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Regional Hunger and Vulnerability Programme

A TRANSFER OUT OF POVERTY

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September 2010

Next week a United Nations global summit will try to reignite interest in and commitment to the Millennium Development Goals initiative, but with only five years remaining, few southern African countries are likely to attain the principal goal of "halving extreme hunger and poverty". Could the adoption and expansion of social cash transfers make a meaningful impact on reducing extreme poverty when other initiatives have failed?

Cash transfers create wealth

Brett Davidson, Chipiliro Kansilanga, Katharine Vincent

Theresa Chatsilizika lives in a rural area near Mchinji, a small town about one and a half hour's drive from the Malawian capital, Lilongwe. She is mother to two teenaged daughters. She and her daughters lost everything when they were driven from their community after Chatsilizika's husband died. They found refuge in Mchinji, in a tumble-down mud hut, and depended on hand-outs for survival. Her daughters could no longer attend school, as they had hardly any clothes or food. On top of this, Chatsilizika could barely leave the house to try and earn a living, as her daughters had become mentally disabled after being struck by a mysterious illness in their early teens.

"The first days, I slept in one of the unfinished buildings in the nearby market," she says. "We slept without food most of the days and relied on well-wishers. There were times I wondered why I even existed."

But in 2006, Chatsilizika was identified as one of the poorest members of an already poor community, and became one of the beneficiaries of a pilot cash-transfer programme, implemented by the Malawian government with the support of Unicef and the National Aids Commission. As part of the programme, Chatsilizika started receiving 1,400 Malawi Kwacha a month (about US$10), to help her meet her basic needs. This was later increased to MK1,800, or $11.80.

One of several tasks during the day, this woman in the Western Province in Zambia is re-constructing the thatched roof of her hut
photo by Josee Koch

MK1,800 is not a lot of money. It is what many middle-class Malawians might spent on a day's lunch. Yet with that small sum, regularly received, Chatsilizika set about transforming the lives of herself and her daughters. Providing cash does more than keep people alive - it empowers beneficiaries to make choices about how to improve their wellbeing in the long term. Astonishingly, Chatsilizika managed to save a small portion every month, and invest it in farming groundnuts. She even managed to pay a neighbour to help her with the planting. For three years, she sold the groundnuts and saved the profits. Eventually she had enough to employ someone to mould mud bricks, and she slowly started buying iron sheets for the roof, and other household items. Today, Chatsilizika is one of the wealthier members of her village, and a role-model for her neighbours.

Chatsilizika's story is a powerful argument against those who condemn social cash transfers for allegedly creating dependency. Not only is the amount she receives minuscule, but she has managed to multiply it and reduce her dependence on assistance – and in the process has also become an employer of others.

Chatsilizika's story is not just an isolated anecdote about an exceptional individual. Yes, she may have achieved more than many, but study after study has come up with findings that show beyond any doubt, that social cash transfers, or social grants, bring solid and lasting benefits to those who receive them – and to the society as a whole.

For example, research shows that regular transfers directly reduce a household's vulnerability to hunger by allowing it to purchase food, and thus enhances its food security. This in turn leads to nutritional benefits – something that can be measured. A study in South Africa, for example, found that the child support grant increased the height of its beneficiaries by 3.5cm if it was paid during their first year and for two out of the three first years. Similarly a girl living in a household which receives the old age pension is likely to be more than 2cm taller, and also heavier, than a girl living in a household where no old age pension is received.

Secondly, a regular cash income encourages households to invest in children's education, and opens up long-term opportunities to escape from the cycle of poverty. With additional cash, households are more likely to be able to release children from labour in order to attend school. In Namibia only 28% of the old age pension is spent on the pensioners themselves, the rest contributing to the wellbeing of the entire household or individual members, particularly grandchildren for school fees. Interviews with a grade 12 class found that the participation of 14 out of 16 learners was solely due to their grandparents receiving a pension.

In Lesotho, 50% of pensioners spend at least some of their transfer on children's education. In Malawi, Teresa Chatsilizika says she's determined to improve her daughters' education. "Because I don't want them to face what I did, I have to do everything I can to get them to school," she says.

Thirdly, contrary to the widespread belief that social grants encourage laziness and increase dependency, research has found that cash transfers in fact encourage beneficiaries to enter the labour market, by giving them more flexibility (such as being able to afford taxi fare to go looking for work). A 2004 study in South Africa found that recipients of social transfers look for work more intensively and extensively, and find employment more successfully, than do workers in comparable households that do not receive social grants. Households receiving the old age pension have employment rates 8 to 15 percentage points higher than those households that do receive a pension

The positive benefits don't end there. Evidence shows that people receiving social transfers spend that money locally. In Chatsilizika's case, she began to employ others to help farm her groundnuts, but merely purchasing food and other goods injects money into the local economy. This adds buoyancy to the market by creating demand for a growing range of goods and services, thus further stimulating market development. A multiplier effect leads to economic growth. A study of South Africa's child support grant showed that the increased future earnings potential of recipients was increased by between 60 percent and 130 percent.

Another pilot project in Malawi showed that for every dollar made as a social transfer, over two dollars were generated in the local economy, benefiting suppliers, traders, services and other community members.

More positive impacts of social cash transfers could be listed. One of the most compelling arguments in favour of social grants is that despite the apparent expense, they are in fact not a drain on the economy, but an investment. By helping to reduce poverty and vulnerability and stimulate economic activity and growth, cash transfers can contribute to a reduction in government expenditure on tackling humanitarian crises, ill-health and crime, and increase government revenues through taxation.

Despite the hard facts and statistics though, it is important to remember that these positive impacts have a human face. For individuals, one of the most important benefits is an increase in self-esteem, status and empowerment. Members of impoverished and vulnerable groups, such as the elderly and disabled, who are typically looked down open, regain respect and a feeling of worthiness in society.

"To tell the truth, the cash transfer opened a window of hope for me." Says Teresa Chatsizilika. "Without it, I have no idea where I would be now. I can afford food every day, soap, and my daughters are in school."

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This supplement has been sponsored by the Regional Hunger & Vulnerability Programme (RHVP). For more information please contact danya@rhvp.org.

Electronic delivery of social cash transfers

Brett Davidson

As social cash transfers grow in popularity relative to other kinds of social transfers (such as food aid), there is now an effort to investigate innovative ways of delivering cash to recipients effectively and efficiently. A number of public (government to person) cash transfer projects and programmes have experimented with the use of electronic delivery systems.

One of the arguments in favour of giving vulnerable people cash instead of food (aside from other benefits of cash) is that cash is less costly to deliver. But even so, the delivery costs can take up a larger-than-needed proportion of social protection budgets. While cash is clearly less bulky than food, physical delivery of cash is labour intensive. There is a need to hire security personnel when transporting large amounts of cash, and to hire staff to oversee the process of paying individuals their grants.

An additional problem is that the delivery of cash also has costs for the recipients, who must travel to a pay point to receive their transfer – costing them money and lost time.

The solution is to deliver cash electronically. This minimises the risk of money going astray, and reduces the demands on staff time. It is also more convenient for recipients – as they can access their grant at a place and time of their own choosing.

There are a range of ways to deliver cash electronically – debit card, smart card, or cellphone – and using a range of financial infrastructure – banks, automated teller machines (ATMs) and Point-Of-Sale (POS) devices.

These electronic delivery systems also lend themselves to private sector participation, where a private sector company – typically a bank, smart card platform, or cellphone operator – partners with the programme implementer.

The rapid penetration of cellphones in Africa has opened the door for the easy facilitation of electronic cash transfers.

By the end of 2008 there were over 246 million mobile subscriptions in Africa (out of a population of just under 700 million).

In 2008, 58.5% of the population was covered by a cellphone signal, with some countries approaching 100% coverage of inhabited areas – including South Africa, Botswana, Mauritius and the Seychelles.

The rapid growth in cellphone ownership and signal coverage has paved the way for consideration of cellphones as a mechanism for electronic delivery, partly prompted by promising evidence for their adoption in private person-to-person transfers.

Probably the best-known example of the potential for cellphones in delivering cash transfers is the M-PESA scheme in Kenya, operated by cellphone service provider, Safaricom. The M-PESA cash transfer service also launched recently in South Africa, through a partnership between Vodacom and Nedbank.

Just two years after its introduction in Kenya, M-PESA has over 7 million registered users and 10,000 agents, reflecting the faith that consumers place in the safety and convenience of the product.

In 2008, Concern Worldwide used the M-PESA system as a means of delivering a short-term emergency cash transfer project – the Kerio Valley Cash Transfer (KVCT) project. While there were some challenges to overcome, the KVCT project successfully disbursed a total of US$53,000 to 570 households, showing the system to be secure and cost effective.

Following the success of M-PESA, other cellphone service providers have begun to offer similar schemes in other countries – some in combination with mainstream banks.

Above: An Opportunity International Bank of Malawi staff member verifies the identity of a Dowa Emergency Cash Transfer beneficiary in Dowa District, Malawi *photo by Stephen Devereux* **Right: Pensioners wait at the Machache paypoint near Maseru, Lesotho, to collection their Old Age Pensions** *photo by Katharine Vincent*

The banking sector is an integral partner in the electronic transfer of cash, and has a key role to play in the electronic delivery of cash transfers in southern Africa. More and more, banks are also starting to see that there are commercial opportunities for them in facilitating the electronic delivery of government cash transfers. Firstly, there is immediate income to be made, as cash transfer programmes typically pay a transaction fee per transfer.

Secondly, there are additional benefits: national cash transfer programmes start to make it viable for banks to invest in new infrastructure in previously under-served regions. The banks can use this infrastructure to provide services to a broader group of people in addition to transfer recipients. And the recipients of cash transfers themselves often start to make use of additional financial services offered by the banks, such as micro-credit and savings.

At present, most of the examples of electronic delivery of cash transfers come from pilot programmes. While these experiences have generally been positive, pilot programmes don't really offer the chance to show how cost-effective electronic delivery really can be. This is because most of the costs are incurred at the start of a programme – in registering participants and setting up necessary infrastructure. After that, costs are minimal – so it is only in a long term, large-scale programme that the real savings and benefits will start to be seen.

So far only one government-led programme in Africa has embraced an electronic delivery mechanism from inception, and that is the recently launched Hunger Safety Net Programme (HSNP) in Kenya. HSNP is a phased programme that is targeting 300,000 households in the first three years, with a plan to increase to 1.5 million in the second phase. All recipients receive a biometric smart card, which they can use to access their cash through Point-Of-Sale devices.

A number of other national cash transfer schemes are considering following in the steps of HSNP.

Swaziland has already entered the second phase of its Electronic Disbursement Programme, which aims to have all 60,000 Old Age Grant recipients banked (at a bank of their choice) by the end of the third phase.

The government department with responsibility for Mozambique's *Programa de Subsidio de Alimentos* (PSA) (which is a cash transfer), the Ministry for Women and Social Action (MMAS), is looking at the potential for electronic delivery of the PSA. Currently delivery of this grant costs up to 40 percent of the value of the transfer.

In Lesotho, the Lesotho PostBank has recently received a commitment for funds from the Millennium Challenge account to proceed with smart card-based transactions systems, which would be a potential electronic delivery mechanism for the Old Age Pension (and, potentially, the new Child Grant Cash Transfer programme).

Ghana is also interested in looking at electronic delivery systems for its Livelihood Empowerment Against Poverty (LEAP) programme. LEAP is a government-run and funded programme that began in March 2008, and is due to reach 164,000 households (equivalent to almost 20% of Ghana's extremely poor households) when the national rollout period ends in 2012.

Systems of delivery, whether physical or electronic, are only as good as the registration system on which they depend. Registration is a vital (albeit time-consuming and cumbersome) part of any cash transfer programme, with the bulk of input required prior to programme introduction.

If a private sector partner is involved, it makes sense for the recipient to undertake the procedures for both programme registration and bank account/cellphone account registration at the same time. Close collaboration between the programme implementer and its private sector partner is vital, particularly in the integration of registration of recipients in the scheme, and the payment systems.

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Case studies

Swaziland's Emergency Drought Response

In Swaziland, when Emergency Drought Response beneficiaries were issued with bank accounts they were then able to access their cash through debit cards at the ATM. At the start of the scheme, when understanding of, and confidence in, the banking system was low recipients tended to queue to withdraw their cash on the day of disbursement. As time went on, there was growing faith in the security of their electronic cash, and they began to access it at their own convenience. This spread out the demand, and so the queues (and waiting period) became much shorter .

Biometric smart cards in Namibia

Namibia's Basic Income Grant pilot project provided a universal cash transfer of N$100 per month to 930 individuals under the age of 60 (at which age they are eligible for a state pension) in the settlement of Otjivero-Omitara, 100kms to the east of Windhoek. In line with the existing state pension, delivery of the Basic Income Grant was made through the use of smart card-based savings accounts issued by the state post office, NamPost. NamPost opened accounts for all the beneficiaries, and waived the standard N$50 smart card fee.

Beneficiary accounts were credited with the N$100 transfer on the 15th day of every month. After this date, beneficiaries could access their funds through the local NamPost by presenting their card for insertion into a Point-of-Sale device, and having their fingerprint verified. Beneficiaries got one free transaction a month. Beneficiaries also had the freedom to access their transfer through any of NamPost's 122 branches through Namibia, at a time convenient to them.

Ten seeds:

How cellphones led to the blossoming of women's farming cooperatives in Lesotho

Katharine Vincent, Tracy Cull

Against the backdrop of several recently-published books highlighting the extent of wasted aid to Africa, a small-scale project providing cellphones to women-led farming cooperatives in Lesotho proves that, in the right hands, a little aid can go a long way.

On Women's Day in 2006, ten cellphones were provided to the Thulare Dairy Farmers Cooperative (set up in 1997 by a number of women based at the Bishop Allard Vocational School in Roma, just outside Maseru, who had benefited from training overseas) by the Regional Hunger & Vulnerability Programme (RHVP), which builds evidence and advocates for social protection to support the vulnerable and food insecure in southern Africa. Unlike typical development aid, the cellphones were provided with neither strings attached, nor an implementing partner.

RHVP's interest in the project was to see how rural, often illiterate, women use technology, to dispel the oft-cited argument that cellphones are an inappropriate means of transferring social cash transfers to vulnerable groups of people. In fact, having cellphones has improved English and mathematical literacy, with women learning to understand the instructions and using the cellphone's calculator function when working out how much they owe for making calls. But the positive impacts have gone much further than that.

In the mountainous kingdom of Lesotho, the cooperative previously struggled to communicate with members and even notify them of forthcoming meetings. The choice was between sending a letter with a taxi driver, and risking it getting lost, or paying someone to physically deliver the letter, which was costly both in terms of taxi fare and time taken (up to 8 hours each way, at a cost of $13).

Cellphones have not only eased internal communication, but also helped coordination in the marketing of activities. Gladys Faku, manager of the Thulare Cooperative, explains; "The phone has transformed the women farmers' lives completely - they are able to market their produce, access information on prices, and it has made them so confident." Behind her in the rondavel office sit a number of trophies, testament to the recent success of the cooperative at agricultural shows. Cellphones played a key role in this success by enabling the various groups to coordinate their entries and ensure that the widest possible range of produce was showcased. This success has also in part resulted from improved access to training, again facilitated by the cellphones which enable them to keep in close contact with training providers. Cooperative members now regularly undertake training with farmers in South Africa, most recently on artificial insemination.

Prior to having cellphones, they would have been unlikely to have heard about, and taken advantage of, these opportunities.

Opportunities for the agricultural activities of the cooperative are not the only benefits that have resulted from cellphones. Use of cellphones has also provided advantages at an individual level. Evodia Matobo, 66, described how proud the women were to receive the cellphones, and how through them they felt greater levels of self esteem and inclusion within society.

Various members also explained how they use the cellphones to improve their daily lives; from enabling better communication with children attending school far from home, to the ability to seek medical advice before making a costly, arduous, and potentially unnecessary trip to the clinic.

The benefits of improved communication are clear, but the Thulare Dairy Farmers Cooperative has used the tools provided to them to actually generate further income. As Faku says, "we turned cellphones into a business."

Purchasing discount airtime in towns, groups would then sell this on at list price to other community members, including those outside the cooperative, through sms transfer. While the profit generated by each sale was minuscule, over time these added up, and the groups generated enough money to purchase further phones to be distributed amongst members.

Evodia Matobo demonstrates the use of her cellphone at the Bishop Allard Vocational School, meeting point of the Thulare Dairy Farmers Cooperative, in Roma, Lesotho *photo by Katharine Vincent*

The ten cellphones provided in 2006 have now grown to 24. In addition, some members have used their personal profits from farming activities to buy their own handsets.

The Semonkong-based group, in the highlands, used profits generated from airtime sales to make funds available at low interest rates. One member took out a loan of R1000 in order to purchase linen and other equipment required to set up a guest house and tap into the tourism market.

One of the lowlands groups in the western district purchased two Duroc breeding pigs which they hire out to local pig farmers in the region, generating more profits for the group.

A group situated in the mountain foothills, some distance from town, use the profits from airtime sales to purchase second-hand clothes in bulk which they then sell in the local market.

In many cases, the mere process of selling airtime (and access to the phone to make calls) has generated local employment in its own right. Several groups "employ" a group or other community member to man stalls, which are frequented by both locals and those passing through.

Now that the benefits of communication have been experienced and the need for it entrenched, the next step for many of the groups is to purchase a wireless telephone, through which calling will be available at cheaper rates. Other plans include the purchase of dairy cows and a mill, to enable the cooperative to grind maize internally, and thus benefit from the better returns on mealie meal than the raw product.

When RHVP made its first return visit to Thulare in January 2007, there were few expectations for what had been made of the ten cellphones. Director Nicholas Freeland said, "We knew the sceptics' claims that rural people are unable to deal with technology were false. But on subsequent visits we have been repeatedly humbled and inspired by the innovative ways the cooperative has made use of the cellphones to promote their own development."

Proof indeed that, in the right hands, aid can have a very positive impact on the lives of the rural poor in southern Africa. The "ten seeds" have certainly blossomed into a more positive future.

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Bringing social protection home to Africa

John Rook

In 1995, the United Nations set out a series of global Millennium Development Goals (MDGs) to highlight the need to improve the living standards and the quality of life of the majority of the world's population and to reinforce investment to bring this about. The primary MDG calls for a "halving of extreme hunger and poverty" by 2015. Yet, with less than five years to go and despite all the attention the MDG initiative has been given, only two out of 13 southern African countries (South Africa and Zambia) are expected to achieve this principal MDG.

While past efforts to reduce poverty were fought with conventional but ineffective instruments, a third instrument, in the form of social protection, offers considerably more potential to eradicate extreme poverty. Whether or not this potential is realised depends on whether national stakeholders, from governments to individual citizens, endorse the approach and create the necessary political will to see the adoption of social protection measures on a wide enough scale to have a meaningful impact on poverty.

During the 1990s, when the MDGs were set, the "war against poverty" was fought on two fronts: development assistance for economic growth was viewed as the main means of ensuring sustainable poverty reduction; while humanitarian assistance, predominately in the form of food aid, was seen as the best way to alleviate poverty and protect those who had not yet reaped the benefits of growth.

But, 15 years into the MDG campaign, neither of these conventional instruments has performed particularly well: While many countries in the region have registered respectable economic growth in recent years, high rates of income inequality (southern African countries have some of the highest in the world) have meant that most of the benefit from economic growth has remained with the rich elite and little has trickled down to the impoverished masses (Malawi is a good case in point). At the same time, growing concerns have been expressed about heavy reliance on humanitarian assistance and the negative impact this has had on individuals' ability to improve their livelihoods and governments' willingness to embrace difficult policy reforms.

Confronted with this situation, increased attention is being given today to social protection, specifically in the form of social grants or other social cash transfers, as a simple but multi-functional instrument that can reduce the worst effects of poverty, help individuals escape the poverty trap and, at the same time, generate wider pro-poor employment and economic growth.

But, while the social protection debate may be dynamic, national interest in many lower income countries has not reached a critical mass and political will for the adoption of social transfers on a comprehensive enough scale to significantly reduce poverty remains absent (although a number of countries with greater fiscal resources, notably South Africa but also, to a lesser extent, Namibia and Botswana, have already established a range of cash based social welfare grants and benefits).

In the absence of political will, much of the impetus behind the promotion of social transfers in lower income countries has been externally driven. In such cases, donor emphasis has been directed towards building evidence on the effectiveness and the efficiency of such instruments and on implementing small, short-term "pilot" initiatives. In comparison, relatively little external attention or support has gone into promoting awareness and understanding amongst national stakeholders or in nurturing national ownership and drive.

Women preparing their goods to sell at the weekly market a nearby city in Swaziland
photo by Josee Koch

One reason for the lack of political will, especially in countries where there is a strong donor presence, is that national stakeholders view social protection to be the latest in a growing line of donor inventions. In reality, however, the instrument enshrines many traditional African values and principles. A look into the organisation of society in pre-colonial Africa clearly points to the importance of a supportive community and kinship systems where scarce resources were shared and where the better off took care of the less fortunate. However, under the various pressures of modernisation, which include the replacement of traditional leaderships with local government and trends towards small families and migrant labour, as well as the impact of the HIV/AIDS pandemic, these community and family-based coping mechanisms have largely disintegrated. While there is scope for resurrecting and modernising traditional systems, much more of the burden to provide social protection in modern society has to rest with the state. Indeed the provision of social protection, in the form of social grants, for example, is a clear indication of a benevolent and responsible government.

Evidence from within southern Africa clearly points to the fact that social protection has rooted itself more firmly in countries where there is national drive and ownership and where there has been less external engagement. Indeed, in one country, Lesotho, social protection was adopted by the government directly against the advice of international financial institutions, which considered it unaffordable. Nevertheless, the Government of Lesotho went ahead and introduced an Old Age Pension in 2004 which is fully funded from the national budget. Southern Africa's experience with the adoption of social transfers clearly illustrates that donor engagement is not a pre-requisite for the successful adoption of social transfers and that learning from the experiences of neighbouring countries may be far more influential, thus highlighting the importance of a regional cooperation, especially in terms of awareness and knowledge building.

Another key message from southern Africa is that when countries are left to develop their own social protection systems they predominately opt for selection mechanisms that target specific vulnerable groups, such as the elderly, the very young, people with disabilities and the chronically ill. Not only are these groups easy and therefore cheap to identify, but the selection criteria is readily understood and widely endorsed by the public; because they enshrine traditional cultural norms. By contrast, in countries where external donors and agencies are more influential, there has been a protracted process of evaluating a range of alternative selection mechanisms, which in a number of cases has led to the strong endorsement and lobbying for poverty-based selection criteria which is not only more complicated to administer but also less well understood and supported by communities.

Donor engagement, and the resources they can bring to bear, can help facilitate the adoption and expansion of social protection measures in southern Africa, however, if they are to make a constructive contribution there is an urgent need for donors and other international players to re-evaluate their role. In particular, they should consider stepping back from the front line and instead play a more enabling and facilitating role. Amongst other things, this means less support to small-scale, off-budget initiative - predominately implemented by international NGOs - and recognition on their part that they are not and cannot be drivers of change in national contexts. There is, on the other hand, an important need to build awareness and understanding around social protection amongst a wide range of national stakeholders from the executive and legislative arms of government, through civil society and the private sector, to the individual citizen. Establishing political will is a process that has to start with an understanding of the issues.

The evidence in support of social protection, and especially social cash transfers, is overwhelming, yet valid concerns remain about affordability, dependency and benefit fraud. Yet, as regional experience once again illustrates, none of these concerns are insurmountable, as long as the political will exists.

Considering experiences from elsewhere in the world, the long-term future for social protection, and subsequently the eradication of extreme poverty, in southern Africa is encouraging. Hopefully even before the end of the MDG cycle in five years time we will be able to look back and remark on how quickly social grants and other social protection instruments have been adopted across the sub continent. But it will take further decades of investment before we can conclude that all countries have comprehensive scaled up social protection systems. The key to this is to have a strong and clear long-term vision but to make a start by reviewing the effectiveness of existing poverty reduction measures, discarding what doesn't work and implementing affordable components of this vision. Once more, experience from within southern Africa of where national ownership has driven the social protection agenda shows that one can only improve on something that you have implemented. While research will continue to bring forth new ideas on how to improve effectiveness and efficiency, there is no substitute for learning through implementation. In Swaziland, for example, the Prime Minister adjourned Parliament in 2007 and appointed a high level task force to resolve issues in the delivery of the Old Age Grant.

Social protection, in the form of social grants and other social transfers, is widely popular with the electorate and therefore a potentially powerful political agenda. The 2006 general election in Lesotho, for example, was fought and won on the issue of the Old Age Pension. As democracy and good governance grow across the region, so too will the potential for political parties to embrace social protection in prudent and deliverable manifesto. In the meantime, the immediate investment needs to be in creating national ownership and drive through dialogue and debate to build widespread understanding and awareness.

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