UNIVERSITY OF CAPE TOWN

CENTRE FOR
SOCIAL SCIENCE RESEARCH

State capacity and the construction of pro-poor welfare states in the 'developing' world

Jeremy Seekings

CSSR Working Paper No. 359

Legislating and Implementing Welfare Policy Reforms

August 2015

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

UKaid from the British people

Research jointly supported by the ESRC and DFID

CSSR Centre for Social Science Research

Published by the Centre for Social Science Research
University of Cape Town
2015

http://www.cssr.uct.ac.za

ISBN: 978-1-77011-346-6

About the author:

Jeremy Seekings is Professor of Political Studies and Sociology at the University of Cape Town.

State capacity and the construction of pro-poor welfare states in the 'developing' world

Abstract

Much of the literature on state capacity across the 'developing' world or global South focuses on what states cannot do (or even on what it is imagined that they cannot do), with much less attention paid to what they can do, and in fact do. The history of welfare state-building across the global South is a surprising story of what states can do, sometimes through the use of intermediary agents: Teachers teach children and adolescents, doctors and nurses immunise infants and attend to births, and – in a growing number of cases – state agencies administer directly or oversee payments in cash or kind to the poor. States with apparently limited capacity to function as 'developmental' states nonetheless can become nascent welfare states. The history of cash transfers in the global South suggests that 'state capacity' has rarely been a constraint on the expansion of programmes, in part because states can harness the capacity of agents and employ new technologies. Even when fraud and corruption appear to be widespread, their scale is often small in comparison to the resources being distributed to the poor. The case of cash transfers suggests that 'state capacity' can expand <u>in response to</u> the expanded delivery of public (or semi-public) services.

1. Introduction: Building pro-poor welfare states in the global South

Through most of the second half of the twentieth century 'development' and 'welfare' were generally seen as alternatives. The rich capitalist democracies expanded their 'welfare states', whilst colonial and post-colonial regimes across the global South pursued the goal of 'development', in some cases building 'developmental' states. Some states across the global South did expand dramatically their social expenditures, but in most cases only for the more 'developed' sectors of society. In the more industrialised countries of Latin America, contributory social insurance programmes ensured that some groups of working people enjoyed access to a quasi-state health care system and generous pensions in old age. But coverage was generally limited to public sector employees and industrial workers in formal employment, and these programmes thus fell very far short of being ‘universal’. Moreover, they were usually not only subsidised, but the form of the subsidy – through either high prices (in tariff-protected tradable sectors) or directly through the fiscus (through taxes that were often regressive) – meant that they were subsidised by the poor as well as the rich (Rudra, 2008; Huber and Stephens, 2012; Pribble, 2013). The poor, in less ‘developed’ sectors, could only aspire to this kind of generous protection against risk if a growing economy expanded opportunities for formal employment. In the meantime, they relied on kin or neighbours for protection against risks, and hoped that sometimes predatory states would leave them alone (Gough *et al*., 2004). The Soviet Union, the countries of central and Eastern Europe and West Asia that were under Soviet imperial control, and China combined development with welfare (without democracy), but in the non-Communist ‘developing’ world most governments saw development – often including agrarian programmes aimed at raising peasant production and income – as the sole mechanism for poverty-reduction.

An alternative vision and form of poverty-reduction, development and state-building emerged at the end of the twentieth century and, even more prominently, at the beginning of the twenty-first century. This new vision and practice involved a much more direct focus on the alleviation of poverty through redistributive, pro-poor programmes, including especially ‘non-contributory’ social assistance and related programmes that involved, as Hanlon, Hulme and Barrientos (2010) phrased it, ‘just giving money to the poor’: social old-age pensions (as in South Africa, or *Renta Dignidad* in Bolivia), conditional cash transfers (usually directed to poor families with children, such as the *Bolsa Familia* in Brazil) or workfare (such as India’s National Rural Employment Guarantee Scheme, NREGS). The beneficiaries were generally people who had <u>not</u> benefited from the growth of the formal sector, and might even have been disadvantaged by it (through diminished access to land, for example). In most cases, beneficiaries were deemed deserving because they were unable to work on grounds of infirmity or age or simply the absence of employment, and had in the past not worked in the formal economy and were therefore not covered by social insurance programmes. ‘Giving money to the poor’ has been effective not only in terms of the immediate mitigation of poverty, but also in developmental terms (Hanlon *et al.*, 2010). Cash helps to pay the private costs of schooling, improve nutrition and reduce the supply of child labour, resulting in more children learning more in school. Adults in poor families with some cash income are better able to look for work or to invest in informal businesses. Income also brings both dignity and perhaps a more effective attitude towards livelihoods.

The champions of social assistance programmes argue that they are administratively practical and financially viable even in countries that are poor or have 'fragile' states, in part because of new technologies. 'No cash transfer system is simple, but new computer and electronic communications systems make registration, distribution of funds, and audits much more practical than even a decade ago' (Hanlon *et al.*, 2010: 145). The costs are rarely prohibitive. A few countries (including South Africa) currently spend about 10% of government spending (or more than 3% of GDP) on social assistance programmes. The International Labour Organisation suggests that universal old-age and disability pension programmes in poor and middle-income countries cost between 0.5% and 1.5% of GDP, whilst a universal child benefit are more expensive, at between 1.5% and 3.5% of GDP. These sums are large, but they are often not as large as expenditure on the non-poor through (for example) badly targeted subsidies. Even the World Bank acknowledges that pensions and grants that are targeted on the poor can be both effective and affordable (Garcia and Moore, 2012). In a series of conferences in the early 2000s, the World Bank advocated conditional cash transfers even in such unlikely settings as postwar Angola.[1] The strongest evidence of the practicality of social assistance programmes is their reach. By about 2008, at least forty-five Southern countries were paying non-contributory cash transfers to more than 110 million families (Hanlon *et al*., 2010: 47). Given the expanding coverage of these programmes, it is likely that at least one-tenth of the world's population in 2010 lived in households where someone received a non-contributory cash transfer.

The expansion of cash transfer programmes across much of the global South suggests that states across the global South – including in Africa, where many states have been especially weak – might have surprising 'capacity' to act as 'welfare states'. In the late twentieth century, the conventional wisdom on states in Africa was that, with notable exceptions, they tended to be 'weak' or 'underdeveloped', were often 'fragile' or 'failed', readily became 'predatory' or 'vampire' states, and at best played the role of 'gatekeepers'. 'Patrimonial' states sought to tax those resources that could easily be controlled – typically because they were imported or exported – whilst leaving large areas ungoverned (see, for example, Rotberg, 2003, 2010; Médard, 1982; Bayart, 1993; Herbst, 2000; Guest, 2004; Bates, 2008). These analyses were not incorrect in their assessment of many dimensions of the state. But they failed to anticipate the rapid growth at the end of the twentieth century of the welfare state, i.e. states that provided or helped to provide public education and public health care, and which in the 2000s began to provide growing numbers of social pensions and

[1] See, for example: http://info.worldbank.org/etools/icct06/: 3rd International Conditional Cash Transfers Conference, 26-30 June, 2006, Istanbul.

grants. Just as 'patrimonial' states can be developmental (Kelsall, 2011), so they can also be welfarist in terms of the provision of public or semi-public services.

The expansion of state 'capacity' to provide public services is striking with respect to public schooling and public health care. By 2011, according to World Bank data, almost three-quarters of boys and two-thirds of girls in sub-Saharan Africa complete primary school. In many African countries, rising enrolment was facilitated by the abolition of school fees and improved public funding. Public health care also expanded dramatically. By 2011, three out of four children in sub-Saharan Africa were immunised against measles. By 2009, almost one half of all births were attended by skilled personnel.[2] Many children go to school and access some public health facilities even when states are 'fragile', in part because non-state actors step in to act in a state-like way. The boundaries of 'state' institutions and provision are far less clear in much of Africa than elsewhere. Titeca and De Herdt (2011) provide a particularly striking example from the Congo (DRC). In line with the presumption that 'failed' states provide no public services, central public funding of education in Congo had ceased by 2000. Nonetheless, schools continued to function, and school enrolment grew rapidly in the 2000s (although below the numbers of twenty years earlier). Schools have been semi-privatised in that they are run by non-state actors (churches) and funded by parents. But education continued to be seen as a state responsibility and function. As Lund (2006) and others have argued in other contexts, the idea of the state remained potent. 'Real governance' entails fluid mixes of actors and institutions, without any goal-oriented, centralising, unitary Weberian state (see also Bierschenk and Olivier de Sardan, 1997; 2003).

The capacity of both non-fragile and fragile states to pay cash transfers to poor citizens is also in part due to the active participation, in the initiation, administration and even oversight of programmes, of non-state actors. In poorer countries, new cash transfer initiatives have often been donor-initiated and -funded, and are implemented through non-state agencies. Insofar as 'welfare states' are being built, it is as much from the outside as from within the state itself (Osofisan, 2011). In richer countries, administration is often out-sourced to the private sector. This is not an entirely new phenomenon, however. Social assistance programmes have a longer history in 'developing' countries than is often acknowledged, and this history has often involved collaborations between state and non-state actors.

This paper examines the history of 'state' capacity with respect to pro-poor cash transfer programmes. In this context, 'capacity' entails being able to identify

[2] Data from http://data.worldbank.org/.

and select, or process applications from, prospective beneficiaries (through either the exercise of discretion or the application of bureaucratic regulations); to make regular payments to approved beneficiaries; to raise the necessary funding; and to contain ‘leakages’ through fraud, corruption or appropriation by the non-poor. In contrast to the conventional approach that emphasises what states cannot do, this paper examines some of the things that states can do. States with apparently limited capacity to function as ‘developmental’ states nonetheless have become nascent welfare states. This history suggests that, in some cases, ‘state’ capacity expands <u>in response to</u> the expansion of public or semi-public services. This is hardly surprising. In the global North, ‘modern’ states grew in the late nineteenth and twentieth centuries in large part through the expansion of the public services associated with the welfare state. This paper focuses on two phases of welfare state-building in the global South: first, in the period between the 1920s and the 1950s, when social assistance programmes were debated and (in some cases) introduced in British colonies (in the West Indies and elsewhere) as well as in South Africa; secondly, in the early twenty-first century, when social assistance programmes expanded dramatically in some countries (including South Africa) and were introduced for the first time in a rising number of others. In each period, I examine the kinds and sources of capacity required for the programme. The paper focuses primarily on old-age pension programmes, which are the most widespread form of social assistance. They are also among the simpler grants to administer, in that the selection of beneficiaries requires only that a claimant is age-eligible (and alive) and (sometimes) has an income below a specified threshold. Other grants require additional administrative procedures: the medical assessment of disability for disability grants, and the matching of children with mothers (or other caregivers) for child support grants.

2. ‘Colonial’ states as welfare states in the early twentieth century: South Africa and the West Indies

In parts of the global South, as in the global North, social assistance programmes originated in systems of ‘poor relief’ under the ‘poor laws’. In the eighteenth and nineteenth centuries, most parts of north-west Europe provided varying combinations of ‘indoor relief’ (in almshouses or workhouses) and ‘outdoor relief’ (comprising grants in cash or in kind), organised and funded through the local state, sometimes through private charities or religious organisations (Ashford, 1986; Lees, 1998; Van Kersbergen and Manow, 2009). British-style poor relief was adapted in British colonies or former colonies in North America (Katz, 1986) and Australasia (Thomson, 1998). Dutch colonists in Cape Town, in what is now South Africa, introduced poor relief in the seventeenth century (Iliffe, 1987). Similar systems of poor relief were established in some colonies and former colonies in the late nineteenth or early twentieth century. Poor relief was formally introduced in the Caribbean colonies of Barbados and Jamaica, for example, in the 1880s.

The challenge to the colonial state of delivering poor relief was not fundamentally different to the challenge of delivering massive social assistance programmes a century or more later. How it was administered depended in large part on the existing character of the local state. In some British colonies with (originally) settler populations, nascent local government structures were established on the basis of Anglican church parishes, as in Britain itself. In the Caribbean colony of Barbados, for example, ratepayers in each of the eleven parishes elected a 'vestry'. In other colonies (including New Zealand, Australia and the colonies later incorporated into South Africa), the state funded church-based and other charitable societies to address poverty. In most other contexts, especially in rural Africa, the colonial state barely extended beyond magistrates or district commissioners. A variety of models therefore emerged for the administration of poor relief. In cases like Barbados, the vestries were empowered to levy rates 'for the repair and maintenance of the Churches, the salaries of Church Officers; the maintenance and education of the poor; and such other parochial purposes as are allowed by law'. There and in Jamaica, church wardens worked with unpaid poor relief committees (or Boards of Guardians), under the supervision of a Poor Law Inspector appointed by the colonial government. In the 1920s and '30s, the administrative structures became more formalised and were linked to newly-cohering public health systems. The parishes ran almshouses – often called 'Houses of Refuge' – and provided 'outdoor relief' in cash and kind. In South African towns, poor relief was distributed through mostly religious charitable societies, which ran orphanages and children's homes and dispensed food or sometimes money to buy food. In the South African countryside – as across much of colonial Africa – magistrates or district commissioners might distribute poor relief, especially during droughts.

Poor relief thus had three key characteristics in the period between the First and Second World Wars. First, churches were often directly or indirectly involved in its delivery (and provision had a moral and often stigmatising character). Secondly, national governments had uneven power over the administration of poor relief. Considerable discretionary authority had to be devolved to the local level, but in most cases local leaders enjoyed even more latitude than was necessary. Thirdly, at the same time, national or colonial governments were under considerable pressure to finance the rising expenditure on poor relief, even though they had little direct control over the administration. In Jamaica and Barbados, poor relief accounted for about 7% of government expenditure by the mid-1930s. In each case, one to two thousand people resided in almshouses, but much larger numbers – 22,000 people, or about 15 percent of the population, in Barbados in 1937-38 – received some outdoor relief.[3] Expenditure on poor relief in South Africa at the same time amounted to only 0.5% of total government expenditure, but about 70,000 poor white and coloured men and women were already receiving old age pensions (see below), at a cost eight times higher than the cost of poor relief. In total, about 5 percent of total public expenditure in South Africa was spent on poor relief or old-age pensions.[4]

The result was, in both Britain itself and its colonies and dominions, pressure for the 'modernisation' of poor relief. 'Modernisation' generally entailed two changes. First, benefits shifted from being discretionary charity, often paid in kind through food rations, to rights of citizenship, paid in cash. This was most apparent with respect to old-age pensions, which were introduced in New Zealand in 1898, in the various states in Australia from 1900, and in Britain (and Ireland) in 1909 (under the 1908 Old Age Pensions Act). The British legislation provided for elderly people to apply through post offices. The validity of their claim would be investigated by a district pension officer, and a committee comprising lay people would make the final decision. Successful claimants would be paid through the post office. The system required some local discretion, but was subject to much more bureaucratic regulation and oversight than was the case with poor relief (Thane, 1996; Macnicol, 1998; McClure, 1998). Secondly, remaining poor relief was administered more bureaucratically. In Britain, poor relief was nationalised and bureaucratised through the reform of old-age pensions, child support and unemployment relief programmes, and the appointment of Public Assistance Committees and then a national bureaucracy under an Unemployment Assistance Board. In 1948, poor relief was finally, formally abolished, superseded by new national programmes of income support for the poor (Gilbert, 1970; Ashford, 1986).

Pressure to 'modernise' the poor relief system slowly diffused through the British Empire. In South Africa, the 'Pienaar' Commission was appointed in 1926 to investigate old-age pensions, health and unemployment insurance. From the mid-1930s, reforms were widely discussed in the West Indies and Mauritius, and the Second World War and 1942 Beveridge Report ensured even more global discussion of reforms. In this ferment of discussion there was almost no disagreement over the <u>practicality</u> of introducing 'modern' income support programmes in place of poor relief. In South Africa, the Pienaar

[3] *Barbados Blue Book*, 1937-38, 1938-39.
[4] *Official Year Book of the Union of South Africa*, volume 22 (19xx), pp. 547.

Commission proposed, in its first report, the introduction of non-contributory, means-tested old-age pensions along the lines of the 1908-09 British system. This led to South Africa's 1928 Old Age Pensions Act and the payment of pensions from January 1929 (Seekings, 2007a). The Pienaar Commission paid almost no attention to state capacity, conferring administrative responsibilities onto magistrates and post offices, i.e. two branches of the state present in every part of the country. Reviewing local administrative arrangements in other places – the Australasian dominions, countries in northern Europe and some states in the USA – the Commission noted a choice between using local state officers (such as magistrates, used in Australia and New Zealand) or pension committees comprising expert, lay people (as in the UK), perhaps working with an official district-level Pension Officer. It opted for the magisterial model (South Africa, 1927: para 116-127). Magistrates already administered poor relief, so they were the obvious choice. Claimants should apply annually to the magistrate who would report his decision to the national Treasury, which oversaw the programme. If a magistrate declined a claim, the claimant could appeal to the Treasury. Payments would be made through post offices. 'Persons who reside far from a Post Office or who are physically unable to call at the Post Office should on application to the Magistrate be able to obtain from him an order directing that in the former case the pension be paid in such a manner as he may deem best, and in the latter to whom he may select to act on behalf of the pensioner' (para 138). In practice, magistrates – acting as district pension officers – generally appointed local committees 'to investigate applications, review existing pensions and to report misconduct or changes in the financial circumstances of pensioners' (South Africa, 1944: 55). The system worked in ways that were not dissimilar to the British model.

Faced with political and perhaps fiscal constraints, the Pienaar Commission imposed an additional administrative burden through opting for a means-test. The Commission noted that Australia and New Zealand used a stringent means-test without apparent difficulty. A universal system was neither affordable nor desired by 'the country' (meaning, presumably, white South Africans), but a means-tested system was considered to be fully practicable. The administrative burden was contained by the scale of the proposed programme: The Commission estimated that about 30,000 people would be eligible for old-age pensions (and another 20,000 for invalidity pensions), out of a total population of less than 9 million. The anticipated number of pensioners was low because 'natives' (i.e. African people) were to be excluded. (The actual number of pensioners in fact reached 50,000 within a year, and was close to 100,000 within a decade).

The Pienaar Commission's lack of concern with the administration of old-age pensions contrasted with its concern, set out in its second and third reports, over the feasibility of national systems of health and unemployment insurance. Whilst the Commission's proposals for non-contributory old-age pensions were based heavily on the precedents in Australia and New Zealand, the Commission's proposals for insurance programmes were framed more by the work of the ILO, which at the time took contributory programmes (along German lines) far more seriously than non-contributory programmes (along British and Scandinavian lines). The Pienaar Commission adopted the position of several countries in the ILO that national social insurance programmes were inappropriate in countries that contained large, scarcely-populated rural areas (see Seekings, 2010). The Commission recommended systems of compulsory health and unemployment insurance in industrial areas, the expansion of health care in rural areas through extending the existing system of district surgeons, and the establishment of a modest 'native medical service' in 'Native Areas'. The recommendation on health insurance was never implemented, while modest unemployment insurance was introduced in 1937.

State capacity was thus deemed a constraint in South Africa with respect to health services and unemployment insurance very much more than to cash transfers to the elderly. Some opponents of the introduction of state old-age pensions objected to the state assuming roles hitherto played by charities and churches (Seekings, 2008), but there does not seem to have been any skepticism about the state's *capacity* to assume these roles. When, in 1943-44, government-appointed committees examined the extension of old-age pensions to the country's poor, African majority – entailing a massive increase in the administrative burden – they did not consider administrative capacity to pose a constraint. 'Natives' were already registered under other legislation (and their urban residential history was recorded, allowing for discrimination in benefits between urban and rural areas). Even ages could be determined, despite the absence of any compulsory registration of births, and a means test could be administered (South Africa, 1944: 21). Old-age pensions were duly extended to African people in 1944, albeit with benefits that were much lower than for people classified as white or coloured. This doubled the number of pensions to be administered, over a much larger territory, including deep rural areas.

South Africa was not the first quasi-universal old-age pension system introduced in a colonial setting. Old-age pensions were introduced in Barbados in 1937-38, for poor people who neither had the vote nor were of European origin. As in South Africa, there was some debate over the administration of the reform. Reformers pushed for pensions to be administered by appointed pension officers. Conservative opponents urged that pensions should be administered by the existing Poor Law Guardians, appointed by the Vestries, who were said to 'know the people, their names, where they live and …, as far as it is possible to know, what are their ages. … Whoever is appointed to look after these people will have to do a lot of guessing in arriving at their ages, whereas in the parishes we have officers who for years and years have been separating the sheep from the goats, and who know those people who are deserving of a pension and those that are not'.[5] What was at issue here, as in South Africa, was not state capacity, but the principle of a bureaucratically-administered right to a pension, funded through central government, as opposed to discretionary charity administered by local, often church-linked, leaders, and funded out of local taxation. In Barbados, as in South Africa, modernising state-builders defeated conservatives over this issue (Seekings, 2007b).

Trinidad and Guyana soon followed the Barbados precedent and introduced pensions. In Jamaica, also, old-age pensions were discussed. The Jamaican Board of Supervision – overseeing poor relief – reported in July 1939 that 'it is evident … that Poor Relief has now got beyond the capacity of the Parochial Boards to handle and Government has accepted the principle that there must be complete reorganization under some form of Central Control'.[6] As expenditures rose, a major committee recommended that 'the relief of destitution is a national obligation, and it is equitable that the whole cost should be borne by the central government' – although Poor Relief should be administered locally, drawing on local knowledge of people and their circumstances. The committee envisaged programs – including school meals as well as old-age pensions and grants to cover public health and poor relief – amounting to about one quarter of the colony's total expenditure (Jamaica, 1945). A combination of local politics and pressure from the Colonial Office meant that many of these reforms were not effected until some time later, but the reason for this was primarily political will and preference, not insufficient state capacity. In Mauritius, also, the Depression propelled limited reforms to poor relief. Payments in kind were replaced with cash payments and dedicated poor law officers were appointed. As in the West Indies, there was a small number of people in almshouses and many more who received outdoor relief, with total expenditure on poor relief amounting to about 4% of the colony's budget. A series of government committees proposed old-age pensions, but pensions were only introduced in 1950. The reasons, as in Jamaica, were primarily political, not administrative (Seekings, 2011).

By the early 1940s there was an uneven and muddled shift in power from local to 'national' government with respect to control over cash transfer programmes in Britain, its dominions and the handful of its colonies that had such programmes. In 1938, New Zealand enacted universal old-age pensions (McClure, 1998). The onset of war encouraged thinking about the kind of society and state that would be reconstructed after the war. This was the context

[5] Record of proceedings in the Legislative Council, 18th October 1937.
[6] UK National Archives, Colonial Office papers, CO 859/19/15.

in which, in late 1942, the Beveridge Report was published in London, providing a blueprint for the postwar European welfare state. Almost immediately, interest in welfare reforms spread across the British Empire and beyond. In the face of this enthusiasm, the Colonial Office in London reformulated its policy on development and welfare to clarify that Beveridgean-style state-building was inappropriate in largely peasant societies. This was not because the colonial state lacked the capacity. Indeed, most colonial governments expanded their capacity rapidly in the late 1940s and 1950s, with the appointment of social welfare officers to tackle problems such as youth delinquency, labour officers to manage urban and industrial workers, and development officers to advise peasants on how to farm and market their produce (Cooper, 1996, 1997, 2002; Lewis, 2000). The inappropriateness of welfare state-building reflected instead the Colonial Office's preference for a largely agrarian development strategy. This emphasis on 'development' was taken up by a battery of other international organisations. In only a very few cases (one of which was Mauritius) were social assistance programmes introduced in the half-century following the Second World War.

3. Extending welfare states in the late twentieth and early twenty-first century: The South African case

In the heyday of 'development' there was little enthusiasm for social assistance programmes across most of the global South, but such programmes did expand in countries where they had already been introduced, even under undemocratic regimes such as South Africa under apartheid. In South Africa, in 1946, pensions were paid to about 213,000 elderly men and women, and another 100,000 other grants were paid out to the disabled or blind and poor mothers with children. An unknown number of people – perhaps 50,000 – received poor relief. Approximately 3% of the total population (of just over 11 million) were supported by the state directly, accounting for less than 5% of government expenditure (Hellman, 1948). By the time of South Africa's first democratic election, in 1994, the number of beneficiaries had risen to about 2.5 million, or 6% of the total population (which had risen to about 40 million people); spending accounted for close to 10% of total government spending (and almost 3% of GDP) (SAIRR, 1994; South Africa, 1996). This expansion entailed a transformed geography of welfare, as a rising proportion of pensions and grants was disbursed in rural areas. These were the parts of South Africa where the state was weakest, and so the expansion of pensions and grants entailed tackling the challenges of uneven state capacity. State personnel were scarce, and there were rarely post offices (or banks) through which payments could be effected.

In South Africa's 'bantustans', where the apartheid state devolved responsibilities to quasi-independent governments, the administration of pensions entailed elements of indirect and direct rule. This was best documented in the case of KwaZulu. Magistrates continued to play the role of 'district pension officers'. Most applications were made through the magistrate's court, but magistrates sometimes toured their districts, visiting pension paypoints where applications might be processed. Magistrates were formally responsible for verifying ages and applying the means test, but each applicant's identity – meaning her or his identity number, fingerprints and birth date – had to be verified by the Central Reference Bureau in Pretoria, and magistrates often relied on local 'indunas' (or headmen) for assistance in determining eligibility. The system meant that many eligible people did not receive pensions. In KwaZulu, in 1979, only about 64% of eligible beneficiaries were actually receiving pensions and grants. Applicants might have to make many visits to the magistrate's court before their applications were even heard, yet alone approved. Indunas might be slow to attest to an applicant's eligibility. There were therefore often long delays between applications and first payments. If successful, pensioners often had to queue for hours at the paypoints, and sometimes money ran out before the last pensioners received their pensions. Pensions were too often suspended, apparently arbitrarily. The KwaZulu government imposed a quota on processing new applications in order to limit the growth in expenditure (South Africa, 1985). These problems may have been worse in other parts of South Africa. In the bantustan of Lebowa, a Commission of Inquiry estimated that about 4% of welfare payments were made to deceased pensioners (SAIRR, 1993: 301-303).

Yet, by 1985, just six years later, the total number of pensions and grants paid in KwaZulu had risen from 110,000 to 195,000, and estimated coverage had risen to 82%. This was largely due to improved procedures and the use of new technologies. Applicants' details were recorded on a computerised database. Personalised 'vouchers' were sent to the paypoint to authorise payments (bimonthly) to approved pensioners, on production of their identity numbers and with a thumbprint receipt (South Africa, 1985). Soon after, KwaZulu pioneered the outsourcing of pension payment to a private company, which used voice recognition to identify beneficiaries (Lund, 1992: 47-8). Computing technology and outsourcing made it easier for states to circumvent state weakness in rural areas.

State capacity remained uneven across South Africa. The country's first democratic government, elected in 1994, assessed that 'the delivery of social security is in 'crisis' and appointed a committee of inquiry. 'There is an urgent need', the Committee reported, 'to develop more effective management and information systems, uniform rules and procedures, payment options and an assessment of the nature and scope of fraud in the social security system'. Fraud and corruption were found to be 'rampant', 'as a result of weak or non-existent systems and procedures' (South Africa, 1996: 5-6). The Committee's call for nationally standardised systems was repeated in subsequent reports.

South Africa's pension and grant system was considered to be in crisis not because of its inability to distribute pensions – it did so to a very high proportion of eligible citizens – but because excluding even a minority was intolerable in a democracy which had just emerged from institutionalised discrimination and exclusion. The state invested considerable effort in promoting take-up of its pensions and grants (see Kelly, 2013, and Lund, 2008, with respect to disability and child support grants respectively). The fact that perhaps 10% of expenditure was lost to fraudulent claimants and corrupt intermediaries (according to the 1996 Committee) was also contentious because of the general pressure on the budget.

The South African state's response was common across much of the global South: Centralise authority for policy-making and oversight of implementation, whilst contracting out much of the actual administration to private companies (which are supposed to be more efficient). Centralisation initially entailed the creation of a unified, national Department of Social Development, replacing the fourteen departments of the late apartheid period. The national department had to continue to work, however, with nine provincial departments. Some of the provincial departments inherited bantustan bureaucracies from the apartheid state, and reproduced their uneven competence. Across the whole country, however, actual payments were outsourced through competitive tendering procedures to private contractors, typically with three-year contracts. Payments were contracted out to private companies that delivered cash to remote areas, typically in 4-wheel drive vehicles with built-in automatic teller machines (ATMs) and electronic fingerprint readers (as well as armed guards). Contractors also encouraged payments into bank accounts through electronic transfers. The two largest contractors (Cash Paymasters Services, CPS; and AllPay) were subsidiaries of major banks (First National and ABSA respectively); by 2001 one or the other had the contract to pay pensions in seven of the nine provinces; by 2010, they delivered pensions in eight of the nine provinces (with a third contractor, Epilweni, operating in the ninth). Payments were outsourced, but the contractors still had to work with the state to ensure security.

The use of contractors did not solve administrative problems in areas like the Eastern Cape, where provincial and local government was in a general state of chaos. In 2002-03, detail emerged on the poor quality of public services in the

Eastern Cape. A judge criticised the provincial government for the non-payment of grants: 'Many persons in this province are suffering real hardship through the ineffectiveness of the public service at provincial level'. It allegedly could take as long as two years to process an application. When Members of Parliament toured the Eastern Cape in May 2003, they found that many offices were inadequate and dirty, and filing systems were shambolic. In some offices, despite long queues of people and the presence of the MPs, the public servants displayed 'no sense of urgency'. In some satellite offices, public servants failed to bring the computers or sufficient forms required to process claims. In other offices there were no officials from the Department of Social Development at all, inexplicably. The MPs reported that 'officials deal with the public with contempt and have little or no regard for their integrity'; staff seemed unmotivated, and wouldn't help each other out when one was faced with no queue and the others with long queues. Not long after, a pensioner died whilst queuing to be paid her disability grant. Contractors and provincial government officials blamed each other. The contractors said that there were long queues at their pay-points because the provincial government designated insufficient pay days, and that some pay-points were located stupidly because the provincial governments had sited them incompetently or perhaps corruptly. Provincial officials acknowledged that they were understaffed and many staff were poorly trained. They also pointed out that most beneficiaries lived in rural areas and many lacked the bar-coded identification documents that expedited applications. Provincial officials claimed that management was improving with the help of teams sent by the national government. Mobile teams were being deployed to expedite applications, and the backlog was being reduced. Nonetheless, fraud remained widespread. As many as 16,000 civil servants seem to have allocated themselves grants. In 2004, the Minister of Social Development told parliament that an estimated R1.5 billion per annum was lost in fraud. This amounted to about 4% of the welfare budget at the time.[7]

New information and financial technology together with outsourcing helped to solve some of the previous problems in payments (for example, reducing queues and reducing fraud at paypoints), even if they did not solve all problems everywhere. The total cost of administration – including the fee paid to contractors – amounted to R4 billion in 2007, i.e. less than 10% of the welfare budget.[8] The use of contractors generated new problems, however. Government

---

[7] *Mail and Guardian*, 6 Sep 2002; report tabled at meeting of the Social Development Portfolio Committee, 18th June 2003 (www.pmg.org.za); records of meetings of the Social Development Portfolio Committee, 23rd March and 18th June 2003 (www.pmg.org.za); speech by Minister Z.Skweyiya. 25th February 2004, http://www.polity.org.za/article.php?a_id=47526; *2007 Budget Review* (Pretoria: National Treasury).

[8] *2007 Budget Review* (Pretoria: National Treasury).

departments now had to manage contractors (Lund, 2008). As became evident in the 1990s, contracting created opportunities for new forms of corruption. The use of contractors opened the door to corruption in the award of contracts. In 1996, the Minister of Welfare, Abe Williams, was forced to resign in the face of alleged corruption. Four years later he was convicted and jailed, having been found guilty of taking bribes from (among others) a company wanting to secure the contract for pension payments in the Eastern Cape. Overall, however, the loss of resources through fraud and maladministration was minor in comparison to the resources being successfully distributed to pensioners and other grant beneficiaries.

The combination of continuing administrative problems in some provinces, enthusiasm for new technologies, and the new challenges of managing relationships with contractors pushed the national government to a second round of centralisation. In accordance with the recommendation of successive committees of enquiry, the government transferred administrative responsibility from the nine provinces to a new national social security agency, the South African Social Security Agency (SASSA), in 2005. SASSA would be responsible for 'delivery', whilst policy-making and an inspectorate would be housed separately in the national Department of Social Development. Both would report to the Minister. SASSA's responsibilities covered the registration of beneficiaries and the implementation of new payment infrastructure, through private contractors.

'Paying the right social grant to the right person at the right time and place' was adopted as the mantra of the new agency.[9] SASSA sought to utilise new technologies more fully with respect to the registration and identification of beneficiaries and payments. When SASSA was established, about 37% of grants were paid electronically through the banking system by arrangement with the various banks. The other two-thirds of pensions and grants were still paid in cash, transported in large amounts to payment points, many in remote rural areas, by the contracted service providers. The objective of converting cash recipients to electronic payment was one factor in SASSA's decision to replace the existing provincial contractors with a single national contractor. SASSA invited tenders for the national enrolment of eligible beneficiaries, using dedicated 'beneficiary payment cards', into a centralised, national database; the payment of grants (with adequate security); and careful management of all information (including reconciliation of payment data). SASSA decided to require that all payments be matched with beneficiaries through biometric verification, typically entailing a complete set of fingerprints taken when the beneficiary registered.

[9] www.sassa.gov.za.

In 2012, SASSA awarded the R10 billion national contract to the former CPS (now Net1 CPS). The losing bidder for the contract, AllPay, challenged successfully SASSA's decision in court. The court's ruling focused on the irregular manipulation of the tendering process to favour Net1 CPS and to prejudice AllPay, and did not scrutinise allegations of bribery. But the bribery allegations were the subject of investigation in the USA (where the parent company, Net1, was listed).

Regardless of the legality of the procedure for allocating the national contract, millions of pensions and grants continue to be paid every month. It seems likely that the extent of fraud in pension payments was being controlled under SASSA more effectively than ever before, even if suspicions persist with regard to corruption in the tendering process. Moreover, there had been a massive expansion in the scale of South Africa's welfare system, and hence in the administrative burden. In 2012-13 SASSA and Net1 CPS reregistered, using biometric identification, 19 million pension and grant beneficiaries across the country. This number was eight times larger than the total number of beneficiaries in 1994, at the time of the transition to democracy. The growth in the number of beneficiaries was primarily due to the reform and expansion of grants to poor mothers. A programme that gave generous support to a very small number of poor mothers was replaced with a programme that gave modest support to a large number of poor mothers (and other caregivers). In addition, there was some growth in the number of old-age pensioners, and more rapid growth in the number of disability grant beneficiaries. In the early 2010s, more than one in three South Africans was registered with and receives monthly payments from one or other welfare programme, through SASSA and its contracted service provider, Net1 CPS (until the tender process is reopened, by order of the courts). The post-apartheid state inherited pockets of weak capacity and has generally been viewed as having suffered a decline in capacity since 1994. In respect to the administration of pensions and grants, however, the post-apartheid state massively expanded its capacity, and it did so far faster than reformers anticipated.

Indeed, one of the criticisms made of the post-apartheid state with respect to pensions and grants is its enthusiasm to <u>over</u>-administer. When the child support system was reformed in the late 1990s, reformers imagined light administrative requirements, most notably with respect to the administration of the means test. A wide range of observers have repeatedly suggested that means tests cost more to administer than they save, given that they serve primarily to exclude the rich, not to target benefits on the very poor. The post-apartheid government, however, decided to retain the means test, and in fact sought to impose a range of other administrative requirements of grant claimants, including, in the case of child support grants, evidence of attempts to obtain maintenance from the child's other parent (Lund, 2008: 72-75). In some respects, SASSA reduced the administrative burden. It announced its intention of setting up, with other government departments, a 'one stop service' whereby applications for grants, identity documents and birth certificates, together with immunisation, HIV-testing and other health services could all be done under one roof. In other respects, however, SASSA may have inflated the administrative burden, for example through its enthusiasm for high-tech 'solutions' such as biometric identification (Donovan, 2013a).

4. Conclusion

Mauritius, the West Indies and South Africa undoubtedly had more 'state capacity' – in fiscal as well as administrative terms – than many colonies in the early twentieth century, or independent countries in the late twentieth century and early twenty-first century. They were relatively developed in both economic and political terms. In contrast to much of colonial Africa, for example, colonial rule in these colonies was largely or entirely direct rather than indirect – a distinction which, as Mamdani (1996) and Lange (2009) argue, is consequential in terms of democracy and 'development'. The experiences of these colonies and countries shows, however, that even where state capacity was thin, states were able to deliver pensions and grants, often because delivery in any setting required that state officials work together with local leaders. In the era before computerised data storage, the processing of applications for pensions and grants entailed a mix of state officials (usually magistrates, serving as district pension officers, and sometimes dedicated pension officers) and lay people. The extra capacity of some colonial governments did not make much of a difference in terms of cash transfers. When, in the era just before computers, the South African state sought to centralise aspects of the application process, it resulted in considerable inefficiency, which became politically intolerable as the country democratised. New technologies and infrastructures enabled states to overcome uneven or generally low capacity. Computing and financial technologies facilitated more centralied bureaucratic control, reducing the discretion enjoyed by local agents. Outsourcing allowed states to substitute less efficient public sector bureaucracy with more efficient private sector bureaucracy, although at the cost of expanding opportunities for large-scale corruption (or inefficiency) in the allocation of contracts.

The combination of democratic political pressures, new technologies and private sector administrative capacity have allowed the 'state' to expand 'public services' across much of Africa. Old age pensions are one example of this expansion of public services. The South African model of tax-financed, 'social' old-age pensions was replicated in Botswana in 1996, Lesotho in 2004 and Swaziland in 2005. In 2013, Zimbabwe enacted legislation providing for old-age pensions, although the consolidation of power by President Mugabe's party (ZANU-PF) stalled implementation. Zambia and Kenya have introduced pilot programmes, and both major political parties in Uganda have committed themselves to the introduction of old-age pensions. As experience in countries like Lesotho, Swaziland, Zambia and Kenya shows, even states with middling capacity can deliver pensions and grants, through using new technologies and either private sector infrastructure or the existing public sector infrastructure of magistrates and post offices.

Pension programmes – as well as child support programmes and public works programmes such as India's NREGS – require forms of 'state capacity' that have become more commonplace. A national population registration system helps, although it is not necessary. In 2010, India embarked on the 'Aadhar' population registration programme. By January 2014, more than half of the country's 1.25 billion people had been registered, with facial photographs, full fingerprints and iris images. Aadhar is used increasingly for social assistance programmes, including the NREGS. Even in remote rural areas in countries without national registration, cash transfer agencies can register beneficiaries using portable laptops, cameras, fingerprint readers and card printers. Semi-desert conditions pose difficulties, but in places like northern Kenya even these are not insuperable (Osofisan, 2011; Donovan, 2013b). In remote areas, payments need not be made through dedicated pay-points or post offices, but can be effected using electronic financial transfers, mobile phones and ATMs in small shops. The result is that even in areas (such as northern Kenya) where the state has tenuous authority, where public health services are limited and children spend little time in school, grant beneficiaries can be registered and payments made.

Indeed, it is in part through such public services that states are constructed. The kind of state being constructed is very different to the Weberian state of early twentieth century Europe. The processing of applications and delivery of pensions and grants might be outsourced to private contractors. Aid donors might provide oversight (and even funding). But the relationship between citizens and 'state' is transformed, and 'states' are built.

5. References

Ashford, D. E. 1986. *The Emergence of the Welfare States*. Oxford: Basil Blackwell.

Bates, R. 2008. *When Things Fell Apart: State Failure in Late-Century Africa*. Cambridge: Cambridge University Press.

Bayart, J-F. 1993. *The State in Africa: the Politics of the Belly*. New York: Longman; originally published in French in 1989.

Barrientos, A. 2013. *Social Assistance in Developing Countries*. Cambridge: Cambridge University Press.

Bierschenk, T. & J-P. Olivier De Sardan. 1997. Local powers and a distant state in rural Central African Republic. *Journal of Modern African Studies,* 35(3): 441-468.

Bierschenk, T. & J-P. Olivier De Sardan. 2003. Powers in the village: Rural Benin between democratisation and decentralisation. *Africa,* 73(2): 145-173.

Chabal, P. & J-P. Daloz. 1999. *Africa Works: Disorder as Political Instrument*. Oxford: James Currey.

Cooper, F. 1996. *Decolonisation and African Society*. Cambridge: Cambridge University Press.

Cooper, F. 1997. 'Modernizing Bureaucrats, Backward Africans, and the Development Concept'. In Cooper, F. & R. Packard (eds.) *International Development and the Social Sciences*. Berkeley: University of California Press.

Cooper, F. 2002. *Africa since 1940: The Past of the Present*. Cambridge: Cambridge University Press.

Donovan, K. 2013a. The Biometric Imaginary: Standardization & Objectivity in Post-Apartheid Welfare. *CSSR Working Paper* No. 335. Cape Town: University of Cape Town, Centre for Social Science Research.

Donovan, K. 2013b. Infrastructuring Aid: The Practice of Materializing Social Protection in Northern Kenya. *CSSR Working Paper* No. 333. Cape Town: University of Cape Town, Centre for Social Science Research.

Garcia, M. & C.M.T. Moore. 2012. *The Cash Dividend: The Rise of Cash Transfer Programs in Sub-Saharan Africa*. Washington D.C.: World Bank.

Gilbert, B.B. 1970. *British Social Policy, 1914-1939.* London: B.T.Batsford Ltd.

Gough, I., Wood, G., Barrientos, A., Bevan, P., Davis, P. & G. Room. 2004. *Insecurity and Welfare Regimes in Asia, Africa, and Latin America: Social Policy in Developmental Contexts.* Cambridge: Cambridge University Press.

Guest, R. 2004. *The Shackled Continent: Power, Corruption, and African Lives.* Washington DC: Smithsonian.

Hanlon, J., Barrientos, A. & D. Hulme. 2010. *Just Give Money To The Poor: The Development Revolution from the Global South.* Sterling, VA: Kumarian Press.

Hellman, E. (ed.) 1948. *Handbook of Race Relations in South Africa*. Cape Town: Oxford University Press.

Herbst, J. 2000. *Power and States in Africa: Comparative Lessons in Authority and Control.* Princeton: Princeton University Press.

Huber, E. & J. Stephens. 2012. *Democracy and the Left: Social Policy and Inequality in Latin America*. Chicago: University of Chicago Press.

Iliffe, J. 1987. *The African Poor.* Cambridge: Cambridge University Press.

Jamaica. 1945. *Report of the [Benham] Economic Policy Committee*. Kingston: Government Printer.

Katz, M. 1986. *In the Shadow of the Poorhouse: A Social History of Welfare in America.* New York: Basic Books.

Kelly, G. 2013. Regulating access to the disability grant in South Africa, 1990-2013. *CSSR Working Paper* No. 330. Cape Town: University of Cape Town, Centre for Social Science Research.

Kelsall, T. 2011. Rethinking the Relationship between Neo-patrimonialism and Economic Development in Africa. *IDS Bulletin*, 42(2): 76-87.

Lange, M. 2009. *Lineages of Despotism and Development: British Colonialism and State Power.* Chicago: University of Chicago Press.

Lees, L. 1998. *The Solidarities of Strangers: The English Poor Laws and the People, 1700-1948.* Cambridge University Press.

Lewis, J. 2000. *Empire State-Building: War and Welfare in Kenya, 1925-52.* Oxford: James Currey; Athens: Ohio University Press.

Lund, F. 1992. *The Way Welfare Works: Structures, Spending, Staffing and Social Work in the South African Welfare Bureaucracies*. Pretoria: Human Sciences Research Council.

Lund, C. 2006. Twilight institutions: public authority and local politics in Africa. *Development and change,* 37(4): 685-705.

Lund, F. 2008. *Changing Social Policy: The Child Support Grant in South Africa.* Cape Town: HSRC Press.

Macnicol, J. 1998. *The Politics of Retirement in Britain, 1878-1948.* Cambridge: Cambridge University Press.

Mamdani, M. 1996. *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism.* Princeton: Princeton University Press.

McClure, M. 1998. *A Civilized Community: A History of Social Security in New Zealand.* Auckland: Auckland University Press.

Médard, J-F. 1982. 'The Underdeveloped State in Tropical Africa: Political Clientelism or NeoPatrimonialism?' In Clapham, C. (ed.) *Private Patronage and Public Power: Political Clientelism in the Modern State*. London: Frances Pinter, pp. 162-192.

Osofisan, W. 2011. Strengthening State-Citizen Relations in Fragile Contexts: The Role of Cash Transfers. *Pension Watch: Social Protection in Old Age.* HelpAge International.

Pribble, J. 2013. *Welfare and Party Politics in Latin America*. Cambridge: Cambridge University Press.

Rotberg, R. (ed.) 2003 *State failure and state weakness in a time of terror*. Washington DC: Brookings Institution Press.

Rudra, N. 2008. *Who Really Gets Hurt? Globalization and the Race to the Bottom in Developing Countries*. Cambridge: Cambridge University Press.

Rotberg, R. (ed.) 2010. *When States Fail: Causes and Consequences*. Princeton: Princeton University Press.

Seekings, J. 2007a. "Not a Single White Person Should be Allowed to go under": Swartgevaar and the Origins of South Africa's Welfare State, 1924-1929. *Journal of African History*, 48(3): 375-394.

Seekings, J. 2007b. "Pa's pension": The origins of non-contributory old-age pensions in late colonial Barbados. *Journal of Imperial and Commonwealth History*, 35(4): 529-547.

Seekings, J. 2008a. The Carnegie Commission and the Backlash Against Welfare State-Building in South Africa, 1931-1937. *Journal of Southern African Studies*, 34(3): 515-537.

Seekings, J. 2010. 'The ILO and Welfare Reform in South Africa, Latin America and the Caribbean, 1919-50'. In Rodriguez, M.G., Van Daele, J., van der Linden, M. & G. Van Goethem (eds.) *The ILO: Past and Present*. Bern: Peter Lang, pp. 145-172.

Seekings, J. 2011. British Colonial Policy, Local Politics and the Origins of the Mauritian Welfare State, 1936-1950. *Journal of African History*, 52(2): 157-177.

South Africa. 1927. 'First Report of the [Pienaar] Commission on Old Age Pensions and National Insurance', U.G. 21-1927.

South Africa. 1944. 'Report of the [Van Eck] Social Security Committee', U.G. 14-1944.

South Africa. 1985. 'Report of the [Nattrass] Committee of Enquiry into the Payment of Social Pensions in KwaZulu'.

South Africa. 1996. Report of the [Chikane] Committee for Restructuring of Social Security in 1995-96'.

SAIRR. 1993. *Race Relations Survey 1992/93*. Johannesburg: South African Institute of Race Relations.

SAIRR. 1994. *Race Relations Survey 1993/94*. Johannesburg: South African Institute of Race Relations.

Thane, P. 1996. *Foundations of the Welfare State*. Harlow: Pearson Longman, 2nd edition.

Thomson, D. 1998. *A World without Welfare: New Zealand's Colonial Experience*. Auckland: Auckland University Press.

Titeca, K. & T. De Herdt. 2011. Real governance beyond the “failed state”: Negotiating education in the Democratic Republic of the Congo. *African Affairs*, 110(439): 213-231.

Van Kersbergen, K. & P. Manow (eds.) 2009. *Religion, Class Coalitions, and Welfare States*. Cambridge: Cambridge University Press.