

Social Assistance Programs and Household Welfare in Eswatini

STUDY BRIEF

This brief summarizes findings and recommendations from a study that assesses the performance of Eswatini's largest social assistance programs, based on recent national household survey data and program administrative information. The study examines the population coverage rates of these programs, as well as their incidence and effectiveness in reducing poverty and inequality. The study also examines the association between program participation and negative shocks reported by households, in particular drought and food price shocks associated with the 2015/16 El Niño event.

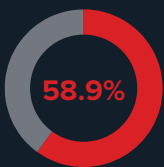


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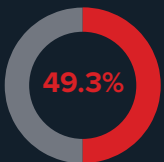
Eswatini BACKGROUND

Overall poverty rate



Eswatini has notably high levels of poverty and inequality compared to other lower-middle-income countries, as well as developing countries more generally. In 2016/17, the overall poverty rate in Eswatini was 58.9 percent, based on the country's upper poverty line (or 28.3 percent, based on the international poverty line of \$1.90 per day per person in 2011 purchasing power parity U.S. dollars). The country's Gini index, a measure of inequality, was 49.3 percent.

Gini Index



Compared to other countries worldwide, Eswatini is assessed to be at a medium risk of humanitarian crises and natural or human-caused disasters, which reflect the relatively high socioeconomic vulnerability of its population, and its weak institutional and infrastructural capacity to respond to negative shocks. These dynamics further challenge government plans and actions aimed at tackling structural poverty and inequality.

As part of its efforts to address poverty and vulnerability and its adverse consequences on households, the Eswatini government administers a mix of social insurance programs, social assistance programs and social welfare services. The HIV/AIDS epidemic and its negative effects on household welfare is the *raison d'être* for several social assistance programs and social welfare services. Measured in 2016/17, Eswatini had the highest HIV prevalence in the world, with 27 percent of those age 15 and older living with HIV.

Primary administrative responsibility for many of the main government social assistance programs lies with the Department of Social Welfare (DSW), under the Deputy Prime Minister's Office (DPMO). International donors have supported some of the government's social assistance programs and social welfare services through official development aid, and have also supplemented these programs and services with direct humanitarian aid.

Aims, scope, and approach

This study brief on “Social Assistance Programs and Household Welfare in Eswatini”¹ examines the performance of Eswatini’s main social assistance programs. These programs employ varying combinations of categorical and self-targeting to reach the poor and vulnerable.

Specifically, the study asks two primary questions. The first question is: How successful are the main social assistance programs in reducing poverty and inequality?² This question is answered through standard benefit incidence analysis. To draw further insights for informing public policy, the study also asks an ancillary counterfactual question, namely: Could the social assistance programs achieve greater gains in reducing poverty and inequality if benefits were targeted to poor households through a proxy means test (PMT) model which the study constructs for this hypothetical exercise?³ The question is answered by conducting microsimulations.

The second question is: Do the main social assistance programs tend to cover households that experience adverse shocks? This coverage may be an ex-ante result obtained through program eligibility criteria not directly linked to shock exposure, or it may be an ex-post result if program eligibility criteria, timing or level of program benefits are adjusted in response to the shock. The question is answered by examining the types of adverse shocks reported by households, as well as the association between commonly reported shocks and poverty status, food insecurity status, area of residence, receipt of social assistance program benefits, and the types of coping responses reported by households.

The analysis is primarily based on data from the Swaziland Household Income and Expenditure Survey (SHIES) 2016/17, which is the latest available national household sample survey with relevant data. The SHIES contains dedicated modules on social protection interventions and shocks. Measures of poverty and inequality are based on the survey’s household consumption data. The Eswatini government administers and uses the SHIES for its official estimates of poverty and inequality in the country.

The reference period for the SHIES 2016/17 data on social protection interventions is the year preceding the

survey. Of particular relevance for the analysis of shocks and social assistance programs is that the survey data span the El Niño-induced drought of 2015/16, which had large and widespread negative effects on crop and livestock production and food security.

The study examines the five social assistance programs with the largest numbers of beneficiaries, as reported in the SHIES 2016/17:

1. **neighborhood care points** (NCPs), which are community-run centers that provide free cooked meals (and basic early childhood care and development services) to needy, young orphaned and vulnerable children (OVC);
2. **school feeding** program, through which the government subsidizes cooked lunches for students in government primary, secondary and high schools;
3. **OVC education grants**, through which the government subsidizes tuition and exam fees for OVC attending government secondary and high schools;
4. **emergency food aid**, through which the government distributes food commodities to households facing acute food insecurity; and
5. **elderly grants**, through which the government provides regular cash benefits to those aged 60 and above.

Neighborhood care points are fully financed through international aid, with the Eswatini government involved in a coordinating capacity. Emergency food aid is financed by the government, and is often supplemented by international aid. The other three programs are fully financed by the government. While there are other government social assistance programs, most of them fall under the responsibility of the Department of Social Welfare, they each cover less than 1 percent of the national population.

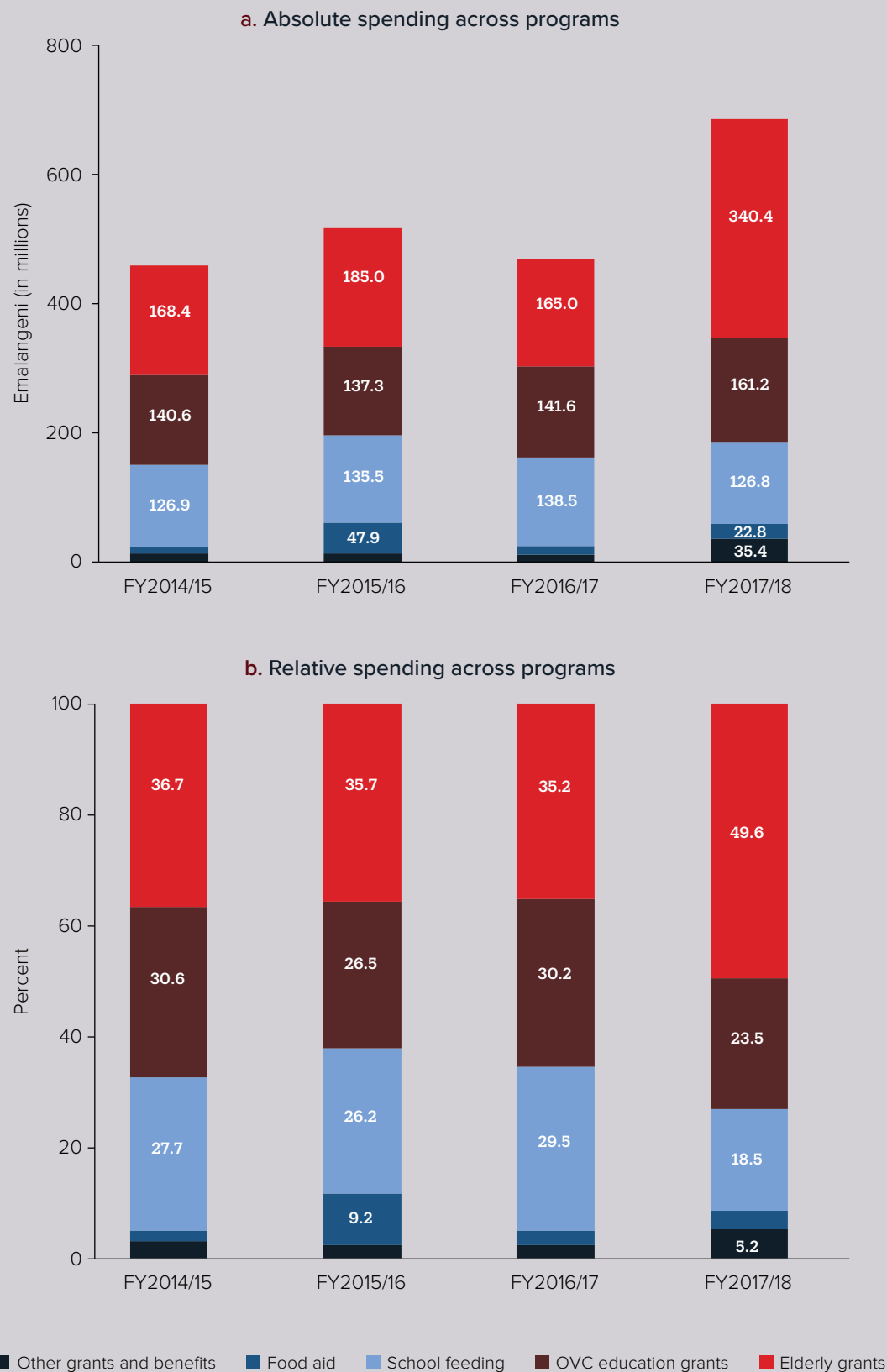
The study examines the performance of each individual program, as well as the collective performance of all five programs and of the four government-financed programs, excluding NCPs. The exclusion of NCPs makes little difference to the overall results as the outlay and coverage of NCPs are small.

1 Raju, Dhushyanth, and Stephen D. Younger. 2021. “Social Assistance Programs and Household Welfare in Eswatini.” Social Protection and Jobs Discussion Paper 2106, World Bank, Washington, DC.

2 Observational data are used in this study. Given this, potential selection bias would impair estimates of the role of social assistance programs in influencing outcomes, such as education, health, nutrition and labor, among others. Other appropriate data designs and empirical strategies are needed for such an investigation.

3 A PMT model uses a few easily identifiable characteristics of people or households to proxy household consumption and hence poverty status.

FIGURE 1 Government Spending on Social Assistance Program Benefits, 2014/15–2017/18



Source: Official budget books of the Government of the Kingdom of Eswatini; Eswatini Ministry of Education and Training.

Note: OVC = orphaned and vulnerable children. Other grants and benefits include disability grants, military pensions, benefits for foster children, and transfers to CARITAS Swaziland and Baphalali Eswatini Red Cross Society.

Main findings

The Eswatini government spent between E458 million and E687 million annually on social assistance programs between 2014/15 and 2017/18 (figure 1a). Over the reference period of the SHIES 2016/17, the government spent mostly on elderly grants, followed by OVC education grants and school feeding (figure 1b). Elderly grants accounted for about one-third of total government social assistance program spending. Its position as the program with the largest outlay has become more pronounced following large increases in grant benefit values in 2017 and 2020. OVC education grants and school feeding each accounted for about one-quarter of total government social assistance program spending. Government spending on emergency food aid tended to be small (less than 5 percent of total government spending on social assistance programs). Likewise, government spending on other social assistance programs under the Department of Social Welfare was also small (less than 5 percent of total government spending on social assistance programs).

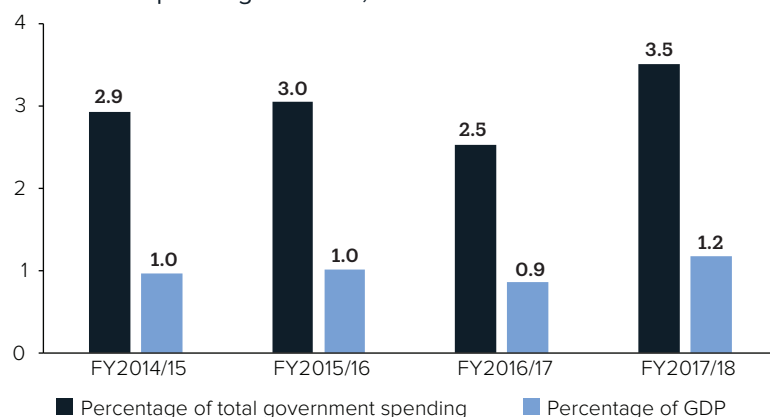
In recent years, annual government spending on social assistance programs has accounted for 2.5 to 3.5 percent of total annual government spending, and has been roughly equivalent to 1 percent of gross domestic product (GDP) (figure 2). This level of government spending on social assistance programs as a share of GDP is lower than the corresponding average levels in Sub-Saharan Africa and developing countries in general. In each of these groups of countries, annual spending on social assistance programs averages about 1.6 percent of GDP.

The level of spending on social assistance programs by Eswatini is also lower than those of its neighbors, specifically other member countries of the Southern African Customs Union (SACU), where, for example, recent annual spending on social assistance programs relative to GDP has been more than 3 percent in Lesotho and South Africa.

Coverage by the five main social assistance programs is reasonably extensive (figure 3). An estimated 41.3 percent of the population is covered by at least one program. School feeding and elderly grants cover large shares of their presumed eligible populations (79.3 percent of government primary, secondary and high school students, and 81.1 percent of those aged 60 years or older, respectively), but smaller shares of the general population (22.8 and 5.8 percent, respectively). Emergency food aid provided by government covers 16.3 percent of the population. NCPs and OVC education grants have the lowest coverage rates, at 4.0 percent each.

All of the programs are pro-poor and pro-food insecure. Collectively, the five programs cover 54.6 percent of the extreme poor and 50.8 percent of the moderate poor.⁴ In contrast, 25.9 percent of the nonpoor are covered. Likewise, taking all five programs together, 48.7 percent of those that are severely food insecure are covered, while 25.7 percent of the those that are food insecure are covered.⁵

FIGURE 2 Annual Government Spending on Social Assistance Program Benefits Relative to Annual Total Government Spending and GDP, 2014/15–2017/18



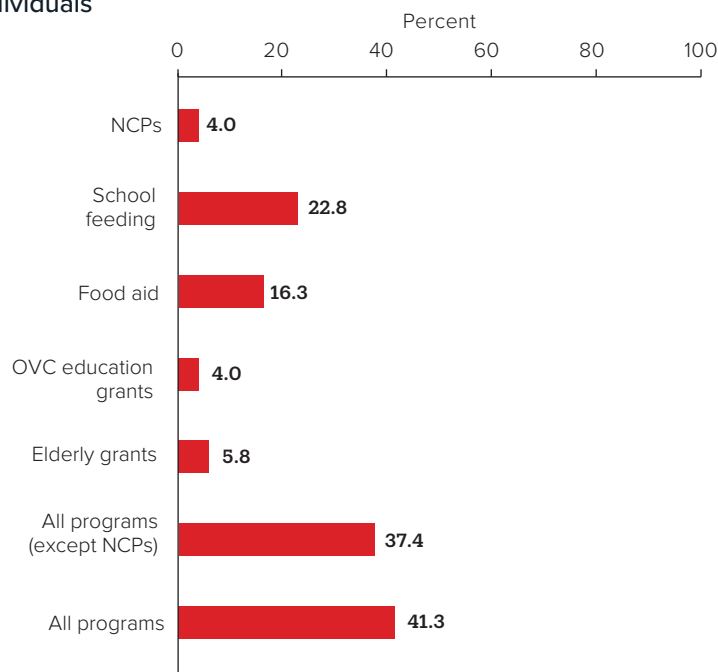
Source: Official budget books of the Government of the Kingdom of Eswatini; Ministry of Education and Training; Ministry of Economic Planning and Development.

⁴ The extreme poor are those with consumption below the country's lower poverty line of E463.4 per month per adult equivalent, in January 2017 prices. The moderate poor are those with consumption above the lower poverty line and below the country's upper poverty line of E975.3 per month per adult equivalent, in January 2017 prices. Nonpoor are those with consumption above the upper poverty line.

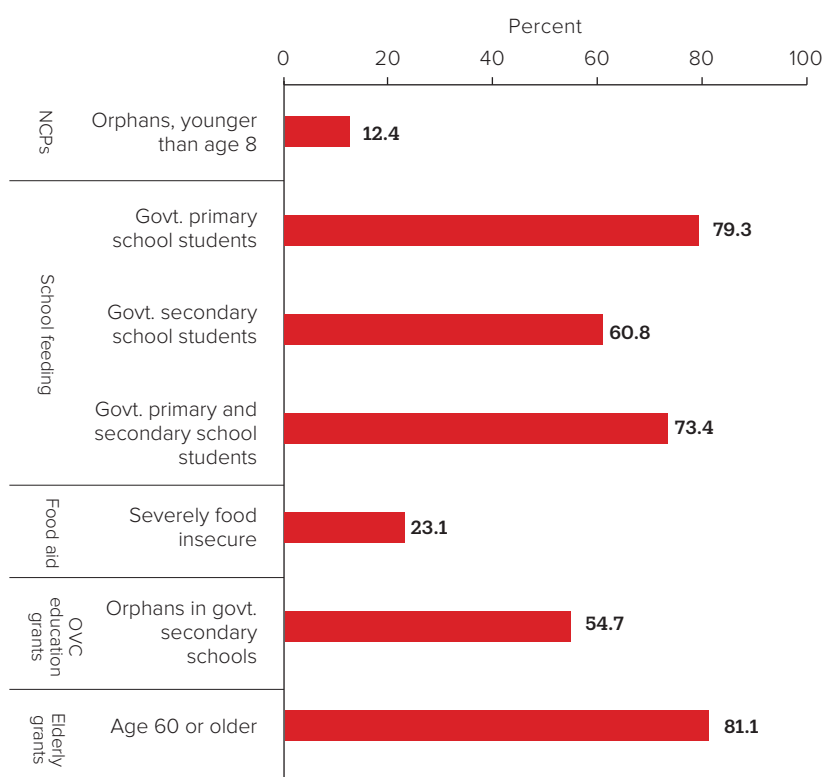
⁵ Food insecurity is measured by a categorical variable (severely food insecure, moderately food insecure, mildly food insecure, and food secure) constructed based on the Household Food Insecurity Access Scale (HFIAS) and Household Food Insecurity Access Prevalence (HFIAP).

FIGURE 3 Program Coverage Rates

a. Individuals



b. Presumed eligible individuals



The pro-poor nature of the programs is further reflected by program concentration coefficients, which vary between -0.255 and -0.152 across the various programs (figure 4).⁶ These values indicate that the programs are progressive. However, these values are less progressive than those of many social assistance programs in other developing countries. For a point of reference, the average concentration coefficient value across direct transfers of any type in 32 developing countries is -0.30 , and the lowest value is -0.63 .⁷

Despite the pro-poor nature of the programs, their marginal effects on poverty and inequality are small: None of them reduce either the Gini index, or the poverty rate, by more than one percentage point.⁸ Collectively, the five programs reduce the Gini index by 2.0 percentage points (compared to a baseline value of 49.3 percent), the overall poverty rate by 1.5 percentage points (compared to a baseline value of 58.9 percent), and the overall poverty gap by 3.0 percentage points (compared to a baseline value of 24.9 percent).⁹

While small in absolute terms, the marginal effects compare favorably to the recent changes in inequality or poverty in Eswatini. The collective marginal effect of the five programs on inequality is roughly equivalent to the decline in inequality in Eswatini between 2000/01 and 2016/17. Likewise, the collective marginal effects of the five programs on the overall poverty rate and poverty gap are equivalent to 17 and 54 percent of the decline in the overall poverty rate and poverty gap, respectively, between 2009/10 and 2016/17.

Each one of the five programs is quite effective at reducing the poverty gap, and between 73 and 81 percent as effective as transfers of equivalent outlays that are perfectly targeted to the poor would be. But effectiveness at reducing poverty severity is much less for each program: They are between 48 and 54 percent as effective as transfers of equivalent outlays that are perfectly targeted to the poor would be.¹⁰ This indicates that while the programs perform well at reaching the poor, they perform much worse in reaching the poorest of the poor. The programs are also less effective in reducing inequality than reducing the poverty gap.

⁶ The concentration coefficient is a measure of program incidence. A coefficient value closer to minus one indicates that the benefits from a program are more concentrated among poorer households, while a value closer to one indicates that they are more concentrated among richer households.

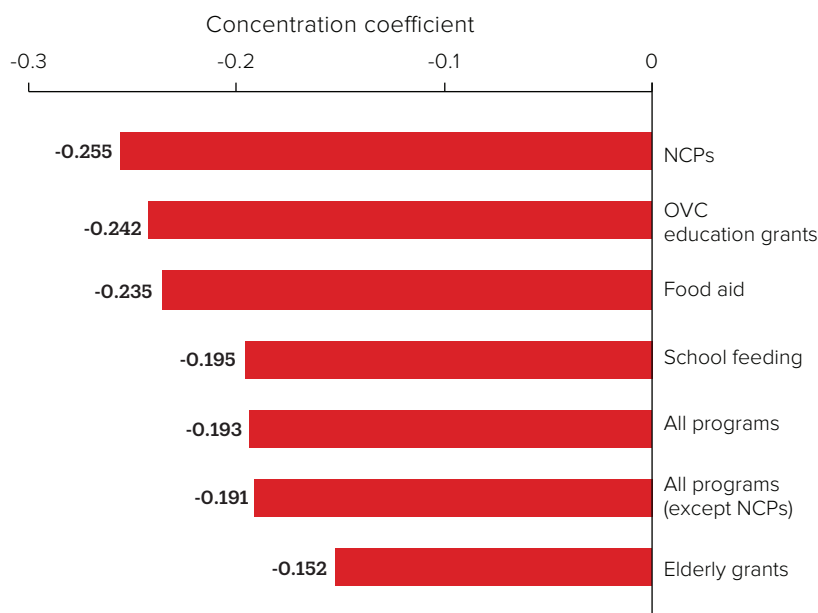
⁷ See the Commitment to Equity (CEQ) Institute database at <http://commitmenttoequity.org/datacenter>.

⁸ The marginal effect is a measure of program incidence. It provides the change in the estimate of poverty or inequality when a program benefit is added or removed from consumption.

⁹ Overall poverty is measured with respect to the country's upper poverty line. The poverty gap measures the average shortfall in consumption of the population from the poverty line, and reflects the depth of poverty.

¹⁰ Poverty severity is the square of the poverty gap. The measure assigns greater weight to the poorest.

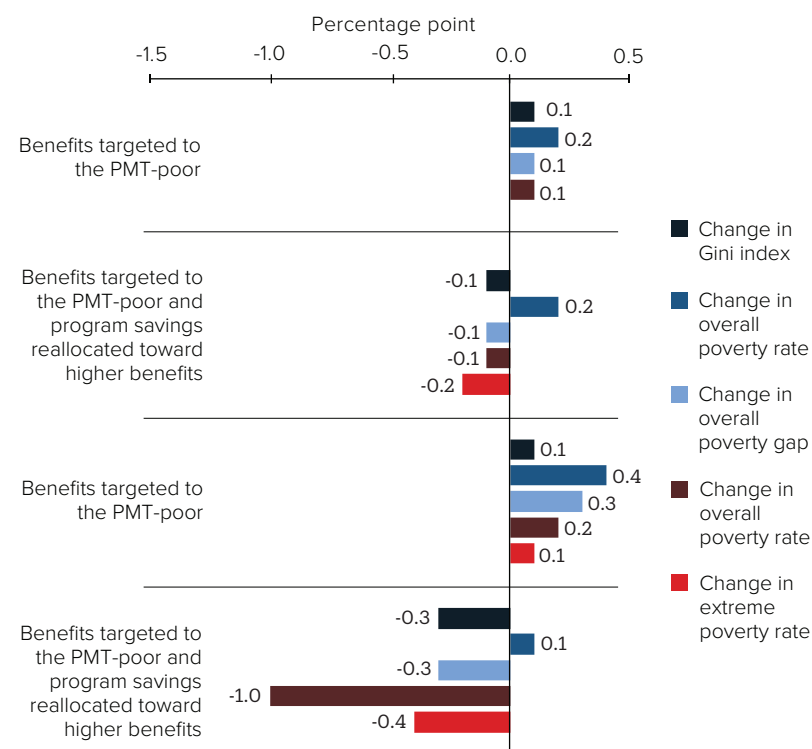
FIGURE 4 Concentration Coefficients



Source: Estimates based on data from the Swaziland Household Income and Expenditure Survey 2016/17.

Note: NCP = neighborhood care point; OVC = orphaned and vulnerable children.

FIGURE 5 PMT-based Targeting of OVC Education Grants and Elderly Grants, Reform Simulation Results



Source: Estimates based on data from the Swaziland Household Income and Expenditure Survey 2016/17.

Note: PMT-poor = those below the 59th percentile of the proxy means test (PMT) score distribution, in line with the percentile cutoff for the overall poverty rate (58.9 percent).

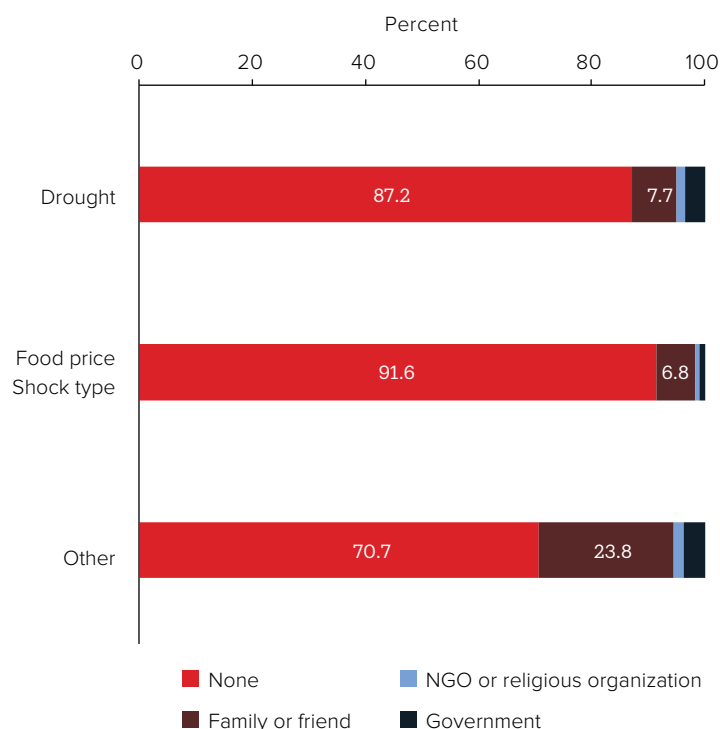
Given sizeable, recurrent fiscal deficits in the recent past, the Eswatini government is constrained in its ability to increase its spending in general. The government aims to undertake a fiscal consolidation, although the COVID-19 pandemic has derailed this plan. Given the expected tight fiscal position over the medium term, the study conducts simulations to examine whether the performance of social assistance programs can be improved by better targeting them to the poor, and by reallocating savings from the targeting toward larger program benefits for existing beneficiaries. The study performs this analysis for OVC education grants and elderly grants, constructing a PMT model for Eswatini based on the SHIES 2016/17 and splitting the population into “PMT-poor” and “PMT-nonpoor.”

Targeting these programs to the PMT-poor produces significant savings in spending (totaling about E30 million for OVC education grants and about E60 million for elderly grants), but large proportions (30 percent or more) of beneficiaries would lose their benefits. Simply eliminating benefits for the PMT-nonpoor would lead to slight increases in poverty and inequality because of errors of exclusion inherent in PMT-based targeting. However, reallocating savings from targeting towards higher benefits for PMT-poor beneficiaries would contribute to further meaningful declines in poverty and inequality (figure 5).

With respect to shocks, on average, households report a little less than one negative shock in the year preceding the SHIES 2016/17, and a little more than two in the five years preceding the survey. “Drought or floods” and “large rise in price of food” are the dominant shocks, each representing one-third of the shocks reported in the year preceding the survey. These large shares are presumably driven by the El Niño-induced drought of 2015/16.

The vast majority of households report receiving no assistance from others (figure 6). Only 4 percent report receiving assistance from the Eswatini government. In light of this, it appears that the government and other institutions are not responding to shocks in ways that make their interventions the main coping strategies for an appreciable share of affected households.

FIGURE 6 Distribution of Assistance Received, Conditional on Reporting a Given Shock Type



Source: Estimates based on data from the Swaziland Household Income and Expenditure Survey 2016/17.

Note: Information on shocks refers to the 12 months before the survey. "Other" shock includes all shocks except "drought" and "food price" shocks.

Nevertheless, reporting a drought shock is positively associated with the receipt of benefits from each of the five programs. The association between these shocks and emergency food aid is presumably a result of an ex-post response, while the associations for the other programs are presumably an incidental result of ex-ante coverage. Given the data used in the study, the extent to which the receipt of benefits from the social assistance programs moderate the negative welfare effects of shocks cannot be credibly estimated.

While our analysis is based on standard benefit incidence and microsimulation methods, these methods have well-known analytical limitations. We estimate average benefit incidence and not benefit incidence at the margin. The latter may be more relevant when simulating the effects of reforms that adjust the extent of program coverage. In performing our simulations of reforms to social assistance programs, we generally ignore potential behavioral responses in household labor supply, income generation, or consumption. We also ignore potential general equilibrium, lifecycle, or intergenerational effects, as well as political economy responses in our simulations.

Further, in terms of survey data quality, the correspondence between SHIES 2016/17 estimates and administrative information on beneficiary numbers and outlay is reasonably good for all programs, with the exception for cases of emergency food aid. The shortfalls in beneficiaries and outlay for this program in the survey data are substantial when compared to administrative information. Consequently, estimates of coverage, incidence and effectiveness for emergency food aid are likely to have a large downward bias. However, given that the program is small, these underestimates would have little bearing on the overall results.



Pictures: World Food Programme, Eswatini



Directions for future research

While in line with the state of the art, our analysis of program performance based on the SHIES 2016/17 is correlational and partial. Critical knowledge gaps remain. To address them, future research should include rigorous evaluations to assess the potential impacts of social assistance programs on welfare, including the programs' potential welfare-protective impacts in the face of shocks. Causal impacts can be uncovered through creative empirical strategies applied to available observational data. However, they will likely require the collection of new data following appropriate research designs for causal inference.

Eswatini's social assistance programs are explicitly or implicitly designed to influence: (i) specific outcomes

beyond household consumption and food security (for example, individual education, health, and nutrition outcomes); (ii) the behaviors and outcomes of specific subpopulations (for example, the poor or vulnerable, and young or adolescent children); and (iii) behaviors and outcomes in the near term as well as over a longer time frame. In light of this approach, future evaluations should seek to examine program impacts in a comprehensive manner.

Future research should also include program operational reviews to assess shortcomings in design parameters and design-implementation gaps, covering the foundational elements and links in the entire program delivery chain.

Directions for public policy

The findings from the program performance analysis, coupled with the information on program design and implementation discussed in the study, suggest that program intensity (rather than scale or reach) is a primary issue. This issue impairs the performance of programs in addressing inequality, poverty and the negative effects of shocks. In some cases, actual benefit levels are lower than intended benefit levels. For example, the amount of food procured by the government for the school feeding program is inadequate. Similarly, shortfalls in food procured and distributed to NCPs have a disruptive impact on their operations.

In other cases, intended benefit levels are inconsistent with the aims of the program. For example, the OVC education grant amount provided by the government does not fully defray the tuition costs of the beneficiary. Likewise, the assigned portion of the per-student grant under the government's Free Primary Education initiative does not fully defray the operational costs of school feeding in government primary schools.

Public policy should seek to correct these disconnects. If additional financing is not forthcoming for these programs, correcting these disconnects may require (further) efforts to ensure that they are targeted to the neediest. Greater program intensity may need to be traded off against reduced program coverage.

The option of increased financing of social assistance programs nonetheless merits serious consideration. Compared to many other countries, Eswatini's levels of poverty and inequality are much higher, while

its public spending on social assistance programs is low. The government's fiscal policy is considered to have a limited bearing on the country's poverty and inequality challenges. Of course, the government's overall spending is not solely aimed at reducing current consumption poverty and inequality in the most direct way possible (such as through cash or in-kind transfers to poorer households); the government spends to achieve a host of other goals. As a first level of evaluation, the government needs to carefully weigh the objectives of different lines of spending, and any potential trade-offs that would arise from adjusting the composition of overall spending. As a second level of evaluation, the government should carefully assess the effectiveness and efficiency of a given line of spending against the goal that the spending seeks to achieve.

With respect to both these levels of evaluation, there appears to be reason for concern. The Eswatini government allocates relatively high levels of its budget to compensation for public employees and transfers to extrabudgetary entities and public enterprises, and suffers from weaknesses in its public financial management and procurement systems. Effectively addressing these concerns is critical for improving the government's overall fiscal position and creating the fiscal space for vital social and core capital spending.

The administrative system of the government's social assistance programs requires a major upgrade. The needed improvements span the entire delivery chain and relate to communication and outreach, targeting and enrollment, benefit transfer processes, case and grievance

management, and monitoring. A top priority should be the development and implementation of a single integrated social registry and an integrated management information system for implementing and monitoring these programs.

The government should also reconsider the mix of social assistance programs. They should seek to ensure that the aims and designs of their programs are consistent with an up-to-date profile of the main welfare risks (including adverse shocks) that are being experienced by the poor and other disadvantaged sociodemographic groups. A lifecycle framework for identifying the welfare risks faced by individuals is one approach that the government could adopt to ascertain the combination of social assistance programs.

In determining the combination of social assistance programs, the government should also account for the whole landscape, current and expected, of social welfare services, social insurance programs, labor market programs, and other development interventions in Eswatini. In so doing, the government should aim to address gaps or weaknesses (i.e., uncovered or weakly covered adverse conditions or risks) through its social assistance programs and to forge stronger links and enhance synergies between its social assistance programs and other programs and services.

One axis for rethinking the combination of social assistance programs is the balance between cash and noncash transfers. Presently, among the five main social assistance programs examined in the study, four offer food or other in-kind benefits. Only the elderly grants program offers cash benefits. Another axis for rethinking the combination of programs is the balance between nonlabor income transfers and support for labor income. Programs such as productive inclusion and labor-intensive public works fall under the latter type.

In view of the current state of Eswatini's social assistance system, including the constraints faced by the system from various sources (political, financial, administrative), a gradual stage-by-stage approach toward advancing the development of the social assistance system may be the most practical. The first stage would be to address benefit-related disconnects in the existing social assistance programs. The second stage, staggered with the first, would be to strengthen the social assistance administrative system. The third stage would be to rethink the mix of social assistance programs. An integral part of advancing the development of the social assistance system would be to make it more resilient and more responsive to adverse shocks.¹¹

¹¹ Productive inclusion programs are also referred to as economic inclusion or graduation programs. Labor-intensive public works programs are also referred to as workfare.



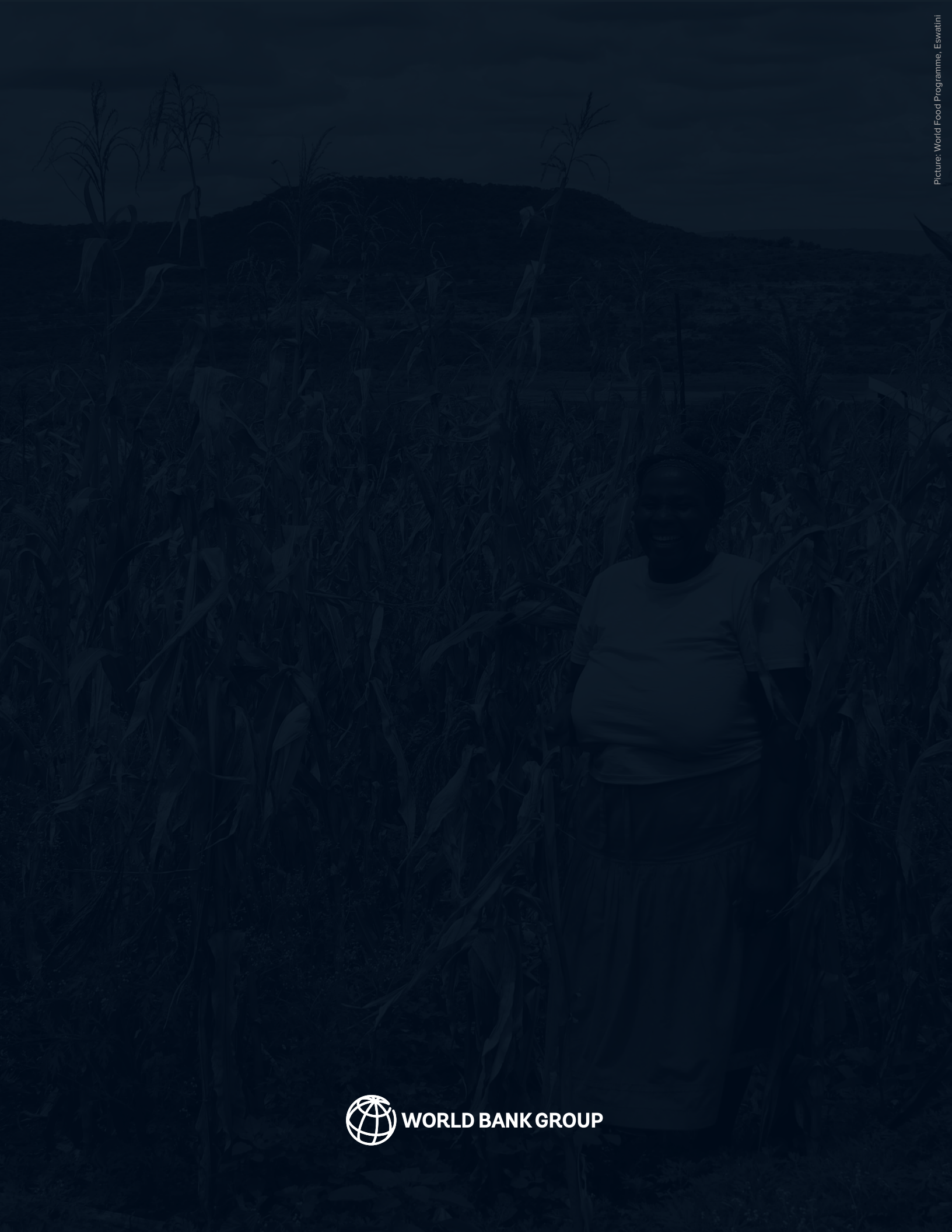
Picture: Adobe Stock © silvye

Epilogue: The COVID-19 crisis

The COVID-19 pandemic presents a substantial setback to the government's efforts to address structural poverty and inequality through its social assistance programs and other development interventions. The International Monetary Fund estimated in April 2021 that Eswatini's real GDP declined by 3.3 percent.¹² To address the economic fallout from the pandemic, the government approved a supplementary budget, and provided food and cash assistance to needy and affected households, tax refunds to enterprises, and cash assistance to laid-off or unpaid employees of enterprises, among other actions. Eswatini's fiscal deficit increased in 2020/21, as government revenues from taxes and SACU receipts declined, and expenditures increased. The economic recession is thought to have increased the extent and depth of poverty in the country in 2020.

Such fallout from the COVID-19 pandemic underscores the need for the Eswatini government to have a robust, flexible, and effective social protection system. The recommendations made in this study for future data and research initiatives as well as for public policy are consistent with this imperative. Indeed, the country's social assistance and social security policies and associated implementation plans, when finalized and approved by the Eswatini government, can serve as a basis for building such a system.

¹² Information obtained from the IMF's April 2021 Regional Economic Outlook for Sub-Saharan Africa.



Picture: World Food Programme, Eswatini