Social transfers: a critical strategy to meet the MDGs

Tom Weller/HelpAge International

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The Millennium Development Goals have been influential in galvanising international support to tackle poverty. The current scale of global challenges – persistent chronic poverty, increasing inequalities, and the climate, food and economic crises – makes international commitment to the MDGs all the more important. However, a more inclusive approach is needed to accelerate progress.

HelpAge International is calling on the international community to invest in government-led social transfer schemes that would complement existing efforts to realise the MDGs. A growing body of evidence from low- and middle-income countries indicates that social transfers significantly reduce income poverty, increase human capital development,[1] enhance economic growth and reduce inequalities. Yet this approach does not feature prominently as a tool in most national development planning.

This paper outlines the crucial role that social transfers can play by providing an inclusive framework to reduce intergenerational and chronic poverty and accelerate progress to achieve the MDGs.

Addressing intergenerational and chronic poverty

UN Secretary General Ban Ki-moon acknowledged in the 2010 MDG Global Report that "improvements in the lives of the poor have been unacceptably slow, and some hard-won gains are being eroded by the climate, food and economic crises".[2] Furthermore, even if the MDGs are met by 2015, chronic poverty will continue to affect an estimated 900 million people.[3]

Antonio Olmos/HelpAge International

"There has been no regular rain for two years. If I had a pension, I would know that we wouldn't starve if the land didn't produce a good crop."
Angel, 72, Peru

Chronic poverty affects whole households and is transmitted across generations. The chronically poor are those who, because of their age, location, ethnicity, health status or disability are least able to benefit from economic growth and social investments targeted at the general population. The MDGs, in common with most development policies and programmes, focus effort on children, young people and the "working-age" poor. They fail to recognise and support the vital social, economic and caring needs and contributions of older people.

Older people are disproportionally represented amongst the chronically poor. It has been estimated that less than 20 per cent of older people in the world are currently covered by pensions,[4] which suggests that as many as 607 million people aged 60 and above lack income security.

One way to tackle the exclusion of older people and other chronically poor groups is to adopt a set of social protection mechanisms, including social transfers, which together span an individual's lifetime. These mechanisms ensure comprehensive coverage that deals with both age-related vulnerability (during childhood and old age) and the economic shocks relating to life-cycle changes – including unemployment, pregnancy, widowhood, disability and ill health – which can increase the risk of poverty.[5] Social transfers strengthen coping mechanisms by enabling individuals and households to invest in their health, nutrition, education and livelihood development.

This life-cycle approach provides consistent and cumulative benefits for individuals throughout their lives and supports households for the long term by tackling intergenerational poverty transmission. This perspective is of particular relevance in contexts where older people head households and take on caring responsibilities for other family members. For example, in seven sub-Saharan African countries up to 40 per cent of people living with HIV were being cared for by older people[6] and in Tanzania and Zimbabwe as many as 40-60 per cent of orphaned children are cared for by their grandparents.[7]

The success of adopting a life-cycle approach to social protection can be seen in the experiences of South Africa and Brazil. In both countries social transfers are seen as an integral part of social protection programmes. Combining social transfers with guaranteed access to basic social services has been successful in reducing extreme poverty and promoting future economic and human development.[8]

Non-contributory pensions reduce poverty and inequalities

Many developing countries governments have chosen to implement non-contributory pensions as the first component of a social transfer package. Indeed, social transfers played a critical role in alleviating absolute poverty in developed states through the early to mid-twentieth century.[10]

Alongside other social transfer schemes, non-contributory pensions have demonstrated a range of positive impacts, most notably by reducing old age and intergenerational poverty and improving income security, educational access, health status and gender equality across other age groups. A recent feasibility study by the Tanzanian Ministry of Labour, Employment and Youth Development found that giving just US$12 a month to everyone over 60 would reduce poverty by 11 per cent and lift 1.5 million people out of poverty. This was more than twice the improvement achieved between 2001 and 2007 through the full range of government policy interventions.[11]

What are social transfers?

The term social transfer can be used to describe a variety of non-contributory, cash-based interventions such as non-contributory pensions and grants for children and families. Social transfers that provide a guaranteed minimum level of income not only tackle income poverty but also provide effective support for broader developmental objectives[9] and reduce poverty and vulnerability resulting from natural and man-made disasters.

In South Africa, Nokwazi Radebe, 62, uses her pension and child support grant to care for her seven orphaned grandchildren and HIV-positive son.

Leila Amanpour/HelpAge International

Nepal's universal Old Age Pension: contributing to MDG progress

Nepal is one of the poorest countries in the world where nearly one in three people live below the national poverty line.[26] The government has nonetheless managed to provide a universal non-contributory pension since 1995.[27] At a current cost of 0.23 per cent of GDP, the scheme is now entering its fifteenth year, indicating the sustainability of this type of cash transfer even for a low income country.

A recent survey shows that the Old Age Pension in Nepal has supported older people and their families to improve food security, access healthcare services and invest in their livelihoods. For 50 per cent of pension recipients, the pension was their main source of financial support.[28] The pension can also help to sustain income when a family member is ill.

"The pension is very useful for both me [and] our family, allowing us to cover medical expenses for our son, who has cancer, and to support additional medical and transport costs for myself and my wife. Travel to hospital is now affordable as it was so difficult to manage all these expenses before receiving a pension."[29]
Damodar Dahal, 72

For many older women, particularly widows who live alone and have no children, the pension often provides their only source of income.

"I have received a pension as a widow for the last 15 years and keep complete control of the money myself… my money is mainly spent on food but I do also contribute to the education of my nieces. To supplement my income I also care for four goats and use the pension money to feed them."[30]
Shilu Kumari Shrestha, 75


Sarah Hertzog/HelpAge International

The impact of social transfers: MDG achievements from the perspective of chronically poor people

MDG 1 Eradicate extreme poverty and hunger *Target 1a: Halving extreme poverty* *Target 1b: To achieve full and productive employment and decent work for all* *Target 1c: Reduce by half the proportion of people who suffer from hunger*	**An estimated 70 per cent of older people have worked all their lives in the informal sector with no entitlement to any contributory pension scheme.[12] They not only struggle to meet basic needs, but are unable to save for older age and have no choice but to continue working until ill health or frailty reduces their ability to earn a living.** • In Tanzania, an evaluation of a monthly non-contributory pension to older people, including those caring for children without parents, found that most pension recipients no longer had to beg to survive, while two-thirds of non-recipients still had to beg.[13] • In Ecuador, Bolivia and Brazil, pension systems that include a non-contributory cash transfer have reduced the poverty rate of older people by 36, 44 and 88 per cent respectively.[14] **Lifelong poverty and poor nutrition lead to poor health throughout life, premature ageing and disability. Social transfers help to improve nutritional status among both adults and children.[15]** • In Lesotho, the non-contributory pension has improved household food security by increasing food consumption, stabilising access to food, and improving food diversity.[16] The proportion of older people reporting that they "never went hungry" increased from 19 per cent before the pension to 48 per cent after it was introduced.[17] • In Zambia, households receiving cash transfers increased their incomes by investing in productive assets (goats, chickens and seed) and being able to wait for better market prices to sell their harvest and make more profit.[18]
MDG 2 Achieve universal primary education	**The lack of regular and predictable household income reduces a household's ability to make long-term investments in children's education. Non-contributory pensions have been shown to support education by paying for school fees, books and uniforms and reducing the need for child labour.** • In the poorest 25 per cent of South African households, girls who live in households which receive a non-contributory pension are 7 per cent more likely to be enrolled full time in school than girls living in households without a pension.[19] • In Bolivia, the implementation of the non-contributory pension has led to an increase in rural school enrolment.[20]
MDG 3 Promote gender equality and empower women	**Women are more likely than men to live in poverty throughout their lives. They are more often illiterate and engage in unpaid care work or low-income, insecure employment. In old age women are significantly more likely to outlive their spouses but are less likely to have access to a contributory pension or to credit.** • In Mexico, the Progresa programme, which provided cash transfers to families, specifically aimed to give women control of the money. This improved their status within the household and community and increased their involvement in household decision making.[21]
MDG 4 and 5 Reduce child mortality and improve maternal health	**Lack of household income is a key barrier to improving the nutrition and health status of mother and child. Social transfers support improved nutritional intake, which leads to a reduction in child malnourishment and stunting, ultimately improving health from childhood to old age.** • In South Africa, girls living in a household where an older woman received a non-contributory pension were 3-4cm taller than those in households without a pension recipient.[22] • In Malawi, the social cash transfer scheme has reduced the need for female-headed households to resort to "risky behaviour" (transactional sex).[23]
MDG 6 Combat AIDS, Malaria and other diseases	**Universal primary healthcare services are essential to help combat AIDS, Malaria and Tuberculosis and to prevent and treat widespread chronic health conditions. Social transfers can also help by protecting households from having to sell their assets to pay for medicines, access to and costs of healthcare and of funerals.** • In Swaziland, 71 per cent of older people surveyed said that since receiving the non-contributory pension they were more able to afford healthcare for themselves and 25 per cent said they could now spend more on healthcare for other household members.[24] • In Tanzania, just over one-fifth of non-contributory pension recipients described themselves as "always sick" compared with more than one-third of non-recipients.[25]

Conclusion: Social transfers accelerate progress towards the MDGs

Social transfers are an underutilised policy option. They are investments in social and economic development essential to underpin efforts to improve basic services. They are affordable and can be designed to reach poor people effectively in countries with limited infrastructure and institutional capacity. They are pro-poor and inclusive, strengthen coping mechanisms, provide dignity and empower poor people, thus laying the foundation for human development for all regardless of age, gender, ethnicity, disability and health status.

Furthermore, state-led social transfers help to strengthen the social contract between the state and citizens by establishing a clearly defined set of legal entitlements. In the longer term these policies can enhance good governance, social cohesion and political participation, which are fundamental pillars of development.

In order for the MDGs be truly "indivisible" and "mutually reinforcing" as proposed by the OECD,[31] social transfers must be considered as one of the critical components in a comprehensive set of social protection mechanisms which include health, education, water and sanitation services. Non-contributory pensions are often the first social transfer governments choose to introduce and evidence shows how these enable poor older people to invest and provide for their future and the future of their families.

Funding mechanisms for social transfers that ensure predictable and longer-term donor financing need to be made available alongside a progressive allocation of domestic resources. In the short to medium term, donor funding has been proven to help leverage the development of social transfer schemes, but this needs to go hand in hand with ensuring national ownership and developing national financing strategies.[32]

Recommendations

To accelerate progress towards the MDGs HelpAge calls for:

- the explicit recognition in the September 2010 UN High-level Plenary Meeting and outcome document of the role which non-contributory social transfers can play in accelerating progress towards the MDGs
- multilateral and bilateral development agencies to commit to working in partnership with national governments and invest in the development or scaling up of long-term, sustainable social transfer schemes
- disaggregated monitoring of aid budgets and national government budgets to track the impact of social transfers
- the UN MDG database to recognise the need for age-disaggregated data to ensure the effective monitoring and evaluation of the MDGs for all age groups.

Support to older people combats family poverty

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HelpAge International helps older people claim their rights, challenge discrimination and overcome poverty, so that they can lead dignified, secure, active and healthy lives.

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