

## How a Basic Income is Working in Africa

by Guy Standing<sup>1</sup>

Politicians across Africa are committed to ‘eradicating’ poverty; most do not want to give the poor money that would eradicate their poverty. The politicians say ‘hand outs’ to the poor are wasteful and encouraging dependency and laziness; the politicians give very large handouts to the rich in subsidies and tax cuts, saying that these are incentives and encouragement to take risks.

There is an intellectual and moral confusion in holding all those positions at the same time. Fortunately, out of the terribly bad emergency crises that have hit African countries in recent years, we are accumulating knowledge of what actually happens when ‘hand outs’ are given to the poor and economically vulnerable. The lessons being learned are very encouraging. They are showing that contrary to the orthodox perspective summarised above, ‘hand outs’ to the poor generate sustainable livelihoods, boost demand for basic goods and services and lead to substantial poverty reduction.

In this coming week, the Basic Income Earth Network (BIEN) will be holding its biennial conference, this time in Cape Town. BIEN consists of hundreds of social scientists, mostly economists and sociologists but also philosophers, psychologists and civil society activists from all over the world. Its members have included Nobel Prize winners and prominent public figures. Every two years it convenes in a different city; in October 2004 it was in Barcelona, then before that in Geneva and Berlin.

President Lula of Brazil, fresh from his resounding re-election victory on Sunday, has sent the Congress a message of support. He himself has pledged to introduce a basic income in Brazil, and as a stepping stone in that direction has overseen the delivery of basic monthly cash grants to over 11 million households or about 44 million people, through what is known as the *bolsa familia* (‘family stipend’).

The theme of this year’s Congress is promoting *universalism for development*. BIEN is meeting at a time when pressure for a basic income grant in South Africa has been pushed back, at least temporarily. The Government has been resolutely opposed to the idea. It would be a tragedy if lessons being learned from other parts of Africa, and from countries in Latin America and Asia, were ignored in the refusal to budge from orthodox thinking.

In the globalisation era, developing countries have been hit far more by sharp social and economic shocks, putting millions of people into extreme insecurity, threatening their capacity to maintain their livelihoods. International donors and NGOs have rushed around trying to assist. Often they have disbursed food parcels, clothing and other commodities. But gradually questions about that approach have led some donors to

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experiment with straightforward cash transfers, i.e., hand-outs. In some cases, the hand-outs have been guaranteed for some considerable time, in monthly amounts. In some cases, to gain legitimacy with middle-classes or sceptics, they have been ‘targeted’ and subject to ‘means tests’. In some cases, they have been ‘cash-for-work’ hand outs.

Along with the experimental schemes have come monitoring and *evaluations*. It is here where the politicians steeped in old-fashioned economics textbooks should look. Take the case of Ethiopia, where a severe drought led USAID to launch a two-year basic income scheme in the affected areas. What happened?

An evaluation showed that the modest income grants helped the local people to reconstruct their livelihood. Many used the money to cut their debts, and many used them to make modest investments in improving their capabilities and productivity. Some used part of the money to invest in sending their children to school.

Is any of that surprising? The trouble with the politicians and their refusal to countenance moving in the direction of a basic income for the poor is that they do not faith in ‘ordinary’ people. They presume the poor, if given a little money, will waste it. This is profoundly insulting. They mix with the rich and famous, who gladly accept tax cuts and subsidies, and the cocktails go round.

An extra few rands for a poor person is likely to lead to a significant improvement in his or her capacity to work or develop capabilities. Nutrition is likely to improve, school attendance is likely to improve, propensity to fall ill and cost the community money as a result is likely to fall. Give the same extra few rands to a rich person, and none of those things are likely to happen. The trouble is that the politicians feel they belong to the community of the privileged, and the pleasure of tax cuts for their circle is comforting, and likely to lead to donations for some future election campaign.

Now back to those experiments. South Africa stumbled on its old-age pension by historical accident. Set up in the apartheid era to keep blacks in the rural areas and white poor reasonably content, the level was raised for the blacks in the dying days of apartheid, and it became a non-contributory basic income for the elderly, albeit nominally means-tested. Numerous evaluations have shown it works wonders, and has been the only scheme that has effectively reduced income inequality in the post-apartheid era. It has benefited rural communities, and has helped in the funding of ‘grand-children’s’ schooling.

In Namibia, the country’s social pension works even better, because it is universal and transparent, operated through a smart card, reaching 98% of those aged 60 and over, in spite of the vast country, scattered population and poor transport system. Each person receives a basic income, and the administrative costs are tiny, and only a small fraction of the cost of administering the more conditional South African scheme.

This brings us to the lessons being learned about so-called *targeting*. Economists have tended to think that if resources are concentrated on targeting the poor, welfare

schemes will be more efficient and thus less costly in terms of public resources. Gradually, forced by evaluations of universal schemes or less targeted schemes, this simple reasoning is being shown to be simplistic.

Because of the scale of crises that have hit large parts of Africa, conventional aid approaches have been stretched, and that in turn has induced a more open mind to simply providing people in affected areas with monthly cash payments. These have been used in some places where the circumstances are anything but promising, such as Ethiopia, Mozambique, Somalia and Uganda. But they have still showed that, contrary to some politicians' claims, they generate productive work, improve the position of women, help to reduce indebtedness that is one of the biggest impediments to productive work, and help to strengthen the capacity of communities to reproduce livelihoods. There is no reason for thinking they would not have the same sort of effects in South Africa, as papers to be presented at the BIEN Congress this week will show.