SOCIAL PROTECTION

Finance

MAKING THE MOST OF POOR-TO-POOR FINANCE

Most of the money for delivering social protection services to poor and vulnerable people comes from the poor themselves.

The overwhelming majority have no access to nor benefit from State or donor services or funding, nor any form of commercial credit. Essential welfare at community level is financed by the small contributions made by members of self-help groups and membership associations. The poor "pool" their own meagre funds to help family, neighbours and community members in times of crisis.

Nine independent research projects in six African countries have established this fact beyond any doubt.

Funding sources for NSAs

Non-state actor	Funding Sources (%)			
	Membership fees & internally generated funds	Government	International donors	Individual benefactors
CBO	92	4	1	3
District wide NGO	5	25	50	20
National NGO	2	15	80	3
INGO	0	0	100	0

- **Membership fees & internally generated funds**
- **Government**
- **International donors**
- **Individual benefactors**

On average, CBOs run an annual budget of USD 3,800-10,000. Each member typically contributes between $1 and $10 per month.

Fully detailed statistics and analysis from 30 diverse study areas in Ethiopia, Ghana, Kenya, Senegal, Tanzania and Uganda are available from PASGR.

The studies show that while poor-to-poor financing means welfare resources are very limited, self-help groups use their funds with extreme efficiency – they have little overhead or intermediary costs, they agree and enforce affordable contribution levels, they know what services are most needed, and they deliver support directly to their members and other defined beneficiaries in times of distress. They blend cash, material and social support in the most practical way. Their services are as diverse and tailored as real needs demand.

Donor funding that most NGOs depend on is project-based and short-term while social protection services need to be adaptable and long-term. The poor-to-poor finance gives the vulnerable more assured and sustained support.

Further, some community-based organisations (CBOs) established for protective, preventive services (e.g. burial groups) have progressed to more promotive services like income generation activities.

POLICY CHALLENGE

There may be much to be learned from both the successes and failures of CBO strategies and methods, to optimise both the generation and distribution of funding for social protection nationally.

Core issues include:

- How policy makers and planners should evaluate the relative cost-effectiveness of State and non-State systems, working either separately or together.
- Whether, how and to what extent State social services might channel funding (and other service delivery resources and mandates) through CBOs.
- The steps necessary to give CBOs a better chance of securing their own external funding.

These questions are driven to urgency by the certain fact that CBOs currently receive no support from the State or other external funding potentials, either of which could make them more effective.