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Unpredictability, poverty and social security in Africa

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Development has failed in Africa

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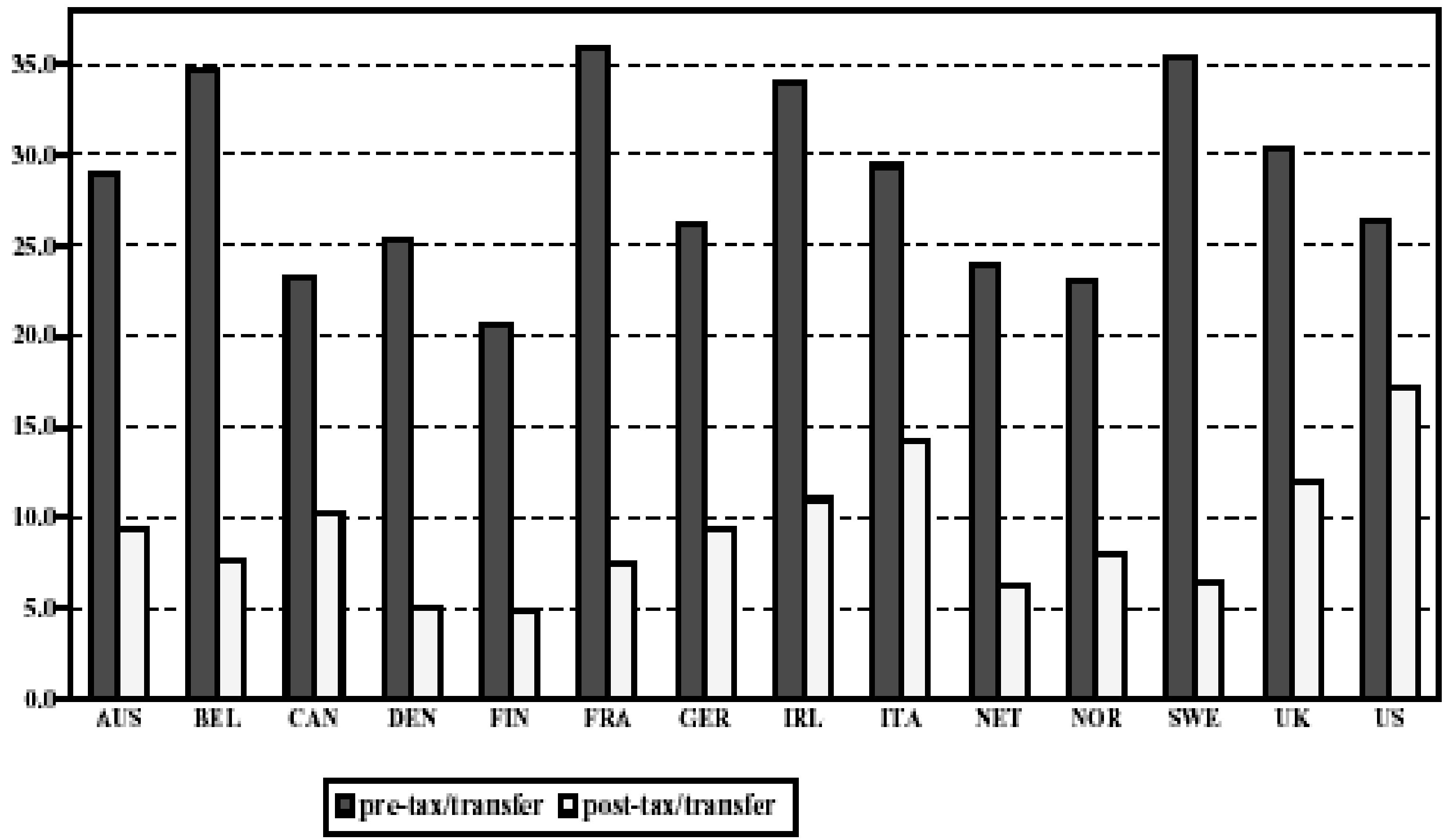
- Number living on < $1 per day has risen from 217m in 1990 to 290m in 2000
- Zambia – 75% on <$1 per day
- 12 million children orphaned by AIDS
- In Ethiopia, almost half of children are underweight
- Economic growth almost absent from most of the continent

Poverty reduction in OECD countries



Investment in social security in OECD countries

Year	United States	Japan	Germany	France	United Kingdom	Italy	OECD
1960	5.0	3.8	12.0	13.5	6.8	9.8	7.0
1970	7.6	4.6	12.7	14.8	8.8	12.4	8.8
1974	9.5	6.2	14.6	15.5	9.7	13.7	10.5
1990	11.1	7.4	15.2	16.9	11.8	15.5	12.2
2000	...	10.0	18.8	18.0	13.2	16.7	12.6*
2005	12.0	11.3	19.2	17.9	13.4	17.1	13.6*

In Africa, the only option is work

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- In a market economy, families need cash to live
- Development practitioners – and governments – promote work (eg. livelihoods programmes; micro-credit)
- But, many cannot work or get enough income
- Too much burden on people who cannot cope:
  - In southern Africa, 59% of double orphans in households headed by older people
  - In Kenya, 39% of carers of orphans are older people
- Life is unpredictable
- Humanitarian assistance has become the only option – yet many "emergencies" are entirely predictable

Social security: a right and a public service

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- Universal Declaration of Human Rights:
    - ➢Art 22: Everyone …… has a **right to social security**
- Four essential public services:
    - ➢Health
    - ➢Education
    - ➢Water
    - ➢Social security

Social security in Africa

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- National social security programmes:
  - Pensions in South Africa, Namibia, Swaziland, Lesotho, Botswana
  - Child support grant in South Africa (7 million children receive $0.90 per day)
  - Programmes targeted at poor households (eg. Ethiopia, Mozambique)
- Small pilots eg. Zambia, Kenya, Malawi, Ghana, Uganda

Investment in people

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- **Poverty:** In South Africa, incomes of poorest 5% have been doubled; poverty gap reduced 50%; in Mauritius, pension reduced those in poverty from 37% to 6%
- **Nutrition:** Pensions and child support grant associated with c. 3cm increase in height
- **Education:** Zambia (18% increase in attendance); South Africa (social pension led to 8% increase in enrolment among poorest 20%)
- **Health:** Namibia – 14% of pension spent on own health – also spend on rest of household
- Long-term will increase potential of workforce

Predictability promotes productivity

- Social transfers put predictability into the lives of poor people – enables them to look to the future, plan and invest
- In Zambia, 30% of cash invested in productive activities
- Similar evidence from Ethiopia and Malawi
- Families also do not have to sell assets or take children out of school
- In South Africa, those receiving grants are more likely to be in employment

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Impact of South Africa's Social Grants on adult labor force participation and employment

	from social pension	from child grant	from child grant (women only)
Labour market improvement:			
Find employment	**2%**	**2%**	**3%**
Actively look for work	**2%**	**3%**	**6%**

NOTE: Sample includes working age adults (older than 16) in households in the lowest income quintile but with no working individuals in September 2004.

SOURCE: Statistics South Africa Labor Force Surveys and EPRI calculations

Creating demand for consumption

- Cash transfers increase demand for goods
  - In Namibia, pension days become market days
- Increased demand stimulates local producers and service providers to increase production and employ more people
  - In Malawi, the Dowa cash transfer led to a total increase in economy of more than twice the value of cash transfers (similar results in Mexico)
- Replicated across a country, it can become an engine for wider economic growth

Key debate is targeting

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- Where social cash transfers are linked to citizenship and democratic politics, tend to see categorical transfers, in particular pensions.
- Where the debate is between donors and executive branch of government, tend to see programmes targeted at the very poorest

Poverty targeting is highly problematic

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- No one knows how to target for poverty in sub-Saharan Africa
- Poverty targeting is complicated and expensive – and requires continual re-targeting
- Many of poorest miss out; stigma; discord in communities; disincentives to work
- Universal categorical targeting is much better – more efficient; more likely to reach poor (especially in countries where majority are poor); and is an entitlement
- Amartya Sen: *“Benefits meant exclusively for the poor often end up being poor benefits”*

Building a social minimum

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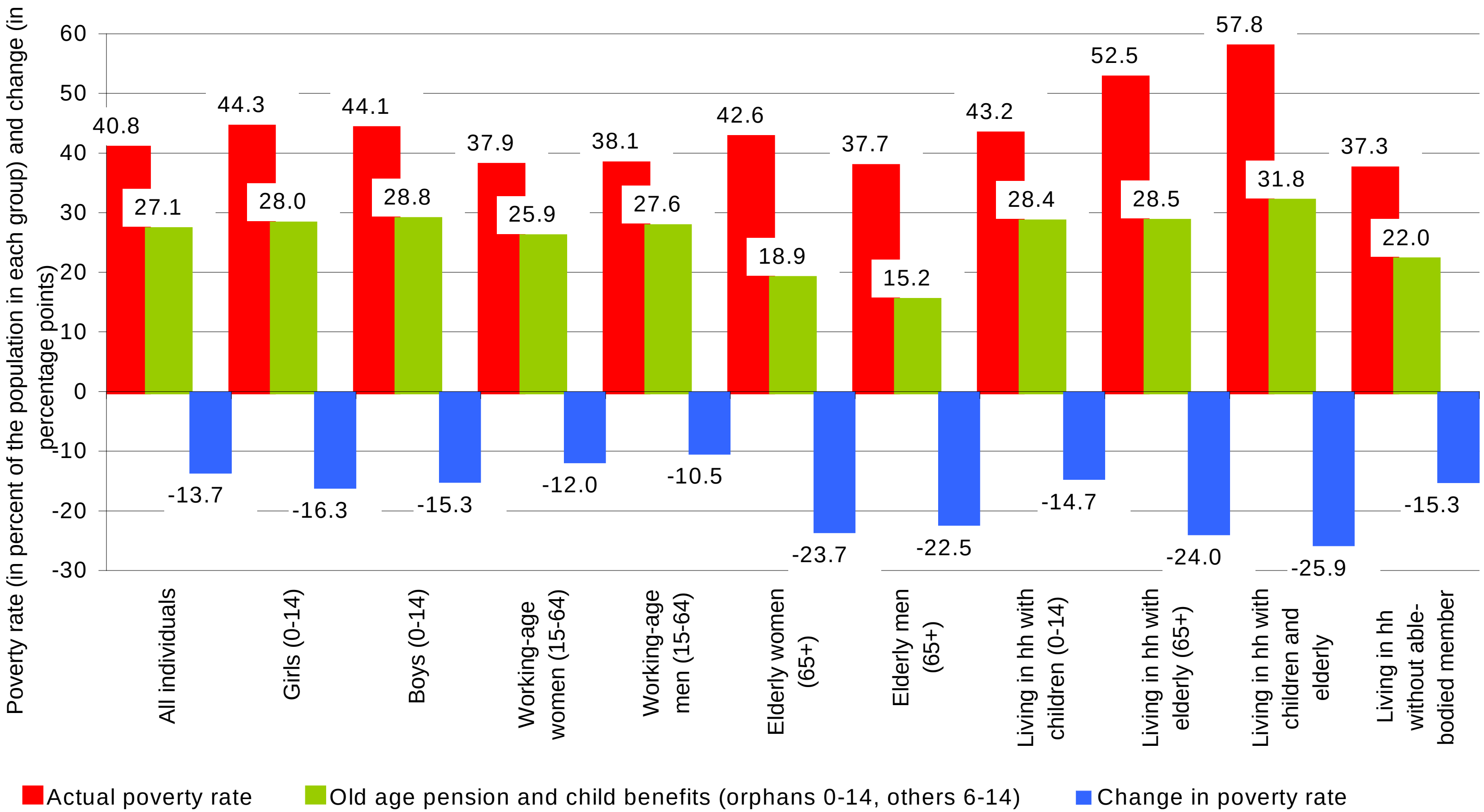
- Universal social pension
- Universal child benefit
- Disability benefit

- Can start small and then expand

Tanzania: impact of pension and child grant



Livingstone Call for Action

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- Social transfer programmes, including the social pension and social transfers to vulnerable children, older persons and people with disabilities to be a more utilised policy option in African countries.
- African governments to put together costed national social transfer plans within 2/3 years …… that development partners can supplement.

Next steps in Africa

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- Livingstone 2 conference and process
- Course in South Africa on designing and implementing social transfers
- Visits to South Africa and Lesotho for policy makers to learn from experience
- Support for civil society to build awareness and to be more effective advocates
- Critical – establishing national programmes

Final words from Lesotho pensioners

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- *If I was not getting this pension, I would be dead*

- *I want to use my money to feel useful and gain respect in the community*

- *Those without a pension live on vegetables; those with a pension can have meat*