

REVIEW OF THE PUBLIC EXPENDITURES IN SOCIAL PROTECTION IN NIGER

An overview

This review responds to the request of the Ministry of Employment and Social Protection for a diagnostics of the structure and fiscal sustainability of social protection and labor expenditures in Niger. It also seeks to provide the *Dispositif National de Gestion et Prévention des Crises Alimentaires* (DNP-GCA) and other stakeholders with detailed information on programs, spending and coverage over the 2008-2017 period. Finally, it explores ways to improve the efficiency and impact of public spending on poverty reduction and response to shocks through social protection.

The review covers the main social protection programs in Niger, including shock-response mechanisms. Programs are classified into four categories: social safety nets, social insurance, labor market, and general subsidies. Social safety nets comprise unconditional and conditional cash transfers, food and in-kind transfers, school feeding programs, public works, nutrition programs and fee waivers. The review uses the term 'core' safety nets to specifically refer to multi-year and predictable transfers, typically accompanied by measures to build people's resilience over time.

The challenge of poverty and vulnerability in Niger is great...

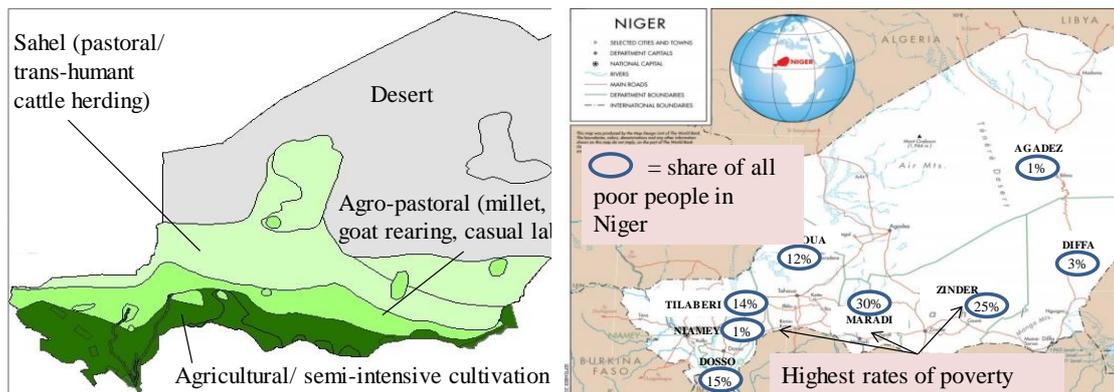
Niger's overall development indicators are very poor. Per capita GDP was US\$ 895 in 2015, making the country one of the poorest in the world. Life expectancy at birth is estimated at about 61 years. Under-five mortality rate is 104 per 1,000 live births and maternal mortality rate is 553 per 100,000 live births. Only 52 per cent of children receive a complete set of vaccinations. About seven Nigeriens out of ten are illiterate, average school attendance is less than six years and learning outcomes are among the weakest in the region. Only four female primary school students out of ten reach 6th grade.

From 2008 to 2014, poverty incidence improved, but the absolute number of poor remained high. In 2014, there were 8.4 million Nigeriens living below the poverty line, compared to 7.9 million in 2005. The number of poor has continued to increase, particularly because of the country's strong demographic growth associated to high fertility rates. Chronic poverty affects one quarter of Nigeriens (25.8 per cent), and is more prevalent in rural (32.6 per cent) than in urban areas (5.5 per cent).

Between ten to 15 percent of the Nigerien population is permanently food insecure and dependent on food assistance. In years of food crises, the share of food insecure households increased to about 50 percent. Between 2008 and 2017, the country suffered two severe droughts, which required massive international support to prevent famine. In the same period, the national prevalence of acute malnutrition ranged from 10 to 15 per cent, swinging between the emergency and alert international thresholds.

The vast majority of Niger's poor live in rural areas where food insecurity is high and exacerbated by the effects of climate change. About two thirds of poor Nigeriens (about 5.3 million people) live in the semi-intensive agriculture and livestock-rearing regions of Maradi, Dosso and Zinder in the south of the country. Thirty percent of them live in Maradi alone, which has the highest incidence of poverty at 67 percent.

Figure 1: Agro-ecological Zones and Spatial Distribution of Poverty in Niger



Source: World Bank CPR

There was progress in the social protection sector during the review timeframe...

Niger has demonstrated a strong political will to place social protection at the center of the national development agenda. In 2010, the country affirmed the right to social protection for all in its Constitution. In 2011, it adopted the National Social Protection Policy. In 2013, as a result from the National Forum on Social Protection, a dialogue process was started aiming at building a well-coordinated social protection floor. In 2018, the country approved a law determining the fundamental principles of social protection.

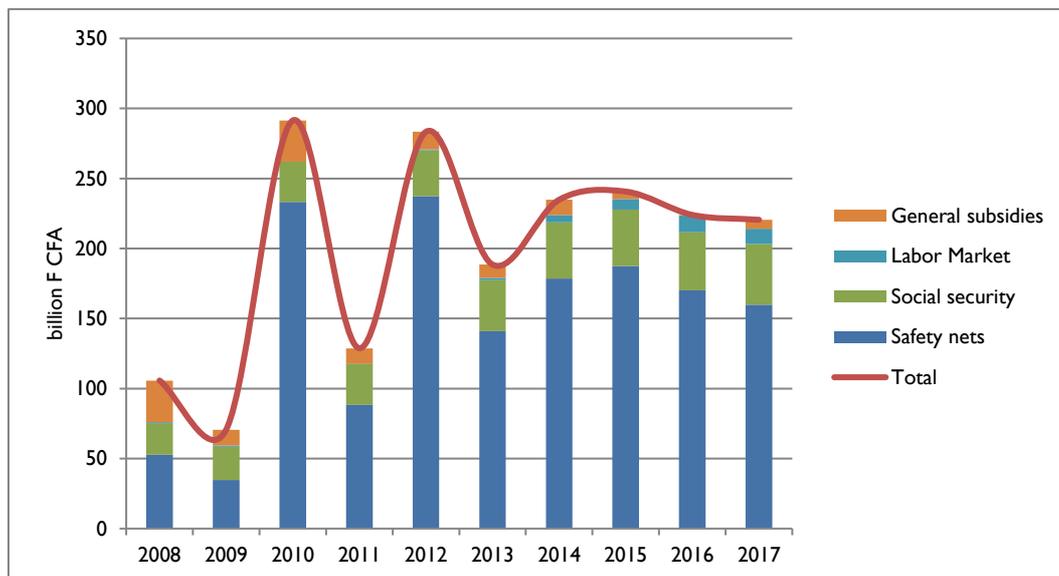
Niger has also developed a strong system for the prevention and management of food crises. The system is managed by the *Dispositif National de Prévention et Gestion des Crises Alimentaires* (DNP-GCA), which coordinates data collection and dissemination on food vulnerability, disaster prevention and management, as well as monitoring and evaluation. DNP-GCA's mandate has been expanded to include early warning systems, prevention, social safety nets and humanitarian aid coordination. In 2017, DNP-GCA went through its latest reorganization in order to incorporate the Safety Net Unit. Different stakeholders consider this an important step towards a better balance between shock-response and core safety nets.

Social protection expenditures have more than doubled since 2008. The shift happened in 2012, with the stabilization of the political situation, which brought to the return of international donor funds and the start of important safety net programs. Also in nutrition programs there has been a shift from a curative to a preventative approach with a focus on long-term solutions for chronic malnutrition and its underlying causes. In the same period, there has been a shift in government policies from investments on general subsidies for commodities to targeted social assistance programs.

In 2011, the launch of the Safety Nets Program (SNP) in 2011 marked the start of the main national core safety nets in the country, followed by the WFP's resilience program, launched in 2014. Since 2011, the SNP has supported 80,000 households with monthly cash transfers for 24 months. In areas affected by repeated shocks, the SNP also carried out CFW activities targeted at 15,000 extreme poor households for two years. Since 2014, WFP has yearly benefited an average of 45,000 chronically vulnerable households with seasonal transfers during the lean period, followed by asset creation activities for a three-year period. In 2017 these two main safety net programs covered 6.5

per cent of the population living under the poverty line and 10.9 per cent of those living in chronic poverty.

Figure 2. Evolution social protection expenditures (2008-17)



Source: author's elaboration

Core safety nets have been successfully expanded in response to shocks. The national safety net project was horizontally expanded to respond to floods in Tohaua, (2012-13), to the Boko Haram security crisis in Diffa (2016-17) and to livestock losses in Agadez (2017). These experiences demonstrate how existing core safety nets can be used to improve timeliness and effectiveness of shock responses. An example of vertical expansion is provided by the girls' schooling initiative (SCOFI), which topped up transfers provided by the national safety net project with an additional amount for households with adolescent attending primary and secondary school. This synergy provided an example of high effectiveness in terms of targeting and implementation.

Spending in school feeding programs has increased fourfold since 2008 and the number of schoolchildren receiving school meals has increased by 30 per cent since 2011-12. The total budget dedicated school feeding has increased from 2.3 billion FCFA (\approx 2.2 million US\$) in 2008 to 10.7 billions FCFA (\approx 12.7 million US\$) in 2017. About 209,000 schoolchildren benefited from school meals in 2017. In crisis situations, WFP and the government collaborate to provide school meals to help meet children's basic nutritional needs and return them quickly to school. In 2017, school meals were provided to more than 21,000 schoolchildren in conflict and shock-affected areas.

The change into a preventative approach has maintained expenditures on nutrition at around 0.6 per cent of the GDP from 2013 to 2017. These expenditures are mainly borne by external aid. Nutrition-specific interventions in the health sector correspond to 20 percent of the efforts to prevent and treat malnutrition. The remaining 80 per cent are allocated to nutrition-sensitive interventions in other sectors such as agriculture, environment, education and water and sanitation. Particular emphasis is placed on community-based nutrition approaches, which aim at empowering communities through social behavior change communication (SBCC). Nutrition programs cover nearly 90 per cent of malnourished children under the age of five.

During the same period, expenditures on general subsidies decreased by 78 per cent between 2008 and 2017. Petrol subsidies and exemptions on imported food taxes were put in place in response to the international commodity price spike in 2008. These general subsidies were suspended between 2009 and 2012, partly due to the fact that Niger

became a net oil producer and because of the regressive effects of these policies. More recently, the government has been decreasing its subsidies on agricultural inputs, due to the inefficiency of the system to provide farmers with products at affordable prices.

However, substantial challenges remain in terms of efficiency, coverage, and coordination ...

Government expenditures on social protection go mostly toward programs with high inefficiencies that are not necessarily targeted at the poorest and most vulnerable and require important reforms. Social insurance, general agricultural subsidies, and university scholarships and allowances absorb around 48 per cent of the overall social protection expenditures and 70 per cent of the government spending on social protection, and benefit mainly the formal sector and middle class. Planned reforms in the public pension scheme (FNR) and in the general subsidization of fertilizers may bring efficiency and savings that could be used for programs targeted to the poor.

The contributory social security system provides income protection to a relatively small part of the population. The effective coverage of old age pension in Niger is 1.5 per cent of the working age population, leaving out informal sector workers, who are estimated at 93 per cent of the labor force. The system is made up of two different schemes, one targeted at employees in the private sector (*Caisse Nationale de Sécurité Sociale*, CNSS) and the other targeted at public servants (*Fond National de Retraite*, FNR). In 2017, with contributions amounting to 37 billion FCFA, CNSS covered 1.5 percent of the estimated population at full retirement age (over 60). FNR's annual expenditures can be estimated at around 62 billion¹ FCFA, of which 8 billion FCFA derive from the government budget. At the time of the review, due to lack of data, it was not possible to know the exact number of FNR pensioners.

The public pension scheme (FNR) presents high inefficiencies in terms of administrative and financial management. Manual file management associated with the complexity of the system slackens file treatment. The lack of an information management system can easily cause undue payments and mismanagement, and ultimately impairs the sustainability analysis of the system. In 2012, the government created the Autonomous Retirement Fund of Niger (*Caisse Autonome des Retraités du Niger*, CARENI) to take over the entire FNR management, however the reform has not been fully implemented.

The system of subsidization of fertilizers is inefficient and unsustainable. The government subsidises the sale of fertilisers to farmers through the CAIMA (*Centrale d'Approvisionnement en Intrants et Matériels Agricoles*). The supply of fertilisers is geographically limited and is not able to satisfy the needs of all farmers. The fund mainly relies on government subsidies with limited or no private sectors contributions. Between 2012 and 2014, government's contributions were on average 10 billions FCFA per year, but have halved since 2015. After an evaluation of the sector, the establishment of a '*Fonds de Déroulement d'acquisition d'Engrais*' has been agreed. This reform is expected to gradually reduce government budget contribution and to promote sustainability through the profit from market sales and private sector participation.

Social protection spending on education is not balanced. Spending on university scholarships and allowances is 38 per cent higher than on programs targeted to primary and secondary schools. Coverage of primary and secondary school children was estimated at 11.4 and 7.6 per cent, respectively, while incentives for university students are universal. The support to maintain children at school would deserve a higher priority,

¹ A major limitation has been the impossibility to get complete information on the expenditures of the public social security system. In 2017, the public social security sector had a total payroll of 266,7 billion FCFA, which would correspond to more than 50 billion FCFA in terms of salary contributions from the state and employees

especially at the time of the transition from primary to secondary school, when the risk of drop-out increases. However, CCTs, particularly those funded by external donors, are often designed as pilots, have small coverage, and do not accompany students throughout secondary education.

Safety net spending is not enough to have an impact on poverty. In relative terms, social protection spending has remained stable at around 6.5 per cent of GDP and 26 per cent of the total public expenditures, with peaks in years of crises. Yet, safety net spending represented only 3.2 per cent of the GDP in 2017. This is below the cost to lift all drought-vulnerable households to the poverty line, which in Niger is estimated at almost five percent of GDP. This cost is higher than in other countries, due to Niger’s relatively low GDP per capita and extensive dry land population. In 2017, the coverage of people receiving long-term, predictable transfers was only 6.5 per cent of the Nigerien population living under the poverty line and 10.9 per cent of those living in chronic poverty. This is not enough in a country where the poverty incidence is at 45.6 per cent. Higher core safety net coverage, with long-term, predictable resources that typically address chronic poverty and increase resilience, would reduce the need for shock response interventions.

Safety net spending is characterized by an inefficient program mix between long-term, predictable transfers, and shock responses. Even during normal years, when no major crisis strikes, core safety net spending is only one third of spending on shock responses. Implementing shock response year after year, in the same areas, targeting the same beneficiaries, is an ineffective way to address chronic poverty and the deep causes of recurrent food crises. A more appropriate program mix would have core safety nets, as the main response during normal times. Ideally, three-quarters of safety net spending should be addressed to long-term, predictable transfers to the chronically food insecure and/or chronically poor. These instruments would help smooth consumption, while building human capital and strengthening resilience.

Figure 3. Spending core safety net / shock response 2008-17

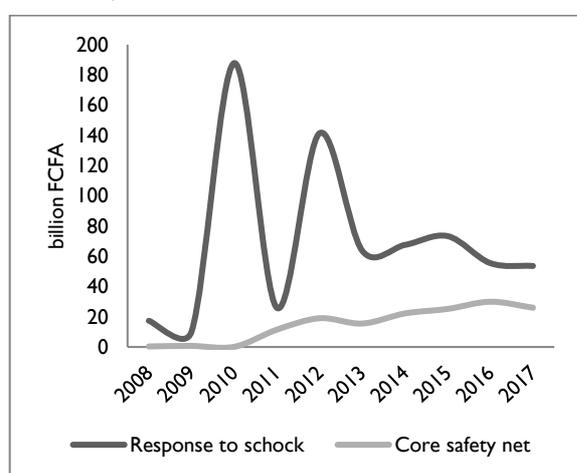
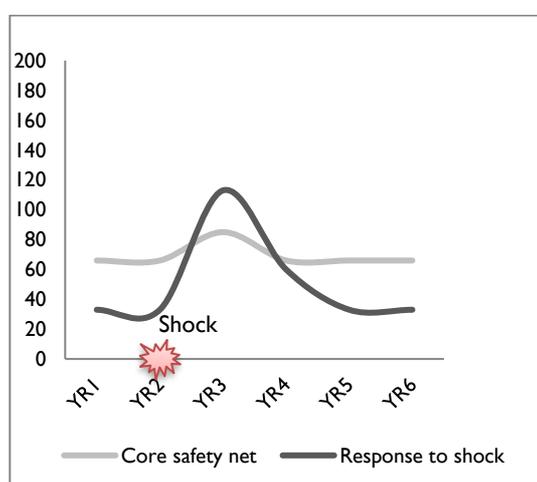


Figure 4. Ideal spending core safety net / shock response

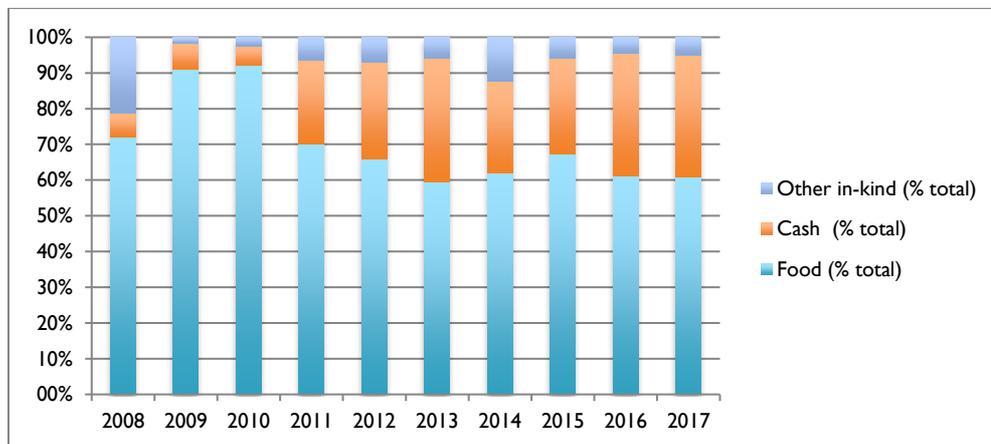


Source: author’s elaboration

Food distribution is the default response modality used by the government to tackle food insecurity. The rationale behind the decision on the modality and the appropriate volume of cereals to be injected every year is not well defined. Food distributions, in the form of targeted distribution and subsidised sales of cereals represent 60% of the total safety net spending against 34 per cent of the cash modality. Food distributions coverage fluctuates over time, with peaks in years of crises. In the last five years, more than 2 million food insecure people were targeted through food distributions also during years classified as normal or good, covering almost 90 per cent of the households classified as food insecure. Since 2012, with the launch of national cash-based

safety net program, the proportion of safety net assistance delivered through the cash modality has gradually increased, but it still covers only one third of safety net spending. Government and financial partners should weight the amount of cereals that can be injected in the local market without producing negative effects on local farmers, taking into account factors such as cost-effectiveness, market functionality, food availability and prices.

Figure 5. Evolution safety net expenditures by modality (2008-17)



Source: authors' elaboration

The social protection sector in Niger lacks a strong information system and coordination. Programs are delivered to different target populations through different government and non-government channels, and information on program expenditures and coverage is scarce. Several institutions overlap in their roles and responsibilities, and insufficient coordination among development partners that often fund such programs exacerbates fragmentation and inefficiencies. Lack of information is a major constraint for policy dialogue and the development of suitable social protection policies.

The Nigerien safety programs are not coordinated as part of a coherent system. Most programs carry out similar processes to reach out, collect information, and assess potential eligible beneficiaries and then to decide on their enrolment in a specific program. Parallel efforts to assess eligibility through different target mechanisms consume scarce public resources and contribute to duplication and gaps in coverage, reducing the effectiveness of social protection spending. The DNP-GCA has been leading a consultation process for the development of a Unified Social Registry (USR) for the Safety Nets program. Efforts to integrate platforms, such as social registries, interoperable management information systems, and shared payment systems can create administrative cost savings and facilitate planning and coordination.

To address these challenges, Niger must...

1. Increase coverage of programs targeted to the poor by reallocating budget from inefficient programs. Completing the planned reforms of the public pension system (*FNR*) and the general agriculture subsidies could free important resources that could be transferred to programs targeted to the poor, in particular predictable and long-term safety nets.

1.1. Finalise the institutional reform of the public pension system (*FNR*), including the handover of the managing responsibilities by the ministry of Finance to CARENI. Incorporate the digitalization of the database and the whole information management system (*IMS*) in this reform.

- 1.2. Complete the reform of the fertilizer subsidy system (CAIMA) by establishing a revolving fund that will be replenished with sales profits. CAIMA will no longer need government subsidies for its operations, which in the last ten years has amounted to 5 billions FCFA every year.
- 1.3. Review the reimbursement mechanism of the free health care system in order to make it simpler, more decentralized and transparent. The reimbursement circuit is particularly cumbersome in terms of administrative, accounting and verification procedures.
- 2. Improve program coordination with the development of a common information system, including monitoring and a unified social registry.** The development of such a system should be inclusive of all stakeholders, particularly the relevant ministries.
 - 2.1. METPS should develop a roadmap to guide the process, with a clear statement of the institutional mandate, scope, function, financial sustainability, as well as policy and legal basis of the social protection information system. The roadmap should include an analysis of costs to establish and maintain the system and the necessary commitments to ensure its long-term sustainability.
 - 2.2. As part of this process, DNPCGA and its technical partners should complete the design and implementation of a unified social registry that can result in a single common database with structured and organized information on current and potential safety net beneficiaries and programs.
 - 2.3. Social protection coordination structures should determine how different information systems will communicate and whether a broader social protection information system will be expected to incorporate the functions of a social registry database. At least inter-operability and data sharing between the systems should be ensured.
- 3. Improve the balance between core safety nets and shock responses.** The government and its technical and financial partners should engage in a dialogue on how to support DNPGCA's mandate to ensure the right balance between core safety nets and shock responses as well as the required harmonization and synergy between programs.
 - 3.1. Make the existing DNPGCA funding mechanisms more flexible to address changing situations.
 - 3.2. Support on-going discussion to resize subsidised cereal sales to gradually increase the funding of core safety net programs in the period 2020-25. The aim should be to allocate at least 20 per cent of the government funds currently addressed to social protection (15 billions FCFA) to cover 500,000 extremely poor beneficiaries (10 per cent of the extreme poor population every year), in addition to the caseload of technical and financial partners. This should be gradually achieved as major reforms are completed in the social insurance system and general subsidies, and the subsidised sale of cereals is resized.
 - 3.3. Continue develop an adaptive safety net system able to quickly and effectively react to shocks. Technical and financial partners will need to provide technical support and build DNPGCA's capacity to strengthen its analytical and operational capacity to respond to crises using existing programs and build flexibility in the existing response mechanisms.
- 4. Update social protection strategies and policy**
 - 4.1. **Pursue the required national dialogue for the development of a social protection floor.** The existing consultation should aim at defining an affordable

package of minimum guarantees, its costs and affordability. However, initial estimation of the minimum package of guarantees is very high (8-10 per cent of GDP) and not affordable with the existing level of government spending on social protection. Innovative funding mechanisms should be explored to sustain a gradual expansion of a minimum package of guarantees to the poorest population with the ultimate aim of universal coverage.

- 4.2. **Update the National Social Protection Policy.** Since the development of the PNPS in 2011, there have been significant learning and changes, which require an update of this guidance document. Lessons learnt from the many efforts that have been made to make social protection implementation more effective, efficient and sustainable should inform the revision of the document. The environment seems to be conducive to such a revision, which should provide fresh orientations for the future.