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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 four billion. 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.

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 and a half 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

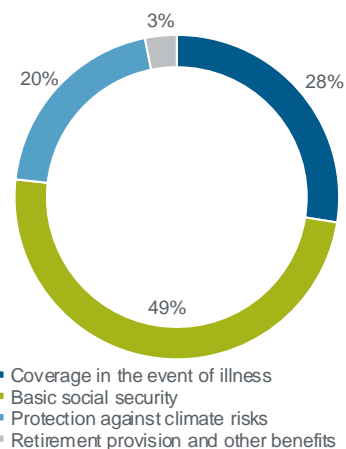
KfW recognizes social protection as an important factor driving development that fulfils a general function in

Context

Most people have no protection against the vicissitudes of life. Around four billion people worldwide have 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

Current portfolio in the field of social protection

Total volume: EUR 855.4 million



Source: own data

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 more than 80 projects on the go in 23 countries, most of which are in sub-Saharan Africa, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The total volume of projects amounts to EUR 855 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 380 million people directly or indirectly worldwide- often the poorest of the poor.

The social protection promoted by KfW takes a variety of forms. The main emphasis is on basic social security, which makes up 50% of the portfolio. This includes Cash for Work programmes which mainly consist of work-intensive measures for creating jobs for refugees from Sub-Saharan Africa and the Middle East. It also covers social transfer programmes which provide direct help towards subsistence to the extremely needy such as the aged, orphans, pregnant women or invalids. Support in the event of sickness takes second place, making up 27%. Here voucher programmes are used to improve access by poor people to qualitatively suitable health care services, in particular reproductive health (for example in Yemen, Cameroon and Cambodia) and support is given to set up health insurance systems (for example in Pakistan and Tanzania). Another 20% is earmarked for climate risk insurance, which has its origins in the G7 initiative "InsuResilience". The aim is to enable an additional 400 million poor and vulnerable people in developing countries gain access to climate risk insurance by 2020.

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Payday in Malawi: people living in poverty receive subsidies for their living expenses on certain days. Photographer: Desiree 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 the poorest of the poor can meet their daily needs such as food, clothing and medication, or pay for their children to attend school. The amount of the payments depends on how many family members live in the household, and how many school-age children there are. The families receive slightly more than 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 280,000 households nation-wide 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 and must confirm 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.