Meiji Institute for Global Affairs

MIGA COLUMN GLOBAL DIAGNOSIS

January 24, 2017
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Short Curriculum Vitae – Hikaru Sato

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Poverty and Cash Transfer Policies in Sub-Saharan Africa

Foreword

In early October 2016, universities across South Africa were temporarily closed due to the impact of fierce protest activities by students. The student protests were sparked by the government condoning a hike in tuition fees of up to 8 percent for the next academic year. Many of the universities in South Africa are public, and their budgets are funded by tuitions and subsidies from the national government. In recent years, however, they have found themselves in a situation compelling a hike in tuition stemming from a decline in subsidies.

In South Africa, where many households are impoverished, a tuition hike imposes a huge burden on students and their families. In some cases, it is liable to deprive students from poor households of the opportunity to study at a university. Known as the Fees Must Fall movement, this protest activity is calling not only for freezing tuition hikes but also making higher education free, aiming to provide equal educational opportunities even for impoverished households. This was not the first occurrence of the Fees Must Fall movement; it also arose in 2015. It has become one of the major currents surrounding higher education in South Africa in recent years. While this is only one example, it shows that, even in South Africa, which boasts the largest economy in sub-Saharan Africa, the question of how to protect the livelihoods of impoverished households is a major political issue.

Poverty in sub-Saharan Africa

According to the latest report (Poverty and Shared Prosperity) by the World Bank issued in 2016, the region with the highest incidence of poverty worldwide continues to be sub-Saharan Africa.[1] In 2013, people who lived below the international poverty line of $1.90 per person per day numbered about 767 million worldwide. Of this total, about 389 million were living in sub-Saharan Africa. By region, the poverty rate was overwhelmingly higher in Africa than in other regions. Specifically, the rate in Africa was 41 percent as compared to 15.1 percent in South Asia, 5.4 percent in Latin America and the Caribbean, and 3.5 percent in the East Asia and Pacific region. In short, about 40 percent of the population of Africa is living in poverty.

Africa is also a region with significant income inequality. Many citizens have not been able to benefit from the economic growth in recent years and consequently fallen into poverty. Even if countries achieve economic growth thanks to brisk export of mineral resources, they will find it difficult to improve circumstances behind the generation of much poverty unless the domestic system for redistribution of income is functioning properly. It should particularly be noted that poverty tends to be passed on from one generation to the next. It is therefore essential to build such a system for income redistribution in order to correct disparity and prevent inequality of opportunity

1 World Bank, *Poverty and Shared Prosperity 2016: Taking on Inequality* (Washington, D.C.: World Bank, 2016), 36, accessed January 20, 2017, http://www.worldbank.org/en/publication/poverty-and-shared-prosperity.

from becoming entrenched. One policy to this end that is starting to be introduced in many African countries in recent years is the cash transfer (CT) policy.

Cash transfer as a poverty reduction strategy

Recent years have seen the implementation of conditional cash transfer (CCT) policies in many developing countries as a reflection of increased interest in the reduction of poverty and social protection.[2] CCT is a policy that mainly targets the poor. Social protection policies centered on CCT are now being implemented in 52 countries around the world, including 16 classified as underdeveloped.[3] The policy originally developed mainly in Central and South America, as exemplified by *Bolsa Família* in Brazil and *Progresa/Oportunidades* in Mexico. In recent years, CT policies have increasingly been implemented in countries in Africa as well.[4]

In CCT, recipients are given cash, albeit in small amounts, on a continuous basis over a long term, on the condition that they fulfill their obligation to educate and preserve the health of their children. The recipient families do not have to make any contributions for this purpose. In other words, the assistance is conditioned on the formation of human capital through factors such as vaccination and schooling, toward the ultimate goal of breaking the chain of poverty spanning generations.[5]

Behind the birth of CCT was the growing apprehensions of a decrease in real wages, increased unemployment, widening income inequality, increased poverty, and decreased standard of living as a result of the policies of neo-liberal economic reform and restructuring that were initiated beginning around the 1980s.[6] Targeted CCT was

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2 Joseph Hanlon, Armando Barrientos and David Hulme, *Just Give Money to the Poor: The Development Revolution from the Global South* (Sterling: Kumarian Press, 2010).
3 Katja Bender, Markus Kaltenborn and Christian Pfleiderer, *Social Protection in Developing Countries: Reforming Systems* (Abington: Routledge, 2013), 1-3.
4 Bernd Schubert and Rachel Slater, "Social Cash Transfers in Low-Income African Countries: Conditional or Unconditional?," *Development Policy Review* 24, no.5(2006), 571-578; Marito Garcia and Charity M. T. Moore, *The Cash Dividend: The Rise of Cash Transfer Programs in Sub-Saharan Africa* (Washington, D.C.: World Bank, 2012).
5 Nobuaki Hamaguchi and Yuriko Takahashi, "Jōkentsuki Genkin Kyufu ni yoru Hinkon Taisaku no Seiji Keizaigakuteki Kōsatsu: Latin America no jirei kara," *Kokumin Keizai Zasshi* 197, no.3 (2008), 52.
6 Yuriko Takahashi, "Syakai Hoshō to Syakai Fujyo," in *Gendai Latin America Keizairon*, ed.

introduced for the implementation of effective policies for poverty reduction under tough financial restraints.

While the scope of payment was expanded since it started, the amount remained small and therefore imposed only a relatively light burden on public finances. This was another factor behind the spread of CCT. CT is positioned as a long-term policy differing from short-term/emergency safety nets or charity programs. This is because governments assure a minimum standard of living as a solid right of impoverished households.

As compared to social insurance programs, which cover mainly full-time employees and need the beneficiary's *contributions*, CCT targets the unemployed and low-income workers in the informal sector who have limited opportunities for coverage by social insurance. It is being actively accepted by many African countries in similar social and economic circumstances. Although there are slight differences even within Africa in the character of the policy in countries with comparatively high income levels and those in underdeveloped countries with low income levels, the type of CT policy being implemented in Africa is mainly unconditional cash transfer (UCT).[7]

In many cases, CT in middle-income countries in Africa is implemented as social security policies rooted in the social rights of the citizenry. Their origins can be traced to programs established in the colonial era. Under these policies, payments are made on a long-term and regular basis, as in Latin America. Their main subjects are the poor, who are easy to target, but they also cover much of the stratum of people who are vulnerable to crises, such as the elderly and young children. The list of countries that have established CT policies in the form of social security programs on the national level includes South Africa and Namibia.

In contrast, programs in underdeveloped countries often take the form of short-term projects with policies implemented on the basis of aid from donor countries.[8] Because of their clear targeting of regions and recipients, the percentage of the population covered is extremely limited. But even in the case of underdeveloped countries, there

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Shoji Nishijima and Yoichi Koike (Kyoto: Minerva Shobō, 2011), 204-207.
7 Garcia and Moore, *Cash Dividend,* 3-4.
8 Ibid., 4.

has surfaced a movement aimed at long-term payments similar to those of middle-income countries. As a result, there is a trend among African countries toward policy deployment on a long-term, regular basis by expanding short-term projects to a national scale, for example, through preparation of conditions in aspects such as public financing and domestic political stability.

Table 1 Main Cash Transfer Programs in Africa

Country	Program	Year started	Organization(s)	Description
Malawi	Mchinji Social Cash Transfer Pilot Scheme	2006	UNICEF, Government of Malawi, and Malawi District Assemblies	Cash transfer to impoverished households in rural areas. Monthly payments in the range of about 4 – 13 dollars per household(No conditions, but cash is added for school attendance by children).
Kenya	Cash Transfer for Orphans and Vulnerable Children	2004	UNICEF and Government of Kenya	Cash transfer to impoverished households to raise children and orphans. Payment in the range of about 13 – 27 dollars (every other month), in accordance with the number of children (17 or younger) per household.
Mozambique	Food Subsidy Programme	1997	National Institute of Social Action (INAS) and a semi-autonomous agency of the Ministry for Women and Social Action (MMAS)	Cash transfer to impoverished households with members who are elderly, disabled, pregnant, etc. Monthly payment in the range of about 5 – 10 dollars, in accordance with the number of dependents per household.
Zambia	Pilot Cash Transfer Schemes	2004	Ministry of Community Development and Social Services (MCDSS), with technical support from development partners and international NGOs	Cash transfer to impoverished households. Monthly payment of about 10 dollars per household, with addition of 2.5 dollars if the household includes children(Payment amounts and eligible recipients differ for each pilot program).
Ethiopia	Productive Safety Net Program	2005	Collaboration between the Government of Ethiopia and a joint donor group CIDA, DFID, the EC, USAID and the World Bank	Transfer of cash or food to impoverished households in exchange for labor in public works projects(Unconditional transfer of cash or food to the elderly, disabled, or other persons who cannot work). Monthly payment equivalent to about 1.5 dollars per person.
Ghana	Livelihood Empowerment Against Poverty programme	2008	Government of Ghana (Department of Social Welfare)	Cash transfer to impoverished households(Payment to households raising children, orphans, etc. conditioned on school attendance and vaccination, but unconditional for the elderly and disabled). Monthly payment in the range of about 7 – 13 dollars per household, in accordance with the number of dependents.

Source:
Armando Barrientos, Miguel Niño-Zarazúa and Mathilde Maitrot, *Social Assistance in Developing Countries Database Version 5.0* (Chronic Poverty Research Centre, 2010), http://www.chronicpoverty.org/uploads/publication_files/social-assistance-database-version-5.pdf.
Prepared by the author (based on data accessed on January 20, 2017)

Effects of CT policies

What effects have CT policies exerted on sub-Saharan Africa? One such policy is the Cash Transfer for Orphans and Vulnerable Children (CT-OVC), a type of UCT implemented in Kenya. This policy has led to a decrease in pregnancy rates among young females (aged 12 – 24) and led to an increase in school enrollment rates on the secondary education level.[9] In addition, the use of cash provided by the CT-OVC program has had the effect of alleviating the large burden imposed on impoverished households by fees for primary and secondary education (including such things as commuting, food, and clothing).[10]

Furthermore, CT policy effects have not been confined to the direct recipients; there have also been ripple effects for recipient households as a whole. A case in point is the pension payments to the elderly in South Africa. Besides increasing expenditures for purchase of food by the household, these payments are also helping to improve the school enrollment rate for children in households receiving pensions.[11] In South Africa, more households are comprised of extended families than of nuclear families. In particular, households comprising of three generations account for more than one-third of the total number of households.[12] In other words, in households containing a pensioner, the pension money is used to purchase the daily necessities of the household and necessities for attending school.

Conclusion

In post-democratization sub-Saharan Africa, the question of how to end poverty is a major political issue, and CT policies have been accepted as an important policy for its solution. Regarding their influence, for people likely to be placed in vulnerable social positions, such as women, children, and the elderly, these policies are becoming a major means of escaping from poverty.

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9 Sudhanshu Handa, Amber Peterman, Carolyn Huang, Carolyn Halpern, Audrey Pettifor, and Harsha Thirumurthy, "Impact of the Kenya Cash Transfer for Orphans and Vulnerable Children on Early Pregnancy and Marriage of Adolescent Girls," *Social Science & Medicine* 141 (2015), 36-45.

10 The Kenya CT-OVC Evaluation Team, "The Impact of Kenya's Cash Transfer for Orphans and Vulnerable Children on Human Capital," *Journal of Development Effectiveness* 4, no.1 (2012), 38–49.

11 Anne Case and Angus Deaton, "Large Cash Transfers to the Elderly in South Africa," *The Economic Journal* 108, no.450 (1998), 1330-1361.

12 Acheampong Yaw Amoateng, Tim B Heaton and Ishmael Kalule-Sabi, "Acheampong Yaw Amoateng, Tim B Heaton & Ishmael Kalule-Sabi," in *Families and Households in Post-apartheid South Africa: Socio-demographic Perspectives*, ed. Acheampong Yaw Amoateng and Tim B Heaton (Cape Town: HSRC Press, 2007), 43-60.

In addition, these policies are also considered by African governments as a kind of investment for economic and social development. In short, through these payments, besides increasing domestic consumption of goods and services, the governments are striving to improve figures in the fields of healthcare and education, and to link these results to economic and social growth.

Nevertheless, there is a need to allow people to lead social lives with peace of mind on a sustained basis instead of just subsisting. This requires the development of CT policies as social security programs grounded in citizen rights as opposed to being only a means for redistribution of wealth. Social rights are constructed on the foundation provided by assurance of civil and political liberties. For this reason, the construction of liberal democracy is indispensable. At present, however, few African countries have established this kind of regime. Therefore, the question of whether or not the current CT policies evolve into social security systems may be said to depend on whether or not African countries can mature as democratic states.