Transfers to older people in developing countries reduce poverty and support growth and development

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By 2050, for every

10 Europeans aged 60 and over there will be

9.2 Africans,

8.2 Latin Americans, and

55 Asians

in the same age group*

*UN Population Division
Bangladesh
OECD countries address poverty and vulnerability through **public transfers** to older people and their families.

In **middle income** countries **public transfers** fail to cover poor households.

In **low income** countries old age **public transfers** are scarce.
Direct public transfers as a proportion of GDP 1971-1997

- Western Europe: 14% of GDP
- North America: 12% of GDP
- Latin America and the Caribbean: 3% of GDP
- South Asia: 2% of GDP
- Sub-Saharan Africa: 1% of GDP

[Bar chart showing direct public transfers by region]
• Can social pensions work in low income developing countries?

• Do they reduce poverty and vulnerability?

• How can they support growth and development?
• Lesotho is one of the poorest countries in Southern Africa

• In 2004 a social pension was introduced, it pays US$ 24 transfer a month to all aged 70 and over

• Because older people in developing countries live with their extended family, the social pension is in fact a household transfer paid through the older person’
Lesotho
Pension day is also **market day**

In **cash-strapped** communities in Lesotho, transfers **encourage production and trade**
In neighbouring South Africa, old age transfers are a leading poverty reduction programme.
Following the privatisation of utilities in the 1990s, Bolivia established a fund supporting a transfer to all aged 65 and over, called BONOSOL.

The transfer is around **US$ 250** paid once a year on the **birthday** of the beneficiary.
Bolivian pensioner receiving his BONOSOL

In rural areas of Bolivia, many farmers have land but no cash to buy seeds and tools.

A study showed the rise in consumption among pensioner households was twice the amount transferred.
In Zambia, the incidence of poverty and HIV/Aids are high...leaving *grandparents* to care for *grandchildren*.

A scheme piloted a transfer of **US$ 10 a month** to labour scarce households.
Mr. Motu is one of the beneficiaries

He and his wife live here

A 12 year old grandchild lives here

…who now attends school and helps with the family plot

He saved 3 months of transfers to pay for an operation to remove his wife’s cataracts
The capacity of public agencies is very limited, so a village committee manages the transfer scheme.
In Bangladesh, a **US$2 transfer** a month is paid to the 20 oldest and poorest in each district
Registration is important.

Her pension book records the transfers received and protects against corruption.
There is no ‘retirement’ in developing countries
• According to ILO estimates, financing a social pension would require **less than 1 percent of GDP** in low income countries.

• If well designed, social pensions can
  – **reduce poverty and vulnerability**
    among older persons and their households, especially those affected by HIV/AIDS and migration
  – and contribute to **production, trade, and growth in poor communities**