5). This is complemented by the Harambee Prosperity Plans (I) and (II), which call for the implementation of the national policy framework on social protection. The country's social protection system, built on a comprehensive life-cycle approach, is shown in Figure 1.

Figure 1 Overview of Namibia's social protection programmes



Source: Author's compilation based on policy documents

[1]The other four briefs focus on the Overall Macro-fiscal Policy, Health, Basic Education and Disability.

Since independence in 1990, several reforms have been implemented to strengthen the coordination architecture of social protection. In particular, the consolidation of all of the major social protection programmes through the merging of the Ministry of Poverty Eradication and Social Welfare and the Ministry of Gender Equality and Child Welfare into the Ministry of Gender Equality, Poverty Eradication and Social Welfare (MGEPESW) in 2020, means better coordination. Furthermore, the 2021 establishment of the National Core Team on Social Protection, composed of all the relevant social protection programmes, has positively strengthened the institutional coordination architecture for social protection.

The Government's commitment to strengthen the social protection sector was reaffirmed by the launch of the Social Protection Policy (2021-2020). The main goal of the Social Protection Policy (SPP) 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 government has embarked on a process to strengthen its social protection management information systems. In 2022, the Social Assistance System (SAS) database which is used for the payment of social grants e.g., old age pension, child grants, and disability benefits was successfully upgraded. Furthermore, with the support of the European Union (EU), UNICEF and partners, the government completed the development of an Integrated Beneficiary Registry in 2022, which, upon deployment, will help enhance efficiencies by bringing together information on applicants, beneficiaries, and all social protection payments, thereby eliminating unintended duplications. Linkages to other government databases such as the national population register will facilitate the verification and referral of beneficiaries to other complementary social services. Improved monitoring of progress, and the performance of all social protection schemes, both individually and together will facilitate informed decision-making for enhanced efficiency.

The provision of social protection has in part contributed to the reduction in monetary poverty and inequality in Namibia. Monetary poverty reduced from 37.7% in 2003/04 to 28.7% in 2009/10, and to 17.4% by 2015/16, whilst the reduction in inequalities is reflected in the lowering of the Gini Coefficient from 0.63 in 2003/14 to 0.56 in 2015/16. This progress was however halted by the COVID-19 pandemic, coupled with persistent socio-economic shocks including climate emergencies and global crises such as the Ukraine war, which have worsened the socio-economic status of households and children, and thereby increasing social protection needs.

Multidimensional poverty remains high however, with children being disproportionately affected. 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% (NaMPI 2021). Furthermore, poor children experience multiple deprivations at the same time. The intensity of multidimensional poverty in the child population is 45.1%. This means that each multidimensionally poor child in Namibia is deprived in 45.1% of the total indicators analysed, which is equivalent to five out of the 11 measured indicators.

Takeaways

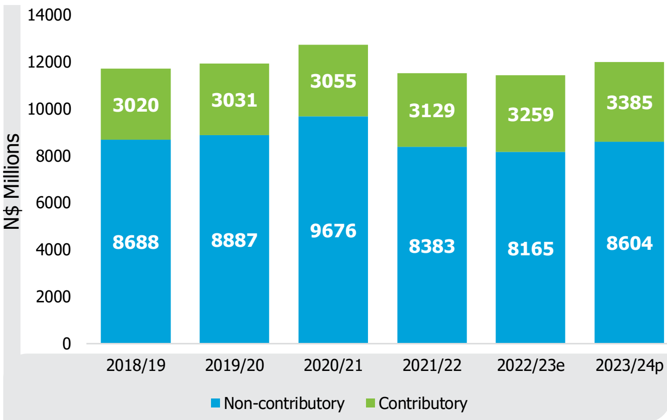
- The Government has implemented several reforms to strengthen the social protection architecture and coordination for better outcomes. These include the consolidation of the main social protection programmes under one Ministry (MGEPESW), launch of the Social Protection Policy (2021-2030), and the establishment of the National Core Team on Social Protection.

SOCIAL PROTECTION SECTOR SPENDING TRENDS

Spending towards social protection has remained high, averaging N$11.9 billion annually, between 2018/19 to 2022/23. Having peaked at N$12.7 billion in 2020/21, on account of the additional spending in response to the COVID-19 crisis, total spending in social protection is estimated at N$11.4 billion in 2022/23, (Figure 2). This is expected to increase to N$12 billion, which is approximately 5.6% of GDP, and 16.1% of total budget. The increased allocation is intended to account for the revaluation of the child disability grants and child grants, from N$250 to N$1,300, and N$4,350 respectively.

Total social protection spending is largely skewed towards non-contributory schemes. Over the period 2018/19 to 2022/23, non-contributory social protection accounted for an annual average of 73.8% of total social protection spending, compared to contributory social protection spending averaging 26.2% (Figure 2).

Figure 2 Trends in social protection spending



Source: Various Budget Statements: 2018/19 – 2023/24, author calculations

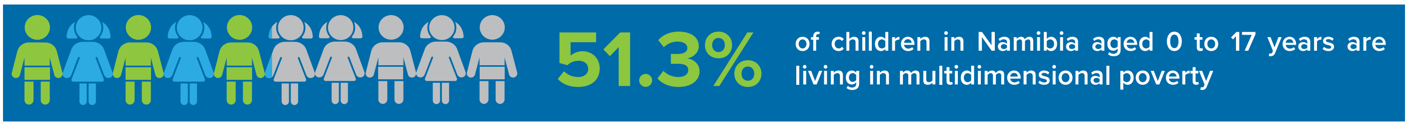
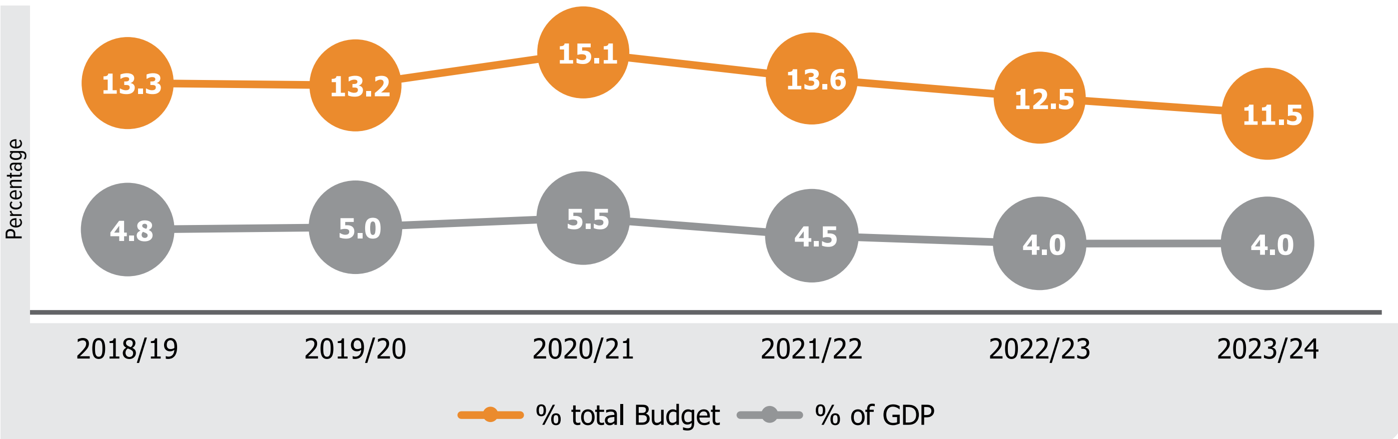


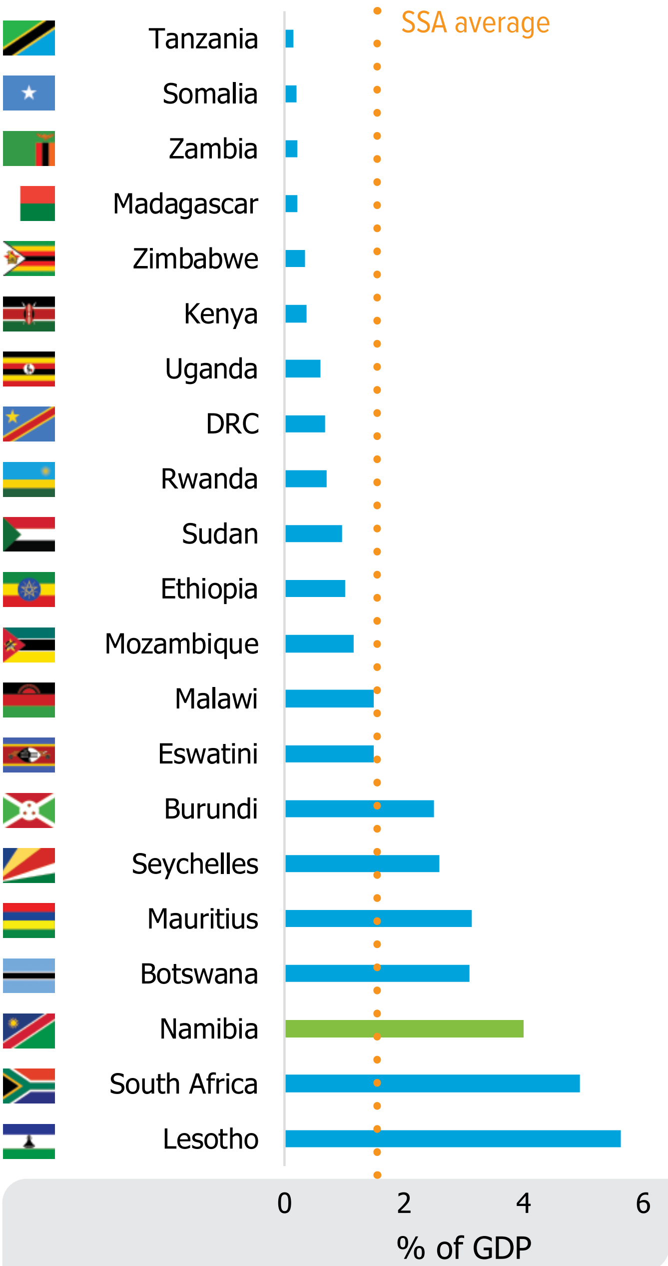
Figure 3 Non-contributory social protection spending as share of total budget and GDP



Namibia's spending in non-contributory social protection is relatively high, and above international targets. As a share of GDP, the 2023/24 nominal allocation is 4% of GDP, more than double the 1.6% average spending for Sub-Saharan Africa (SSA) (Figure 3). In absolute terms, spending in non-contributory social protection peaked at 15.1% of total budget in 2020/21, reflecting the shock-responsive spending induced by the COVID-19 pandemic. The projected decline in non-contributory social protection, as share of total budget, is mainly a reflection of the faster increase in the total budget relative to social protection spending. In fact, there are considerations to move towards universal coverage of child grants, thereby increasing overall social protection spending. Projected expenditure for the MGEPESW, with respect to the child grants in particular, is projected to rise from N$6.5 billion to N$19.9 billion over the medium term.

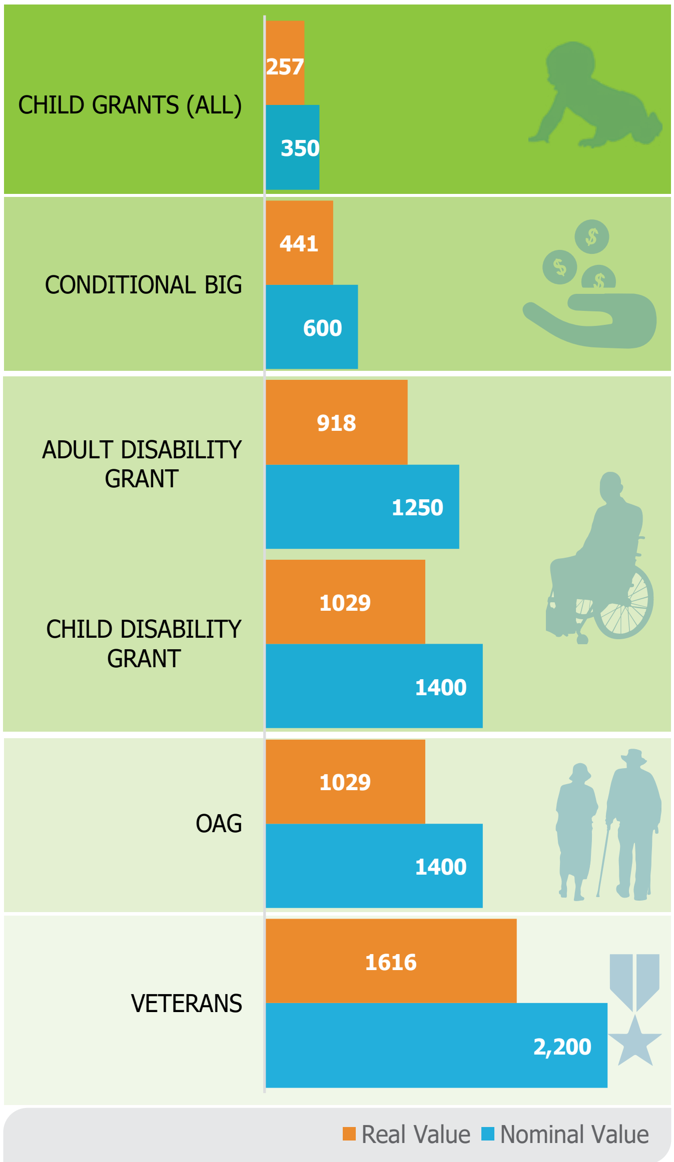
Non-contributory social spending in Namibia, entirely tax financed, is relatively high in comparison to other countries in the Eastern and Southern Africa Region (ESAR). Based on the latest available data, Namibia's spending in non-contributory social protection (4% of GDP) is only surpassed by two countries in the ESAR – Lesotho and South Africa (Figure 4). In particular, Namibia's spending is double the SSA average of 1.6% of GDP. Whilst this high level of spending needs to be sustained and protected over time, there is also need to ensure efficiency and effectiveness to achieve better outcomes.

Figure 4 Non-contributory SP spending in ESAR



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

Figure 5 Monthly value of social benefits (Nominal vs Real) in N$



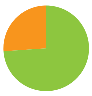
Source: Author calculations based on the nominal value of social protection benefits

Despite the notable increase in social protection spending, the real value of the benefits has been eroded due to inflation. During the period under review, Namibia has been experiencing rising inflation,[2] widening the gap between the nominal and real value of social benefits, some of which have not been adjusted for a long time. Whilst welcoming the 2023/24 Budget commitment for an upward review of the child grants from N$250 to N$350, and the child disability grants from N$250 to N$1,400, it can be noted that real values remain relatively lower, with child grants being the least, at N$257 (Figure 5). There is a need to index the value of these benefits to inflation, to preserve value, and thereby the impact of these grants on the wellbeing of beneficiaries, including children.

[2]Using 2015/16 as the base year, inflation rose from an annual average of 3.4% in 2020 to 6.9% in 2023

Expanding coverage has been a priority of the Government over the period 2018/19 to 2023/24, with regular increases in the number of beneficiaries for key programs. Total beneficiaries of non-contributory social protection increased by 37.5%, from 478,149 in 2018 to 657,446 in 2023 (Figure 6). Child and Old Age Grant (OAG) recipients account for the largest share of beneficiaries, with a combined total of 582,117 (88.5%). A total of 341,101 beneficiaries received child grants, an increase from 247,662 in 2018. This includes the Vulnerable Child Grant (VCG), the Foster Care Grant, the Maintenance Grant and the Special Maintenance (SM) Grant. Over the same period, Veterans and Disability Grants also experienced significant growth in beneficiaries – 28.4% and 23.9%, respectively. Beneficiaries of the OAG also increased by 41.5% (241,016 people), achieving near universal coverage, at 98% of the Namibian population above 60 years of age. Only 74% of people with disabilities are covered through the Disability Grant.

In line with advocacy efforts to progressively move towards universal coverage, the 2023/24 Budget committed resources for the horizontal expansion of child grants by including 30,000 children on the waiting list. This is in keeping with evidence which shows that expanding child grant coverage is one of the most effective policy strategies to fight poverty.[3] Given the high levels of child poverty, a universal transfer to children would be highly progressive as it is effectively a transfer to poor people. Furthermore, universality, particularly in the early years of life, and linked to other essential services, will ensure that no child is left behind, and contribute towards building much-needed human capital for societal progress.



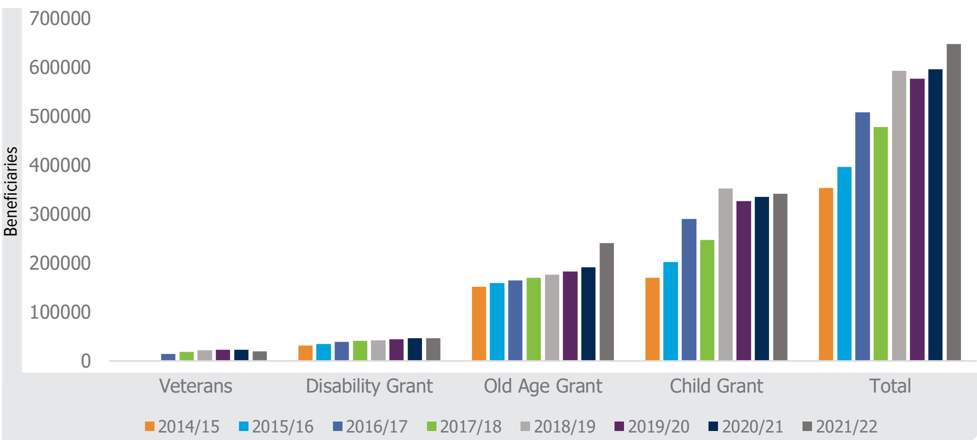
Only **74%** of people with disabilities are covered through the Disability Grant.

Takeaways

- Namibia's spending in non-contributory social protection is relatively high, and more than double the SSA average spending. This is commendable and needs to be sustained for impact.
- In addition, the Government is commended for its commitment to increase the coverage of child grants by 30,000 in 2023/23, and progressively move towards universal coverage in the medium term. This will go a long way in contributing towards reducing child poverty in Namibia.
- However, the real value of the benefits has been eroded due to inflation, negatively impacting on outcomes. There is a need to index the value of these benefits to inflation, to preserve value, and the impact of these grants on the wellbeing of beneficiaries, including children.

There is a need to address various aspects of multidimensional poverty such as nutrition, Early Childhood Development (ECD), sanitation and housing.

Figure 6 Coverage of social assistance program



Source: Various ministries, data collected on request

[3]ILO/UNICEF (2023), in middle-income countries simulations show that an annual expenditure of 1 per cent of gross domestic product (GDP) can reduce poverty for the whole population by 20 per cent, and that child poverty reduction would be equal to or greater than this.

COMPOSITION OF SPENDING

A significantly high proportion of non-contributory social protection spending is through cash transfers. Having grown by 23.1% from N$5.4 billion in 2018/19, to a projected N$6.7 billion in 2023/24, cash transfers account for an average 73.7% of total non-contributory social protection spending, compared to in-kind (25.2%), and social care services (1.1%) (Figure 7). For greater impact of cash transfers, there is a need to ensure greater linkages to complementary services critical for human capital development, and to address aspects of multidimensional poverty such as nutrition, Early Childhood Development (ECD), sanitation and housing.

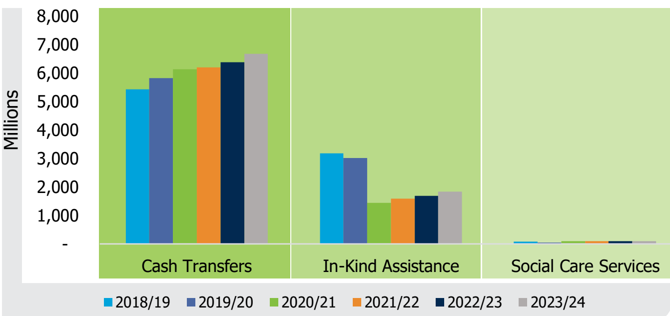
Social protection spending in Namibia is largely skewed towards the elderly, compared to young people. In the 2023/24 budget, more than 50% (N$3.3 billion) of non-contributory social protection spending is allocated towards the OAG. When combined with the veterans' benefits (14.5%), which directly benefit the elderly, total spending for the two programmes accounts for 65% of total social protection spending, compared to 18% for the child grants. This raises serious concerns over the system's overall contribution to early childhood and human capital development.

Redirecting resources to children could have significant impacts on poverty reduction, human capital development and economic growth, given that the returns for programs targeted at adults are much lower than those for children. According to the World Bank (2021), every dollar invested in child grants generates a return of 41%, compared to 34% for the OAG, and 23% for the Veterans Grant. Directing more benefits (both beneficiaries and amounts), including through a light targeting of the OAG, will therefore not only yield better returns on investment, but would also be a strategic policy choice for building sustainable human capital for future economic growth and societal progress.

Takeaways

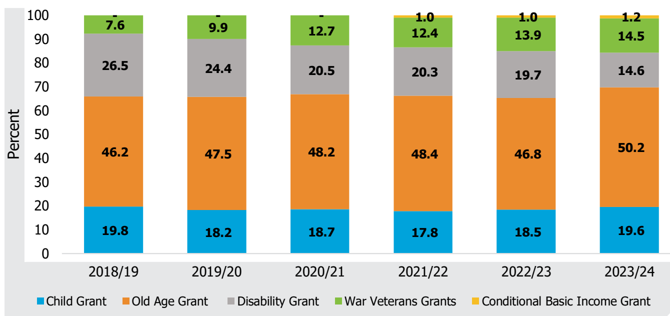
- A significant proportion of non-contributory social protection spending is through cash transfers. For greater impact of this investment, there are opportunities to improve linkages to complementary services critical for human capital development, and addressing aspects of multidimensional poverty such as nutrition, Early Childhood Development (ECD), sanitation and housing.
- Social protection spending in Namibia is largely skewed towards the elderly compared to young people, yet the greatest returns are gained from investing in children. Directing more benefits, including through a light targeting of the OAG, will therefore not only yield better returns on investment, but would also be a strategic policy choice for building sustainable human capital for future economic growth and societal progress.

Figure 7 Composition of spending in social protection



Source: Various Budget Statements: 2018/19 – 2023/24, author calculations

Figure 8 Composition of the main cash transfer programmes



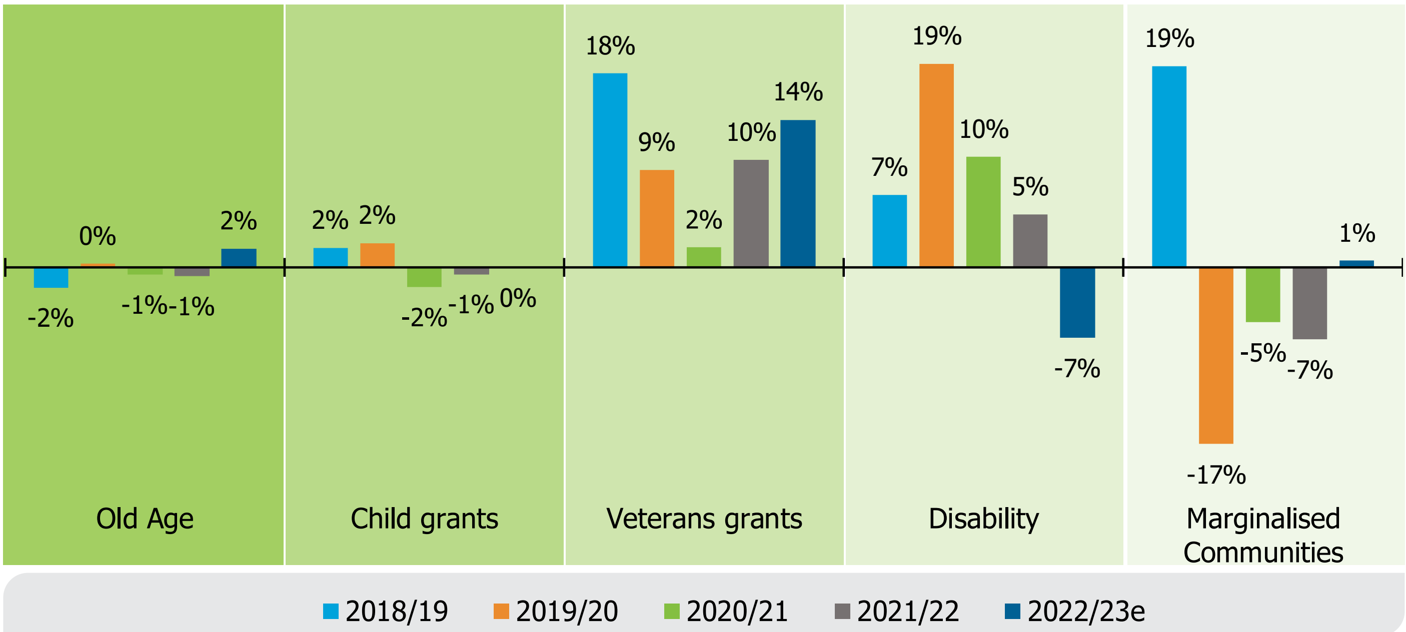
Source: Various Budget Statements: 2018/19 – 2023/24, author calculations

Redirecting resources to children could have significant impacts on poverty reduction, human capital development and economic growth

BUDGET CREDIBILITY AND EXECUTION

Budget execution of social protection programmes remains relatively high in Namibia. Over the period 2018/19 to 2022/23, the execution of the overall social protection budget, within the key ministries, stood at an impressive 98%. This could reflect efficient payment systems, allowing for timely payments to beneficiaries. Notable expenditure overruns were however experienced across all of the key programs (Figure 9). This can be attributed to expenditure forecasting challenges to accommodate the increased number of beneficiaries, particularly for the Veterans Grants, as discussed above.

Figure 9 Budget execution rates for the key social protection programmes



Source: Various Budget Statements: 2018/19 – 2023/24, author calculations

Takeaway

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

ACKNOWLEDGEMENTS

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