

Unpredictability, Poverty and Social Security in Africa

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Development has failed in Africa. Poverty is not being reduced and economic growth is minimal. Development practitioners have not learnt the lesson from OECD countries that social security – a system of regular and predictable cash transfers – is the most effective way to reduce poverty. Instead, the focus has been on getting people to work despite the fact that work is often unavailable, many people are unable to work – eg. because of age, disability, or caring responsibilities – and the returns from work are frequently insufficient for even basic subsistence. For hundreds of millions of people in Africa life is entirely unpredictable. They do not know if they will be able to eat tomorrow, next week or next month. The main response from the international community over the last 13 years has been to offer them expensive and unreliable food aid.

Yet, social security is a human right. Social security should be regarded as one of four essential public services, alongside health, education and water and sanitation. Rather than being viewed as “welfare” or a “safety net”, social security is an investment by the state in its citizens – one with strong transformative potential.

A number of countries in southern Africa – in particular South Africa – have put in place a national social security system, with significant impacts on the lives of poor people. Poverty has been reduced, nutrition among young children has improved, children are more likely to go to school and families are able to spend more on their health. In the long-term, these investments will improve the capacities of poor people to engage in economic activity, giving countries a larger and more capable workforce, thereby increasing a country’s ability to take advantage of globalisation and grow economically.

One important impact of providing regular cash transfers to poor and vulnerable people is that it puts predictability back into their lives. They know that they can guarantee basic needs for their families over the next few months and years. Consequently, poor people can begin to plan and take risks by investing in productive activities. There is evidence of this happening in cash transfer programmes in Africa and beyond. Evidence from South Africa also shows that poor people are more likely to be in employment if their families are in receipt of social transfers.

In the short-term, putting predictability into the lives of hundreds of millions of people across Africa could be a major force for promoting economic growth. In many countries, this could mean releasing the potential of the majority of the population.

Social transfers also promote growth in a range of other ways. Injecting large volumes of cash into local economies can increase the demand for goods, stimulating local producers and service providers to increase production. Replicating this across a whole country – especially if up to 2% of GDP is re-distributed through taxation from richer households to poor people – could, again, be a major driver for economic growth. Evidence on a small scale can be seen in, for example, Namibia and Malawi.

Establishing national social security systems will not be easy. There are a range of challenges particularly in countries with low institutional capacity. One of the key challenges and debates is around targeting. It is clear that where social cash transfers are linked to citizenship and democratic politics – as in Southern Africa –

universal, categorical transfers, in particular pensions, are implemented. Where the debate is between donors and the executive part of government, we tend to see programmes targeted at the very poorest.

Yet, targeting for the very poor is highly problematic. No one knows how to target for poverty in sub-Saharan Africa and, as a result, programmes meant for the poor are likely to exclude many of them. Furthermore, poverty targeting is complicated and expensive, can promote stigma and discord in communities and put in place disincentives to work. Universal categorical targeting – such as pensions for older or disabled people, or child benefits - is much more efficient, and more likely to reach the poor. In countries where the majority are poor, universal targeting will ensure that most of them are included – rather than excluding them as happens with programmes targeted at the very poorest. When people are clear that these transfers are an entitlement, they are more likely to promote cohesion than discord. As Amartya Sen says: “Benefits meant exclusively for the poor often end up being poor benefits.”

If we are to be ambitious, should we be aiming to create a social minimum across Africa based on a universal old age pension, universal child benefit and disability benefit. While this would promote a fiscal challenge at present in most countries, such programmes could start small and then expand as they become successful and politically accepted.

In 2006, 13 African governments came together and put together the Livingstone Call for Action. This asked for governments across Africa to put in place national social transfer plans – within two to three years – that could also be supported by the donor community. Some progress is being made and, in early 2008, there will be another set of regional conferences – leading to an international conference – which will discuss progress and next steps. This is a major opportunity for the international community to help transform Africa.