Social safety nets

KEY TERMS

Social safety nets: support systems designed to alleviate food and financial insecurity. They include:

- **Community support systems:** community networks that support people facing difficult times. They include a variety of charities and non-governmental organizations (NGOs), church groups and associations that link urban and rural inhabitants. These organizations play a particularly important role where public funding is limited.

- **Direct transfers:** government transfers that provide food or cash directly to needy populations. These include emergency food relief, supplementary feeding programmes and food-for-work programmes as well as targeted cash grants.

- **Indirect transfers:** programmes that help people without giving them direct aid, such as:
  - minimum wage laws
  - price controls
  - financial and labour market regulations
  - training
  - public sector work
  - credit schemes
  - job creation and placement
  - publicly backed insurance programmes and pension funds.

- **Microcredit:** the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. A cost-efficient means of enabling the poor to obtain the funds needed to start or expand small businesses, microcredit has proved to be an effective tool against poverty and an excellent way to encourage investment in the local economy.

People living in poverty and hunger are extremely vulnerable to crises. Social safety nets have traditionally been used to help people through short-term stress and calamities. They can also contribute to long-range development. Targeted programmes such as food-for-work, school feeding, microcredit and insurance coverage can help alleviate long-term food and financial insecurity, contributing to a more self-reliant, economically viable population.

MICROCREDIT: THE GRAMEEN REVOLUTION

Microcredit is one of the more successful and cost-effective ways to enable the poor to develop longer-term self-sufficiency. The Grameen Bank, founded in Bangladesh in 1989, is one of the best known microcredit systems. Designed to extend small loans to entrepreneurs too poor to qualify for traditional bank loans, Grameen lends as little as US$60 and up to US$2 500 to support projects such as poultry raising or providing community mobile phone services. It requires its borrowers to organize into small groups that meet and make repayments weekly.

Almost all its borrowers are women, who tend to be poorer and have fewer resources than men. Grameen has pulled some 700 000 women above the poverty line and boasts one of the best repayment rates of any loan, an average of more than 90 percent. Grameen now serves as a model in 43 countries for programmes serving eight million people.

This Bangladeshi woman bought chickens with a Grameen loan.

FAO/22914/G. Diana

Nurjahan, a Bangladeshi woman married at 12 and abandoned by her husband when she was three months pregnant, had never earned more than US$37.50 per year. After five years as a borrower with Grameen Bank, her annual income is now US$250. She owns two goats, one cow, ten hens, and a small plot of land. She also employs two farm-hands to assist with her rice crop. In a country where only 46 percent of children reach grade five, Nurjahan's son is now in grade eight.

FOOD STAMPS: JAMAICA TARGETS THE POOREST

During the 1970s and 1980s, Jamaica's economy declined, suffering drastic public sector deficits. Real per capita gross domestic product (GDP) fell by 18 percent between 1972 and 1980, while the fiscal deficit soared from 5 to 18 percent of GDP. Subsequently, government expenditures for social services fell by nearly 40 percent between 1983 and 1986.

In an effort to protect the poor while reducing public spending, the government introduced a food stamp programme in 1984 that replaced general food subsidies. Unlike the system it replaced, this income transfer was specifically targeted to the indigent and most nutritionally at-risk populations. Eventually reaching 142 000 people (about 6 percent of the population), the programme targeted all households with children under five, pregnant or breastfeeding women and the poor, elderly and handicapped.

After only three years and a total expenditure of US$1 million, the programme proved to be more efficient than direct food subsidies. A total of 57 percent of the benefits reached the poorest 40 percent of the population; only 34 percent of food subsidies had reached this same group.

Because the programme was developed using existing social services, startup and administrative costs were minimal. In addition, because recipients were required to appear in person to collect their food stamps, social workers could reinforce the need for maternal and child healthcare, medical checkups, immunization and family planning.

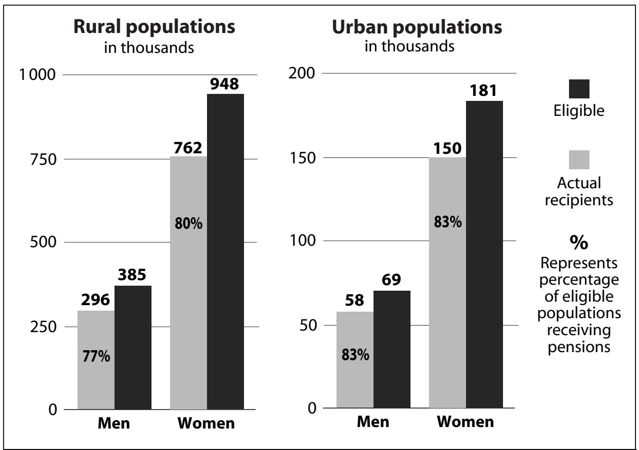
PENSIONS SPREAD A WIDE NET IN SOUTH AFRICA

In South Africa during apartheid, black populations were generally excluded from receiving state pensions. After the abolition of apartheid in 1991, cash pensions were extended to them in an amount roughly twice the per capita income of their households. Pensions were paid to people qualified by age (men aged 65 and over; women aged 60 and over).

Among black South Africans, several generations often live in one household, and these households tend to have the lowest per capita incomes. As a result, the pension scheme reaches children as well as the elderly, and especially children living in poverty.

Prior to this programme, cash transfers were rare in developing countries. These pensions serve as one of the most important social safety nets in South Africa mainly because they:

- reach children and the elderly – two of the neediest segments of society;
- are the first mechanisms to deliver cash into remote, rural areas, traditionally not served by social programmes;
- reach three times as many women as men, mainly because women live longer and qualify at a younger age;
- ensure the regularity of income, allowing families to budget for their needs throughout the year, thereby improving financial security.



Number and percentage of black South Africans receiving state pensions. Men become eligible at 65 and women at 60.

Source: World Bank/SALDRU survey 1993

THE COST OF FEEDING THE HUNGRY

- Governments in developing countries spend at least 5 percent of their total expenditure on food assistance programmes.
- In the United States, one in five Americans is served by public nutrition programmes, which cost almost US$38 billion in 1995. In addition, about 150 000 private agencies provide US$3 billion to US$4 billion worth of food to hungry people.
- Goiás State, Brazil dedicates 4 percent of its budget to alleviating the effects of poverty, including the provision of free food packets to all families whose declared monthly income is below US$100. In order to qualify for the food packet, families need to certify that their children have been vaccinated and attend school, thereby proving they are laying the groundwork to escape from poverty.
- The World Food Programme spent US$1.568 billion in 1999 to deliver 3.4 million tonnes of food to 89 million people worldwide. The food benefited 19 million people through development projects, 29 million people displaced by war and political conflict and 41 million victims of natural disasters.

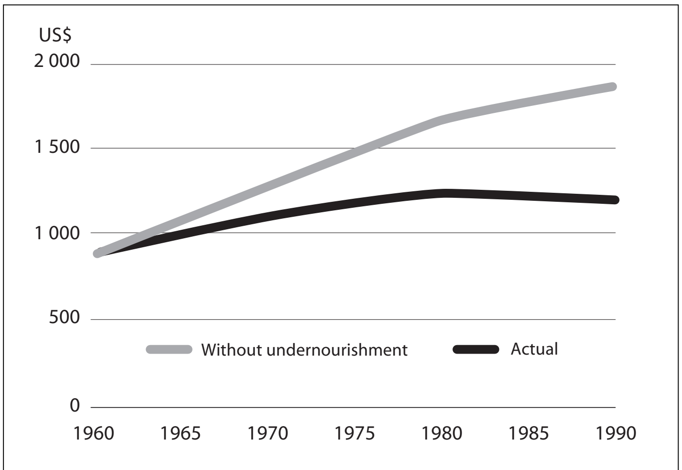
THE COST OF NEGLECTING THE HUNGRY

In economic terms, ignoring the hungry today is a tax on future growth. Persistent hunger is a stumbling block to eliminating poverty. It leads to a cycle of ill health, malnutrition, indebtedness and low productivity and earnings that worsens with each generation. Children born to undernourished mothers and brought up in food-insecure homes often become disadvantaged adults.

- A recent study comparing GDP with and without undernourishment from 1960 to 1990 in sub-Saharan Africa suggests that if undernourishment had been eliminated, mean GDP per capita may have been more than 50 percent higher in 1990 than it actually was *(see chart at right)*.
- The World Bank estimates that hunger robs 46 million years of productive, disability-free life each year, valued at US$16 billion.
- In South Asia, the loss in productivity caused by hunger is estimated at 5 percent of gross national product.

Hunger is both a cause and a result of poverty. Social safety nets can help break this cycle, reducing the need for repeated crisis intervention and the costs associated with it by enabling people to become more self-reliant, thereby reducing their vulnerability to future disasters.

When compared to the cost of emergency intervention and the potential for breakdown in social and economic progress, the investment needed to avoid a a worsening food and financial insecurity is relatively small.



Mean per capita GDP in sub-Saharan Africa and estimated levels, assuming no undernourishment.

Source: FAO

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