



Social Transfers Also Work in Africa

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Introduction

I cordially welcome you all to this lecture titled: ***Social Transfers Also Work in Africa***. My name is Blessings Chinsinga based at the Department of Political and Administrative Studies, Chancellor College, University of Malawi.

In this lecture, we shall explore the viability of social transfers with respect to the experiences of southern Africa. By ***social transfers***, I mean social assistance provided by public and civic bodies to those living in poverty or in danger of living in poverty which may include but not limited to non-contributory pensions, child benefit grants, disability allowance and conditional cash transfers.

Let me emphasize that social transfers have to be predictable in order to provide beneficiaries with guaranteed and regular support which allows them to take considered decisions about how to use the transfers so that they can live fairly decent lives. In southern Africa, beneficiaries of social transfers have used them to buy food and other basic needs. Still others have saved some cash and invested in livestock and farming. This has enabled the majority of them to break free from a vicious cycle of chronic poverty and vulnerability.

In the context of this lecture, southern Africa should be understood as comprising countries that are members of the Southern Africa Development Community (SADC). ***More***

specifically, these countries include Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Let me state that in this lecture I will focus mainly on old age pensions, conditional cash transfers and child support grants with examples drawn from Lesotho, Malawi, Namibia, South Africa, Swaziland and Zambia.

I have been inspired to share with you the experiences of social transfers in southern Africa following the enormous attention and success that ***conditional cash transfers have received in Latin America***. Unlike some skeptics, my goal in this lecture is to demonstrate that conditional cash transfers and similar mechanisms (social transfers) work really well in Africa if certain conditions are met.

The question of social transfers is particularly important for southern Africa because globally, it is one of the regions where chronic poverty is widespread. Indeed, the region experiences high levels of inequality as measured by the Gini-coefficient as well as high levels of unemployment. For example, unemployment is as high as 39.3% in Lesotho; 33.8% in Namibia; and 26.6% in South Africa. It is therefore not surprising that the region as a whole is projected as generally lagging behind on most of ***the Millennium Development Goals (MGDs)***. It is estimated that about 45% of the people in the region live on less than one US dollar a day and life expectancy in countries with high HIV prevalence rates has dropped to below 40 years.

It is against this backdrop that southern African countries have embraced social transfers within the broader context of the African Union (AU) framework for social policy as one of the strategies to address the question of chronic poverty and inequality in the region.

The AU framework defines social policy as a package of policies and programmes with the aim of reducing poverty and vulnerability of large segments of the population.

However, the paradox is that while there is evidence that social transfers are working to improve well-being of poor households in region, skepticism continues among some stakeholders about the overall efficacy and sustainability of such mechanisms in fighting

poverty and vulnerability. ***This skepticism is rooted in what I would call unfounded myths, namely: the dependency myth; the affordability myth; and the effectiveness myth.***

In this lecture, I would like to unpack these myths and demonstrate that these myths notwithstanding social transfers in southern Africa are working and producing the desired strategic impact. In order to do this, I will begin by providing a brief background about how social transfers have risen onto Africa's development agenda. This will be followed by critical evaluation of each myth with particular evidence from several social transfers that are being implemented across southern Africa. I shall then offer some concluding reflections. The persistence of the myths about the overall efficacy of social transfers raises two critical issues in the context of international development. First, it underscores the importance of ownership of the development agenda and second, affirms the catalyst role of political will and leadership in the realization of development goals and aspirations. Where there is political will there is always a way so they say.

The Rise of Social Transfers in Africa

The global push for social transfers follows the realization that there is need to invest in people if the fight against poverty is to be meaningful. Consequently, the AU social policy framework is designed to enable policy makers to make informed choices on issues, needs and social development priorities affecting people and limiting the growth and development of Africa. ***In this regard, the Zambian Livingstone Conference in March 2006 stands out as the single most major push for African countries to embrace social transfers as an integral part of their development agenda.***

At this conference, African governments were called upon to adopt social transfers as an effective mechanism for reducing extreme poverty as well as addressing the rights of vulnerable citizens. The conference adopted ***the Livingstone Call of Action*** in which African governments were called upon to prepare social transfer plans within three years integrated in national development plans and budgets.

Following this conference, several southern African countries introduced social transfer schemes of various forms.

For instance, Botswana, Lesotho, Mauritius, Namibia, South Africa and Swaziland introduced non-contributory social pensions modeled on European social welfare policies while Malawi and Zambia initiated conditional cash transfer schemes on a pilot basis. It is, however, important to note that this list is not exhaustive. Social transfers in southern Africa cover the various forms of social assistance for low income or no-income individuals and households, and include child support grants, non-contributory pensions, cash transfers, school feeding schemes, and agricultural or other inputs. For purposes of illustration, Lesotho provides a pension of US\$ 25 to all its citizens aged 70 and above while Swaziland provides a monthly pension of US\$ 10 to all its citizens aged 60 and above.

Myths about Social Transfers

The Dependency Myth

The main basis for the dependency myth is that social transfers make people dependent, and consequently they stop undertaking any efforts to improve their own lives. Others even go to the extent of arguing that the poor are poor because they are lazy and as such they do not deserve to be helped. In short, the argument is that social transfers are welfarist, and hence generate dependency.

There is no doubt that the poor depend on assistance for their survival but the question of this assistance creating dependency is somewhat misplaced. I believe that the real concern about social transfers should not be about creating dependency but rather to recognize their usefulness in the fight against chronic poverty and vulnerability while noting that they are not entirely perfect.

In an evaluation of the South African social transfer system in 2009, Michael Noble and Phakama Ntschongwana of Humanities and Sciences Research Council concluded that “...there is no evidence to suggest that the expansion of South Africa’s social grant system is

leading to a culture of dependency. In fact, both unemployed South Africans and social grant recipients have a positive attitude towards work". In the same evaluation, a female child grant recipient observed that "there is no way you won't want to work in order to live on R220 a month. When you work, you earn more".

In Zambia, the Kalomo cash transfer scheme provides ZMK 30,000 monthly to 1,027 beneficiary households. A recent evaluation of the programme concluded that the average indebtedness of beneficiary households decreased by almost 40 per cent. Similar evidence from South Africa shows that social transfers have helped encourage people to actively seek for employment. Recipients of cash transfers in South Africa look for work more intensively and extensively compared to non-beneficiary households. ***This is the case because resources beneficiaries get through social transfers creates an appetite in them to get more in order to further improve the standards of their livelihoods.***

The Affordability Myth

The main argument on which this particular myth persists is that countries in southern Africa are too poor to afford social transfers. Most of these countries are heavily dependent on bilateral and multilateral donors and as such they have higher development priorities on which they can spend their limited financial resources rather than on social transfers.

The fact that these countries are financially constrained is not debatable but at the same time we need to pose a simple but fundamentally important question: do we really know how much of the national budget and donor support is currently being spent on directly combating poverty? Secondly, are these resources being used effectively?

The evidence from southern Africa suggests that most countries can actually afford social transfers. Malawi, for example, spent US\$ 350 million between 2004 and 2006 to directly combat hunger and poverty which is enough to provide every household with US\$ 10 per month over the 4 month lean season. Lesotho which started off with an Old Age Pension in 2004 has now introduced a Child Benefit Programme.

According to the International Labour Organization (ILO) Social Protection Expenditure Review by spending more than 1.5% of its GDP, Zambia would be in a position to build strong foundations of a sustainable social transfer system. Moreover, ILO modeling study in 7 African countries suggest that Universal Old Age Pension of US\$ 0.5 per day would cost between 0.3 and 0.6% of GDP and at the global scale only 2% of GDP. For the sake of comparison, Mexico extends cash transfers to 40% of rural households but only at 0.32% of its GDP.

The Effectiveness Myth

The main argument on which this myth is based is that the value of monthly social transfers to individual beneficiaries is so low that it makes little difference to the level of their poverty or, more generally, the level of poverty in a country. This is further reinforced by the belief that the distinction between consumption and investment is not clear for the poor. And as such, social transfers entail a trade-off between investments in equitable resource distribution and those understood as more directly productive.

Taking inspiration from the former British Prime Minister Winston Churchill we contend “five shillings isn’t much....unless you haven’t got it”. The sums of money extended to the beneficiaries of various social transfer schemes are indeed very small but the evidence from the southern Africa region shows that beneficiaries invest transfers in productive activities such as farming and micro-enterprise which help them to move out of poverty. This is the case because poverty levels are so low per day that even a relatively small transfer of US\$ 12 per month to a household makes a lot of difference.

The evidence from the social transfer schemes being implemented in southern Africa is actually very encouraging.

Consider the case of Namibia, where the Old Age Pension has reduced the proportion of such households living below the poverty line from 30% to 6%. In South Africa, stunting among children was reduced by 75% as a result of a grant of R220 that is provided to selected low income households identified on the basis of means testing. Beneficiary

households of Old Age Pensions in South Africa are associated with a 20 to 25% reduction in the school attendance gap since the pensions are partly spent on meeting the needs of school going children in an extended family system set up and in Malawi the cash transfer scheme has reduced the average of children's absenteeism from 2.6 to 1.6 days in recipient households.

There is further evidence to suggest that social transfers raise the asset portfolio of poor households. In the Kalomo cash transfer project in Zambia that I mentioned earlier, 29% of the money that was transferred was invested by the recipients either in purchases of livestock, farming inputs or informal enterprises. In addition, beneficiaries actively planning for their future increased from 53% to 70% which is a critical basis for breaking through the vicious cycle of poverty.

Social transfers also tend to have positive impacts on local economies through multiplier effects. For instance, evidence from the Dowa Emergency Cash Transfer Scheme in Malawi shows that for every US\$1 of cash transfer a regional multiplier of 2.2 to 2.45 was observed in the local economy. Future earning potential of recipients of the child support grant in South Africa increased by between 60% and 130%.

Conclusion

This lecture has demonstrated that despite the deeply entrenched skepticism about the overall efficacy of social transfers rooted in the dependency, affordability and effectiveness myths, there is impressive evidence available from Southern Africa that social cash transfers actually work, and they work well. Moreover, the evidence further suggests that social transfers may be a way of kick-starting economic growth in poor countries in southern Africa. It is therefore imperative that instead of looking at the cost of providing social transfers we should be looking at the cost of not providing them.

The success of social transfers in southern Africa as presented in this lecture calls for a total rethink about current efforts to reduce poverty all over Africa. The poor should be viewed as a key economic asset and not as a social burden while expenditure on social

transfers should be viewed as an investment in growth and equity. However, all this is dependent on countries owning and believing in the social transfers as mechanism for fighting chronic poverty and vulnerability backed up by political will. The point is that social transfer programmes are affordable as long as the political will to do so exists. Countries like Mozambique, Lesotho and South Africa actually have domestically financed social transfer programmes.

In my view, developing countries do not have much of a choice about social transfers. The existing evidence is pretty much unequivocal. No democracy has achieved sustainable growth in the absence of a comprehensive system of social transfers. Moreover, pursuing growth and tackling exclusion are fully synergistic rather than mutually exclusive policy directions.