

# An affordable and feasible pathway to universal social security using the principle of universality

By Dr Stephen Kidd, Dr Nayha Mansoor and Angela Barca

June 2023

**act**  
Church of Sweden 

 **ACTION  
AGAINST  
HUNGER**

**DEVELOPMENT**  
  
**PATHWAYS**

## Preface

Social security is a human right that should be available to everyone, with universal social protection broadly embraced as a goal or at least “a vision” by all countries.

In practice, though, most social security programmes in low- and middle-income countries are poverty-targeted rather than universal, especially if they are supported by international development partners such as the World Bank and some bilateral agencies.

There are many good arguments for universality: everyone in society is treated equally and with dignity; universal schemes are popular and usually well-funded, due to strong political support; they are very effective in reaching the poorest members of society; compared with means-tested programmes, they have much larger impacts on poverty and inequality; and, they build trust in government alongside stronger national social contracts and higher government revenues. Importantly, they make the right to social security for all a reality.

There is, in essence, only one argument given for means-testing that, at first sight, appears valid. It is an argument that typically overrides all others: poverty-targeted programmes are less expensive than universal schemes. Yet, this comes at the cost of limited effectiveness. Indeed, it is an argument propagated by elites since they are the big winners from means-testing given the much lower taxes they pay when compared to universal systems. And, alongside this argument in favour of means testing comes the standard argument against universality: “universal social security is simply not affordable in poor countries”.

This paper challenges this standard argument and shows that universal social security is, in fact, financially feasible in most – if not all – low- and middle-income countries, using the examples of Ghana, India, Uganda, and Vietnam.

As the paper argues, implementation should be gradual in order not to ruin the public finances. But, by using the principle of universality to progressively build universal social security systems, it is possible to avoid the drawbacks, costs and failures of poverty targeting.

We hope that the examples in the paper will stimulate discussion. Moreover, we hope to inspire policymakers and civil society organisations to embrace universal social security as affordable and effective and to join the global effort of supporting states in building universal systems, in line with global commitments to establish universal Social Protection Floors in all countries. We need to *stop* assuming that universal schemes are not feasible before even trying. Universal social security is possible, and policymakers should be free to consider all arguments for and against universality while resisting the

*Preface*

pressures to adopt the ineffective – but pro-rich – means-tested programmes that are promoted by the World Bank and some bilateral agencies.



**Michael Siegel**  
**Associate Director of Advocacy**  
**ACF France**



**Henrik Fröjmark**  
**Head of Communication and Advocacy**  
**Act Church of Sweden**

## **Executive summary**

The importance of building universal social security systems across all countries is recognised globally, but how to achieve this within existing fiscal constraints remains a challenge. For most countries, establishing comprehensive, tax-financed, universal lifecycle systems usually requires investments of 1.5 to 3 per cent of GDP, yet in low- and middle-income countries this may comprise more than 10 per cent of government revenues.

There are, essentially, two schools of thought on how to build universal social security systems. One view is promoted by the World Bank: it argues that countries should initially prioritise those most 'in need' by targeting the poorest members of society through means testing and then gradually expand coverage until everyone is reached. The other view is that countries should establish universal social security systems by using the principle of universality, progressively introducing and expanding universal lifecycle schemes so that, over time, a comprehensive universal system is established. This could be achieved by initially restricting the coverage of a lifecycle category but without excluding anybody within the reduced category: for example, an old age pension could be initially offered to everyone over-75 years of age and, over time, the age of eligibility could fall.

This paper assesses the effectiveness of these two contesting approaches to establishing universal social security systems. It finds that using the principle of universality to progressively build universal social security systems gradually is likely to be the most successful option and offers practical examples on how this can be achieved. It also demonstrates that the progressive introduction of universal schemes is both financially feasible and sustainable.

### **Failing to build universal systems using means testing**

While the argument that focusing on the poorest members of society should be the first step towards a universal system may seem logical, in practice poverty targeting is a deeply flawed approach. Programmes that begin by providing coverage only to the poorest tend to have a small political constituency since they are financed by the taxes of the wealthy and the middle class who are, themselves, excluded from the benefits. In addition, the implementation of these programmes usually fails to accurately identify the correct recipients, leaving behind most of the intended population due to design flaws, often contributing to greater social conflict within communities. Means-tested programmes tend, therefore, to be unpopular and governments are usually reluctant to invest in them, which helps explain their limited budgets.

Experiences across different countries paint a bleak picture on the viability of poverty targeting as a tool for delivering universal social security systems. The means-tested *Bolsa Familia* programme in Brazil, which was intended to grow towards universal coverage, never expanded in any meaningful way while a range of programmes that were poverty-targeted have disappeared, including Mexico's well-known *Prospera* programme. In the few cases where poverty-targeted programmes have transitioned to universal ones it has been due to paradigm shifts in policy thinking or changes in political power.

### **Building universal social security systems using the principle of universality**

For the same level of funding required to introduce poverty-targeted schemes that are bound to fail, governments can start to build a universal scheme that is restricted to a particular group within the category. For instance, a universal child benefit could be introduced initially for every child aged 0 to 4 years at a relatively low cost. The system could be expanded over time by retaining all the existing recipients and adding only new-born children until every child aged 0 to 17 years is included. The annual increase in cost would be small and fiscally manageable.

This paper provides practical examples of what the progressive introduction of child benefits, old-age pension and disability benefits – key elements of the social security component of Social Protection Floors – would look like in Uganda, Ghana, India and Vietnam, if the principle of universality were used. It shows that the rates of investment required are low and feasible. Systems could start small at between 0.1 and 0.4 per cent of GDP and, by 2040, despite a significant expansion of the schemes, in all cases they would require a level of investment below 2 per cent of GDP. The expansion of the systems could be financed by a small proportion of the additional taxes derived from economic growth or by a wide range of other options, including through solidarity taxes on the wealthy. In fact, there are already examples of low- and middle-income countries investing larger sums in universal systems than those suggested here.

The benefits of introducing universal social security systems are significant. The impact on per capita consumption within households that include recipients of the schemes simulated in this paper would be an average increase of somewhere between 15 and 22 per cent, translating into the equivalent of around 6 more days of consumption each month for households in Ghana and India and 4.5 additional days in Uganda and Vietnam. The increases in consumption would be highest among those living on the lowest incomes. They would also translate into significant reductions in poverty and inequality. For example, assuming a pre-transfer national poverty rate in each country equivalent to 60 per cent of median consumption, the poverty rate would fall by 49 per cent in Ghana, 70 per cent in India, 55 per cent in Uganda and 45 per cent in Vietnam when the schemes are fully rolled out by 2038.

Universal lifecycle systems can have long-lasting impacts within the countries that introduce them. Families would benefit from a greater sense of security and resilience to shocks, child development would be enhanced, engagement in the labour market would increase and individuals would enjoy enhanced self-worth and dignity. In addition, universal systems would help generate greater economic growth and social cohesion while bringing significant political rewards to the governments that introduce them, thanks to their popularity and tangible benefits.

Therefore, by using the principle of universality, all low- and middle-income countries could progressively build cost-effective, universal social security systems that would transform their societies.

## **Acknowledgements**

The development and publication of this paper has been made possible by the generous funding of Act Church of Sweden and Action Against Hunger France. The paper was prepared by Stephen Kidd (Development Pathways), Nayha Mansoor (Development Pathways) and Angela Barca (Development Pathways), with contributions from Laura Ulanowski. The authors would like to thank Daisy Sibun, Gunnel Axelsson Nycander, Johanna Wagman and Pauline Pruvost-Czapek for taking the time to read the manuscript and providing valuable feedback.

The authors take full responsibility for the paper. We hope that it will inspire productive conversations in the promotion of universal social security globally, and that it will serve as guidance for policymakers seeking to build effective national Social Protection Floors, in line with the right of everyone to access social security. At a time of major uncertainty across the world, with food, energy and economic crises exacerbating income insecurity and inequality, designing a feasible and sustainable universal social security framework that is within reach for low- and middle-income countries has never been more critical.

## Table of contents

<b>Executive summary</b> .....	<b>iv</b>
<b>Acknowledgements</b> .....	<b>vii</b>
<b>List of Acronyms</b> .....	<b>ix</b>
<b>1 Introduction</b> .....	<b>1</b>
<b>2 The failed approach: targeting the poorest to build a universal system</b> .....	<b>2</b>
<b>3 Building universal systems using the principle of universality</b> .....	<b>5</b>
3.1 A model for building universal social security systems by expanding universal coverage over time.....	6
3.2 Building universal social security systems through universality: some practical examples.....	9
3.3 Impacts of universal systems.....	17
<b>4 Conclusion</b> .....	<b>24</b>
<b>Bibliography</b> .....	<b>25</b>
<b>Annex 1 Methodology for simulations</b> .....	<b>28</b>
<b>Annex 2 Transfer values for universal social security programmes across countries ....</b>	<b>30</b>

## List of Acronyms

GDP	Gross Domestic Product
GLSS7	Ghana Living Standards Survey Round Seven
IHDS	Indian Human Development Survey
ILO	International Labour Organisation
IMF	International Monetary Fund
MENA	Middle East and North Africa
PMT	Proxy Means Test
PPP	Purchasing Power Parity
UCB	Universal Child Benefit
UK	United Kingdom
UN DESA	United Nations Department of Economics and Social Affairs
UNHS	Uganda National Household Survey
US	United States
VHLSS	Vietnam Household Living Standards Survey

# 1 Introduction

There is now a global consensus on the importance of building universal social security systems across all countries. Nonetheless, a fiscal challenge remains. While, as this paper shows, a decent tax-financed, universal lifecycle social security system can be established in most countries for between 1.5 and 3 per cent of GDP, for low- and middle-income countries this is difficult to achieve immediately, especially as this level of investment may comprise more than 10 per cent of government revenues. The question, therefore, is how to build a universal system when fiscal constraints are at play.

There are, essentially, two contesting approaches to building universal social security systems. One – which is strongly promoted by the World Bank (2019 and 2022) and discussed in detail by [Sibun \(2022b\)](#) – is that countries should initially prioritise those most ‘in need’ by targeting the poorest and, from there, gradually expand coverage until everyone is reached. The second approach is very different and argues that the best way to build universal social security systems is through universality. Countries should focus on progressively building universal lifecycle schemes as part of a broader lifecycle social security system but, if there is a need to reduce costs initially, they should restrict the size of the lifecycle category while still offering the schemes to everyone within the reduced category.

The approaches are fundamentally different, and the aim of this paper is to examine both approaches and assess which is more likely to succeed. In Section 2, we will show that there is little evidence that the first approach – which focuses on means testing and targeting the poorest – will work. In contrast, Section 3 will argue that most successful universal social security systems have been built over time and have usually involved a significant paradigm shift in approach, with the principle of universality at its heart. We will also demonstrate how, in almost all countries, it is financially feasible to build a universal social security system gradually, using the principle of universality.

Much of the paper relies on simulations of universal social security systems across four countries – Uganda, Ghana, India and Vietnam – which represent different demographic contexts. The simulations used national household survey datasets and the methodology employed is explained in Annex 1.

## 2 The failed approach: targeting the poorest to build a universal system

The argument that countries should build universal systems by commencing initially with the poorest members of society seems, intuitively, logical: surely resources should be targeted first at the poorest members of society and, over time, expand gradually to reach everyone? In effect, the argument is that, initially, 'the poor' should be prioritised, then the 'near poor' and then, over time, those on middle incomes, the middle-class and eventually the rich.

Yet this approach is flawed: it is bound to fail, and it is difficult to find any examples of it working. In fact, although the World Bank is a strong proponent of this approach, it used to argue against it (World Bank 1990). The Bank noted how poverty-targeted programmes have only small political constituencies and, therefore, are unlikely to receive much support. That means they are in danger of shrinking and, indeed, disappearing. This is because those on middle incomes, the middle class and the rich, who do not benefit from poverty-targeted programmes, are, nonetheless, expected to pay for them from their taxes. Consequently, they are reluctant to accept any expansion of programmes from 'the poor' to the 'near poor' since they do not want to pay more taxes for programmes from which they will be excluded. This same political economy argument has been made by others, such as Sen (1995), Pritchett (2005), Mkandawire (2005) and [Kidd \(2015\)](#).

Further, the unpopularity of poverty-targeted programmes tends to be exacerbated because of the poor quality of their implementation. As [Kidd and Athias \(2020\)](#) have demonstrated, poverty-targeted programmes in low- and middle-income countries tend to exclude most of their intended recipients. Often, the selection of recipients appears arbitrary, especially when methodologies such as the 'proxy means-test' are employed.<sup>1</sup> As a result, they are not even supported by the majority of the poorest members of society, since many feel unjustly treated due to their unfair exclusion. This is a core explanation for why poverty-targeted programmes tend to give rise to community and broader social conflict ([Kidd et al 2017](#)). In some cases, this conflict can be very serious: [Sibun \(2022a\)](#), for example, explains how the divisions caused by a poverty-targeted programme, which used a proxy means test, likely contributed to the Syrian civil war.

The evidence of the failure of the poverty-targeted approach is widespread. The World Bank (1990) described how a targeted food subsidy in Sri Lanka shrank over time, while

---

<sup>1</sup> See [Kidd et al \(2017\)](#) and [Kidd and Athias \(2020\)](#) for an explanation of the proxy means test methodology.

another food subsidy in Colombia disappeared. When the *Bolsa Familia* programme in Brazil was first introduced, the aim was for it to expand over time to become universal. Yet, from its inception in 2003 up to its replacement in 2021 by the *Auxilio Brasil* programme, it did not grow in any meaningful way, targeting the poorest 14 per cent of households.<sup>2</sup> A more worrying example is the *Prospera* programme in Mexico – which, in previous incarnations, was called *Progresa* and *Oportunidades* – as it was suddenly abolished in 2019, after 21 years, by a new left-wing President, Lopez Obrador ([Kidd 2019](#)). Indeed, across low- and middle-income countries, it is rare to see poverty-targeted social assistance programmes expand beyond 20 per cent coverage.

The fact that it was a left-wing, ‘pro-poor’ President who abolished *Prospera* gives a clue to one of the fundamental challenges faced by poverty-targeted programmes. They mainly benefit the rich rather than ‘the poor’ since, given that targeted programmes have a much lower cost than universal programmes, the rich pay less tax to finance them than they would if a universal scheme were in place ([Kidd 2018](#); [Kidd et al 2022](#)). Therefore, the rich tend to oppose universal schemes and, instead, support poverty-targeted programmes, ensuring that they remain small so that their tax is minimised. Given the power of the rich in most societies, this makes it even more challenging for poverty-targeted programmes to expand.

In the few cases that poverty-targeted programmes have become universal, it has not been because of a gradual evolution but, rather, the product of a paradigm shift in policy thinking. It is either associated with a change in political power or a radical shift in thinking among the ruling elites. For example, in Mongolia, the Child Money programme started as a poverty-targeted programme in 2005 but the government quickly realised the problems with its implementation and, by 2006, had made the decision to shift to universality.<sup>3</sup> Similarly, while Kenya commenced a poverty-targeted old age pension in 2008, it was suddenly made universal in 2018 when the Government realised that this would help them win an election, as well as significantly enhance the wellbeing of older people across Kenya.<sup>4</sup>

Therefore, the World Bank’s argument that universal social security systems can be built by focusing initially on programmes for ‘the poor’ does not stand up to scrutiny. Just as 19<sup>th</sup> Century Poor Relief shrank as the middle classes gained the vote and opposed their taxes being used for handouts for ‘the poor’, the modern-day successors of Poor Relief are likely to experience the same fate. As [Sibun \(2022b\)](#) explains, the World Bank’s support of the poverty-targeted approach to building universality is, in reality, no more than an

---

<sup>2</sup> [Kidd and Huda \(2013\)](#); Kidd and Athias (2020).

<sup>3</sup> [Gelders \(2015\)](#).

<sup>4</sup> See [Kidd et al. \(2023\)](#) for more information.



*The failed approach: targeting the poorest to build a universal system*

attempt to continue with the poor relief approach to social security that was introduced under the Washington Consensus and has consistently failed. Only through a paradigm shift in policy-thinking can a strong, universal system be built.

### **3 Building universal systems using the principle of universality**

The alternative approach to building universal systems is based on using the principle of universality to drive expansion. In the context of this paper, universality should be understood as not applying a means-test but, instead, giving the scheme to everyone within the category of the population selected (such as children or older people). Global evidence indicates that universal schemes are much more effective in ensuring that everyone within the category selected can access the scheme, including those living on the lowest incomes. [Kidd and Athias \(2019\)](#) demonstrate that the targeting errors with universal schemes are minimal, contrasting with the high errors associated with means testing.

Once a country makes a paradigm shift in policy to introduce a universal scheme, over time this can create a virtuous circle in which the initial scheme expands while it opens the door to other universal schemes (see [Kidd, Axelsson et al 2020](#) for a more in-depth explanation). This is because of the popularity of universal schemes. Once a scheme starts and reaches most of the population within a particular lifecycle category, there will be growing popular support for its expansion and for similar universal schemes to be introduced. In effect, this has been how many high-income countries built their universal social security systems after making a paradigm shift from poor relief. Often, they started with a universal old age pension and, over time, progressively introduced other lifecycle benefits, such as disability, child and unemployment benefits.<sup>5</sup>

However, high-income countries did not build their universal systems overnight. In reality, it took them many decades to build their universal social security systems. Nonetheless, the speed at which they expanded accelerated significantly after the Second World War when policymakers realised that, to avoid further catastrophe and stop the rise of fascism, they needed to build fairer and more equal societies, based on the right of everyone to basic public services, including social security.<sup>6</sup> This approach was encapsulated in the [Universal Declaration of Human Rights](#), which was endorsed in 1948.

The following sections outline how low- and middle-income countries can use the experiences from high-income countries and build universal social security systems using the principle of universality.

---

<sup>5</sup> High-income countries have not built their universal systems only through tax-financed schemes but usually by building multi-tiered systems that also incorporate social insurance (Kidd et al 2022).

<sup>6</sup> [Kidd, Axelsson et al \(2020\)](#).

### **3.1 A model for building universal social security systems by expanding universal coverage over time**

Policymakers in low- and middle-income countries can learn from the example of high-income countries where universal social security systems were built over time, rather than overnight. Indeed, it is important to remember that, when high-income countries first introduced universal schemes, they were poorer than many middle-income countries are today. For example, when Finland introduced its universal child benefit in 1948, its GDP per capita was US\$7,000 well below that of Indonesia's current GDP per capita of US\$12,200.<sup>7</sup>

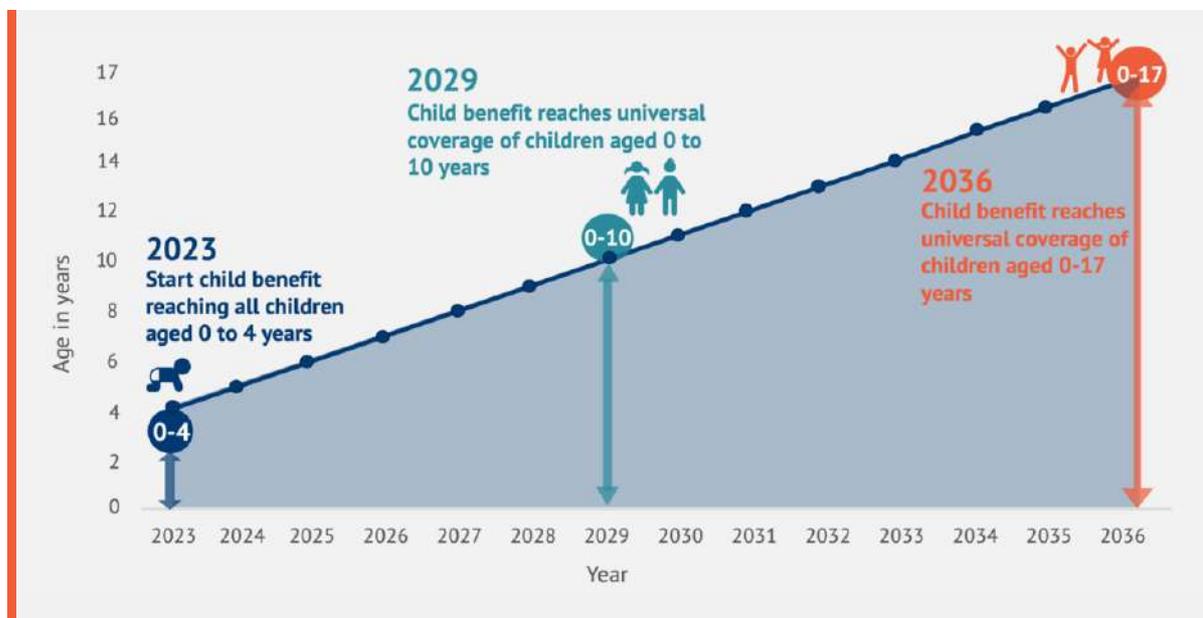
While, as this paper will demonstrate, an effective universal system comprising old age, disability and child benefits can be delivered at a cost of 1.5-3 per cent of GDP, it is challenging for low- and middle-income countries to find that level of finance immediately. Therefore, policymakers should develop a long-term vision for building their social security systems, with the aim of putting in place a reasonably comprehensive system within 10-20 years.

In the face of fiscal constraints – or an understandable reluctance of Ministries of Finance to sanction an immediate significant increase in social spending – an option is to begin with a smaller universal scheme and, over time, expand it, but always using the principle of universality to maintain the popularity of the policies and, therefore, the willingness of governments to fund the schemes. Consequently, to lower the initial level of financing required, a universal lifecycle scheme could be introduced but, initially, be restricted to a reduced proportion of the eligible category. For example, a universal old age pension could begin with a high age of eligibility and, over time, the eligible age could fall. A universal child benefit (UCB) could begin with a low age of eligibility but could expand by not removing children until they reach their 18<sup>th</sup> birthday, thereby eventually reaching all children ([Kidd et al 2021](#)). Figure 3-1, for example, shows how a UCB could begin with all children aged 0-4 years in 2023 and reach all children up to 18 years by 2036. The only children who would enter the scheme would be new-borns or children of recent migrants.

---

<sup>7</sup> GDP per capita figures are given in 2017 equivalent values.

**Figure 3-1: Expanding universal child benefits by starting at a young age and not removing children until they reach 18 years**



Source: Development Pathways' own elaboration

Governments have real choices to make when deciding on their approach to building universal systems. For the same level of funding, they can decide either to introduce a poverty-targeted programme or, alternatively, a universal scheme but one that is restricted to a particular group within the category. For example, the Philippines currently invests around 0.4 per cent of GDP on the poverty-targeted *Pantawid* programme, a form of child benefit which targets the poorest 23 per cent of households with children. Alternatively, the country could have decided to offer this benefit to all younger children with the aim of expanding it over time, to eventually have a fully universal child benefit for every child under the age of 18 years. For example, for 0.4 per cent of GDP, the Philippines could currently provide every child aged 0-4 years with US\$12 per month through a universal child benefit.<sup>8</sup> As a universal scheme, it would prioritise supporting all children in the Philippines during the first 1,000 days of life and, if expanded year on year by not removing children until their 18<sup>th</sup> year, it would accompany these children up to adulthood. It would also avoid some of the failures of the poverty-targeted *Pantawid* programme which excludes 46 per cent of its target population<sup>9</sup> – in other words, the poorest children – and, even worse, has increased stunting rates by 11 percentage points among non-recipient children. [Filmer et al \(2018\)](#) explain that this is likely due to the programme being poverty-targeted rather than universal. Further, it is certain that the

<sup>8</sup> Authors' calculations using UN DESA 2022 Population Projections and IMF World Economic Outlook April 2022.

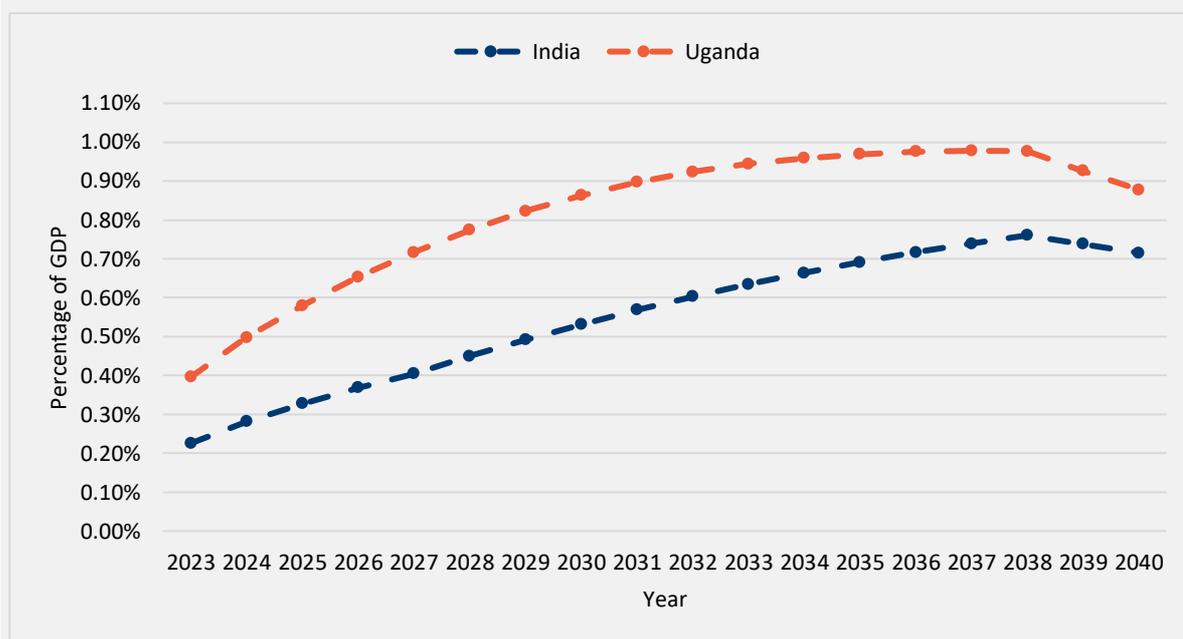
<sup>9</sup> Kidd and Athias (2020).

universal child benefit would be much more popular than the *Pantawid* programme and citizens would likely support its expansion, even though taxes may have to increase.

**Box 1: The example of progressively introducing a universal child benefit in India and Uganda**

As Figure 3-2 shows, in India – which is on its way to becoming an ageing society – it would be possible to start a universal child benefit with a transfer of US\$11 per month in 2023 for every child aged 0-2 years at 0.23 per cent of GDP.<sup>10</sup> If children remained on the scheme until they reached 18 years of age, the value of the transfer were indexed to inflation and the average rate of GDP growth predicted by the IMF for the next five years were attained consistently up to 2036, the cost would rise slowly to 2038 when it would reach 0.76 per cent of GDP. During this period, India would only have to find an additional 0.04 per cent of GDP per year to fund the scheme, a minimal amount. In Uganda, which has a much younger population, with a transfer of US\$3.35 per month the initial cost would be 0.4 per cent of GDP, rising to 0.98 per cent of GDP by 2038.<sup>11</sup> Nonetheless, the yearly increase in cost up to 2038 would still be minimal, at only 0.03 of GDP, although it would be slightly higher in the initial years, at 0.1 per cent of GDP. As with India, this is a minimal additional amount of funding for the government to find each year. Further, once all children are on the benefits by 2038, the cost as a percentage of GDP would fall in subsequent years, linked to the growth in the numbers of children being below that of predicted GDP growth.

**Figure 3-2: The cost of building a universal child benefit over time in India and Uganda, commencing with children aged 0-2 years in 2023 and with an initial transfer value of 5 per cent of GDP per capita (or US\$11 per month in India and US\$3.35 in Uganda).**



Source: Authors' calculations using UN DESA 2022 Population Projections and IMF World Economic Outlook April 2022

<sup>10</sup> The transfer value is the equivalent of 5 per cent of GDP per capita, which is around the median cost of a child benefit globally.

<sup>11</sup> As with the proposed transfer in India, the transfer value would be 5 per cent of GDP per capita. While US\$3.35 per month would not seem to be very much, it should be borne in mind that Uganda's social pension offers US\$6.50 per month to older people and has been shown to have significant impacts on wellbeing. It should also be noted that many households in Uganda would receive multiple child benefits, with the number increasing as the age of eligibility expands.

The advantage of introducing a universal child benefit at a young age that grows progressively is that the cost of expanding the scheme year on year is minimal. As Box 1 explains for India and Uganda, the average level of funding that would be required each year to grow a universal child benefit could be in the region of 0.03 to 0.04 per cent of GDP, which both countries could easily afford.

Some countries have intuitively understood that using the principle of universality – but restricting the category – is the way to move forward (even if there is no long-term vision). For example, some countries – such as Kiribati, Nepal and Vietnam – have introduced old age pensions with a high age of eligibility and, over time, reduced the age. Nepal commenced its pension at 75 years of age in 1994, in 2008, reduced the age of eligibility to 70 years and, starting in 2023, will further reduce it to 68 years. This, in effect, is also what appears to be currently happening in Uganda. After many years of policy support from the UK and Ireland, and the piloting of a universal old age pension in a number of districts using donor financing, Uganda recently introduced a universal old age pension for everyone over-80 years of age. The introduction of the pension was the result of pressure from Members of Parliament who were responding to the demand of their citizens. There is now a strong demand from Members of Parliament to further reduce the age of eligibility, with many asking for it to fall to 65 years of age (which was the age of eligibility during the pilot scheme). Unfortunately, the current undemocratic nature of the Presidential political system in Uganda – which means that the government does not need to promote universal policies in elections to enhance its chances of winning – has resulted in the government not being as receptive as it would have been if democracy were strong. Nonetheless, the demand from citizens for a universal pension – which is expressed through their Members of Parliament – continues and, eventually, is likely to be successful, despite the recent withdrawal of UK donor support.

## **3.2 Building universal social security systems through universality: some practical examples**

With a well-planned vision for a country to progressively build a universal social security system over time, using universality, the initial cost could be kept low while the growth each year could be easily fiscally manageable. This section, therefore, takes four countries as examples to show what could be done if governments were to commit to building truly universal systems. The countries have varying demographic contexts and, therefore, should be seen as representative of other similar countries. The countries are set out below:

- **Uganda** has a young population: currently, 52 per cent are under 18 years of age while only 3 per cent are over 60 years of age.

- **Ghana** has a young population but older than Uganda's: 43 per cent of the population are under 18 years of age and 6 per cent are over 60 years of age.
- **India** is making the transition to an ageing country, with 31 per cent of the population under 18 years of age and 10.4 per cent over 60 years of age.
- **Vietnam** is already an ageing country, with 26.8 per cent of the population under 18 years of age and 13.6 per cent over 60 years of age.

In each of the countries we estimate the costs of introducing a universal system of old age, disability and child benefits, since these 3 types of benefits form the bedrock of most universal systems, comprising the highest levels of investment. They are also core components of Social Protection Floors.<sup>12</sup> In our model, the schemes are introduced progressively while maintaining their universality. The values of the transfers provided are, approximately, the average of similar benefits found across low- and middle-income countries, when measured as a percentage of GDP per capita: that is 5 per cent of GDP per capita for the child benefit and 15 per cent of GDP per capita for the old age and disability benefits (based on the value in 2023).<sup>13</sup> The transfer values in both nominal (actual) US dollars and equivalent US dollars estimated using purchasing power parity (PPP) are set out in Table 3-1. In our calculations, we assume that the transfer values are indexed to inflation and the economic growth rate in each country aligns with the average predicted by the IMF for the next five years.<sup>14</sup>

**Table 3-1: Value of the proposed transfers for universal benefits in both nominal US dollars and equivalent dollars using purchasing power parity values**

Country	Monthly transfer values					
	Child benefit		Disability benefits		Old age pension	
	US\$	US\$ (PPP)	US\$	US\$(PPP)	US\$	US\$(PPP)
Ghana	\$13.00	\$34	\$36.00	\$95	\$36.00	\$95
India	\$11.00	\$38	\$33.50	\$116	\$33.50	\$116
Uganda	\$3.35	\$10	\$11.20	\$32	\$11.20	\$32
Vietnam	\$17.00	\$50	\$50.00	\$146	\$50.00	\$146

Although the transfer values may appear to be low, in reality they are higher than existing schemes in some of these countries. For example, while in India, we propose an old age

<sup>12</sup> The [Social Protection Floors Recommendation](#) (No. 202) includes access to necessary health care for all, as well as basic income security across the lifecycle, including benefits that support all of us during childhood, illness and disability, pregnancy, parenthood, unemployment and old age.

<sup>13</sup> Graphs showing the transfer values of child, disability and old age benefits across low- and middle- income countries can be found in Annex 2.

<sup>14</sup> The IMF currently predicts the following annual GDP growth rates in the four countries: Ghana, at 5.5 per cent per year; India, at 6.7 per cent per year; Uganda at 4.2 per cent per year; and, Vietnam at 7 per cent per year.

pension of \$33.50 per month, India's current social pension offers only US\$2.45 per month for those up to 79 years of age and US\$6.10 for those aged 80 years and above;<sup>15</sup> in Uganda, the existing Senior Citizens' Grant offers US\$6.50 month, while we propose \$11.20 per month; and, in Vietnam, the social pension provides US\$16.92<sup>16</sup> per month, while we suggest US\$50.00.

The system would grow in the following way (see also Figure 3-3 for a diagrammatic representation of the timeline):

- The old age pension would begin in 2023 for everyone aged 75 years and above, with the age of eligibility falling to 70 years in 2028 and 65 years in 2033.
- The child disability benefit for children with disabilities aged 0-17 years would begin in 2024, reaching initially 0.5 per cent of all children, who would be those with the most severe disabilities. This would increase to 1 per cent of all children in 2029 so that children with less severe disabilities are incorporated. These figures are chosen because relatively good quality child disability benefits in middle-income countries reach around 1 per cent of children.<sup>17</sup>
- The adult disability benefit would be given to everyone with a disability from 18 years of age up to the age of eligibility for the pension, at which point they will transition onto the old age pension.<sup>18</sup> The disability benefit would commence in 2025 and reach, initially, 1 per cent of all adults aged 18-74 years (in other words, those with the most severe disabilities); in 2028, it would expand and reach 2 per cent of all adults aged 18-69 years, as those with less severe disabilities are incorporated; and, in 2033 it would further expand to reach 3 per cent of all adults aged 18-64 years, as the severity of disability threshold is further lowered. These figures are chosen because relatively good quality adult disability benefits in middle-income countries reach around 3 per cent of working age adults.<sup>19</sup>
- The child benefit would commence in 2026 with all children aged 0-3 years and no children would be removed until they reach their 18<sup>th</sup> birthday. Therefore, it would reach all children aged 0-17 years by 2040.

---

<sup>15</sup> Source: <https://nsap.nic.in>

<sup>16</sup> Source: <https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/asia/vietnam.html>

<sup>17</sup> See Kidd et al (2023) for more information.

<sup>18</sup> In reality, the proposals here for disability benefits are based on a very simple form of disability benefit: a flat rate benefit for all those with disabilities.

<sup>19</sup> See Kidd et al (2023) for more information.

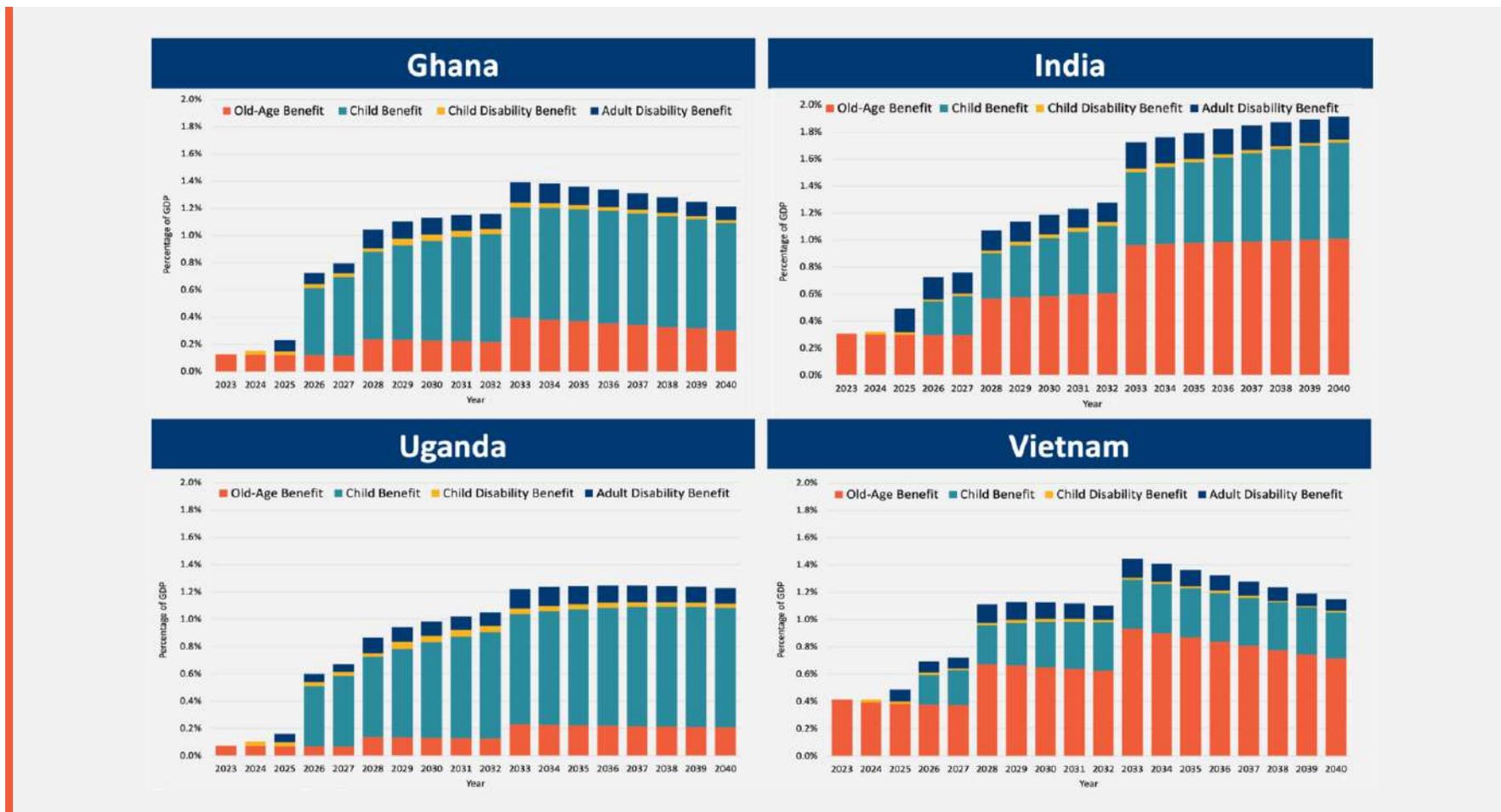
Figure 3-3: Diagrammatic representation of how the proposed universal social security system would expand over time



Source: Authors' elaboration.

The annual level of investment required to build the systems in each country is shown in Figure 3-4. The graphs show the costs of each scheme over time, as well as the total costs of the system. Due to the differing demographics in each country, the shape of the growth in cost over time varies. In Ghana and Uganda, with younger populations, the child benefits comprise a much higher proportion of the total costs than in the ageing populations of India and Vietnam, where most spending is in old age pensions.

Figure 3-4: The level of investment required to introduce universal child, disability and old age benefit in India, Ghana, Uganda and Vietnam, between 2023 and 2040

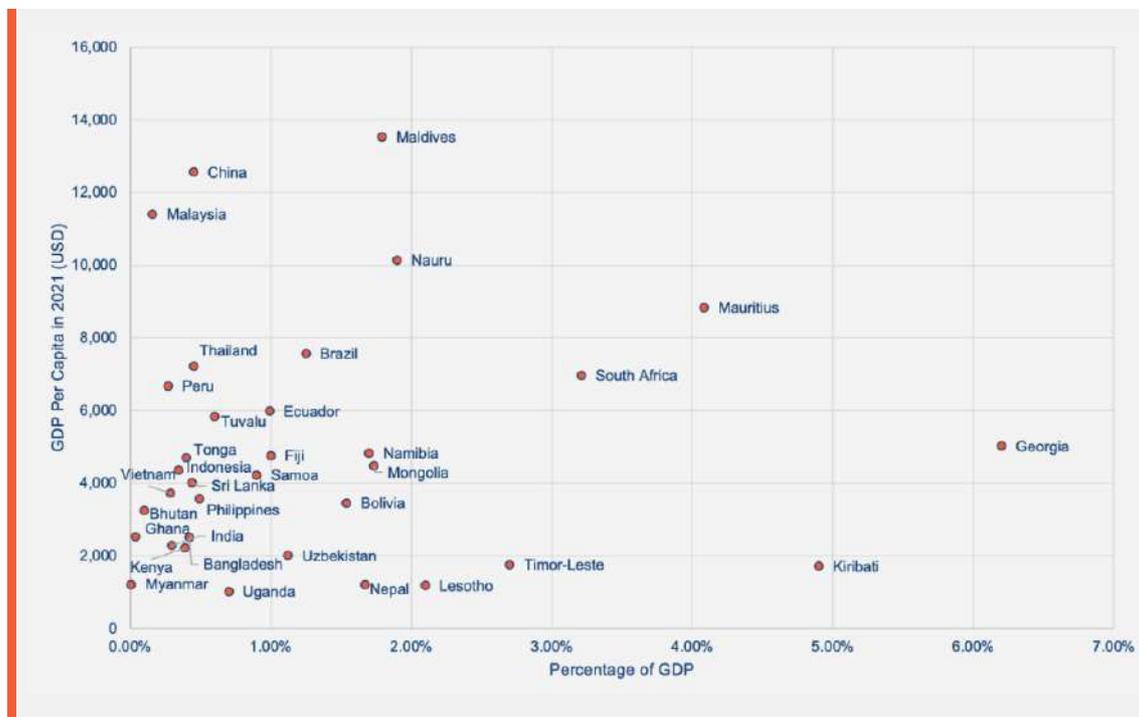


Source: Authors' elaboration using data from UNDESA's World Population Prospects 2022, at <https://population.un.org/wpp/>

However, in all options, the cost of introducing the system in 2023 is very low, varying between 0.08 per cent of GDP in Uganda to 0.41 per cent of GDP in Vietnam. Despite the continuous expansion of the system, the highest costs of the entire universal system up to 2040 are also relatively low, at around 1.2 per cent of GDP in Uganda, around 1.4 per cent in Ghana and Vietnam, and 2 per cent of GDP in India.

To indicate the feasibility of countries investing at this level in universal social security, the costs can be compared to those of current systems in other low- and middle-income countries. Figure 3-5 shows how much countries are spending on their tax-financed social security systems, compared to their comparative wealth (measured as GDP per capita). It indicates that some relatively poor countries – such as Lesotho, Nepal and Timor-Leste – are already spending above 1.5 per cent of GDP, similar to the maximum levels of investment proposed here. However, there are some middle-income countries – such as Georgia, Mauritius and South Africa – that are investing significantly more, at above 3 per cent of GDP (and above 6 per cent in Georgia). It is also evident from Figure 3-5 that the amount that countries invest in social security is not related to their wealth: rather, it is driven by political will.

**Figure 3-5: Costs of tax-financed social security systems in a range of low- and middle-income countries, compared to the wealth of the countries**



Source: Development Pathways' social security database, based on administrative data from countries.

Consequently, the levels of investment proposed here for Ghana, India, Uganda and Vietnam should be entirely feasible, especially as the systems would be introduced

slowly, over time. Indeed, in some countries, they already have small levels of investment in some of the schemes proposed here, which would reduce their initial costs. For example, Uganda is already spending 0.01 per cent of GDP on its old age pension, so would only need to increase its spending by 0.07 per cent of GDP in 2023. Similarly, the current cost of Vietnam's old age pension is around 0.22 per cent of GDP, so that would mean a further requirement of only 0.19 per cent of GDP in Year 1.

Similarly, the progressive and gradual expansion of the systems would mean that, year on year, the additional spending required would be minimal. For example, in Uganda the government would only have to find an additional 0.12 per cent of GDP per year in the 10 years to 2033, while Ghana and Vietnam would have to find 0.14 per cent of GDP per year. In India, the annual increase would be slightly more challenging but, even then, it would be only 0.18 per cent of GDP per year. When larger expansions of the systems occur within a particular year – for example, when the child benefit is introduced or the age of eligibility of the pension falls – higher levels of funding would have to be found. However, if governments have prepared a long-term, costed national vision for the expansion of their systems, they would know when these increases would occur and could plan for them.

The expansion of the systems across all countries over time could be financed by a small proportion of the additional government revenues that result from economic growth each year. For example, if a country has economic growth of 5 per cent per year and tax revenues are 20 per cent of GDP, without any change in the tax system additional government revenues of one per cent of GDP would become available. Some will be absorbed in the natural growth of public services due to demographic change, but there is likely to be a surplus available that could be allocated to a new area of government spending. One option would be to invest part of additional spare revenues in the expansion of the national social security system.

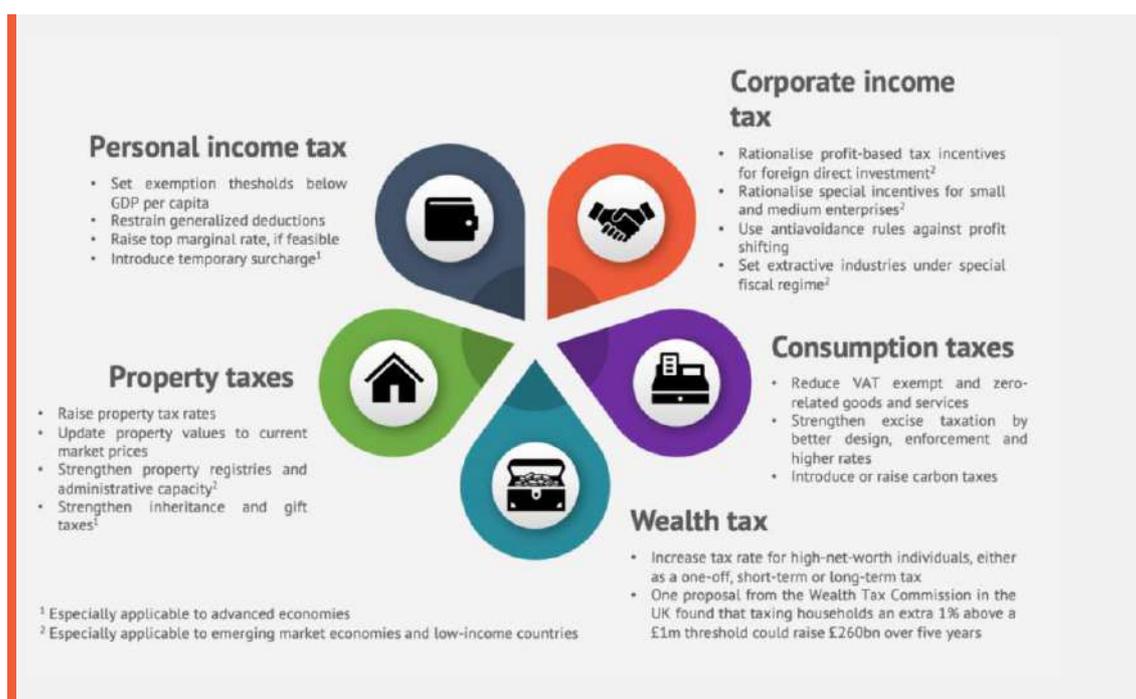
Even if additional revenues due to economic growth were not available, given that the financing requirements are minimal, countries should still be able to find the funding to progressively expand their system if the political will were there. Indeed, given the popularity of the universal schemes, policymakers are much more likely to agree to their expansion. A good place to start would be to generate more solidarity within society by increasing taxes on the rich, including one-off wealth taxes to finance the increase in spending in the years where higher levels of funding are required. Given that the world's richest families increased their wealth during the COVID-19 pandemic – for example, the number of millionaires globally grew by 5.6 million during the crisis<sup>20</sup> – there is plenty

---

<sup>20</sup> Credit Suisse (2021).

room for additional taxes on the rich. The IMF (2021) has set out a range of options for countries to increase taxation, as outlined in Figure 3-6, including potential wealth taxes. However, there are other options for increasing tax revenues, which include reducing – and taxing – illicit financial flows out of a country.<sup>21</sup>

**Figure 3-6: Options for reforming tax to raise additional revenue, which could be used to invest in social security**



Source: Kidd et al (2022) and adapted from IMF (2021)

In fact, investing in universal social security will, in part, pay for itself. On the one hand, it will help generate economic growth which will provide governments with higher revenues.<sup>22</sup> And, on the other hand, the provision of universal social security should engender greater trust in government and an enhanced willingness among citizens to pay taxes, as part of a strengthened social contract. As [Kidd, Axelsson et al \(2021\)](#) explain, over time this will result in an increase in government revenues as a percentage of national GDP, some of which can be allocated to investments in social security.

Given the low levels of investment required to build the model of a universal social security system that has been set out above, countries could decide to introduce them more quickly by, for example, having more generous ages of eligibility – such as a higher age of eligibility for child benefits or a lower age for pensions – and transfer values.

<sup>21</sup> Further information on raising financing to invest in social security schemes can be found in Ortiz et al (2017).

<sup>22</sup> See Kidd et al (2023) for further information on how investments in social security contribute to economic growth.

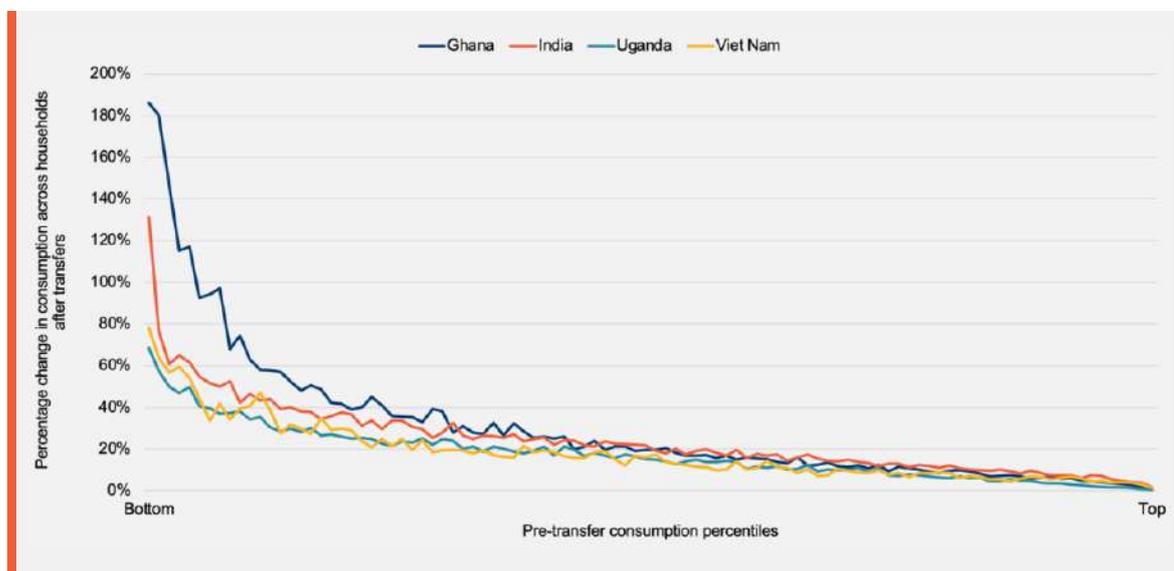
Further, given that, in all the examples provided, the levels of investment required by 2040 are relatively low, countries could similarly increase the transfer values by more than the rate of inflation so that, over time, recipients experience real increases in purchasing power. All countries should be able to invest around 3 per cent of GDP in tax-financed social security by 2040, which also opens the potential for introducing, over time, additional benefits that address other lifecycle risks, such as maternity/paternity, unemployment and sickness, as well as last-resort poor relief for those households living in poverty that require additional financial assistance.

Given the likely popularity of the universal schemes, there is a good chance that governments will come under pressure to expand their social security systems more rapidly than the speed of roll-out proposed above. In fact, given that universal social security schemes are electoral winners, it is likely that, during elections, there will be contestation between different political actors, with promises made to expand investment in universal social security. Consequently, it is possible that, once countries are on a universal path and policymakers understand the potential of universal schemes, the expansion of the system will happen in a shorter timescale than indicated above.

### **3.3 Impacts of universal systems**

If countries introduce universal social security systems, they will reap a range of benefits. These benefits will be driven by the increase in incomes that recipient households will enjoy. Once the universal schemes are fully in place by 2040, the median increase in per capita consumption within households including recipients of the schemes would be 20 per cent in Ghana, 22 per cent in India, 15 per cent in Uganda and 16 per cent in Vietnam. These increases translate into the equivalent of around 6 more days of consumption each month for households in Ghana and India and 4.5 additional days in Uganda and Vietnam. As with the child benefit examples above, the systems would be progressive with the highest increases in consumption among the poorest households, as illustrated by Figure 3-7. These would range between a 47 per cent increase in consumption among the poorest decile in Uganda and a more than 100 per cent in Ghana (or 14 and 30 additional days of consumption per month, respectively).

**Figure 3-7: Increase in consumption across households that include recipients of potential universal social security systems in Ghana, India, Uganda and Vietnam (in 2040)**



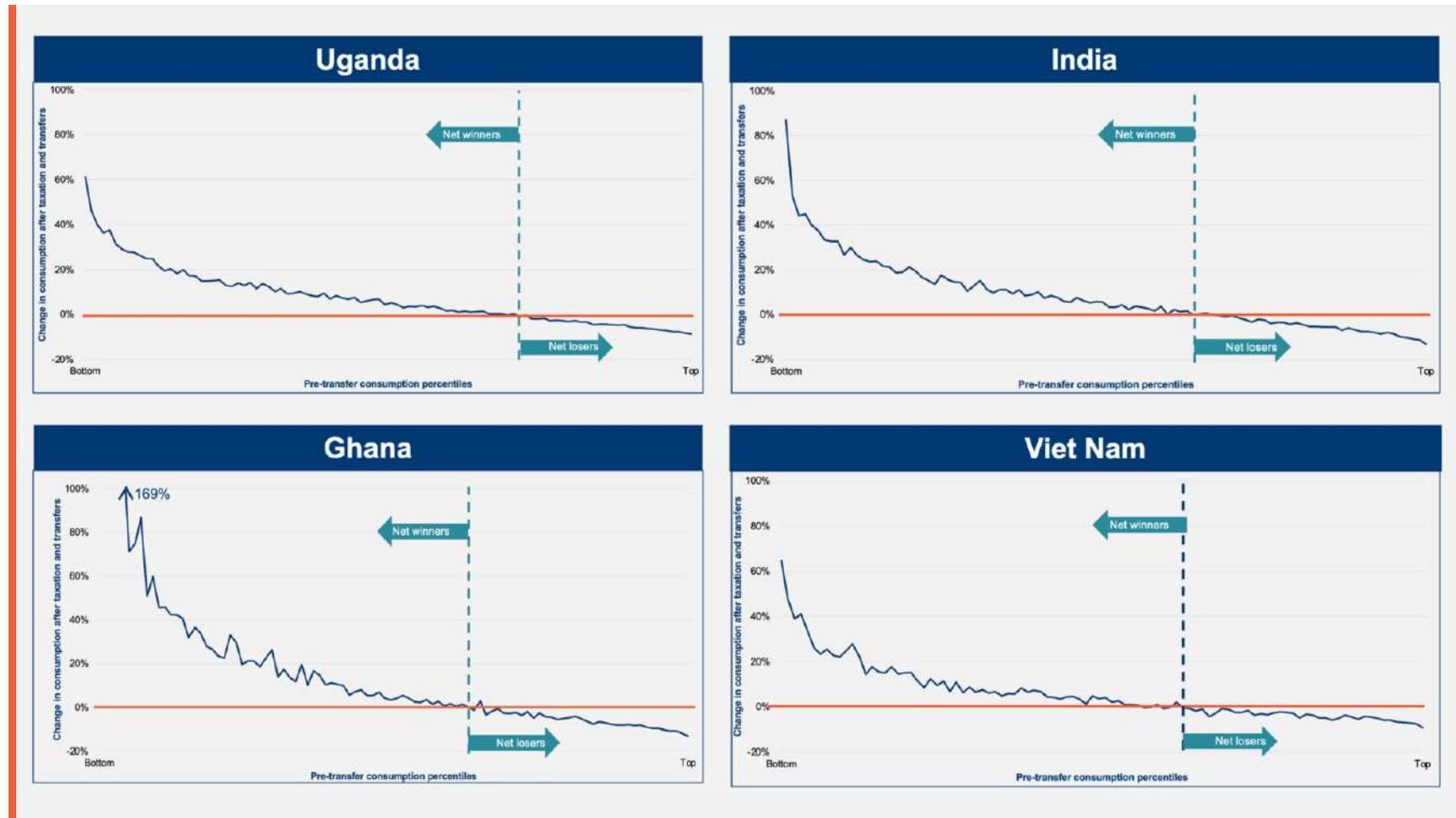
Authors' calculations using: Ghana Living Standards Survey Round Seven (GLSS7) 2017; the India Human Development Survey-II (IHDS-II) 2011/12; Uganda National Household Survey (UNHS) 2016/17; and, Vietnam Household Living Standards Survey (VHLSS) 2016.

Another way of examining the impact on household wellbeing of a universal social security system is to estimate the change in consumption across the entire population while taking into account the additional taxation that individuals would pay to finance the schemes (see Box 2 for the methodology used to estimate taxation). Figure 3-8 shows the change in consumption across each percentile of the population. It indicates that, in each of the countries, around 70 per cent of the population will be net financial winners – in other words, they will receive more in transfers than they pay in tax – while around 30 per cent are net losers financially. In effect, the universal benefits would have a strong redistributive impact and inequality would fall: in Ghana, inequality, as measured by the Gini Coefficient, would fall by 12 per cent, while in India the reduction would be 14.4 per cent, in Uganda 15 per cent and 10.2 per cent in Vietnam. However, while the better-off members of society would lose out when measured in very narrow financial terms, they would be overall winners as a result of living in more peaceful and prosperous societies.

**Box 2: Methodology for estimating taxation in the simulations used in Figure 3-8**

In the simulations in Figure 3-8, a progressive tax system has been assumed whereby households in the poorest quintile pay 20 per cent of the rate paid by the richest households, and households in the second, third and fourth quintiles pay, respectively, 40, 60 and 80 per cent the rate paid by the richest households. The simulations also assume that households in the top three quintiles have a positive marginal propensity to save. This means that, for households in these quintiles, a portion of the transfers or returned taxes received will be saved. Specifically, it is assumed that those in the third and fourth quintiles save 5 per cent of any additional income and that the top quintile saves 10 per cent. The same is also assumed when households are paying taxes: a share of the taxes paid will not impact on existing consumption in these quintiles.

Figure 3-8: Changes in consumption across the national population, taking into account the transfers received and the taxes paid by individuals



Authors' calculations using: Ghana Living Standards Survey Round Seven (GLSS7) 2017; the India Human Development Survey-II (IHDS-II) 2011/12; Uganda National Household Survey (UNHS) 2016/17; and, Vietnam Household Living Standards Survey (VHLSS) 2016.

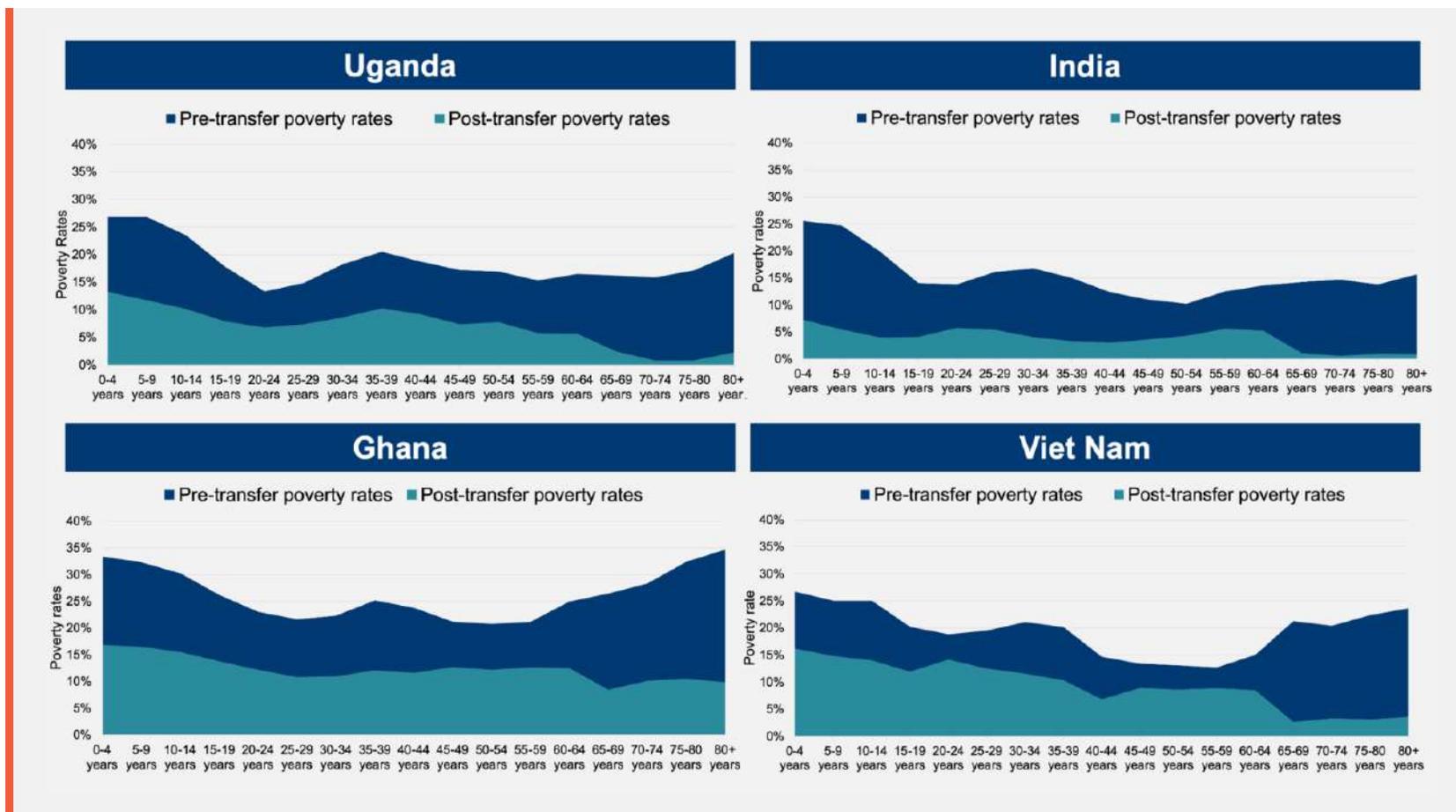
The increase in household incomes will generate a range of other positive impacts among the recipients and their households, which are summarised in Figure 3-9. These impacts have been well-evidenced globally: in summary, households will benefit from a greater sense of security and be more resilient to shocks, child development will be enhanced, there is likely to be an increase in engagement in the labour market, while individuals will enjoy a greater sense of self-worth and dignity.

**Figure 3-9: Summary of potential impacts of universal social security systems on individuals across the lifecycle**

<b>Early childhood</b>	 <ul style="list-style-type: none"> <li>• Improvements in the diet and nutrition of pregnant mothers and young children</li> <li>• Increase in the access of pregnant mothers and those with young children to health services</li> <li>• Increase in young children's access to pre-primary education</li> </ul>
<b>School age</b>	 <ul style="list-style-type: none"> <li>• Increased access to primary and secondary education including for children with disabilities, as well as a home environment that is more conducive to studying</li> <li>• Increased access to health services and improved health</li> <li>• Better nutrition and less hunger, resulting in higher performances in school</li> <li>• Reduction in child labour</li> </ul>
<b>Youth</b>	 <ul style="list-style-type: none"> <li>• Young parents are better able to care for their children</li> <li>• Young people more likely to access further education</li> <li>• Increase in labour force participation including for young persons with disabilities</li> <li>• Rise in empowerment of young women</li> </ul>
<b>Working age</b>	 <ul style="list-style-type: none"> <li>• Increased ownership and diversity of productive assets</li> <li>• Greater willingness to take risks and invest in higher return income generating activities</li> <li>• Move away from low wage, informal and insecure employment to self-employment</li> <li>• Increase in labour market participation including among persons with disabilities</li> <li>• Rise in women's empowerment and decrease in gender-based violence</li> </ul>
<b>Old age</b>	 <ul style="list-style-type: none"> <li>• Those no longer able to work including persons with disabilities can meet household costs</li> <li>• Greater economic activity for those who are able to work</li> <li>• Older people can care for their grandchildren and other dependents, enabling the mothers of the children to enter the labour force and increase family incomes</li> <li>• Older people enjoy greater status in their families and communities and enhanced dignity</li> </ul>

The universal social security systems would have significant national level impacts. The national poverty rate would be reduced substantially. Assuming a pre-transfer national poverty rate in each country equivalent to 60 per cent of the median consumption, the poverty rate would fall by 49 per cent in Ghana, 70 per cent in India, 55 per cent in Uganda and 45 per cent in Vietnam when the schemes are fully rolled out in 2038. Figure 3-10 shows the impacts across each age group in the four countries. The largest impacts would be among older people and children but, across all categories of the population, there would be significant reductions in the poverty rate.

Figure 3-10: Reduction in national poverty rates – set at 60 per cent of median household consumption – by the universal social security systems across age groups in Ghana, India, Uganda and Viet Nam (in 2038)



Authors' calculations using: Ghana Living Standards Survey Round Seven (GLSS7) 2017; the India Human Development Survey-II (IHDS-II) 2011/12; Uganda National Household Survey (UNHS) 2016/17; and, Vietnam Household Living Standards Survey (VHLSS) 2016.

Other national level benefits would include stronger economic growth, resulting from a range of factors.<sup>23</sup> For example, by investing in children, the skills of a nation's labour force would be enhanced, resulting in higher productivity; people would be more willing to enter the labour force; small entrepreneurs – including farmers – would be more likely to invest in riskier but higher-return income generating activities; and, the increase in spending across the nation would expand markets, providing opportunities for entrepreneurs who, as a result, would also create more jobs. As indicated earlier, inequality would fall which, as the IMF has argued, will bring about greater economic growth.<sup>24</sup> National social cohesion will strengthen, which will result in more peaceful societies and a more propitious environment for investors ([Kidd, Axelsson et al 2020](#)).

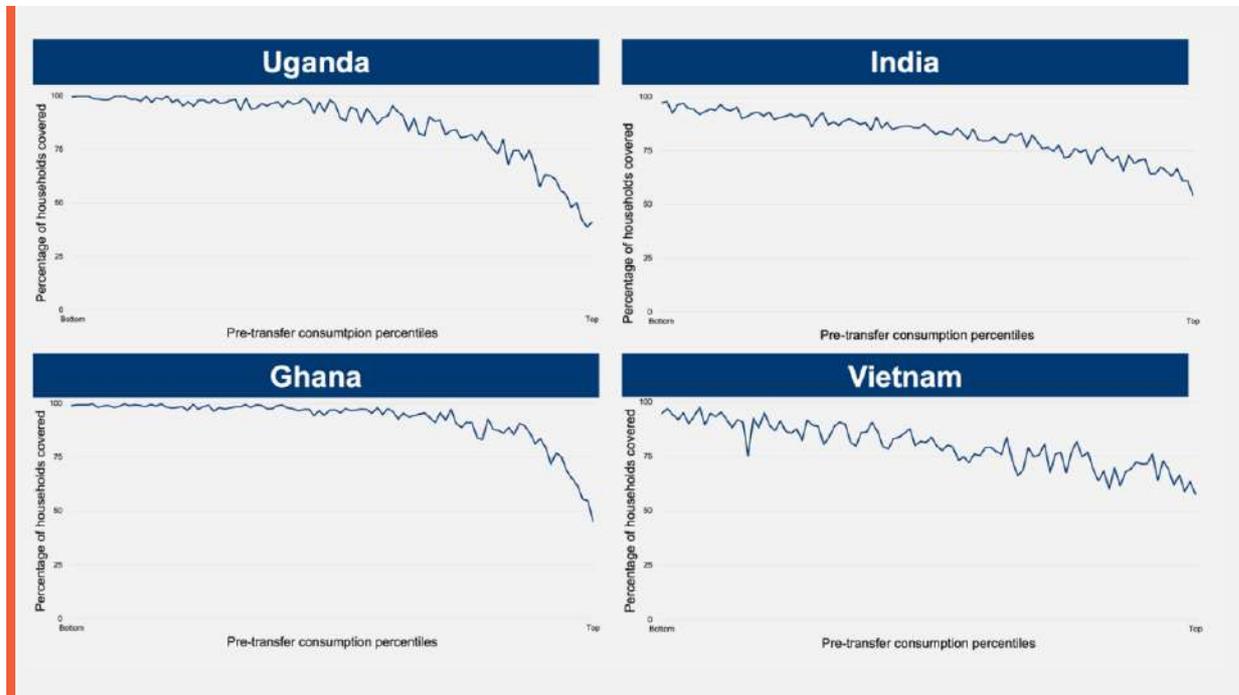
Because universal schemes are popular, there will also be significant political rewards for those politicians willing to introduce them. This is to be expected: if political leaders introduce schemes that benefit the majority, it is no surprise that they will be more likely to win elections ([Kidd et al 2023](#)). And, as universal systems expand, over time the vast majority of households will be able to access benefits, as indicated by Figure 3-11. Overall, by 2040, it is likely that 90 per cent of households in Ghana, 81.5 per cent in India, 84 per cent in Uganda and 79 per cent in Vietnam will receive at least one benefit. For progressive politicians who wish to be elected so that they can positively transform their countries, the introduction of universal benefits is a no-brainer.

---

<sup>23</sup> See Kidd et al. (2023), Kidd and Tran (2018) and Tran et al. (2021) for more information on how universal social security helps generate economic growth.

<sup>24</sup> Ostry and Berg (2011); and, Grigoli (2017).

**Figure 3-11: Coverage of households by universal social security systems once child, old age and disability benefits are fully rolled out in Ghana, India, Uganda and Vietnam**



Authors' calculations using: Ghana Living Standards Survey Round Seven (GLSS7) 2017; the India Human Development Survey-II (IHDS-II) 2011/12; Uganda National Household Survey (UNHS) 2016/17; and, Vietnam Household Living Standards Survey (VHLSS) 2016.

## 4 Conclusion

While there are two contesting approaches to how universal social security systems can be established – one that advocates for targeting the poorest members of society initially while the other argues for using the principle of universality as the basis for building systems – there is, in reality, no doubt which is more likely to succeed. There is no evidence globally that programmes targeted at the ‘poorest’ will expand, over time, to become universal. In fact, the opposite is likely to be the case and such programmes are likely to shrink and, potentially, even disappear, due to their unpopularity among taxpayers, most of whom are excluded from poverty-targeted programmes. In contrast, universal, lifecycle social security schemes are usually very popular – given that everyone can access them throughout their lives – and, therefore, tend to have the support of the majority of taxpayers. For example, universal old age pensions normally have strong support since everyone will hope to access them once they reach old age.

Therefore, if countries are committed to building universal social security systems – and if universal social security is to become a reality – they should use the principle of universality as they expand their systems. In the face of initial fiscal constraints, countries could introduce universal schemes that reach a restricted proportion of the lifecycle category and, over time, expand the proportion of people reached, while always offering the schemes to everyone who is eligible. As this paper has shown, progressively building a universal system in low- and middle-income countries, using universality, can be achieved at relatively low cost and should be within the fiscal possibilities of most countries.

However, low- and middle-income countries do not have to restrict themselves to the type of low-cost universal model that is presented in this paper. They could – and indeed should – be more ambitious given the even greater challenges currently facing low- and middle-income countries due to climate change, the COVID-19 pandemic and the high rates of inflation resulting from the Russia-Ukraine conflict. Ideally, countries should plan for a more ambitious roll-out of national universal social security systems, aiming to reach all children, persons with disabilities and older people as soon as possible, while also integrating other lifecycle schemes such as maternity/paternity, unemployment, caregivers’ and sickness benefits. Some low and middle-income countries are already showing the way, investing more than 1.5 per cent of GDP in tax-financed social security systems. It is time for other countries to follow their example and over time, ensure income security for all citizens and fulfil the right of everyone to access social security through inclusive and effective national Social Protection Floors.

## Bibliography

- Credit Suisse. (2021). Global Wealth Report 2021. Credit Suisse.
- Figari, F., Paulus, A., & Sutherland, H. (2015). Microsimulation and policy analysis. In Handbook of income distribution (Vol. 2, pp. 2141-2221). Elsevier.
- Filmer, D., Friedman, J., Kandpal, E. and Onishi, J. (2018) Cash Transfers, Food Prices, and Nutrition Impacts on Nonbeneficiary Children (Policy Research Working Paper No. 8377). World Bank Group. Available at: <https://documents1.worldbank.org/curated/en/989031522077749796/pdf/Cash-Transfers-Food-Prices-and-Nutrition-Impacts-on-Nonbeneficiary-Children.pdf>
- Gelders, B. (2015). Universal child benefits: The curious case of Mongolia. London, Development Pathways.
- Grigoli, F., and Robles A. (2017). Inequality Overhang. IMF Working Paper No. 2017/076. International Monetary Fund
- International Monetary Fund (IMF). (2021). *Fiscal Monitor, April 2021*. Washington, D. C., International Monetary Fund (IMF).
- Kidd, S. (2015). The Political Economy of 'Targeting' of Social Security Schemes. *Pathways' Perspectives on social policy in international development*, (19). London, Development Pathways.
- Kidd, S., and Huda, K. (2013). Bolsa unFAMILIAR. *Pathways' Perspectives on Social Policy in International Development*, (09). London, Development Pathways.
- Kidd, S., Gelders, B. and Athias, D. (2017). Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism. Geneva, ILO and Development Pathways. Available at: <https://bit.ly/3vsYnyB>
- Kidd, S., Tran, A. (2018). Social pensions and their contribution to economic growth. Expanding Social Protection, the Ministry of Gender, Labour and Social Development of the Republic of Uganda.
- Kidd, S. and Athias, D. (2020). Hit and Miss: An assessment of targeting effectiveness in social protection with additional analysis. London, Development Pathways.
- Kidd, S., Axelsson, G., Tran, A. and Cretney, M. (2020). The social contract and the role of universal social security in building trust in government. London, Development Pathways and Act Church of Sweden.

## Bibliography

- Kidd, S., Axelsson Nycander, G. and Seglah, H. (2023). *Advocating for universal social security: how to win hearts and minds*. London, Development Pathways, Act Church of Sweden and Action Contre la Faim.
- Kidd, S., Heyer, A., Athias, D., Christensen, M. & Sibun, D. (2023). *Social Security: A Pillar of Inclusive Growth for Kenya? (Study Commissioned by Financial Sector Deepening Kenya)*.
- Mkandawire, T. (2005). Targeting and universalism in poverty reduction. *Social Policy and Development*, 23. Geneva, UNRISD. Available at: [https://www.researchgate.net/publication/241468306\\_Targeting\\_and\\_Universalism\\_in\\_Poverty\\_Reduction](https://www.researchgate.net/publication/241468306_Targeting_and_Universalism_in_Poverty_Reduction)
- Ortiz, I., Duran Valverde, F., Pal, K., Behrendt, C., and Acuña-Ulate A. (2019). *Universal Social Protection Floors: Costing estimates and affordability in 57 lower income countries*. ESS Working Paper NO. 58. Geneva, ILO.
- Ostry, J. and Berg, A. (2011). *Inequality and Unsustainable Growth: Two sides of the same coin?* IMF Staff Discussion Note. International Monetary Fund.
- Pritchett, L. (2005). *A Lecture on the Political Economy of Targeted Safety Nets*. Social Protection Discussion Paper Series No. 0501, Social Protection Advisory Service. World Bank: Washington D.C. Available at: <https://web.worldbank.org/archive/website01536/WEB/IMAGES/0501.PDF>
- Sen, A. (1995) *The Political Economy of Targeting*. In *Public spending and the poor: theory and evidence* by D. van de Walle & K. Nead (Eds.) World Bank, The John Hopkins University Press: Baltimore.
- Sibun, D. (2022a). *Inclusive social security and the social contract: Overcoming instability and building trust in the MENA region*. ISSPF Working Paper No. 5.
- Sibun, D. (2022b). *Can a leopard change its spots? A critical analysis of the World Bank 'progressive universalism' approach to social protection*. London, Development Pathways. Act Church of Sweden and Action Contre la Faim.
- Tran, A., Bispham, J., and McClanahan, S. (2021). *Social Security for Inclusive Growth Globally and in the MENA Region*. ISSPF Working Paper No. 02.
- World Bank. (1990). *World Development Report, 1990*. World Bank Group. Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/562761468762881153/the-world-bank-annual-report-1990>

## *Bibliography*

World Bank. (2019). World Development Report, 2019. World Bank Group. Available at:  
<https://documents1.worldbank.org/curated/en/816281518818814423/pdf/2019-WDR-Report.pdf>

## Annex 1 Methodology for the simulations used in the paper

The simulations answer “what if” questions in a static and backward-looking manner (ex-ante simulations). Using nationally representative household surveys, the simulations provide estimates of how the introduction of tax-financed social security schemes would impact the standards of living of individuals, including those directly and indirectly benefiting from the programmes. The simulations attempt to construct a hypothetical scenario of what would have happened to households if such programmes had been in place in the year of the household survey. By looking at the household unit, the distributional effects of the simulated schemes are also analysed. The impact estimates are presented by age groups, welfare quantiles, and other socio-economic stratifiers.

Behind these hypothetical calculations are a number of assumptions. The main assumption in the microsimulation model is that households spend 100 per cent of the additional income from cash transfers. That is, the model does not incorporate other possible behavioural responses to changes in household income. In other words, in the simulations, households do not save any portion of the transfers received. Further, transfers to each household are assumed to be equally distributed among all members of the household. Other possible positive responses that have multiplying effects are also not captured by the model.

Conceptually, the simulations follow a linear approximation model such as the one outlined by Figari, Paulus and Sutherland (2015).<sup>25</sup> Using per capita consumption expenditure as the measure for household welfare, household welfare  $y(c, x, m_k)$  is expressed as:

$$y(c, x, m_k) = x + f_k(c, x, m_k),$$

where  $k$  denotes whether the households are recipients of the benefit,  $c$  denotes the idiosyncratic characteristics of a given household – such as number of children – and  $m_k$  is the benefit parameter. The household’s welfare is a linear combination of a household’s level of per capita consumption expenditure  $x$  (which acts as a proxy for income prior to any social security transfer), and transfer  $f_k$  is itself a function of a household’s income, characteristics and the transfer value. To ascertain the change in a household’s welfare post-transfer—which here is measured as the level of per capita consumption

---

<sup>25</sup> Figari et al. (2015)

expenditure—a household's consumption expenditure under Scenario 0 (no transfer) is compared against Scenario 1 (with transfer),

$$\Delta y = y_B(c, x, \overline{m}_k) - y_A(c, x, m_k),$$

where  $\overline{m}_k$  is equal or greater than zero and refers to the changes to the benefit level of the scheme,  $m_k$ . In practice, however, the simulation analysis imposes a functional form onto  $f_k$

$$f_k(c, x, m_k) = t_k 1_{\{D_k=1|c\}},$$

where  $t_k$  is the transfer value, and  $D_k$  is a binary variable with 1 representing if a household is a participant of the programme under option  $k$ , conditional on household characteristics  $c$  and 0 representing non-participation. By extension, transfers post-reform can be expressed as:

$$\overline{f}_k(c, x, \overline{m}_k) = \overline{t}_k 1_{\{D_k=1|c\}}$$

The simulations were undertaken using the following datasets:

- Ghana's Living Standards Survey Round Seven (GLSS7) 2017
- India's Human Development Survey-II (IHDS-II) 2011/12
- Uganda's National Household Survey (UNHS) 2016/17
- Vietnam's Household Living Standards Survey (VHLSS) 2016

The proposed parameters of the programmes such as eligibility criteria and monthly transfer values determine the cost of the programme in each country, where total annual transfer cost is the product of the share of the population  $Pop_t^j$  that meet the eligibility coverage criterion,  $Criterion_j$  in a given year and annualised monthly transfer values,  $m_j$ . This can be expressed as:

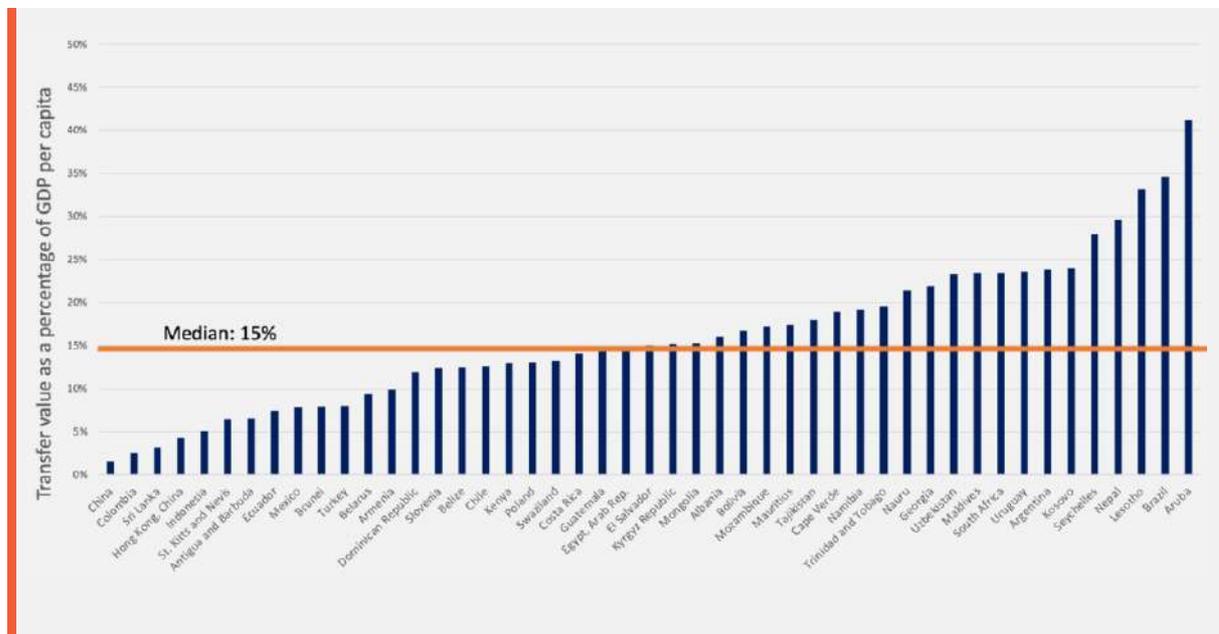
$$Costs_{j,t} = Pop_t^j * Criterion_j * (m_j * 12)$$

In the analysis, the total transfer costs of programmes across different countries by year is measured as a percentage of GDP and projected using IMF's World Economic Outlook (WEO) database and UNDESA's Population Prospects 2022 revision data. The World Economic Outlook (WEO) database provided GDP projections and real annual growth up to 2027 for each country, while the Population Prospects data provided the projected total number of people in each year going forward by single age groups. The analysis projects annual transfer costs for the years 2023 to 2040. To project the GDP in real values forward, the projections used the 2022 GDP estimates in the WEO database and the average annual real growth for the period 2022 to 2027.

## Annex 2 Transfer values for universal social security programmes across countries

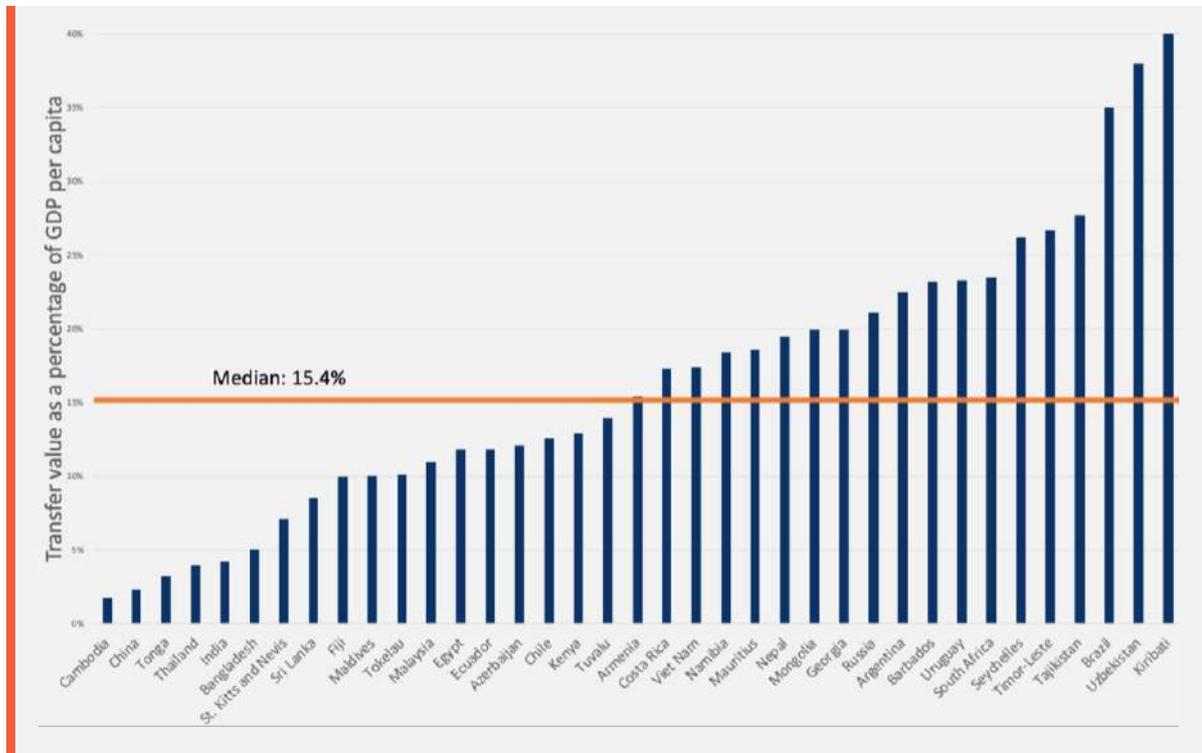
In order to determine an appropriate and fiscally responsible transfer value for the simulations, we looked at similar old age, disability and child benefits to those used in the analysis across low- and middle-income countries. In Figure A2- 1, Figure A2- 2 and Figure A2- 3 we set out the transfer values found for different schemes, expressed as a percentage of GDP per capita, for each of the types of benefits. The median transfer values are shown as a line and these were used in the simulations. These are 15 per cent of GDP per capita for disability benefits and old age pensions, and 5 per cent for the universal child benefit. Given that universal child benefits have only been introduced in a small number of low- and middle- income countries, Figure A2- 3 compares the transfer values as a percentage of GDP per capita in countries with both universal or quasi-universal benefits, across high-, low- and medium-income countries.

**Figure A2- 1: Comparison of the transfer value of old age pensions in a number of low- and middle-income countries (latest information available)**



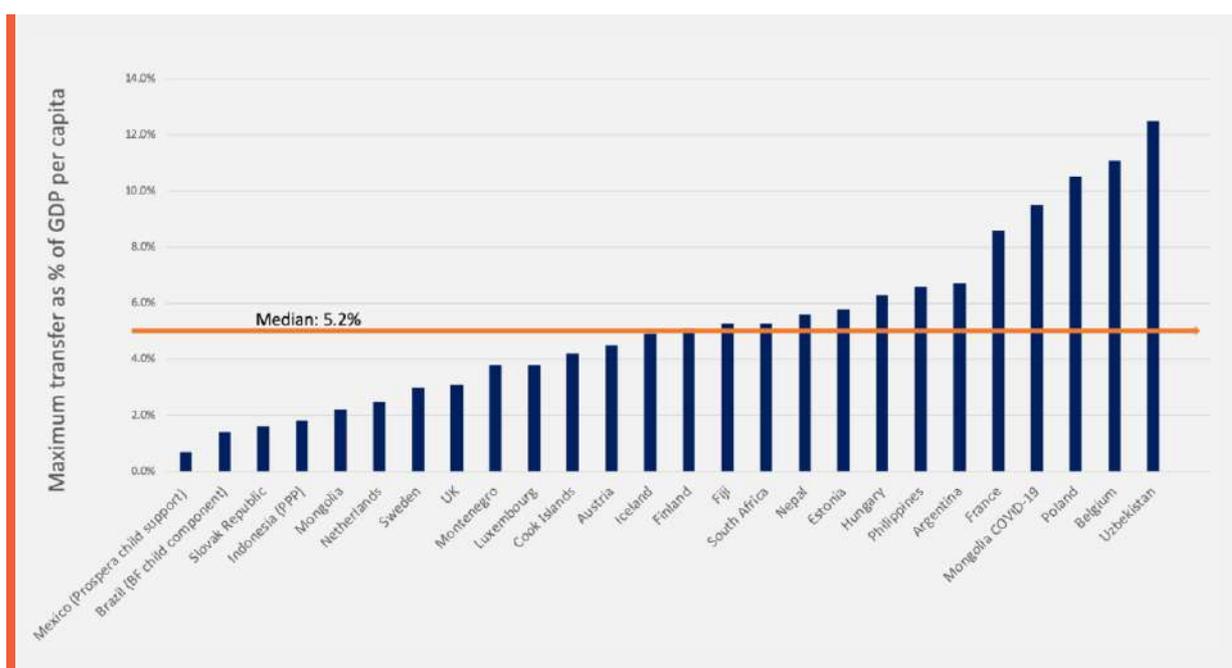
Source: Development Pathways' social security benefits database.

**Figure A2- 2: Comparison of the transfer value of disability benefits in low- and middle-income countries (latest information available)**



Source: Development Pathways' social security benefits database

**Figure A2- 3: Comparison of the transfer value of child benefits in low-, medium, and high-income countries (latest information available)**



Source: Development Pathways' social security benefits database.

**Development Pathways is committed to bold and innovative thinking on social policy. Our aim is to provide creative, evidence-based and context-specific solutions to the social and economic challenges facing low- and middle-income countries.**

**[www.developmentpathways.co.uk](http://www.developmentpathways.co.uk) | @devpathways**

**Act Church of Sweden defends people's dignity and rights – through humanitarian and long-term development work, church collaboration, and advocacy. We work together with churches and actors from the civil society and belong to the ACT Alliance – Action by Churches Together.**

**[www.actalliance.org](http://www.actalliance.org) | @ACTAlliance**

**Founded in 1979, Action Against Hunger France is a non-governmental organisation of international solidarity, dedicated to preventing, detecting and treating undernutrition, particularly during and after emergency situations.**

**[www.actioncontrelafaim.org/en/](http://www.actioncontrelafaim.org/en/) | @ACF\_France**

