

»» Current Topics

Social protection

A tool for fighting poverty, not handouts

Most people living in industrialized countries enjoy social security. They have health insurance and pensions, and receive social transfers from the state in emergencies. The same cannot be said for developing and emerging countries, and the proportion of the global population living without any kind of social safety net is actually around 80%. Many people run the direct risk of poverty as a result of age, failed harvests, sickness, accident or death of their main breadwinner. On the other hand, social protection is also an important factor for reducing poverty and promoting sustainable economic growth. That is why it is playing an increasingly important role in the field of international development cooperation, and KfW is also financing various social protection models in a growing number of countries.

Context

Most people have no protection against the vicissitudes of life. Around four fifths of the global population has no access to any form of social safety net. Their best hope in emergencies is for help from their families. But this net is often fragile because young people leave their homes in search of work or because a high incidence of HIV/AIDS has claimed some family members. Intact, extended families of the kind that have traditionally offered each other protection in many parts of the world are becoming more of a rarity. And even where they are still in place they themselves are unable to cope with failed harvests, flooding or expensive costs of treatment. If people are not protected against the risks of life, it has an impact on entire societies. People in crisis situations eat less, harming their health and impacting their productivity. They sell everything they own, stop

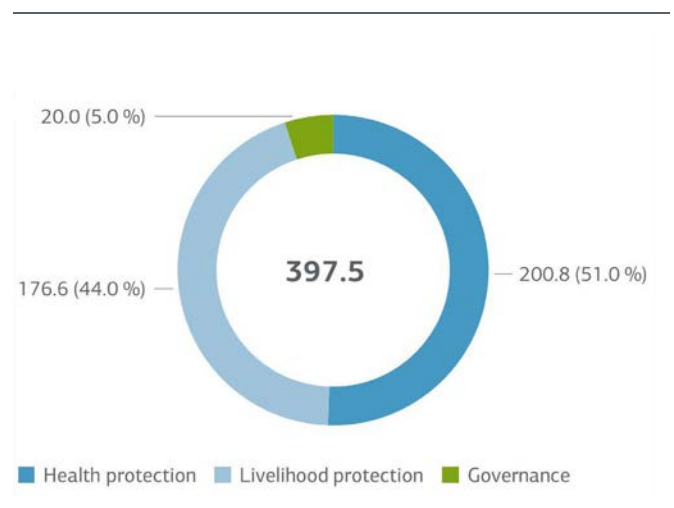
sending their children to school and avoid investing in their economic future. On the other hand, studies have shown that if people are given support, they eat a better and more balanced diet, children start learning again, money is invested in professional development and all of these factors taken together stimulate the economy. Social protection therefore offers a way out of the vicious cycle of crisis and poverty. That is why an increasing number of countries are introducing elements of social protection or even entire social protection systems. The approaches applied in emerging countries such as South Africa, Brazil or India are already well developed. India, for example, is in the process of building up the largest health insurance system in the world. But even countries like Mauritius are now spending more than three percent of their gross domestic product on pensions or child benefit because they see genuine benefit for their entire society rather than considering these expenses to be handouts for the poor.

The KfW development approach

KfW recognizes social protection as an important factor driving development that fulfils a general function in addition to considerations of solidarity between fellow human beings. That is why it has built up its activities in this field in recent years. The bank currently has 32 projects on the go in ten countries, most of which are in

KfW's current portfolio in the field of social protection

Total volume: EUR 397.5 million



sub-Saharan Africa, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). In addition, KfW support two cross-border major projects in sub-Sahara Africa and Asia. The total volume of projects amounts to EUR 397.5 million. This money mainly stems from the German federal budget, and is provided to the partner countries in the form of grants. The projects reach around 27.7 million people directly worldwide. Potentially, these projects could benefit around 391.9 million people in the affected countries (indirect target group) – often the poorest of the poor.

The social protection promoted by KfW takes a variety of forms. Around 51% of the financing it provides goes towards help and support in the event of sickness, for example setting up health insurance or voucher systems (Kenya, Tanzania, or Cambodia). Under these systems, the needy can receive vouchers subsidized by the government, either free of charge or for a small fee, in order to cover certain medical services. About 44% of the total promotional finance provided goes into livelihood protection which supports the setup and improvement of (existing) insurance mechanisms. One example is the African Risk Capacity (ARC), which offers member states of the African Union (AU) a natural catastrophe and extreme weather insurance scheme. It aims at improving the capacities of the countries to better plan, prepare and respond to these events thereby protecting their vulnerable populations. About 32 % of the total volume goes into "social transfer programs" which offer direct support for the cost of living for the extremely needy. The rest is to help the partner countries to develop i.a. sustainable and accountable financing models for social protection systems. However, it also serves to provide a solid financial basis for such programs in the long term. This is because these programs should be able to function without international assistance in the long term.



Contact

KfW Group
KfW Development Bank
Competence Centre Sustainable Economic Development,
Education and Health
Palmengartenstrasse 5-9
60325 Frankfurt am Main, Germany
Telephone +49 69 7431 -2133 or -9003
patrick.rudolph@kfw.de



Payday in Malawi: people living in poverty receive subsidies for their living expenses on certain days. Source: Désirée Schulz

Malawi – social transfers for the needy

Malawi is one of the poorest countries in the world. Roughly half of its population lives below the poverty line. These people now receive government subsidies in order to make sure that they can meet their daily needs such as food, clothing and medication, or pay for their children to attend school. The government supports particularly poor households in seven districts. The amount of the payments depends on how many family members there live, and how many school-age children there are. The families receive about EUR 5 per month – not much by European standards, but it helps the poor people there to take the edge off their hardship.

More than 313 000 people have benefited to date from the program, which is supported by KfW and other international donors. Those who are eligible receive the money on certain days, when they form long queues and have to acknowledge receipt of the payments. But who is eligible? Clearly identifying the eligible beneficiaries requires the corresponding technology and computers. That is why KfW also helps enable the relevant authorities to effectively implement the social programme.