

Aid for Africa and the case for cash transfers

There is growing recognition that social protection programmes are an important but overlooked component of development aid. This line of thinking was taken forward at a landmark meeting of African governments earlier this year.

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An older woman who receives a monthly cash transfer through the Government of Zambia's pilot social cash transfer scheme talks to conference participants during a visit to her home in Kalomo district.

It is a year since the G8 agreed 'more and better aid' for Africa, and time that donors and African governments specified what package of aid could benefit the poorest people.

This was discussed at a meeting in Livingstone, Zambia in March 2006, hosted by the Government of Zambia and supported by the African Union. The meeting brought together ministers and senior representatives from the finance and social welfare ministries of 13 African countries – Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe – and Brazil, as well as donors, UN agencies and NGOs. It was jointly organised by the Government of Zambia and HelpAge International.

Participants examined ways to reduce the poverty of the poorest people in Africa, particularly through the implementation of social cash transfers.

The high point for many participants was a visit to households receiving cash transfers through the Zambian Government's pilot scheme (see box: Are pilots necessary?). Participants said they were moved to see such extreme poverty and the trip helped them understand the value of transferring cash directly into poor people's hands. 'One of the good things we can see from the Kalomo pilot is that a small amount of cash can make a big difference to people's lives,' said one participant.

The conference resulted in the Livingstone Call for Action, which included calls for African governments to put together costed social transfer plans within three years, integrated into national development plans and budgets.

The case for social protection

Conference participants debated the case for regular cash transfers to very poor people. They shared evidence of how regular cash transfers promote economic growth, further basic human rights, and reduce household poverty.

Several speakers pointed out that OECD countries had experienced enormous gains in poverty reduction, living standards and social cohesion through the expansion of social protection after the First World War. Measures included regular cash transfers to vulnerable households or individuals, including social pensions, often at an investment of more than 10 per cent of GDP.

The African Union representative pointed out that social protection provided the means for poor people to become more self-sufficient. In many cases, cash transfers had been put to effective social and economic use, in particular by older women, he said.

Other speakers observed that increasing purchasing power from regular cash transfers assisted not only individual households, but the local economy as a whole.

A recurring theme of the discussions was the link between social protection and human rights. Regular social cash transfers, including pensions,

support people's right to social security, which is enshrined in the Universal Declaration of Human Rights.

The African Union representative, in his keynote speech, said: 'Social protection is also a human rights issue. The rights for the most disadvantaged... [are] to have access to the basic necessities of life and an income to enhance their livelihood. The social contract between the state and citizens should be enhanced through social protection programmes.'

He reminded participants that the African Union's Ouagadougou Plan of Action of 2004 commits member states to improving the living conditions of older people through better social protection

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services, including improved pensions, health and other social security schemes.

Even where there is free education and healthcare, many poor families cannot benefit from these services because of the associated costs, such as transport and school uniforms. Evidence from a range of studies indicates that social transfers act as effective incentives to increase poor people's demand for services and improve their education and health outcomes.¹

The UK Department for International Development (DFID) representative announced that the UK Government's forthcoming white paper on development cooperation will recognise that social security for all – as part of a package of basic services – is essential for poverty reduction and growth.

'No meaningful and sustained economic growth can be achieved in the absence of social protection.'

His Excellency Mr Levy Patrick Mwanawasa, President, Republic of Zambia at the Livingstone conference

Barriers to social protection

The need for clearer data on poverty, a better understanding of the impact of social protection and its cost, and strategies for overcoming institutional constraints were discussed.

Poverty data broken down by age, disability, ethnicity and so on provides a more accurate basis on which to develop poverty-reduction programmes.

Participants acknowledged that most development schemes are not focused on support to the very poorest people. Analysis is therefore biased towards the 'economically productive' sections of the population. Unless there is evidence about how poor people invest cash for their economic advancement, this prevailing opinion prevents investment.

Concerns about the cost of social protection schemes were balanced by a number of presentations showing that even the poorest countries can afford

modest social transfers with assistance from various sources (see box: Cost and affordability).

The consensus was that to enable African governments to deliver social protection schemes nationally and long-term, long-term co-financing (10-15 years) needs to be negotiated. This provides the opportunity for governments to scale up social transfer schemes funded with a mix of external funding and internal revenue.

There was consensus that administration of social protection schemes was a responsibility of government, but that government capacity was weak. Social welfare ministries usually hold this responsibility, but they lack capacity to implement schemes. Consequently existing social protection schemes are uncoordinated, responding piecemeal, for example, to HIV and AIDS, floods or food shortages.

Effective social protection programmes require a national social protection strategy, capacity building and resources. Political will at national and international level is essential to make this happen.

Issues for the future

In line with a human rights approach, the right to social protection should be embedded in the constitution, with appropriate legislation and resources. South Africa is one country where social protection is a right that people can, and do, claim in court.

The right to social protection also needs to be translated into policy frameworks, budget processes and poverty reduction plans. This is happening in the second generation of poverty reduction strategy papers, for example in Tanzania, Uganda and Zambia.

The formation of social protection advisory groups can help to ensure that social protection is integrated into national development planning.

Resourcing is essential. Social protection strategies cannot work without reliable funding. Having a clear national social protection strategy will be helpful to secure a budget. Ministry representatives for social protection need to work closely with finance ministries to ensure that social protection is integrated into budget processes, and that funds are actually released.

Cost and affordability

- Lesotho's social cash transfer schemes are entirely financed by national budgets. The social pension reaches all citizens aged 70 and over. It costs approximately 2.2 per cent of the national budget.
- Scaling up Zambia's pilot social cash transfer scheme to cover the poorest 10 per cent of households nationally would cost 0.3 per cent of GDP and 1.3 per cent of the 2005 budget.
- An ILO study in seven African countries indicates that a combination of child benefits, universal social pensions and a disability grant would halve poverty rates and cost 3-7 per cent of GDP. Aid would be required initially.²
- DFID calculates that in most African countries social cash transfers of US\$0.5 per person per day to the poorest 10 per cent of the population would cost less than 3 per cent of GDP.

Social protection and HIV/AIDS

- In areas severely affected by AIDS, half of all older people care for HIV-positive adults or vulnerable children.
- These families face increased poverty, which in turn increases their risk of HIV infection.
- Cash transfers to carers and their dependants are an effective way to stop these families from sliding deeper into poverty.
- Social pensions bring educational and nutritional benefits to vulnerable children.

Are pilots necessary?

Pilot social cash transfer programmes can be a useful way to learn what works and to build capacity.

The Government of Zambia's pilot scheme in Kalomo district, funded by the German development agency GTZ, pays the poorest 10 per cent of households US\$6-8 a month.

These people are critically poor, often surviving on one meal a day. Most households are headed by women and/or people aged 65 or older. The main cause of severe poverty is HIV/AIDS. Recipients have spent the money on food, household items, education, transport, healthcare, agricultural inputs and labour.

The Kalomo scheme demonstrates that well-documented and publicised pilot programmes can create awareness and generate political will. However, it does not prove that scaling up would necessarily be successful.

Experience in Lesotho shows that it is possible to establish a universal old-age pension scheme without the evidence of a pilot programme. The Lesotho Government's universal social pension programme shows that old age (over 70) is relatively easy to target, it is possible to work through the Ministry of Finance, and there is political will to deliver a universal, long-term transfer.

1. Chapman K, *Using social transfers to scale up equitable access to education and health services*, background paper, Scaling up Services team, DFID Policy Division, January 2006

2. Pal K et al., *Can low income countries afford basic social protection?* First results of a modelling exercise, Issues in Social Protection discussion paper 13, Social Security Department, ILO, Geneva, June 2005 www.ilo.org/public/english/protection/secsoc/downloads/policy/1023sp1.pdf

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