ZANZIBAR: SOCIAL PROTECTION BUDGET ANALYSIS

JULY 2018
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Revolutionary Government of Zanzibar and United Nations Children’s Fund

Dar es Salaam, Tanzania
July 2018
In the last decade, an increasing number of developing countries started to develop social protection programmes with the objective of contributing to the eradication of poverty, food insecurity and vulnerabilities. Particularly in Africa in recent years, there has been an impressive growth of non-contributory programmes targeting poor and vulnerable households and individuals.

Zanzibar is proud to have ushered in two major social assistance interventions in the recent past: the Productive Social Safety Nets (PSSN) programme and the Zanzibar Universal Social Pension. These non-contributory programmes are essential for reaching the poorest and most vulnerable populations, such as poor households, most vulnerable children, elderly people, pre-school and school age children, adolescents, working adults, pregnant and lactating mothers and people with disabilities, and those most affected by natural disasters and crisis. The Zanzibar Social Policy (2014) lists four objectives of social protection in Zanzibar: “to contribute to minimum income security, to provide adequate protection against life-course shocks and livelihood risks, to extend basic social services, for all citizens and residents of Zanzibar and to strengthen multisectoral coordination of all stakeholders working on social protection”. The aim is to reduce poverty, deprivation and vulnerability and to improve access to health, education among beneficiaries. In the case of PSSN, the programme has also been designed to create productive linkages within local economies.

Despite progress made in reducing levels of extreme poverty in Zanzibar, from 34.9% in 2010 to 30.4% in 2015, high levels of poverty and vulnerability persist. In the case of Pemba island, poverty has actually increased during the period from 2010-2015 rising from 48.5% to 55.4%. Social protection measures are essential elements of a policy response that can address this challenge. They not only support the realization of the universal human right to social security, but are both a social and an economic necessity. Well-designed and adequately funded social protection systems support incomes and domestic consumption, build human capital and increase productivity.

As Principal Secretary, I recognize that the key to reducing poverty in Zanzibar is to ensure that social protection interventions are well targeted, and given adequate funding. As Zanzibar progresses towards middle-income status we must ensure that all Zanzibaris have the security of knowing that if they lose their job or fall ill, and also when they grow old, they will not face the risk of poverty and insecurity. Our modern society can aim to provide universal social protection.

This Public Expenditure Review of Social Protection interventions in Zanzibar enables cataloguing and categorization of social protection in Zanzibar as well as an analysis on the spending trends, sustainability and includes comparative analysis relative to regional and global social protection efforts. It assesses the adequacy of social protection in Zanzibar by examining expenditures, coverage, distribution, and impact of different interventions.

I wish to thank UNICEF for supporting the development of this report and to all the social protection stakeholders who have given their time to provide inputs to this study.

Khamis M. Omar
Principal Secretary
Ministry of Finance and Planning
Zanzibar
ACKNOWLEDGEMENTS

The Zanzibar Social Protection Budget Analysis is the product of collaborative efforts of the Ministry of Finance and Planning (MOFP), the Ministry of Labour, Empowerment, Elders, Women and Children (MLEEWC), the United Nations Children’s Fund (UNICEF), and numerous organizations and individuals whose contribution I would like to acknowledge.

First and foremost the Ministry would wish to acknowledge the Revolution Government of Zanzibar for investing in production of a study that looks into what investments are made in protecting the most vulnerable members of our society.

The Ministry wishes to acknowledge the valuable support of Ms Marina Novikova, who led the analysis and preparation of this report from the inception stage and presented the findings at a validation workshop held in June 2018 in Zanzibar. We are indebted to all the institutions that took the time to share information with Ms Novikova for the completion of this report.

The Ministry is also indebted to the individuals who attended the validation workshop on the 4th June 2018 and provided inputs to this report, namely from various departments of the Ministry of Labour, Empowerment, Elders, Women and Children, TASAF, ZSSF, OCGS, and SUZA.

Last but not least, I would like to thank UNICEF Tanzania for providing financial support to prepare this first-ever report, which unveils the social protection landscape in Zanzibar and offers advice on how to expand its reach.

Fatma Gharib Bilal
Principle Secretary
Ministry of Labour, Empowerment, Elders, Women and Children
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## ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ALMP</td>
<td>active labour market policies</td>
</tr>
<tr>
<td>ASPIRE</td>
<td>Atlas of Social Protection Indicators of Resilience and Equity</td>
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<tr>
<td>CCT</td>
<td>conditional cash transfers</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>EFA</td>
<td>Education for All</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Agency</td>
</tr>
<tr>
<td>MIS</td>
<td>management information system</td>
</tr>
<tr>
<td>MLEEWC</td>
<td>Ministry of Labour, Empowerment, Elders, Women and Children</td>
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<tr>
<td>MVC</td>
<td>most vulnerable children</td>
</tr>
<tr>
<td>OCGS</td>
<td>Office of the Chief Government Statistician</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PCD</td>
<td>Partnership for Child Development</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<tr>
<td>PSSN</td>
<td>productive social safety net</td>
</tr>
<tr>
<td>PW</td>
<td>public works</td>
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<tr>
<td>RCSPS</td>
<td>Retired Civil Servant Pension Scheme</td>
</tr>
<tr>
<td>SACCOS</td>
<td>savings and credit cooperative societies</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goal</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Agency</td>
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<tr>
<td>SSN</td>
<td>social safety nets</td>
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<tr>
<td>SPP</td>
<td>Social Protection Policy</td>
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<tr>
<td>TASAF</td>
<td>Tanzania Social Action Fund</td>
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<tr>
<td>UCT</td>
<td>unconditional cash transfers</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>ZSGRP III</td>
<td>Third Zanzibar Strategy for Growth and Reduction of Poverty</td>
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<tr>
<td>ZSSF</td>
<td>Zanzibar Social Security Fund</td>
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<tr>
<td>ZUPS</td>
<td>Zanzibar Universal Pension Scheme</td>
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The objective of this report is to evaluate Zanzibar’s social protection and labour expenditures, and their fiscal sustainability and effectiveness. The report reviews the socioeconomic conditions of poor and vulnerable individuals and households, analyses the main social protection interventions and their financing structure, and assesses the fiscal sustainability of the social protection system.

The methodology used in the report relies on definitions of social protection used in the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE)\(^1\) to ensure international comparability of analyses. The authors also map interventions according to the life cycle approach adopted in Zanzibar’s Social Protection Policy (SPP) (Revolutionary Government of Zanzibar 2014) to check if the existing interventions align with the SPP’s focus.

**The report answers the following questions:**

- What are the core pillars of the social protection system in Zanzibar?
- How much is spent on social protection, and what are the sources of funding?
- What categories of people does the current social protection system target and what is the coverage?

**Main findings:**

- Zanzibar, since 2014, has had a comprehensive life-cycle-based SPP, which covers social assistance and social insurance interventions.
- Social assistance coverage and spending expanded significantly following the inception of the conditional cash transfer (CCT) programme, Productive Social Safety Net (PSSN), in 2014, and the Zanzibar Universal Pension Scheme (ZUPS) in 2016. However, social protection spending remains dominated by social insurance.
- Spending on social protection has increased in recent years. Currently, 1.62 per cent of the gross domestic product (GDP) is spent on social protection in Zanzibar, of which 1.07 per cent is spent on social insurance, 0.54 per cent on social assistance, and the rest is split between labour market programmes and social welfare services. The government provides 40 per cent of the social assistance spending and the remainder is provided by development partners.
- The share of social protection expenditure in the total government budget has been increasing, reaching 8.99 per cent in 2015/16. Social insurance expenditures stood at 5.95 per cent of the

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\(^1\) Please see the “ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity” page on the World Bank.
total government budget in 2015/16, social assistance at 2.99 per cent, and the remainder was distributed between labour market programmes and social welfare services.

- Social protection expenditures, in the form of the Zanzibar Social Security Fund (ZSSF) benefit payments, are largely driven by pensions, which cover only formal-sector workers. The Retired Civil Servant Pension Scheme (RCSPS), which has a retirement age of 60 years, or voluntary retirement at 55 years, was allocated 0.44 per cent of the GDP in 2016. Even though the ZSSF is currently running a surplus of net assets, trends in observed parameters underscore the need for a detailed actuarial assessment of pension fund finances to ensure that current parameters align with promised benefits in a fiscally sustainable and equitable manner.

- Both contributory pension schemes – the ZSSF National Pension Scheme and the RCSPS – and the ZUPS are targeting the elderly, while PSSN is aimed mainly at poor families with children. The cash transfer component of PSSN incentivizes investing in children’s human capital, and the public works component provides temporary employment for working-age members of the population.

- There are currently no plans for the Government of Zanzibar to supplement PSSN spending (which is currently fully donor-funded). There are, however, plans to expand the ZUPS (financed by the government) by lowering the eligibility age.

The government is currently implementing a growth strategy that targets development constraints in different sectors. In the social protection arena, Zanzibar adopted the SPP in 2014, following which it introduced and massively scaled up the PSSN programme, and then introduced the ZUPS. Zanzibar has made progress in all spheres of human development in the past few years. It has low rates of malaria, acquired immunodeficiency syndrome (AIDS) and tuberculosis, with incidences of all three under 1 per cent (United Nations Children’s Fund 2018a). In the education sector, primary school enrolment rates are increasing (United Nations Children’s Fund, 2018b).

However, despite these positive developments, many important challenges need to be addressed in the short/medium term:

- Pemba Island is experiencing an increase in poverty;
- Access to public services, roads and health-care facilities is still limited for the rural poor;
- Labour market programmes are limited in coverage;
- A rather limited share of working-age individuals are enrolled in social security schemes;
- There is a need to set up a management information system (MIS) for ZUPS and for social welfare programmes.

Key recommendations:

PSSN is well targeted and moderately generous by international standards. However, it is heavily donor-dependent, and a more sustainable future source of funds needs to be found. Zanzibar should consider expanding the coverage of PSSN, given its quality as a flagship programme.

More research is needed to evaluate the potential effectiveness of ZUPS prior to rolling out plans for expansion. It is strongly encouraged to expand the social protection questionnaire in the Household Budget Survey. Questions on the main social protection interventions should be included in order to aid in the future analysis of: i) how well the programmes are targeted;
ii) if the benefits are reaching the poorest citizens who are not covered by any social protection interventions; iii) how generous the benefits are; and iv) if there are major programme overlaps, where a number of programmes are benefiting individual households.

Labour market programmes as well as social welfare services are too small-scale, and information on programme beneficiaries and programme effectiveness is limited. Scaling up the PSSN livelihoods enhancement component (currently being piloted in Zanzibar) in a manner consistent with information gathered from the impact evaluation could help address earnings potential.

There is also a need to set up an MIS for ZUPS and for social welfare programme beneficiaries and providers.
Introduction

The Revolutionary Government of Zanzibar (RGoZ) has been focusing on expanding social protection interventions and other means of supporting the population. To assess the progress in this area, this report benchmarks social protection expenditures, and performance against social protection programmes in other comparable countries, with other social sectors and over time.

This report was prepared in consultation with government representatives, including colleagues from the Ministry of Finance and Planning, the Tanzania Social Action Fund (TASAF) and the Planning Commission, as well as the child protection officer under the Ministry of Labour, Empowerment, Elders, Women and Children (MLEEWC).

The report is primarily aimed at policymakers in Zanzibar, but it might also be useful for development partners and non-governmental organizations (NGOs).
Zanzibar is a semi-autonomous region of Tanzania, East Africa, comprising two islands with very different profiles, as well as many smaller islands. It is located in the Indian Ocean between 5 and 50 kilometres off the coast of the Tanzanian mainland. The total population, according to the latest Census (2012), is approximately 1.3 million people. There are two main islands, Unguja (with around two-thirds of Zanzibar’s population) and Pemba Island (with most of the remaining one-third). Pemba Island, compared to Unguja, has a larger share of poor people, on average bigger households and higher fertility rate, a larger rural population, and higher food insecurity (Office of the Chief Government Statistician 2016a). Pemba’s economy is significantly more focused on agriculture, while Unguja has a larger service industry. In rural Unguja, 36 per cent of the workforce is employed in the service industry, as compared to 18 per cent in rural Pemba (Belghith and De Boisseson 2017).

Zanzibar’s economy as well as revenue collection are growing fast. Zanzibar’s economy has been growing at a rate of around 7 per cent annually in recent years (Revolutionary Government of Zanzibar 2017a), fluctuating between 4 per cent and 9 per cent over the past decade. However, borrowing levels and the inflow of foreign grants have also been rising steadily (United Nations Children’s Fund 2016).

Government revenue collections have been increasing in recent years, together with economic expansion. Total government revenue increased from TSh467,489.40 million in 2011/2012 to

![Figure 1: Total government revenue and expenditures](image-url)


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2 Key economic indicators can be found in Annex B.
TSh564,967.73 million in 2015/16, while tax revenue collections’ share of total revenue increased from 43 per cent in 2012 to almost 70 per cent in 2016 (see Figure 1). The tax-to-GDP ratio has remained relatively stable between 2011 and 2016, at around 16 to 17 per cent, reaching around 22 per cent in 2017/18 (Revolutionary Government of Zanzibar 2017b). Even though at the regional level the tax-to-GDP ratio is quite high, it is much lower than the 2016 Organisation for Economic Co-operation and Development (OECD) average tax-to-GDP ratio of 34.3 per cent.

Although overall poverty rates are decreasing, Pemba Island’s poverty is deepening. Between 2010 and 2015, basic needs poverty declined overall in Zanzibar (from 34.9 per cent in 2010 to 30.4 per cent in 2015), although with vast disparities between the islands. Unguja Island, having started with a lower poverty rate in 2010 (26 per cent), reduced it even further by 2015 (18.4 per cent). Pemba Island had a poverty rate of 48.5 per cent in 2010, and by 2015, the situation had deteriorated further, with poverty rates reaching 55.4 per cent (see Table 1). Although the overall poverty rate in Zanzibar is decreasing, a large number of households are clustered around the poverty line (Belghith and De Boisseson 2017), making these households vulnerable to any systemic or idiosyncratic shock which can send them into poverty.

Many factors contribute to poverty rates in Zanzibar, as outlined in the 2017 World Bank Zanzibar Poverty Assessment. Poverty in Zanzibar is mainly concentrated in rural areas, on Pemba Island, among large households with many dependents, among households where the head of the house has a low level of education, and among households with poor access to infrastructure (Belghith and De Boisseson 2017). The poor also have limited access to mobile banking and to savings and credit cooperative societies (SACCOS), which are lending institutions for rural micro-entrepreneurs. All these factors make it even more difficult for Pemba Island to break the poverty cycle. According to the Poverty Assessment, “In Pemba the aggravation of poverty is largely due to the deterioration of households’ returns and local conditions” (Belghith and De Boisseson 2017). Pemba’s rural areas are remote and disconnected from urban centres, as opposed to Unguja where rural areas are reachable from the capital and thus experience an economic spillover. Communities in Pemba that are furthest from urban centres have experienced the largest increase in poverty in Zanzibar.

Table 1: Zanzibar poverty rates, 2010 and 2015

<table>
<thead>
<tr>
<th></th>
<th>Basic needs poverty rate</th>
<th>Extreme poverty rate</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2015</td>
</tr>
<tr>
<td>Zanzibar</td>
<td>34.9</td>
<td>30.4</td>
</tr>
<tr>
<td>Unguja</td>
<td>26</td>
<td>18.4</td>
</tr>
<tr>
<td>Pemba</td>
<td>48.5</td>
<td>55.4</td>
</tr>
<tr>
<td>Urban (all)</td>
<td>29</td>
<td>18</td>
</tr>
<tr>
<td>Rural Unguja</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Rural Pemba</td>
<td>52</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Zanzibar Poverty Assessment (Belghith and De Boisseson 2017).

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3 Author’s calculations using Zanzibar’s GDP and tax revenues from the Office of the Chief Government Statistician (2016b).
4 Please see the “Tax” page on the OECD website: http://www.oecd.org/tax/
5 A more detailed poverty analysis of Zanzibar, including population density around different poverty lines, can be found in Zanzibar Poverty Assessment (Belghith and De Boisseson 2017).
A large youth population necessitates a greater commitment to education. The population of Zanzibar, according to the latest Census (2012), is around 1.3 million people, and it is projected to reach 1.5 million people by 2020 (Revolutionary Government of Zanzibar 2011). It is a predominantly young population – almost half of the population is under 18 years of age (Revolutionary Government of Zanzibar 2017a). The government’s commitment to improve educational attainments has resulted in improved educational outcomes. For example, the number of schools has been increasing, the primary enrolment rate is around 83 per cent, and the adult literacy level is increasing as well. Secondary enrolment is lower at about 40 per cent (Revolutionary Government of Zanzibar 2017a); however, it is expected to increase if the government implements its plan to abolish secondary school fees starting FY2018/19.

Even though school enrolment rates are increasing, high youth unemployment may point to poor quality of education. Youth unemployment remains high in Zanzibar (see Table 2), particularly in urban areas among educated youth (Belghith and De Boisseson 2017). One of the hypothesized reasons for explaining the disparity between the increased returns on education and increasing unemployment among educated youth is the quality of education (Belghith and De Boisseson 2017). The Government of Zanzibar has prioritized the education sector, and spending on education constituted 4.6 per cent of GDP in 2016/17.

Table 2: Unemployment rates in Zanzibar, by age group

<table>
<thead>
<tr>
<th>Unemployment rate</th>
<th>15–24 years</th>
<th>25–34 years</th>
<th>35+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban (all)</td>
<td>46</td>
<td>26</td>
<td>11</td>
</tr>
<tr>
<td>Rural Unguja</td>
<td>21</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Rural Pemba</td>
<td>11</td>
<td>7</td>
<td>2</td>
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Source: Zanzibar Poverty Assessment (Belghith and De Boisseson 2017).

At the national level, the Government of Zanzibar has announced serious national commitments towards development. Zanzibar intends to reach middle-income status by the year 2020. Zanzibar’s Strategy for Growth and Reduction of Poverty (ZSGRP III) incorporates the Sustainable Development Goals (SDGs) in its development agenda (Revolutionary Government of Zanzibar 2017a). The main theme of the Strategy is “economic growth and social development for the well-being of all.” The key areas of the Strategy are as follows:

a) Enabling sustainable and inclusive growth;
b) Promoting human capital development;
c) Providing quality services for all;
d) Attaining environmental sustainability and climate resilience;
e) Adhering to good governance principles.

The Strategy outlines a monitoring and evaluation framework which includes specific variables (indicators) to be monitored systematically, in order to evaluate the progress of all area-specific planned outcomes.
The only social protection indicator included in the monitoring and evaluation framework is the proportion of population below the basic needs poverty line. In addition to ZSGRP III, Zanzibar introduced the SPP in 2014 (Revolutionary Government of Zanzibar 2014), which emphasizes the need for a single beneficiary registry. Its creation will facilitate the identification and monitoring of SPP beneficiaries so that an "integrated database for all individuals and households receiving social assistance will avoid duplication or ‘double dipping’ by transfer recipients" (Revolutionary Government of Zanzibar 2014).

The 2017/18 health budget is lower than that of education, and health spending per capita is lower than that of neighbouring countries (United Nations Children’s Fund 2018a and b). Despite this, some of the main health indicators appear to be positive, such as malaria and HIV/AIDS rates below 1 per cent. Besides health, the Government of Zanzibar has also prioritized other social areas – including education, where primary school enrolment rates are growing – but challenges remain, with low financing of the social protection being one of them.

Other exercises contributing to the elaboration of this report include:

1. **The creation of an inventory of social protection programmes.** Administrative programme-level data was compiled using the World Bank’s ASPIRE guidelines, template and classification. This allows cross-country comparability using the ASPIRE database. Programme-level administrative data includes the number of beneficiaries, expenditure, and the features of the programme such as programme description, year of creation, target audience, targeting methodology (i.e., categorical, means tested, community testing, etc.), benefit amount, types of conditionality if any, benefits payment characteristics such as frequency of payment (whether it is paid lumpsum or periodically), and modality of the programme (cash, in kind, services, etc.).

2. **Two rounds of consultations** with the Government of Zanzibar and other stakeholders were conducted in order to select the programmes to be considered under the social protection umbrella, and to categorize them into four groups: social assistance (safety nets), social insurance, labour market programmes, and social welfare services. This step was important to ensure that the national vision of social protection corresponds with international best practices.

3. **Having established international comparability, social protection programmes in Zanzibar were assessed.** This included international benchmarking, programme composition assessment, and analysis of the social protection system as a whole, to better understand potential gaps.

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*6 The social protection Public Expenditure Review (PER) inception meeting took place as the Planning Commission in Zanzibar on 19 November 2017. It was attended by colleagues from the Ministry of Finance and Planning; Planning Commission; Child Protection Officer under the Ministry of Labour, Empowerment, Elders, Women and Children (MLEEWC); Tanzania Social Action Fund (TASAF); staff from UNICEF Tanzania Mainland and Zanzibar officers. The social protection PER verification workshop took place on 4 June 2018. It was attended by colleagues from the Ministry of Finance and Planning; Ministry of Labour, Empowerment, Elders, Women and Children (MLEEWC); Office of the Chief Government Statistician; Zanzibar Social Security Fund; Tanzania Social Action Fund; staff from UNICEF Tanzania Mainland and Zanzibar officers.*
Social protection has a variety of instruments to help fight poverty and improve resilience. They fall into the following categories:

- **Social assistance (social safety net) programmes** are non-contributory cash and in-kind transfers which usually (although not always) target the poor and vulnerable. Examples of these include UCTs and CCTs, non-contributory social pensions, food and in-kind transfers, school feeding programmes, public works, and targeted health, utility or education fees waivers.

- **Social welfare services** are programmes that provide services rather than transfers. Examples of such programmes include orphanages, shelters for different categories of people, homes for the elderly, physiological support, and basic and specialized social care for substance abusers.

- **Social insurance programmes** are contributory programmes that are designed to help individuals manage income changes due to old age, sickness, or disability. The main difference from social assistance programmes is that individuals pay insurance premiums to be eligible for benefits. Social insurance programmes include national and civil servant old age, survivor and disability pension schemes, health insurance, and maternity benefits.

- **Labour market programmes** include public employment service and active and passive labour market programmes. Passive labour market programmes include unemployment insurance and benefits and unemployment insurance savings accounts programmes. Active labour market policies (ALMPs) include a wide range of interventions intended to foster job-relevant skills (e.g., training programmes), increase labour demand (e.g., wage subsidies and job vouchers, entrepreneurship and microenterprise development), or improve the matching of individuals and jobs (e.g., job search assistance, employment services).

- **General subsidy programmes** include food, fuel, electricity, and other subsidies which are by their nature not targeted.

Zanzibar’s SPP (Revolutionary Government of Zanzibar 2014) includes social protection interventions designed to target specific groups according to the life cycle, i.e., certain age groups such as:

- Preschool-age children;
- School-age children;
- Youth;
- Pregnant women;
- Working-age individuals;
- The elderly;
- People with disabilities.
Zanzibar has programmes in all four areas of social protection (social assistance, social insurance, labour market programme and social welfare services and programmes including general subsidies). Annex 1 presents an inventory of social protection programmes available in Zanzibar, and classifies them according to social protection areas as well as by life cycle grouping, providing information on implementing agencies, spending and coverage.

### 3.1 Social assistance

In Zanzibar, social assistance is one of the main pillars of the social protection system. Social assistance programmes are defined as non-contributory benefits provided either in cash or in kind. Social welfare services are sometimes also considered part of social assistance, since they are intended to support poor or vulnerable people. This report includes the following eight categories of social assistance programmes: (1) CCTs; (2) UCTs; (3) social pensions; (4) in-kind transfers; (5) school feeding; (6) public works; (7) fee waivers and targeted subsidies; and (8) other social assistance programmes.

#### Productive Social Safety Net

The Productive Social Safety Net (PSSN) programme – a union-wide social assistance programme – was set up by the Government of Tanzania in 2014 with the goal of reducing the incidence of extreme poverty through the Tanzania Social Action Fund (TASAF).

The PSSN programme has three components:

(i) **Conditional cash transfers (CCTs):** “The first benefit is a Basic Cash Transfer to all eligible registered households, and the second is a Variable Conditional Cash Transfer for households with children to serve as an incentive for households to invest in their children’s human capital. The variable CCT for households with children is subject to participants’ compliance with a set of activities. These activities are of Health Conditionality Compliance and Education Conditionality Compliance.”

(ii) **Public works:** Any household enrolled for the CCT component can also earn seasonal income under public works. It is implemented twice a year based on rainfall, i.e., unimodal and bimodal rainfall regimes, where project areas of authority falling under unimodal rainfall will implement works from September to December and from December to March for areas located in bimodal rainfall areas. Public Works offers 15 guaranteed days of paid work per month for four months to enrolled households targeted under the PSSN. The daily wage rate is the equivalent of TSh2,300 for 60 days. Thus, a household can earn additional income of TSh138,000 in a year. Participation in public works is paid on the basis of attendance and the effective completion of tasks.

(iii) **Livelihoods enhancement:** The Livelihoods Enhancement programme started in 2016, and is operational in 126 shehias (wards). A total of 1,151 groups (of no more than 15 members each) have been formed with 16,037 beneficiary households, of which 15,508 are female and 649 are male. Through those groups, the beneficiary households have participated in saving
and investment activities. Generally, the beneficiaries are already involved in various economic activities within their households such as small businesses, including handcrafts. A Life and Entrepreneurship Skills pilot programme has commenced within three shehias (Mwanyanya, Muungano and Nyerere).

### 3.1.1 Coverage

PSSN is one of the few examples of flagship social protection programmes that have been scaled up rapidly (World Bank 2018). As Figure 2 shows, the programme currently supports about 15 per cent of the population of Zanzibar. The coverage is higher in Zanzibar than in mainland Tanzania, where PSSN supports just under 10 per cent of the population. Even if one assumes that all the programme beneficiaries are from the poorest quintile, it is not enough to cover the entire poor population of the country. With a poverty rate of 30 per cent, there are about 390,000 people in Zanzibar who are below the poverty line. PSSN beneficiaries total approximately 190,000 people in almost 35,000 households.

Given that Pemba has a higher prevalence of poverty, let us consider how beneficiaries are allocated among the islands. Although families participating in public works are distributed equally between the islands in absolute terms (51 per cent in Unguja, 49 per cent in Pemba), in relative terms, coverage is higher in Pemba, which is expected given its higher poverty rate. Twenty per cent of participating households are resident in the Zanzibar’s capital city, Mjini Magharibi (see Table 3). Relative to the total population of the districts, the coverage of public works programmes is higher in Pemba than in Unguja.

**Figure 2: PSSN–CCT component coverage expansion in Zanzibar**

![Figure 2: PSSN–CCT component coverage expansion in Zanzibar](image)

**Source:** Author’s calculation based on data from TASAF.

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10 Assuming an average household size of 5.6 individuals, according to the Household Budget Survey2014/15.
The CCT component has higher coverage, reaching almost 20 per cent in the poorest regions of Zanzibar – Pemba Kusini and Pemba Kaskazini – for the cash transfer component, and 15 per cent for the public works component (see Table 3). In terms of spending, 44 per cent of the total benefits spending (PW + CCT) under PSSN in Zanzibar goes to Pemba, where around 30 per cent of the population lives. A quarter of the spending is distributed to Mjini Magharibi where almost half (48 per cent) of Zanzibar’s population lives (see Table 3) and the rest of Unguja Island gets the remaining 30 per cent of the total spending (see Table 3).

### 3.1.2 Spending

Spending on both components of PSSN transfers in Zanzibar added up to TSh8.65 billion in 2016 – or 0.33 per cent of Zanzibar’s GDP – about 60 per cent of the total spending on social assistance programmes. PSSN is a flagship social protection programme in Zanzibar as well as in mainland Tanzania. There is evidence that spending on this type of flagship social assistance programme contributes a large share to the total social assistance spending in other countries as well.

### 3.1.3 Adequacy

The benefit matrix for PSSN does not differ between mainland Tanzania and Zanzibar.\(^\text{11}\) However, benefit amounts differ depending on family structure and additional characteristics. On average, PSSN in mainland Tanzania and Zanzibar pays about TSh21,000 for the CCT component, or around US$13 (World Bank 2016).

In order to allow for international comparison of the benefits level, the amount was estimated in 2011 US dollars by purchasing power parity (2011 PPP). PSSN pays about US$42 (in 2011 PPP) per

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\(^{11}\) The benefit matrix (in TSh) for PSSN can be found in Annex C.
12 Appendix E of the State of Safety Nets (World Bank 2018) provides more examples of benefit amounts in flagship programme globally.

3.1.4 Targeting accuracy

PSSN has an elaborate 3-stage targeting system. In the first stage, geographical targeting based on household data from the Office of the Chief Government Statistician (OCGS) is used to select the household each month. The benefit 3-stage amount is between the average monthly transfers of low and lower-middle-income countries (World Bank 2018). Therefore, PSSN benefit levels can be considered moderately generous. Globally, income levels depend on programme generosity, and richer countries on average provide higher benefits. Flagship programmes that provide similar levels of monthly benefits include Cash Transfer for Orphans and Vulnerable Children in Kenya (about US$43 in 2011 PPP), Programme Keluarga Harapan in Indonesia (around US$44 in 2011 PPP), and the National Cash Transfer Programme in Senegal, which pays a little bit less: around US$33 in 2011 PPP.12
poorest districts and communities. In the second stage, community-based targeting is introduced. At the shehia level, the list of extremely poor, vulnerable households is prepared. Finally, proxy means test is introduced at the household level to confirm eligibility (World Bank 2016).

One of the indicators used to evaluate the quality of the programme is the beneficiary incidence to the lowest quintile. “Beneficiary incidence” refers to the percentage of programme beneficiaries in a quintile relative to the total number of beneficiaries in the population. Based on the programmes for which data is available, PSSN\textsuperscript{13} appears to be outperforming the targeting accuracy of many programmes globally (see Figures 3a, 3b). Programmes which show more beneficiaries in the lower quintiles are considered well targeted. As shown in Figure 3a, PSSN’s thorough approach to targeting has resulted in a very high incidence in the lowest quintile. More than 60 per cent of PSSN households belong to the lowest two quintiles.

3.1.5 Financing

The largest social assistance programme in Zanzibar – PSSN – is almost entirely donor-funded. At the time of its introduction, the programme was supported by financing from the International Development Agency (IDA), partly in the form of a grant and partly a loan (see Figure 4). The IDA’s share in the total PSSN budget remains the largest, except for the fiscal year 2015/16, when the share of the Department for International Development (DFID) was the biggest. DFID remains one of the largest contributors, together with the Swedish International Development Agency (SIDA). In the fiscal year 2016/17, IDA contributed US$126.8 million, DFID US$33 million, and SIDA US$34.7 million. The remaining budget was provided by United States Agency for International Development (USAID), Irish Aid, the Gates Foundation, and UN agencies. The Government of Tanzania has budgeted a contribution of around US$1.5 million in 2017/18 for PSSN, but nothing similar has been suggested for the Zanzibar government budget. The programme is heavily donor-dependent, and a sustainable future source of funding needs to be found for the PSSN programme by the Zanzibar government, one that covers at least part of the cost and is ongoing. For that, fiscal space options have to be analysed for Zanzibar’s government budget. There are currently no plans for the Government of Zanzibar to supplement PSSN spending.

Figure 4: PSSN financing structure

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure4}
\caption{PSSN financing structure}
\end{figure}

\textit{Source:} TASAF

\textsuperscript{13} Data here is not available disaggregated by mainland Tanzania and Zanzibar and refers to the Union PSSN program.
3.1.6 Zanzibar Universal Social Pension

The Zanzibar Universal Social Pension (ZUPS) programme was launched in 2016. Currently, all persons aged 70 years and above are eligible to receive it. The government is planning to gradually reduce the eligibility age to 65 years, and later to 60 years, as the economic status of Zanzibar grows. This programme aims to help elderly people by providing cash transfers to support consumption. ZUPS is providing TSh20,000 per month to each beneficiary (equivalent to US$9). The delivery mechanism is cash, distributed via 68 pay points around the islands. This programme is the second largest pillar of Zanzibar’s social assistance, after PSSN. It is fully financed from the national budget, using domestic tax resources.

Just below 5 per cent of Zanzibar’s population is over 60 years in age. Pension receivers are expected to spend a large share of their income on food, health and livelihoods. According to the 2012 Census, the absolute number of people aged 60 years and older stood at 58,311, which is 4.4 per cent of the total population in Zanzibar. According to the latest Household Budget Survey (Office of the Chief Government Statistician 2016a), people aged 60 years and older comprised about 4.6 per cent of the total population, or around 67,000 people. Many of the elderly are caring for small children – about 24 per cent of ZUPS baseline survey respondents said they live with grandchildren but without children. For women, the share is even higher, reaching almost a third of all respondents (Galvani and Knox-Vydmanov 2017). More than 55 per cent of the baseline survey respondents also indicated that the priority for the extra pension income would be expenditure on food and health (ibid.), while another 20 per cent answered that they would spend money on supporting micro enterprises.

Distribution of elderly across welfare quintiles is approximately equal. An analysis of the latest Household Budget Survey (2014/15) shows that people older than 70 years are indeed concentrated more in the first quintile as opposed to the second, third and fourth quintiles. A reduction of the eligible age to 60 years old would result in a more even distribution of elders across the quintiles (see Figure 5).

In 2016, the programme covered between 18,000 and 24,000 beneficiaries, since it was being expanded that year. When it was rolled out, the programme covered around two-thirds of the population over 70 years old. Unfortunately, since the programme was administered after the Household Budget Survey data was collected, it is not possible to evaluate the performance

Figure 5: Distribution of elderly people across welfare quintiles
of the programme so far, including the extent of exclusion. The government spent TSh4.9 billion (0.19 per cent of GDP) on the programme in 2016. This is around 35 per cent of total social assistance spending, making it the second largest programme in terms of spending, after PSSN. Around 60 per cent of beneficiaries live in Unguja, and 40 per cent are from Pemba.

If expansion plans are executed, the costs of ZUPS could exceed those for PSSN. If the planned expansion in coverage and the reduction of the eligibility age to 60 years take place, a rough expenditure analysis shows that spending on benefits alone could reach 0.53 per cent of GDP (see Figure 6). But even if the eligibility age is reduced to only 65 years, the costs would reach 0.34 per cent of GDP, equivalent to what was spent on PSSN benefits in Zanzibar in 2017/18. This estimation only looks at benefits spending, but there are also the costs associated with running the programme, building infrastructure around it, etc. The estimates also assume that there is no inflation indexation even though it might be expected; thus, the overall costs might be even higher.

Geographical data on beneficiaries is not available, but it would be very useful to see who is benefiting from the programme and where. Identification of eligible elders may be more effective in Unguja than in Pemba, resulting in less benefit directed to the elderly of Pemba from this programme. Reducing the age threshold is subject to several parameters, including cost and current programme performance.

PSSN and ZUPS comprise the main pillars of Zanzibar’s social assistance. The other two social assistance programmes include school feeding and a family-strengthening programme. Both have very low coverage (spending and number of beneficiaries can be found in Annex A).

3.1.7 Small-scale programmes

The school feeding programme implemented by the Ministry of Education covered 5,376 students in 2016. This number has remained practically unchanged since the inception of the programme in 2014. The Ministry of Education has identified pre-primary and primary schools in hardship areas. The pupils are provided with one meal a day to improve their health status and to reduce the drop-out rate. Spending on this programme accounted for TSh622 million in 2016, out

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Source: Author’s calculations. Note: GDP is from 2016, average benefit is kept as it is now, at TSh20,000/month.

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of which 96 per cent was spent on benefits (i.e., school meals). The programme is 100 per cent donor-funded by the Partnership for Child Development (PCD), and TABLE FOR TWO (Japan).

Another form of social support in the country is the zakat (donations) system. Among the responsibilities of the WAKFU (Islamic Endowment Commission) are the coordination and planning of activities related to the collection and distribution of zakat (donations and other goodwill gifts). One of the objectives is the implementation of a framework for beneficiaries to receive information about zakat and to collect and distribute it according to Islamic law and in consideration of current needs. In 2015/16, it had around 20 beneficiaries who benefited from TSh8 million. In, WAKFU collected TSh16 million, which benefited 28 people, orphans and drug rehabilitation centres.

3.2 Social insurance

The social insurance sector in Zanzibar is comprised of two separate pension systems. The Zanzibar Social Security Fund (ZSSF) administers the national old age benefit, survivor, and disability pension schemes which cover both public and private sector employees, while the Ministry of Finance and Planning oversees the Retired Civil Servant Pension Scheme (RCSPS) which provides additional pension coverage for retired public sector workers.

3.2.1 Zanzibar Social Security Fund (ZSSF)

Before 1998, only civil servants were covered by the social insurance scheme. ZSSF was established under the Zanzibar Security Fund Act No. 2 of 1998, and was subsequently amended by the Zanzibar Social Security Fund Act No. 9 of 2002, and then re-enacted by Act No. 2 of 2005. No formal social security system for the overall population existed prior to 1998, with public sector workers being the only segment of the population to benefit from pension coverage.

Insurance under ZSSF offers the following benefits:

- Old age benefits (a national scheme for public and private sector employees which has mandatory and voluntary parts);
- Invalidity benefits;
- Maternity benefits; and
- Survivors benefits.

Old age (retirement) benefit is one of the long-term benefits offered by ZSSF and is paid to members who attain the statutory retirement age. There are two pathways to retirement for both men and women: voluntary (possible from age 55 years) and compulsory (at age 60 years). The old age programme includes a ‘gratuity’ (lump sum benefit) and an ‘old age pension’ (annuity pension benefit). Eligibility criteria for the old age pension includes the attainment of the voluntary (55 years) or mandatory (60 years) retirement age, and the accumulation of at least 60 months of contributions to the ZSSF. The contribution rate stands at 15 per cent of the basic salary (ZSSF 2016), out of which 5 per cent is contributed by the employee, and 10 per cent is contributed by the employer. The contribution rate stands close to the regional average of 14 per cent.

Despite the expansion of ZSSF membership, the majority of the population are not covered by the formal social insurance system. According to the ZSSF Annual Report (Zanzibar Social Security Fund 2016), the number of ZSSF contributors has grown at an average rate of 5 per cent.

annually over the last four years (see Figure 7). According to the author’s calculations, around 13.1 per cent of 17- to 60-year-olds are contributing to the old age benefit scheme with ZSSF. However, according to government statistics (Revolutionary Government of Zanzibar 2017a), around 16 per cent of working-age citizens are making ZSSF contributions towards old age benefits. Both estimates are significantly above average for national pension schemes in sub-Saharan Africa. Only a few countries, such as Seychelles and Mauritius, demonstrate higher than 50 per cent labour force participation in pension schemes, while the remaining countries average at around 10 per cent (Pension’s Database, World Bank, Abels, Guven, 2016).

The ZSSF contribution revenue is growing in absolute terms, but it has remained constant as a share of GDP. At the same time, social insurance spending (defined as benefit payments) almost doubled as a share of GDP. Because of pension coverage expansion among the working-age population, pension contribution revenue has also been increasing, from TSh20 billion in 2011/12 to TSh35 billion in 2015/16 (see Figure 8). Growth was less pronounced in relative terms.
contributions remained practically unchanged, constituting 1.27 per cent of the GDP in 2011/12 and 1.33 per cent of the GDP in 2015/16. However, growing contribution revenue has also been accompanied by an even greater increase in pension benefit payments during the same period; pension benefit payments more than doubled from 0.3 per cent of the GDP in 2011/12 to 0.63 per cent of GDP in 2015/16. By 2015/16, almost half of the total contributions were directed to pension payments, without accounting for administrative costs of running ZSSF, which stood at an additional TSh4.3 billion in 2015/16 – an increase from the previous year by 13.5 per cent (Zanzibar Social Security Fund 2016). Even though ZSSF currently has a surplus of net assets equal to TSh253.6 billion, by the end of the 2016 fiscal year, the share of contribution revenue in benefit expenditures has increased significantly, from 23 per cent four years ago to 48 per cent in the latest year.

National contributory pension scheme expenditures in Zanzibar rank at the higher end of the regional spectrum in sub-Saharan Africa, which has a relatively smaller population over 64 years old. Countries in the region allocate on average 0.5 per cent of the GDP to national contributory pension schemes (see Figure 9), while Zanzibar spends 0.63 per cent of its GDP on it (latest available data for financial year 2015/16). Yet, Zanzibar has a lower-than-average elderly dependency ratio (share of population over 64 years old). The average number of elderly citizens for countries in sub-Saharan Africa stands at 3.6 per cent of total populations (World Bank Africa Database, Abels, Guven, 2016), while in Zanzibar the share of citizens over 64 years of age is 2.9 per cent (Office of the Chief Government Statistician 2016a). Figure 9 shows dependency ratios and pension expenditures from around the world, and it is notable that an aging trend has not appeared in Zanzibar, and that countries like Mauritius (10 per cent) and the Seychelles (8.2 per cent) have the highest dependency rates in the region, yet have similar levels of spending on their national contributory pension schemes. Countries and economies near the mean ratio line have levels of expenditure close to global averages. Zanzibar is slightly above the line, with levels of spending that are normally associated with higher dependency rates.

Apart from the contribution revenues discussed above, ZSSF revenue includes investment income; however, the return on investment has been decreasing. Zanzibar’s portfolio distribution as of June 2016 was: 26 per cent investment property, 28 per cent treasury bonds, 29 per cent fixed deposits, and 17 per cent distributed among stocks, bonds and loans. Although in nominal terms, the investment income has grown from TSh13.2 billion in 2011/12 to TSh25.6 billion in 2015/16, the rate of return on investment (ROI) has been gradually decreasing from 13.1 per cent

Figure 9: Pension expenditures and dependence ratio (national scheme), per cent of GDP

Source: Authors calculations using World Bank’s Pension database, UN population statistics.
in 2011/12 to 10.4 per cent in 2015/16. Investment income as a share of GDP has been increasing from 0.84 per cent of GDP in 2011/12 to 0.97 per cent of GDP in 2015/16. While this information is not sufficient to adequately assess the fiscal position of ZSSF, it does underscore the need for a detailed actuarial assessment of pension fund finances to ensure that current parameters align with promised benefits in a fiscally sustainable and equitable manner. According to the Zanzibar SPP (Revolutionary Government of Zanzibar 2014), ZSSF has financial sustainability concerns.

3.2.2 Retired Civil Servant Pension Scheme

The Retired Civil Servant Pension Scheme (RCSPS) has higher coverage than the national contributory pension scheme, partly due to the significantly lower retirement age. RCSPS appears to be, for civil servants, a top-up of the old age (retirement) benefit and can be considered a component of the overall compensation package of public employees. The RCSPS differs from the national contributory pension scheme in a number of aspects. The voluntary retirement age for RCSPS is 55 years, and the mandatory retirement age is 60 years. No pension is paid to those who continue working from 55 to 60 years of age. The average monthly pension payout of the RCSPS was TSh40,000 in 2016. In comparison, ZUPS provides TSh20,000 per month, only half of RCSPS. Although in absolute terms spending on RCSPS has been increasing in the past few years, as a share of GDP it has decreased from 0.53 per cent in 2012 to 0.44 per cent in 2016 (see Figure 10). Pension expenditure on the RCSPS in mainland Tanzania is 1.1 per cent of the GDP according to the latest data from the World Bank database (World Bank Pensions’ database).

It appears that civil servants are benefiting from two pension programmes, and it could be that RCSPS is a component of the overall civil service compensation package (basically serving as an incentive, designed to attract top quality staff). A review of the financial sustainability, adequacy, and intra/inter-generational equity of the two pension systems may be useful, but requires much more detailed data than is presently available to this author.

3.3 Labour market programmes

Labour market programmes in Zanzibar exist, but they are few and small scale. Besides the PSSN public works component – which could be categorized as a labour market programme – there are two labour market programmes currently functioning in Zanzibar. Both target the youth.

Figure 10: Retired Civil Servants Pension Scheme: spending and coverage

Source: Administrative programme records.
• **Economic Empowerment**: This programme is designed to support and build entrepreneurial capacity especially among youth, helping them to engage in profitable businesses that will create employment and later will contribute to the economy through taxes. The beneficiaries are provided with training to develop their business ideas and, after graduating, some of them are provided with startup capital up to a maximum of TSh5 million, depending on the type of business. The coverage of the Economic Empowerment programme is limited but has been growing lately (see Figure 11). Unfortunately, without being able to evaluate beneficiaries’ profiles, it is hard to say whether the programme reaches its goal.

• **Enhanced Employability Training for Youth**: This programme was launched in 2017. It intends to strengthen youth skills to enhance their employability. The programme will be implemented in two phases.

Total spending on these two labour market programmes accounts for 0.1 per cent of Zanzibar’s GDP.

### 3.4 Social welfare services

There are few social welfare programmes functioning in Zanzibar. Most Vulnerable Children programme is the largest initiative, and it has two components. The first aims to create a web-based database of vulnerable children. It will be piloted in West A, West B and Wete districts. The second component under development focuses on building a database of the NGOs currently working in Zanzibar that are providing cash or in-kind transfers or services. This programme supports children under the age of 18 years who are suffering from severe deprivation and who do not have access to adequate healthcare, food/nutrition, shelter, HIV/AIDS services and/or early childhood development services. Beneficiaries are identified based on criteria such as: child living in an extremely poor household; sole caregiver has a disability that hinders the provision of support; child having an elderly caregiver (60 years and above) who is unable to provide for his or her needs; orphans; child living in a household with a chronically sick caregiver; child-headed households; street children; disabled children with unmet needs; and children with chronic illnesses including HIV. Most vulnerable children are identified by the committee at the shehia level and then recorded in the Most Vulnerable Children MIS. There are children who are receiving support – either material

#### Figure 11: Beneficiaries of the Economic Empowerment programme*

![Graph showing the number of beneficiaries from 2011 to 2016.](image-url)

*Source: Programme data.

*Implemented by Ministry of Labour, Empowerment, Elderly, Youth, Women and Children –Department of Empowerment*
or in cash – from NGOs/donor projects, for example the PACT-Kizazi Kipya (New Generation) Project, or government agencies such as the TASAF or Department of Elders and Social Welfare (DESW).

**Elderly Protection Programme:** This programme supports abandoned elderly people above the age of 60 years who live in very poor conditions and have no family help or assistance from the community. They are provided with shelter and other basic needs such as food and medication. A cash transfer on a monthly basis is also provided, ranging from TSh20,000 to TSh40,000. Three homes – two on Unguja (Sebleni and Welezo) and one on Pemba (Limbani) – have been established to take care of the elderly. Between 2008 and 2015, an allowance of TSh7,000 was paid to Welezo, while the other two homes (Sebleni and Limbani) received an allowance of TSh25,000.

**Orphanage centres:** This programme takes care of neglected children and orphans from birth to 18 years of age, providing them with food, shelter, health and education. There are about 50 children currently in 7 official orphanages (6 in Unguja and 1 in Pemba).

**Rehabilitation services for children in or at risk of conflict with the law:** This programme deals with children between 12 and 18 years of age who are involved in criminal cases. They are provided counselling and receive training to help them integrate with the community.

The overall budget on social welfare services programmes in Zanzibar is around 0.01 per cent of the GDP. The Most Vulnerable Children programme, which covers mainland Tanzania and Zanzibar, receives the largest share of around TSh634 million. The other three programmes – the Elderly Protection Programme, orphanages, and rehabilitation services for children – have a combined administrative cost of TSh128.3 million, or 0.01 per cent of the GDP of Zanzibar.
Spending on social protection in Zanzibar has been increasing steadily in the past few years (see Figure 12), doubling over the course of four years. The increase was primarily due to the expansion of social insurance spending. By 2015/16, social assistance spending began to increase. Spending on social care services and labour market programmes remains very low.

With the inception of the PSSN programme in 2013/14, the share of social assistance in total social protection spending began to increase significantly; however, social insurance spending dominates. PSSN spending in Zanzibar expanded from 0.07 per cent of the GDP in 2013/14 to 0.33 per cent in 2015/16, contributing to a significant increase in social assistance spending in Zanzibar. A further increase in social assistance spending occurred in 2015/16 with the introduction of ZUPS, spending on which constitutes 0.19 per cent of the GDP.

Despite the increase, spending on social assistance in Zanzibar remains low (see Table 4). At around 0.54 per cent of GDP, actual spending on social assistance in Zanzibar is lower than the regional average in Africa of 1.34 per cent (excluding South Sudan which is an outlier) (see Figure 13). Zanzibar is spending 1.6 per cent of its GDP on social protection (without general subsidies).

**Figure 12: Spending on social protection in Zanzibar**

![Fig 12: Spending on social protection in Zanzibar](source: Author’s calculations using administrative programme data, ZSSF annual reports.)
Figure 13: Social safety net spending is below global and regional averages in Zanzibar

Source: State of Safety Nets (World Bank 2018); Authors calculations for Zanzibar using programme-level data. Note: Here, South Sudan is omitted as being an outlier (with social safety net spending of over 10 per cent of GDP) when calculating regional average spending on social safety nets.
4.1 Programme portfolio

Unlike many countries in sub-Saharan Africa, Zanzibar has practically no in-kind transfers (excluding school feeding). Everything is distributed either in the form of social services or in cash (see Figure 14). On average, a country in sub-Saharan Africa spends just around half of its total social safety net budget on different types of cash transfers, including CCTs, UCTs and social pensions. In comparison, Zanzibar’s social safety net budget consists almost only of cash transfers plus school feeding. This makes Zanzibar’s social assistance profile similar to countries such as Kenya, the Seychelles, or Uganda which have CCTs as well as extensive social pension components. Uganda, at 0.77 per cent of GDP, and the Seychelles at 2.57 per cent, spend more on social assistance than Zanzibar, while Kenya, at 0.37 per cent of GDP, spends less.

Figure 14: Spending composition of SSN spending, programme type

<table>
<thead>
<tr>
<th>Social protection area</th>
<th>Spending, 2015/16 (TSh)</th>
<th>Spending, % of GDP</th>
<th>Spending, % of total government spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social assistance</td>
<td>14,158,000,000</td>
<td>0.539</td>
<td>2.99</td>
</tr>
<tr>
<td>Social care services</td>
<td>133,700,000</td>
<td>0.005</td>
<td>0.03</td>
</tr>
<tr>
<td>Labour market</td>
<td>160,000,000</td>
<td>0.006</td>
<td>0.03</td>
</tr>
<tr>
<td>Social insurance</td>
<td>28,200,749,369</td>
<td>1.073</td>
<td>5.95</td>
</tr>
<tr>
<td>Social protection</td>
<td>42,647,049,369</td>
<td>1.623</td>
<td>8.99</td>
</tr>
</tbody>
</table>

Source: Author’s calculations using administrative programme data, ZSSF annual reports.

4.1.1 Spending on other social sectors

Government spending has been increasing not only on social protection but also in other social spheres crucial to the goal of reducing poverty. According to the Zanzibar budget brief (United Nations Children’s Fund 2016), health spending was 1.9 per cent of GDP (7.5 per cent of the total government budget) in 2016/17 – an increase from 1.5 per cent of GDP in 2011/12. Spending on education stood at 4.6 per cent of GDP (14.5 per cent of the total government budget) in 2016/17. Spending on both education and health are significantly higher than on social assistance (see Figure 15). Zanzibar is spending 4.8 times as much on education, and 2.5 times as much on health, than on social assistance.

The level of spending on education, which has averaged between 16 per cent and 22 per cent of the national budget over the past decade, is considered to be close to the 20 per cent called for by the international Education for All (EFA) commitment (United Nations Children’s Fund 2018b). However, the government’s commitments to spending on health are below both other comparable countries and the Abuja target (15 per cent of national spending). There are currently no health fee waivers in Zanzibar’s social protection system, but further study might be warranted, given that out-of-pocket spending on health accounts for around 30 per cent of household expenditures (United Nations Children’s Fund 2018a).

Figure 15: Spending on social sectors in Zanzibar, latest available year

<table>
<thead>
<tr>
<th>Social Sector</th>
<th>% GDP</th>
<th>% Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (2016/17 actual spending)</td>
<td>4.6%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Health (2016/17 actual spending)</td>
<td>1.9%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Social assistance (2016/17 actual spending)</td>
<td>0.539%</td>
<td>2.99%</td>
</tr>
</tbody>
</table>

Source: Health and Education spending: United Nations Children’s Fund 2016; spending on social protection: author’s calculations based on administrative data.
Over the course of the past several years, Zanzibar has made substantial progress in strengthening its social protection system. Since 2015, Zanzibar has had a comprehensive, life-cycle-based social protection policy, which includes social assistance and social insurance interventions. Spending and coverage of social protection has expanded, driven by the inception of two major social assistance programmes, the Productive Social Safety Net (PSSN) and the Zanzibar Universal Pension Scheme (ZUPS). However, social protection spending is predominantly on social insurance (pensions) and spending on social assistance remains below the regional average even though more than half of it is donor-funded.

Social protection expenditure is largely dominated by social insurance, which covers only formal-sector workers. More specifically, only 13 per cent of working-age citizens were covered by pension schemes in 2016, leaving the remaining 87 per cent eligible only for ZUPS. The national contributory pension scheme is run by the Zanzibar Social Security Fund (ZSSF). Even though ZSSF is currently running a surplus of net assets, trends in observed parameters underscore the need for a detailed actuarial assessment of pension fund finances to ensure that current parameters align with promised benefits in a fiscally sustainable and equitable manner, without resulting in government liabilities.

Three social protection schemes targeted at the elderly – ZUPS, RCSPS and ZSSF – are all targeting a narrow portion of the population, yet constitute 80 per cent of the total social protection budget. Slightly below 0.5 per cent of the GDP (0.44 per cent in 2016) is allocated to the RCSPS which has an optional retirement age of around 55 years, which is on the lower side of retirement ages for sub-Saharan Africa. It appears that retired civil servants are entitled to benefits from the ZSSF national pension scheme, RCSPS, as well as ZUPS.

Social assistance in Zanzibar has two main pillars: PSSN is targeting families with children using proxy means testing, and ZUPS is categorically targeting all elderly. There are currently no other large-scale social assistance programmes. The funding for PSSN comes primarily from donor contributions, while the ZUPS is funded by the government. Donor funding remains a big issue, since more than half of social assistance spending is donor-financed. There are currently no plans for the Government of Zanzibar to supplement PSSN spending.

PSSN is well targeted and moderately generous by international standards; however, the programme is heavily donor-dependent and a sustainable future needs to be formulated so that it derives at least part of its funding from the Zanzibar government budget. Zanzibar should consider expanding coverage of the PSSN given the quality of this flagship programme. Such a decision will potentially result in the support of an even larger share of poor and vulnerable people.
Spending on social protection almost doubled in four years, driven by the increase in social assistance programmes. Spending on social assistance has increased significantly since the inception of the PSSN programme, yet spending on social protection remains below the sub-Saharan average. Zanzibar’s flagship social assistance programme – PSSN – is well targeted; however, its coverage is not adequate compared to the number of poor people.

Other social areas such as health, and particularly education, receive a larger share of the government budget than does social protection. The level of spending on education is considered to be very close to international best practice. However, the government’s commitment to healthcare funding is below both other comparable countries as well as Abuja target (15 per cent of government spending).

ZUPS expansion plans appear to be very costly. More research is needed to evaluate the potential effectiveness of such an intervention. It is strongly encouraged to expand the social protection questionnaire in the Household Budget Survey to include the main social protection interventions. Questions specific to ZUPS and PSSN should be included in the upcoming Zanzibar Household Budget Survey. This would allow monitoring of the performance of the social protection system’s main pillars, including analysing: i) how well the programmes are targeted; ii) if the benefits are reaching the poorest; iii) who is not covered by any social protection interventions; iv) how generous the benefits are; and v) if there are major programme overlaps that result in many programmes benefiting a single household.

Labour market programmes as well as social welfare services are small scale, and information on programme beneficiaries and effectiveness is limited. Knowing where vulnerable people are, as well as their specific needs and vulnerabilities, is crucial to building a strong and fair social protection system where social services are well targeted. On the labour market side, scaling up the PSSN livelihood enhancement component (currently being piloted in Zanzibar) in a manner consistent with information gathered from the impact evaluation could help enhance earning potential of poor households.

Zanzibar has a range of social welfare services providing support to vulnerable children and elderly; however, there is no single registry which allows the tracking of the vulnerable and the aid they receive. As specified by ZSGRP III (Revolutionary Government of Zanzibar 2017a), aid coordination is to be further strengthened. Part of the Most Vulnerable Children (MVC) Programme aims to enhance households’ earning potential on that; however, clearer guidelines, terms of reference and planned outcomes are yet to be seen. The Zanzibar SPP specifies that coordination mechanisms are to be established between existing and planned interventions. This remains one of the top priorities at the time of preparation of this report. Such coordination – especially in Zanzibar with its relatively small population – will help increase cost effectiveness as well as make sure that there are no households that are left out of the social protection scope while others benefit from multiple programmes.
References


Additional resources


Pensions Database World Bank
Annex A: Inventory of social protection programmes

<table>
<thead>
<tr>
<th>Programme name</th>
<th>Number of beneficiaries, (2015/16)</th>
<th>Total spending, (2015/16)</th>
<th>Notes</th>
<th>Social protection area</th>
<th>Life cycle area</th>
<th>Implementing agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive Social Safety Nets – conditional cash transfers</td>
<td>34,153 households</td>
<td>7.8 billion</td>
<td>Social assistance</td>
<td>Childhood, working age</td>
<td>Tanzania Social Action Fund (TASAF)</td>
<td></td>
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<tr>
<td>Productive Social Safety Nets – public works</td>
<td>23,985 households</td>
<td>815 million</td>
<td>Social assistance</td>
<td>Working age</td>
<td>Tanzania Social Action Fund (TASAF)</td>
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<tr>
<td>Zanzibar Universal Pension Scheme</td>
<td>Range within 18,371 and 24,709</td>
<td>4.9 billion</td>
<td>Universal pension for people older than 70 years old.</td>
<td>Social assistance</td>
<td>Old age</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children - Department of Social Welfare</td>
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<tr>
<td>Most Vulnerable Children – database and programme</td>
<td>tbd</td>
<td>tbd</td>
<td>Social assistance and welfare services</td>
<td>Childhood</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children - Department of Social Welfare</td>
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<tr>
<td>School Feeding</td>
<td>5,376</td>
<td>622 million</td>
<td>Social assistance</td>
<td>Childhood</td>
<td>Ministry of Education</td>
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<td>Family-Strengthening Programme</td>
<td>200 households</td>
<td>21 million</td>
<td>Social assistance</td>
<td>Childhood</td>
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<td>Elderly Projection Programme</td>
<td>na</td>
<td>60 million administrative costs</td>
<td>Social welfare services</td>
<td>Old age</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children - Department of Social Welfare</td>
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<tr>
<td>Program Description</td>
<td>Start</td>
<td>Total Costs</td>
<td>Programme Stage</td>
<td>Program Stage</td>
<td>Funding Source</td>
<td></td>
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<tr>
<td>--------------------------------------------------------------------------------</td>
<td>-------</td>
<td>----------------</td>
<td>-----------------------------------</td>
<td>---------------</td>
<td>-------------------------------------------------------------------------------</td>
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<tr>
<td>Orphanage Centres</td>
<td>na</td>
<td>66 million</td>
<td>Social welfare services</td>
<td>Childhood</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children-Department of Social Welfare</td>
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<td>Rehabilitation Services for Children in Difficult Situations</td>
<td>59</td>
<td>7.7 million</td>
<td>Social welfare services</td>
<td>Childhood</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children-Department of Social Welfare</td>
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<td>Enhance Employability Trainings for Youth Programme</td>
<td>na</td>
<td>na</td>
<td>Programme started in 2017</td>
<td>Youth</td>
<td>Labour Commission</td>
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<td>Economic Empowerment</td>
<td>5,426</td>
<td>160 million</td>
<td>Labour market policies (active)</td>
<td>Youth, working age</td>
<td>Ministry of Labour, Empowerment, Elderly, Youth, Women and Children-Department of Social Welfare</td>
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<td>Old Age Pension (National Scheme)</td>
<td>7,245</td>
<td>16.6 billion</td>
<td>Spending on benefits includes old age, invalidity, survivorship, maternity benefits below</td>
<td>Social insurance</td>
<td>Zanzibar Social Security Fund</td>
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<td>Invalidity Benefits (National Scheme)</td>
<td>31</td>
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<td>Social insurance</td>
<td>Working age</td>
<td>Zanzibar Social Security Fund</td>
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<td>Maternity Benefits (National Scheme)</td>
<td>987</td>
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<td>Social insurance</td>
<td>Working age</td>
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<td>Survivors Benefit (National Scheme)</td>
<td>166</td>
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<td>Social insurance</td>
<td>Working age</td>
<td>Zanzibar Social Security Fund</td>
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<tr>
<td>Retired Civil Servant Scheme (Civil Servants Scheme)</td>
<td>12,596</td>
<td>11.6 billion</td>
<td>Monthly pension benefits one gets at retirement age of 55 and above.</td>
<td>Social insurance</td>
<td>Old age</td>
<td>Ministry of Finance and Planning</td>
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Annex B: GDP indicators

Figure B1: GDP indicators

Source: Bank of Tanzania annual reports.
### Figure C1: PSSN benefit scheme

<table>
<thead>
<tr>
<th>PSSN component</th>
<th>Transfer type</th>
<th>Transfer name</th>
<th>Co-responsibility</th>
<th>Benefit (TSh)</th>
<th>Monthly cap (TSh)</th>
<th>Annual max (TSh)</th>
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<tbody>
<tr>
<td>CCT</td>
<td>Fixed</td>
<td>Basic transfer</td>
<td>Extreme poverty</td>
<td>10,000</td>
<td>10,000</td>
<td>120,000</td>
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<tr>
<td></td>
<td>Fixed</td>
<td>Household child</td>
<td>Households with children under 18 years</td>
<td>4,000</td>
<td>4,000</td>
<td>48,000</td>
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<td></td>
<td>Variable</td>
<td>Infant benefit</td>
<td>Infants 0–5 years health compliance</td>
<td>4,000</td>
<td>4,000</td>
<td>48,000</td>
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<td></td>
<td>Variable</td>
<td>Individual primary benefit</td>
<td>Child in primary education compliance</td>
<td>2,000</td>
<td>12,000</td>
<td>144,000</td>
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<td>Variable</td>
<td>Individual lower secondary benefit</td>
<td>Child in lower secondary education compliance</td>
<td>4,000</td>
<td>12,000</td>
<td>144,000</td>
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<td>PW</td>
<td>Variable</td>
<td>Public works benefit</td>
<td>Extreme poverty + older than 18 years able to work</td>
<td>2,500</td>
<td>37,500</td>
<td>150,000</td>
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</table>
