



Federal Ministry  
for Economic Cooperation  
and Development

# Strengthening Social Protection Systems in Developing Countries and Emerging Economies

Fighting Poverty –  
for a Social Equitable Globalisation

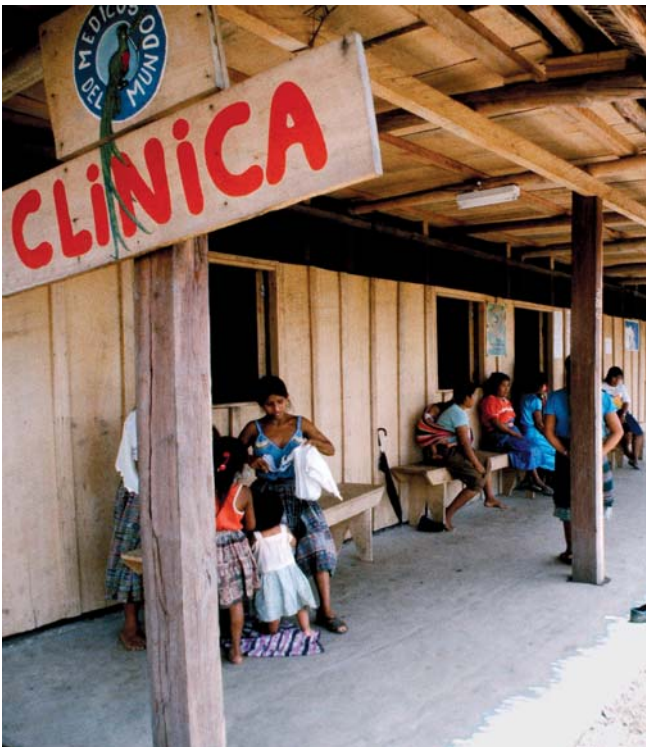


# ” Everyone, as a member of society, has the right to social security“

says the Universal Declaration of Human Rights. To date, three-quarters of humankind have been denied this right. Billions of people are completely at the mercy of such risks as illness, unemployment and poverty in old age. Social security is not just a human right. Systems that provide social protection lay the foundation for pro-poor growth and sustainable poverty reduction and they are key to attaining the Millennium Development Goals of the United Nations. They allow the poor in particular to participate in national economic life. As studies show, countries that invest in social protection systems are more successful economically. Social security is not charity; it is an investment in people and it provides help towards self-help. Social protection systems contribute to keeping a social balance, which is increasingly important for stability and peace in many countries where inequity is a growing problem.

Studies by the International Labour Organization (ILO) have confirmed that a basic floor of social protection is affordable even in low-income countries. Setting up a sustainable system of social security is not just a matter of money, though. Of foremost importance is developing systems that are geared to the special needs of the respective country. There are no general blueprints for this. The widespread incidence of HIV/AIDS and the large

percentage of non-formal labour, for example, pose special challenges in developing countries. The international community has recognised the importance of social protection for sustainable poverty reduction and development: International organisations such as the United Nations and the World Bank along with the G8, the EU and other countries have shown their willingness to step up support to developing countries and emerging economies in setting up appropriate systems. Here, Germany can draw on a long tradition and has proven competency. German development cooperation shares its experience with partner countries and assists them in implementing suitable and sustainable solutions.



## Social protection in German development policy

Many developing and more advanced countries have already begun to establish social protection systems. Others are currently looking for advice to develop sustainable systems suited to their needs. At present, German development policy supports these efforts in about 30 countries throughout the world. Besides advisory services and capacity development in social and community-based health insurance, these also include the increased provision of microinsurance and the extension of basic social protection programmes. Basic social protection programmes are playing an increasingly important role, currently especially in context of the global food crisis. Above all, they help vulnerable sections of the population, such as women, children and disabled or older people. Social protection for older people also poses a future challenge for developing and more advanced countries whose societies also face rapid demographic change; in a few decades the age pyramids in countries like China and India will come to resemble those in the industrialised nations. Moreover it can be observed that traditional family networks are increasingly constrained. Due to the HIV/AIDS epidemic grandparents are particularly challenged since many of them have to raise their grandchildren.



## **Health vouchers – so that illness no longer leads to poverty**

Uganda is particularly severely affected by the fatal consequences of HIV/AIDS. In recent years, remarkable successes have been achieved in the fight against AIDS but many people still lack access to medical care. As in many other developing countries, patients have until now had to pay for medical costs out of their own pockets. Frequently having to travel long distances, forfeit earnings or sell their livestock, many people cannot afford to pay them. Over 100 million people worldwide fall into poverty every year as a result. This is why German development cooperation together with the World Bank is supporting a programme that sells heavily subsidised vouchers to poor people in Uganda, who can then redeem these like health insurance certificates. Thanks to this project, 40,000 people in Uganda who previously had no access to such services have already been diagnosed and treated, and there has already been a marked drop in sexually transmitted diseases. The system is efficient, competitive, geared to patients' needs and successfully targets the poorest of the poor. Similar voucher systems are also supported in Kenya. Thanks to the vouchers, women have better access to medical assistance at birth and medical services for family planning and they are given free support after sexual abuse.

## Kenya – vouchers for safe births

18-year-old Faith Kanini is one of the first women from the slums of Nairobi to give birth to a child with the help of a health voucher. “I cannot tell you how happy I am”, says the young mother. Otherwise, Faith Kanini would have given birth to her 6-pound son in a dirty corrugated-iron hut. Her and her child’s life would have been at great risk, because maternal and infant mortality are very high in Kenya. Kanini would never have been able to afford to pay for delivery in a health facility. Only since the introduction of the heavily subsidised health vouchers with the help of German development funds have poor people been able to obtain treatment.



## Building viable social health insurance systems

Some countries in Asia have already adopted comprehensive approaches to developing social protection systems. Indonesia, for instance, passed a law in 2004 providing for health and accident insurance as well as pensions and assistance in the event of death of relatives. With its 250 million inhabitants, introducing this kind of system poses the country with large political and technical challenges. The first reform step aims at providing 60 per cent of the population with social health insurance by 2010. This will reduce private direct payments in the event of illness, which frequently impoverish the families affected.



Social health insurance provides fair financed and equitable access to public health services for the whole population. Everybody pays what they can afford; social capital is redistributed from the healthy to the sick, from the younger to the older generation, from the employed to the jobless and from the better-off to the more needy.

State subsidies for the poorest sections of the population supplement the earnings-related contributions to the scheme.

German development policy advises the Indonesian government at various levels in this ambitious project. With the aim of building up an efficient and sustainable system of social protection, German experts advise the national planning authority, train specialists and improve information management.

### **Extending social health insurance to the informal sector**

The village community of Cao Bang in rural Viet Nam is very poor. Most villagers possess little land for growing their food. They earn a bit of money from selling some of it on the market. Until recently, this was not enough to pay for medical services. Since 2003, German development cooperation has been advising the Vietnamese government in developing social health insurance. Now, people outside the formal sector, such as pensioners, the disabled and the poor, are medically insured as well. For Cao Bang, this means that the villagers can be given medical examinations and medicine – a big step forward for their community.

## **Basic Social Protection: a new future for the very poor**

Social transfer programmes have proved to be an effective way of reducing poverty in many Latin American countries. In these programmes, a sum of money is paid to needy households – mostly to women – in order to ensure their survival. As obligations are attached to the cash payments, e.g. the children's school attendance or regular visits to the doctor, these kinds of conditional cash transfers are also an effective means of help towards self-help.

In Central America, El Salvador, where about 40 per cent of the population lives in poverty, introduced this kind of conditional cash transfer programme (*Red Solidaria*) in 2005. German development cooperation supports this programme by providing advice, setting up a monitoring and evaluation system and financial assistance for social infrastructure. *Red Solidaria* has a current outreach of about 50,000 households and has already had an enormous impact. School attendance by children has increased significantly – above all in preschools. More children and pregnant women have been given preventive medical checkups. The figures show that social transfer programmes help the poorest sections of the population in particular to gain access to essential services and, with that, contribute to structural poverty reduction.

**Social transfers afford access to education and help overcome poverty in the long run:** “With the help of *Red Solidaria* all my children can continue their education. In the past, I was forced to take them out of school after the sixth grade, because I could not support them any more with my small income. Thanks to the regular help from the *Red*, every one of them can now go to secondary school”, says Rosa-Maria from Nueva Trinidad about her support from *Red Solidaria*.



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