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

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With thanks to HelpAge International and Katherine Vincent

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



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new dynamics of ageing  
a uk cross-council research programme



Bangladesh

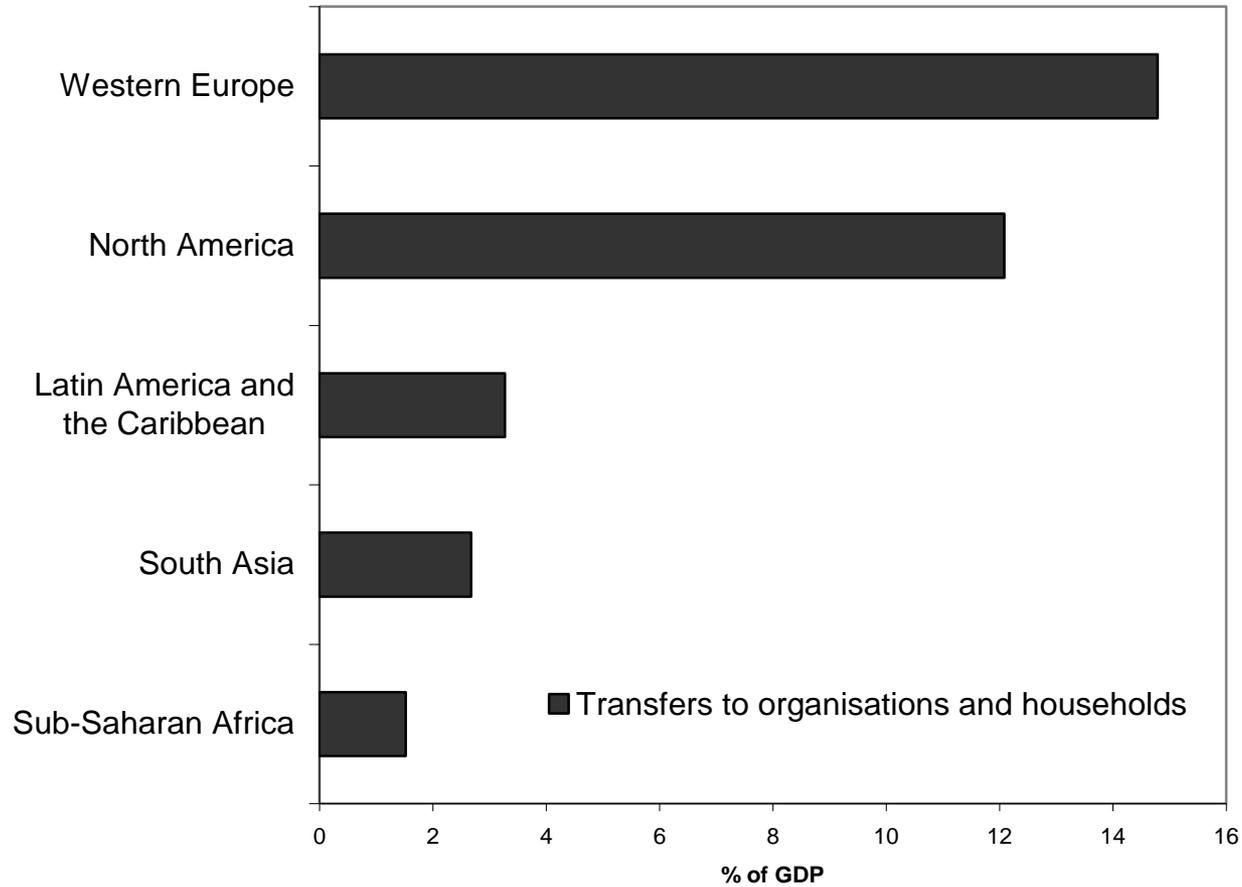
Ric/IDOP/2003

OECD countries address poverty and vulnerability through **public transfers** to older people and their families

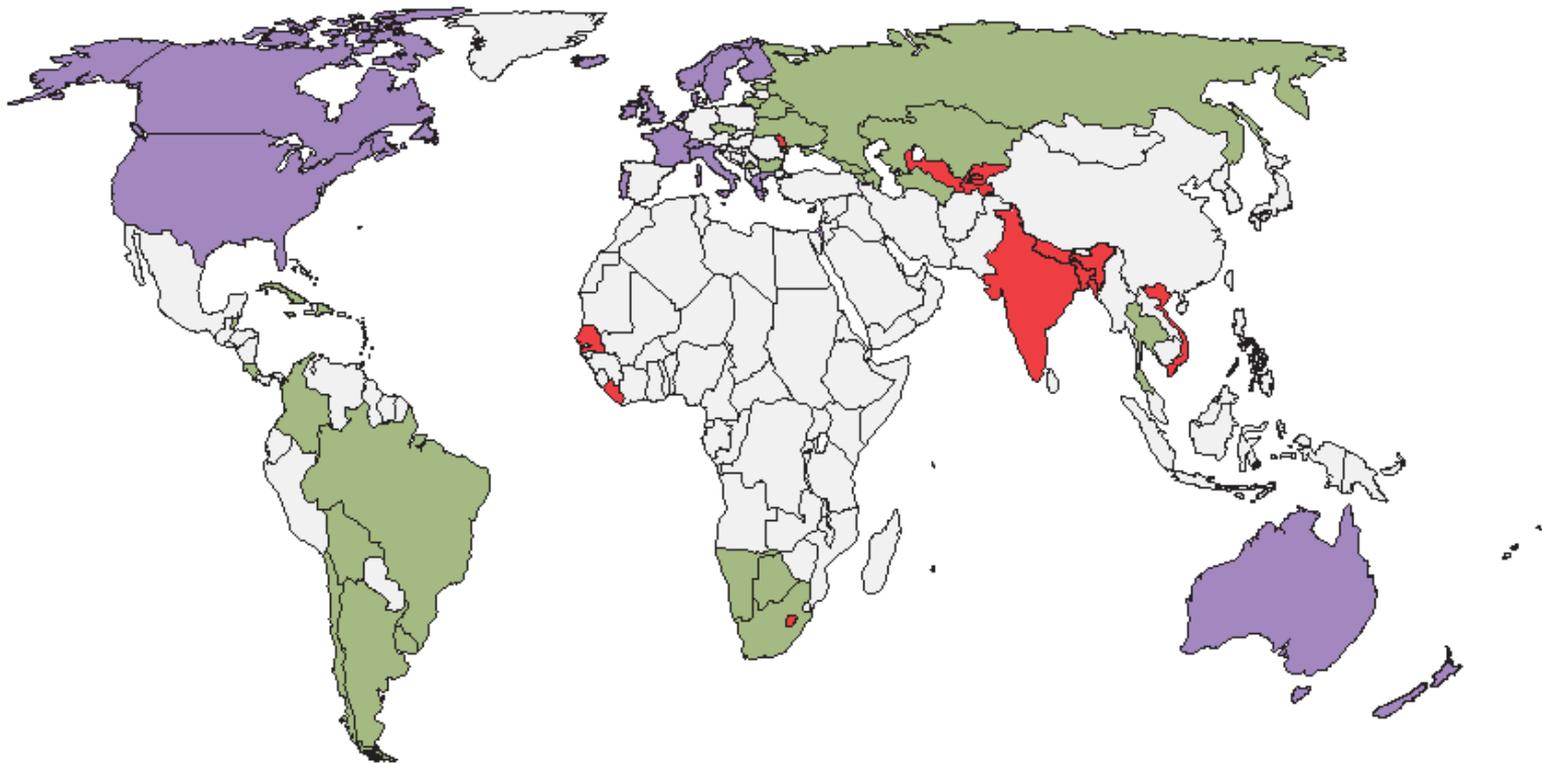
In middle income countries **public transfers** fail to cover poor households

In low income countries old age **public transfers** are scarce

# Direct public transfers as a proportion of GDP 1971-1997



## Countries with a social pension



■ High income countries   ■ Middle income countries   ■ Low income countries

- 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

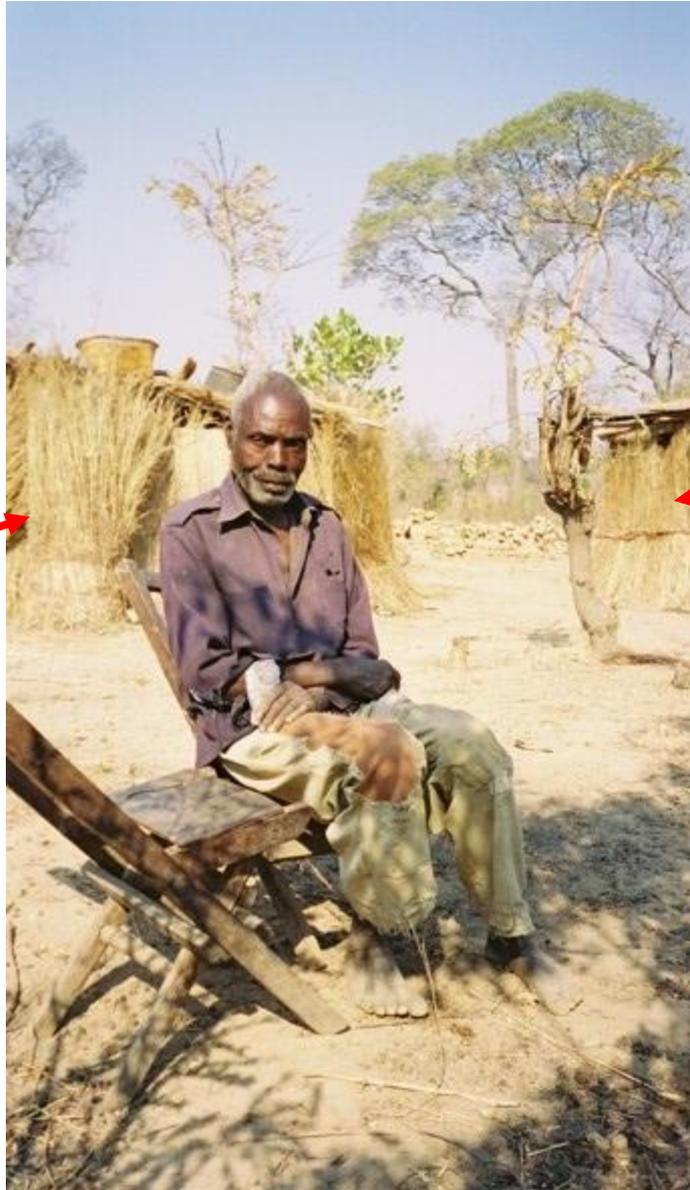
In rural areas of  
Bolivia, many farmers  
have land but **no cash**  
to buy seeds and tools

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



Armando Barrientos/2005

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



Sawang Kaewkantha/HAI/2004

- 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**