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A Presentation on

Social Cash Transfers Programming: A Complement to Social Protection Programmes

By

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"When spider webs unite, they can tie up a lion"

Excellencies, Honourable Ministers, Officers and Staff of MESW, Colleague Development Practitioners,

I. Introduction

I am honoured for this invitation to share evidence based practices on social transfers and what Ghana can learn from these. The pressing issue of the social impact of the current global financial and economic crisis has made it even more imperative for Ghana to improve, expand and augment its social protection policies and programmes. This presentation will draw extensively on the research findings and field works of the International Council on Social Welfare (ICSW), the World Bank and German Technical Cooperation which was commissioned by the German Federal Ministry for Economic Cooperation and Development

The 1997 financial and economic crisis

The current global financial and economic crisis did not have similar causes and points of origin as the 1997 Asian financial crisis but its impacts are the same, especially in social terms. What began as a financial crisis in Thailand, in 1997, developed into an economic and then social crisis across the Asian region and then beyond. That financial crisis very quickly got translated into a drastic contraction in production and employment in many countries in the region, which led, first, to a reduced demand for labour, which in turn resulted in a reduction in real wage rates and an increase in unemployment.

Second, the bout of high inflation during the crisis and its aftermath dented real household expenditure.

Third, higher import prices as a result of real currency devaluation reduced the purchasing power of household income.

Fourth, a substantial loss of property income reduced total household income.

In addition, the welfare of poor households further deteriorated as governments lowered spending on education, health care and other social services as a consequence of the economic downturn.

The impact of the current crisis

As in 1997, it is happening in this crisis as well, but on a truly global scale. The UN estimates that an additional 100 million people will fall into poverty or fail to escape poverty because of this crisis. The ILO expected the unemployment rate to increase by 0.6 percent in 2009.

A fall in remittances, which is a consequence of the recession further jeopardises the capability of households, which use these funds in effect as social insurance and to smooth out income and consumption levels. Evidence points to families selling their productive assets such as land, livestock and beasts of burden, making them more vulnerable and destitute.

In turn, reduced household consumption will increase malnutrition, especially among children. This will, among other things, hinder child growth, affecting learning and cognitive abilities. The World Bank has reported that infant deaths in developing countries may be 200,000 to 400,000 per year higher on average between 2009 and the Millennium Development Goals target year of 2015.

Moreover, cuts in public social sector expenditure, that came in the aftermath of the crisis, rising prices of foodstuffs and other basic commodities – which happened before the current crisis—have brought even more hardships, especially for women who have primary responsibility for balancing household budgets and care of the family.

II. Social protection/cash transfers – reducing the negative social impact of the current crisis

Enhancing the coverage of social protection is not only a moral imperative but also good economics. It also makes individuals feel more secure.

Social safety nets, such as cash or in-kind government transfers to the poor are often temporary but necessary measures. These transfers can be conditional – provisions to families or individuals as a reward for actions such as attending school, participating in public works, or doing medical check-ups. Or they can be unconditional transfers, which do not depend upon recipient's behaviour. These measures cannot replace longer-term social protection schemes that will protect vulnerable peoples from this crisis as well as the next.

III. National responses—Social Cash Transfers Programming

National approaches in identifying poverty groups impacted by the economic crisis will vary considerably but all will need to take into account the key criterion of exclusion from productive resources, decent work and social security; as well as extreme vulnerability to higher food and fuel costs.

Social cash transfers complement social development services. To quote ***Laura B. Rawlings, World Bank, Latin America and the Caribbean Region,***

"Conditional cash transfers are a departure from more traditional approaches to social assistance that represents an innovative and increasingly popular channel for the delivery of social services. Conditional cash transfers provide money to poor families contingent upon certain behaviour, usually investments in human capital such as sending children to school or bringing them to health centres on a regular basis. They seek both to address traditional short-term income support objectives and promote the longer-term accumulation of human capital by serving as a demand-side complement to the supply of health and education services. Evaluation results reveal that this innovative design has been quite successful in addressing many of the failures in delivering social assistance such as poor poverty targeting, disincentive effects and limited welfare impacts. There is clear evidence of success from the first generation of programmes in **Brazil, Colombia, Mexico and Nicaragua** in increasing enrolment rates, improving preventive healthcare and raising household consumption. Despite this promising evidence, many questions remain unanswered about conditional cash transfer programmes, including the replicability of their success under different conditions, their ability to address a broader range of challenges posed by poor and vulnerable populations, their within a broader social protection system, and their long-term effectiveness in preventing the intergenerational transmission of poverty".

"Social protection systems enable people to make provisions that will help them cope with future crises like illness, death or the loss of a harvest. They also provide support for extremely poor people, who do not have sufficient self-help potential to maintain a decent standard of living. Basic social protection to safeguard crisis-ridden households from destitution is a subsidiary, but necessary element of social protection. It is also an investment in human capital. This is especially true for orphans and children living in households affected by the HIV/AIDS pandemic. Enabling these target groups to buy food and have access to health and education is not only a human right; it is the basis for future opportunities and productive engagement. **It is an investment in human capital". *GTZ commissioned by the German Federal Ministry of Economic Cooperation and Development***

IV. Definition and Rationale of Social Cash Transfers

Social cash transfer programmes aim to provide basic social protection to those sections of the population who, for reasons beyond their control, are not able to provide for themselves. People in need of basic social protection usually live in labour-constrained households i.e. households with no adult members fit for productive work. Due to their limited self help capacity, these households cannot access any of the labour-based poverty reduction programmes offered by governments or aid organizations. The bulk of households in need of basic social protection are headed by the elderly, widows, children, or individuals who are disabled or chronically sick. In Africa, the number of households consisting only of grandparents (mostly grandmothers) and orphans is still growing. This trend is largely due to the impact of HIV/AIDS. Unless these households are covered by social insurance schemes – which in developing countries are mostly limited to the small formal sector – they will be unable to provide their members with their most basic needs in terms of food, health care and education. The main types of social cash transfers aiming at basic social protection are non-contributory pensions, social assistance to families or households and conditional cash transfers (transfers attached to conditions like regular attendance of schools or health services). In contrast to emergency programmes, which are designed for temporary relief and mainly transfer assistance in kind, social cash transfer schemes are permanent programs that transfer cash on a regular and reliable basis to households or persons that meet certain eligibility criteria. Many developing countries, especially the LDCs in sub-Saharan Africa, have so far not made much progress with regard to achieving the Millennium Development Goals (MDGs). This is one of the reasons why a number of international initiatives urge governments and development organizations operating in these countries to prioritize basic social protection. Some of these initiatives argue from a human rights perspective (e.g. The Voluntary Guidelines to Support the Progressive Realization of the Right to Food adopted by the FAO Council in November 2004) and /or from the perspective of specific vulnerable groups like the elderly or orphans (e.g. Age and Security, Helpage International, 2004). Others focus on the link between social protection and pro-poor growth (e.g. From Safety Net to Springboard – Social Protection Strategy, World Bank 2001). However, these groups all conclude that social cash transfers have a positive impact on development and are an underexploited tool for achieving rapid and cost-effective reductions of hunger and critical poverty. The transfers also complement other forms of assistance by providing basic social protection to households that cannot be reached by mainstream development and poverty reduction programs. ***GTZ***

V. Costs and Benefits of Existing Social Cash Transfer Programmes

An analysis of studies of social cash transfer programmes in developing countries reveals that their impact has been positive and that the costs are affordable. In many cases, there have been positive secondary effects over and above the primary goal of poverty reduction:

● **Effectiveness:** Social cash transfer programs reduce extreme poverty in an effective and broad-ranging way. A study on non-contributory pensions showed that in the absence of this social transfer income, poverty in households with older people would be 5.3 percentage points higher in Brazil and 1.9 percentage points higher in South Africa. It is important to note that the impact of these programs was greatest for extremely poor individuals. In the absence of a non-contributory pension, indigence would be 8.9 percentage points higher in Brazil and 2.3 percentage points higher in South Africa. Even when a program could not lift a household above the poverty line, it nevertheless reduced the depth of poverty and, therefore, it's worst effects. Without these programmes, it is estimated that the poverty gap would be a third larger in Brazil, and two-thirds larger for South Africa (Barrientos et. al., 2003). Apart from the elderly, disabled persons, women and children benefit from non-contributory pensions.

● **Impact on individuals:** Monetary transfers to groups such as the elderly can enhance their social status within and outside the family. In particular, the transfers can bring them greater recognition, social inclusion and autonomy. Studies have shown that recipients of a non-contributory pension regard it as a contribution to family income and use it for the feeding and basic education of the children living in the household (Barrientos/DeJong, 2002; Devereux, 2001; Helpage International, 2004).

● **Impact on family and community level:** Social cash transfer programmes can support overburdened family networks and communities. In particular, they can go a long way towards alleviating the consequences of AIDS. Households that only consist of old people, disabled persons and children, cannot survive without a supplement to their income. In Zambia, about 10% of households are in this position (MCDSS/ PWAS, 2003, National Household Survey). 60% of household members are children; most of whom are orphans. The large number of AIDS orphans cannot be reached individually but must be reached by supporting the households where they live. The most

recent analysis of the situation in Zambia revealed that a third of all orphans live in households headed by elderly people (UNICEF, 2004). Basic social protection can also support elderly people who have no, or few, children.
This is of relevance in countries like China, where demographic trends are eroding family networks.

● **Impact in terms of pro-poor growth:** Expenditure on basic social protection is an investment in long-term economic development. Households receiving grants use them for food and health care for the family, for the basic education of their children, and for investments in physical capital that can provide a future source of income. The additional purchasing power transferred to the beneficiaries has a multiplier effect and strengthens the local economy. In this way, basic social protection breaks the vicious circle of poverty and promotes pro-poor growth. In fact, there is empirical evidence that social cash transfers kick-start a virtuous cycle.

● **Impact on self-help capacities:** There is no evidence to suggest that social cash transfer programmes in developing countries significantly lead to increased dependency, or that they reduce the incentive to work (Leisering et al., 2004). On the contrary, they can (and in most cases do) help recipients to help themselves. In the Zambian pilot, 28% of the transfers are spent on investments and the scheme has stopped the practice of selling assets for food.

● **Impact on MDGs:** Social cash transfer programmes bring quick results. This is an aspect of particular importance with regard to achieving the Millennium Development Goals by 2015. For example, Brazil started cash transfer schemes in 1995. These schemes now reach 7 million households and was projected to cover 11 million (40 million people) by December 2006 (personal communication from A.C.C. Filho, Director, Ministry of Social Development, Brazil).

● **Financial viability:** Social cash transfer programmes are cost effective because the transfer costs (administration and logistics) are low and even small payments can have a substantial impact. The programme in **Brazil costs 1% of Gross Domestic Product**, whereas the South African and **Namibian systems cost 1.4% and 2% respectively**. It would cost an annual 21 million US dollars to expand the GTZ-assisted pilot social cash transfer scheme in Zambia to cover 10% of all households in the country. Overall, this figure corresponds to 0.5% of Gross Domestic Product or 5% of the annual ODA inflow.

VI. Social Cash Transfers – Reaching the Poorest

Social cash transfers are increasingly seen as an underexploited means of providing basic social protection.
Middle-income countries like **Brazil, Mexico, China and the Republic of South Africa** have rapidly expanded their social cash transfer schemes and have thereby achieved significant progress in reducing poverty. The biggest gap between the need for, and the provision of, basic social protection is found in the Least Developed Countries (LDCs) of sub-Saharan Africa. The Report of The Commission for Africa therefore recommends establishing and expanding social cash transfer programs as a matter of priority. Preconditions for establishing social cash transfer programs are: the commitment to basic social protection of politically relevant groups in the respective countries, an appropriate implementation capacity, and sufficient financial resources. In many developing countries one or more of these preconditions are lacking. Development cooperation can sensitize partner governments to basic social protection, enhance the capacity of organizations mandated to implement social cash transfer programs and contribute to the sustainable financing of cash transfers.

VII. Preconditions for Establishing Social Cash Transfer Programmes in Different Categories of Development Countries

The probability that a developing country will successfully establish and expand social cash transfer programs depends on the three factors given below in order of importance:

- **Political will** in terms of the commitment of politically relevant groups (government, political parties, parliament, religious and traditional leaders, civil society) with regard to human rights issues in general and with particular regard to including the poorest of the poor (i.e. those who are unable to provide for themselves) within comprehensive social protection strategies,
- **Administrative capacity** to implement cost-effective broad scale social cash transfer programs,
- **Financial resources** required to implement social cash transfer programs in a sustainable way.

Recommendations

Today's high-income economies invested heavily in social development, and the populations of Europe, Japan, North America, Australia and New Zealand experienced a level of prosperity unseen in history. Following their examples, many developing countries also saw the need to apply social policies as an instrument for nation building. East Asia's social policies or the comprehensive social security systems in some Latin American countries are examples of these initiatives.

The Report of The Commission for Africa recommends establishing and expanding social cash transfer programs as a matter of priority.
Government of Ghana can help prevent the thousands of our vulnerable people from sliding into poverty and also work hard to lift up to safety those who are already in the pit of poverty. Attention to social protection and investments to stimulate internal demand and reduce this vulnerability is imperative during this period of economic slowdown. Existing informal community-based mechanisms should be strengthened to cope with risks and, where possible, community based interventions should be encouraged, including social funds, micro insurance, public works programmes, conditional cash transfers and in-kind programmes.

Social cash transfers have a positive impact on development and are an underexploited tool for achieving rapid and cost-effective reductions of hunger and critical poverty.
Middle-income countries like **Brazil, Mexico, China, the Republic of South Africa, Colombia and Nicaragua** have rapidly expanded their social cash transfer schemes and have thereby achieved significant progress in reducing poverty. **Zambia** is also doing it now.

Ghana can do it too. The Government has already given very clear signals that it is very committed to bettering the lives of our poor.

Our National Social Protection Strategy must, in my considered view, be the driving engine to make Social Cash Transfers Programming a successful development instrument.

To build, improve and expand our social cash transfer programme, we can also consider organising or co-hosting sharing and learning round tables with our colleagues from GTZ, Brazil, Mexico, South Africa, Zambia, Colombia and Nicaragua.

Conclusion

In the context of social protection, the International Council on Social Welfare (ICSW) is supporting the Social Protection Floor Initiative (SPF-I). The lead agencies are the ILO and WHO but the initiative is supported by most of the UN agencies and the World Bank. I want to encourage Ghana to be part of this.

I also want to assure Government and my very efficient colleague National Coordinator of the NSPS of the support of my organization, ICSW, in the social cash transfer programme. If invited, I am readily available to be part of this endeavour to bring hope and future to our people.

I look forward to an increased acceptance and very fruitful implementation of the Social Cash Transfer Programming in Ghana.

Chairman, Honourable Ministers and the National Coordinator,

Thank you very much.

Credit

- Mr. Denys Correll, Executive Director, ICSW, The Netherlands
- Mr. Mike Chai, ICSW Consultant, Thailand
- Dr. Bernd Schubert, Senior Consultant Social Protection, Team Consult, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
- Laura B. Rawlings, World Bank, Latin America and Caribbean Region
- Dr. Isabel Ortiz, DESA, United Nations (now with UNICEF)