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social protection

# Social protection to tackle child poverty in Equatorial Guinea

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## Key points

- Oil revenue has made Equatorial Guinea the first high income country in Africa
- Despite the country's wealth, it has one of the highest poverty rates in Africa, and under-five and infant mortality rates have been increasing
- Although many challenges remain, policy space has been created for increased dialogue on social protection interventions



Equatorial Guinea has experienced unprecedented economic transformation in a very short period of time. The country's rapid economic growth is unparalleled almost anywhere in the world: from one of the world's poorest countries in the 1970s and 1980s, Equatorial Guinea became the first ever high-income country in sub-Saharan Africa in the 2000s (UNDP, 2007). High economic growth, coupled with a small population, has resulted in a GDP per capita of $14,941 in 2008, based on the official population estimates of 1.24 million people. Using the lower UN population estimates, GDP per capita would be close to $ 30,000.

However, while the country has flourished economically as a result of oil revenues over the past few years, it is dangerously over-dependent on this single non-renewable commodity and exposed to sharp fluctuations in world oil prices. Agricultural productivity has declined, and the country suffers from weak governance and institutions.

Equatorial Guinea has very poor social indicators. Rapid economic growth has benefited only a small proportion of the population and has not yet resulted in improved living standards for the majority of the population. With an estimated poverty rate of 76.8% in 2006, one of the highest in Africa, the country also has the largest gap between its gross domestic product (GDP) per capita and its human development index ranking (HDI): it was 127 out of 177 countries in 2005.

A number of studies have shown that in countries experiencing a sudden surge in resources, the new wealth tends to benefit powerful interest groups. Coupled with unsustainable fiscal and mineral policies, this often leads to an evaporation of social capital, disintegration and violent conflicts (IMF, 2006). It is therefore crucial for Equatorial Guinea to channel a significant proportion of the country's oil revenues to investment in the social sectors. This is essential to promote social development and harness the benefits of economic growth for the population. Social protection programmes, as a component of this social and economic development agenda, could play a major role in reducing inequality, lifting the population out of poverty, broadening access to essential social services, improving child well-being and accelerating progress towards the Millennium Development Goals (MDGs).

This paper, based on a recent research report on social protection and children in Equatorial Guinea, discusses how the country could develop a social protection system that would help reduce childhood poverty and vulnerability and translate the high rate of economic growth into broader human development.

## Household and childhood poverty

Over 70% of the population lives in poverty in Equatorial Guinea, and over 40% lives in extreme poverty. More than 50% of the population is under 18 years of age and child poverty is higher than adult poverty because of the larger number of children in poor households. Children are also more vulnerable than adults and at greater risk of deprivations that jeopardise their survival and development. In particular, poor nutrition in early childhood and inadequate education undermine their future capacities as adults, contributing to the long-term perpetuation of poverty. Social protection programmes that address child poverty and vulnerability in the short term can, therefore, play a crucial role in breaking the inter-generational cycle of poverty.

The statistics on key child indicators reveal the seriousness of these challenges. Equatorial Guinea has the world's fourth highest under-five mortality rate, according to UNICEF's 2009 State of the World's Children report.

Furthermore, the under-five and infant mortality rates have actually been increasing. The under-five mortality rate rose from 170 to 206 per thousand live births between 1990 and 2006, while infant mortality rose from 103 to 124 per thousand live births. The maternal mortality ratio is also very high, at 680 per 100,000 live births, and child stunting rates are particularly high, at 39%.

Poor service delivery, in terms of availability and quality, together with the limited use of services, exacerbates this situation. Cost barriers are a major reason for the low uptake of services. The government has health fee waivers in place, specifically targeted to the elderly, pregnant women and children under five. However, there is a great deal of confusion about which services and medicines are free or subsidised and which target groups are supposed to benefit. Other factors contributing to high mortality include poor nutrition and low access to safe water and sanitation.

Free primary education is available in Equatorial Guinea and enrolment is relatively high, but net primary school attendance rates are low, at 61% for boys and 60% for girls in 2000–2007, according to UNICEF data. Drop-out rates are high and of all the children who enter the first grade, only 33% reach the last grade of primary school. Secondary school net attendance rates are very low, at 23% for boys and 22% for girls.

Exploitation and abuse, such as prostitution are not always recognised or addressed explicitly at the policy level. Poor households may use child labour as a way of coping. The latest figures from UNICEF (2008) indicate that 28% of children are engaged in child labour and, given the limitations in data collection, this may be an underestimation. In 2001, a UNICEF study showed that 51% of boys and 58% of girls worked during school hours. Youth migration to urban areas is also a common coping strategy for poor households in Equatorial Guinea, with 50% of children thought to be living with families other than their own because of limited opportunities in rural areas and the perception that children will have better access to education or work opportunities in the cities. However, reports also suggest that migration and poverty are putting children and youth at a higher risk of child labour and, especially in the case of girls, sexual exploitation (Republic of Equatorial Guinea and UNFPA, 2004).

### Box 1: The Social Needs Fund

The Social Needs Fund focuses on two types of activities: i) creating social sector infrastructure to provide services; and ii) improving the administration capacity in ministries. The overall objective of the Fund is to be 'adopted as the mechanism for soliciting, reviewing, adopting, funding, implementing and monitoring projects in the areas of health, education, women's issues and sanitation'. The goal of the technical assistance programme is to 'build capacity and foster transparency and accountability in the design, implementation and evaluation of social needs projects in Equatorial Guinea' (ibid). The ministries involved are: the Ministry of Education, Science and Sports, the Ministry of Health and Social Wellbeing, the Ministry of Social Affairs and Promotion of Women, the Ministry of Fisheries and Environment and the Ministry of Interior and Local Cooperation.

## Opportunities to advance the social protection agenda

A small formal social security system exists in Equatorial Guinea but reaches only a small proportion of the employed (or formerly employed) in the urban formal sector. Social protection coverage for the poor is very limited. While there is a policy for targeted health fee waivers, there is almost no social assistance or social insurance provision for the poor. In short, there is a large gap in terms of programmes to increase the ability of households to use social services or invest in productive activities (e.g. through fee waivers, cash transfers or productive asset transfers) or to manage risks (through social insurance). These gaps however, are not altogether surprising given that, until 2007, Equatorial Guinea's national development plans had focused almost exclusively on economic growth.

Over the past decade or so, the economy has grown at an average rate of 37% a year and it is now 20 times larger than it was in the mid-1990s, putting the government in a much stronger position to expand social programmes. The country has a huge overall fiscal surplus (15.3% of GDP in 2008 according to IMF data) and a very low debt burden (IMF, 2008). The IMF says that Equatorial Guinea will see a major reversal in its fiscal position over the next two years, but in 2009 it will be the only member of the Economic Community of Central African States that will not have a deficit (Wakeman-Linn et al, 2009).

In November 2007, a new National Development Plan was launched, marking a shift in the country's development priorities and stating a commitment to investing in social development and poverty reduction, with a focus on progress towards the Millennium Development Goals. One of the most significant recent initiatives has been the establishment of the Social Needs Fund. Financed by the Government and administered by USAID, the Fund has been established to bring in international technical expertise to support institutional capacity building in the social sectors and to support social sector service delivery (Box 1).

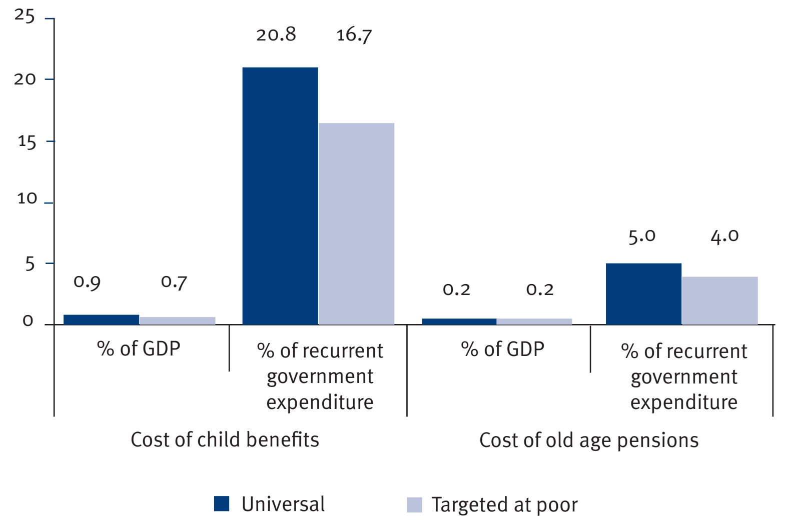
## Affordability of cash transfers

As part of the study, simulations were run to assess the cost and affordability of two forms of cash transfers: child benefits and non-contributory old-age pensions (Barrientos, 2008). The simulations made the following assumptions: child benefits are for children 0-14 and set at 30% of the extreme poverty line; old age pensions are for persons aged 60 and above and set at 70% of the extreme poverty line; and administration and delivery costs amount to 10% of transfer expenditure. Child benefits and social pensions were simulated under two scenarios: universal schemes providing benefits for all children and elderly people, and targeted schemes providing benefits only for children and elderly people in households below the poverty line.

The results of the simulations (Figure 1) showed that, based on the (higher) official population estimates, a universal child benefit would take up 0.85% of GDP or 20.8% of recurrent government expenditure. A universal social pension scheme would absorb 0.2% of GDP or 4.96% of recurrent government expenditure. These estimates suggest that universal schemes would be affordable, given the small cost relative to GDP and the scale of Equatorial Guinea's fiscal surplus. On the lower population estimates, the schemes would cost around half as much.

Targeting the poor would not significantly reduce the estimated costs of child benefits and old-age pensions. With poverty incidence at 76.8%, and substantial fiscal space, there would appear to be very little advantage in selecting beneficiaries. Assuming perfect targeting, it would save less than 0.3% of GDP (on the higher population assumptions). Further disadvantages to this option in the Equatorial Guinea context arise from the government's weak administrative capacity and the technical and institutional difficulties of targeting.

**Figure 1: Simulated cost of child benefits and old age pensions (based on official population estimates)**




## Challenges

While the available fiscal resources, the inclusion of social sector priorities in the Social and Economic Development Plan and the creation of the Social Needs Fund present some clear opportunities for the development of social protection in Equatorial Guinea, there are also several important challenges.

First, the capacity in relevant ministries for the implementation of social protection and the absorption of additional budgetary resources is low. Child-sensitive social protection requires strong capacity for effective programme delivery, as well as linkages among a number of ministries. However, social sector ministries in Equatorial Guinea face severe capacity constraints. This is reflected by the Social Needs Fund's prioritising of these sectors. Indeed, Equatorial Guinea is characterised by weak administration, centralised decision-making structures, bottlenecks in the disbursement of funds and limited coordination among ministries. There are also concerns about the risk of corruption. While these challenges are not unique to Equatorial Guinea, the country faces an additional challenge in that there are also very few non-governmental agencies, either national or international, that could support the implementation of social protection while governmental institutional capacity is being built.

A second related issue is the trade-off with improving the delivery of basic social services, including child and maternal health services and primary and secondary education. Along with the capacity constraints in government, the weaknesses in the provision and quality of these basic services raise important questions about prioritisation and sequencing. While income transfers to poor households with children could be affordable and, based on international experience, could increase a household's use of services, cash transfers might not be appropriate in the short-term due to the urgent need to improve the delivery and quality of services. Other social protection options, such as improving the implementation of the existing fee waiver policy or establishing education scholarships, could be more easily operationalised in the immediate future, although these also require a demanding set of accompanying measures to be successful.

The third challenge is to transform the general commitment to social protection, expressed in the Social and Economic Development Plan, which mentions the explicit need for 'the development of a social protection system to reduce disparities and fight poverty', in the development of operational social protection mechanisms. Currently, there is some confusion as to what the term 'social protection' means and what type of objectives and programmes it encompasses. Furthermore, weaknesses in data and analysis on poverty and vulnerability mean that there is limited understanding of the problems that need to be addressed. For example, there is little political commitment to addressing 'demand side' challenges, such as the indirect and direct costs of accessing health and education services. In addition, until very recently child and gender-specific risks in Equatorial Guinea, such as child trafficking, sexual exploitation and child labour were not discussed at the national policy level. Recent programmes have brought greater attention to these issues, but more efforts are needed to keep them on the policy table, to inform the development of a national social protection system.

The fourth challenge is to mobilise the resources needed for social protection through increased political commitment. While Equatorial Guinea has substantial national resources, public expenditure is extremely low in the social sectors. Education and health receive approximately 10% and 5% respectively of the total budget, with 83.4% of social sector expenditure for social infrastructure. This compares with the targets of between 15% and 20% for education, set at the Dakar World Education Forum in 2000, and 15% for health, set in the African Union's Abuja Declaration in 2001. There are, at present, no budget lines for social protection programmes and little focus on child-specific programming. In 2008, the total resources allocated to the Ministry of Social Affairs and the Promotion of Women, one of the ministries that could be expected to take on a leading role in the implementation of social protection, was only 1.6% of the total budget.

## Conclusions

Equatorial Guinea has an opportunity to redistribute its rapidly accumulated wealth to address its high levels of poverty by investing in the social sector and promoting social development. Social protection programmes, within the framework of the Social and Economic Development Plan, could contribute significantly to reducing poverty and vulnerability, in particular among children.

A comprehensive approach to social protection, which addresses the multiple dimensions of household and child poverty and vulnerability, is needed. Considering the appropriate types of social protection mechanisms, such as social transfers, fee abolition or fee waivers for basic social services, and social insurance, requires a careful analysis of potential impacts, costs and affordability, and institutional capacity requirements. It is clear that cash transfers, such as the child benefits discussed above, would be affordable, even under a universal scheme, which presents a number of advantages over targeting in the Equatorial Guinea context. Nonetheless, institutional capacity constraints remain significant and would have to be addressed, and political commitment would need to be built.

Careful thinking is therefore needed about the sequencing of priorities, given the weakness of institutions and shortfalls in administrative capacity, as well as the competing need to strengthen the financing, delivery and quality of other social programmes of importance for children, such as primary health care services and primary and secondary education. Thinking through the order of priorities will require evidence-based policy analysis, channels for policy dialogue and a strong commitment to using the proceeds from oil to invest in human development and the reduction of poverty and vulnerability. This needs to be complemented by investments to strengthen institutions and develop the administrative capacity to design and deliver effective programmes.

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ODI on Social Protection:
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