

# DISCUSSION DOCUMENT

## *Cash transfers for children in Papua New Guinea*

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## **1. INTRODUCTION**

Papua New Guinea's draft national OVC strategy identifies the piloting of a social cash transfer program to benefit the country's most vulnerable children and their families as a key element of the framework's social protection objective. Internationally, cash transfers are proving to be one of the most successful interventions for reaching the poorest, addressing the problems created and exacerbated by HIV/AIDS and promoting developmental impacts. This discussion paper examines the international experience of cash transfers in the light of Papua New Guinea's social, economic and policy context, identifying lessons and raising questions for examination by policy-makers and other stakeholders considering an appropriate, practical and effective intervention to protect children in Papua New Guinea. It raises the challenge of adapting cash transfer interventions to better serve the objectives of child protection within Papua New Guinea's specific social context.

## **2. CASH TRANSFERS WITHIN A SOCIAL PROTECTION FRAMEWORK**

The policy choice of an appropriate social cash transfer instrument is rooted in an understanding of this type of intervention's place within a broader social protection system. Social protection rests within a broader social policy framework that also includes social services, food security, livelihoods promotion and other poverty reduction interventions. Since resources are limited, it is important to balance the commitment to social transfers in the light of what the country can afford, given appropriate investments in complementing interventions.

Social cash transfers constitute one of the key pillars for a more comprehensive system of social protection. Other pillars include social insurance and legal and regulatory approaches to protect vulnerable groups. Social insurance often faces critical challenges as a pro-poor instrument—by definition social insurance requires contributions from potential beneficiaries, and the very poorest often cannot afford these. Legal and regulatory mechanisms protect vulnerable groups from exploitation and abuse, and this protection together with cash transfers can support empowerment.

Policy-makers face many options when constructing a framework for tackling poverty. General subsidies lower the cost of goods the poor need, effectively raising their income. Targeted inputs schemes provide poor households with productive assets, enabling them to convert their labor power into income. Conditional programs aim to expand the range of impacts of cash transfers, usually in terms of school attendance, health clinic visits, immunizations and other forms of human capital development. Social transfers both reinforce and are strengthened by successful delivery of complementary social interventions.

## **3. THE SOCIAL AND POLICY CONTEXT**

The identification of a cash transfer instrument must reflect the social and policy context in Papua New Guinea. The country has committed itself to achieving the Millennium Development Goals as a matter of policy priority. The government's 2005 Medium-Term Development Strategy (MTDS) included poverty reduction as a key objective, with instruments focusing on education, public healthcare (particularly HIV/AIDS prevention), infrastructure development and private sector job creation.<sup>1</sup> An understanding of the social context of poverty in the nation illuminates the

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<sup>1</sup> IMF (2007).

potential role of social cash transfers in achieving the government’s objectives.

More than 30% of the population lives in poverty and malnutrition rates are high, lowering immune system response and exacerbating vulnerability to HIV infection and AIDS-related mortality. Public health service availability is poor at primary, secondary and tertiary levels.<sup>2</sup> Unemployment rates are high, and poor economic prospects drive circularly migratory labor patterns for men and women, hastening the spread of HIV/AIDS. Low literacy rates dampen employment and livelihoods prospects, and together with poor awareness of HIV/AIDS contribute to increased vulnerability to infection and reduced prospects for treatment.<sup>3</sup>

While over 99% of Papua New Guinea’s 2.7 million children live in family settings, these households do not always provide protective environments. Papua New Guinea has a relatively high rate of gender-related violence (relative to other countries in Asia), increasing vulnerability to HIV/AIDS for both women and children. While gender violence has complex causes, poverty is likely to exacerbate the problem. This perpetuates a vicious circle: “gender-based discrimination and violence contribute to poverty and poverty increases violence and damages the country’s social development.”<sup>4</sup> This also increases the risk of family failure, placing children—particularly girls—at grave risk.<sup>5</sup>

Papua New Guinea does not provide a public social security system to its poor population—neither unemployment insurance nor broader social safety nets.<sup>6</sup> Social security is informal—through sometimes haphazard family and extended family networks and the “wantok” system. The “wantok” system—extended family, kin and clan groups (literally, “one-talks”, or people who speak the same language)—provides the main form of social security for women, children, older people and the poor.<sup>7</sup> The combination of poverty, family breakdown and HIV/AIDS, however, is reducing the capacity of the wantok system to provide the required level of support.<sup>8</sup>

## **IMPACT OF HIV/AIDS**

The assessment of a social cash transfer program’s role in Papua New Guinea must take into account the impact of HIV/AIDS. HIV/AIDS is eroding the informal arrangements that have historically aimed to protect children in Papua New Guinea. For example, by increasing mortality among income-earning members of society, HIV/AIDS reduces resources available to the ‘wantok’ kinship system of support. At the same time, the resulting increase in orphans creates a growing burden for grandparents and other caregivers. Many countries facing this impact of HIV/AIDS have adopted cash transfers in order to support informal safety nets that can no longer cope on their own.

Vulnerability to HIV/AIDS is exacerbated by poor economic circumstances. Women who depend economically on men are less able to end abusive relationships. While

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<sup>2</sup> “Families and Children...” pages 9-10

<sup>3</sup> “Families and Children...” pages 10-11

<sup>4</sup> “Families and Children...” page 38

<sup>5</sup> “Families and Children...” page 13

<sup>6</sup> “Families and Children...” page 13

<sup>7</sup> “Families and Children...” page 40

<sup>8</sup> ADB (2002); “Families and Children...” page 42

cash transfers alone cannot change the cultural and social factors that place women and children at risk in Papua New Guinea, a secure and independent source of income that guarantees survival may provide a plank in an overall framework for empowering women and better protecting children. International experience documents that women who have authority and power outside the home experience lower levels of abuse.<sup>9</sup>

### **DEPENDENCY**

Policy-makers in many countries often express concern that cash transfers may create dependency. Dependency in the context of social cash transfers can be defined as “the choice by a social transfer recipient to forego a more sustaining livelihood due to the receipt of the cash transfer.” A number of studies in Africa and Latin America have found that workers in households receiving social grants look for work more intensively and extensively and find employment more successfully than do workers in comparably poor households that do not receive the grants.<sup>10</sup> There is no evidence that cash transfers create dependency.

### **AFFORDABILITY**

Policy-makers are also generally concerned with the affordability of social transfer programs, in terms of a number of factors. Political will is a major determinant of what is affordable.<sup>11</sup> At an economic level, however, many countries face real fiscal constraints in financing social transfers. Combinations of domestic and development partner sources may enable even low-income countries to fund effective social transfer programs.

While falling per capita incomes over the 1990s and the fiscal challenges up until 2002 in Papua New Guinea had limited the policy options for proactive government interventions, the resurgence of growth over the past five years creates opportunities for more concrete measures to bolster MDG performance. The government has generated a fiscal surplus averaging about 4% of national income over the past three years. Record mineral revenue inflows for government create additional developmental opportunities. The International Monetary Fund recommends a more effective channeling of these resources to development interventions in order to generate greater progress towards poverty reduction.<sup>12</sup>

### **GOVERNMENT CAPACITY DEVELOPMENT**

A third policy concern focuses on government’s capacity to deliver. Social cash transfers constitute a relatively new policy intervention in many developing countries. As a result few governments have developed extensive delivery capacity for implementing these types of programs. The issue of government capacity is likely to be a concern for Papua New Guinea. Constraints on administrative and bureaucratic capacity limit the government’s ability to deliver critical developmental initiatives. The International Monetary Fund has attributed under-spending on development initiatives to weak delivery capacity and fiscal bottlenecks, and they recommend a strengthening

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<sup>9</sup> “Families and Children...” page 39

<sup>10</sup> Samson et al. (2004), Samson and Williams (2007), Williams (2007).

<sup>11</sup> See Tanzi (1992), Nelwyn (1985), van Niekerk (2002).

<sup>12</sup> For more detailed analysis of economic growth and government fiscal performance, see IMF (2007), particularly page 17 for specific recommendations.

of implementation capabilities.<sup>13</sup>

#### **4. APPROPRIATENESS OF CASH TRANSFERS FOR PAPUA NEW GUINEA**

Papua New Guinea requires a broad-based set of interventions to tackle poverty, HIV/AIDS, gender discrimination and human development challenges. The review of the country's poverty situation and social and policy context suggest the applicability of social cash transfers as a key element of a broader system of social protection.

Social cash transfers offer a number of key advantages:

- They can provide support to Papua New Guinea's flagging wantok system, directly addressing the poverty objectives the informal approaches are failing to meet.
- They can reinforce human capital development and help bring the country on track to improve MDG performance.
- They can provide one element of a more comprehensive strategy to empower women, with important benefits in terms of reducing vulnerability to HIV/AIDS and better protecting children from violence and abuse.
- Cash transfers provide an independent means of financial support, improving the ability of women and children to access legal protection mechanisms.
- Cash transfers provide the security that households require to better manage social risk, improving prospects for productive investment.
- They can be initially calibrated at an affordable level given Papua New Guinea's fiscal and development partner resources, and then scaled up depending on the government's fiscal resources and capacity.
- While cash transfers require significant administrative and bureaucratic resources, they can be designed in line with existing and potential capacity and expanded progressively as government capabilities develop.

Cash transfers, however, are only one element of the required social protection system. In particular, other elements must address the problems of gender discrimination and violence, and ensure appropriate mechanisms to protect children from neglect and abuse.

In addition, commitments to cash transfers must be balanced with an appropriate mix of broader social service investments, particularly health, education and community development. In every country for which impact analysis is available, cash transfers have the most direct impact in terms of promoting nutrition. Usually, more than half the transfer is spent on food, primarily for children. Improved nutrition, particularly in early childhood, generates significant lifetime improvements in education, health and labor productivity.

One of the main advantages of social cash transfers in Papua New Guinea's context is their appropriateness for addressing some of the key challenges facing children vulnerable to HIV/AIDS. Cash transfers provide flexibility, which is particularly important for AIDS-affected households, enabling families to allocate resources to specific nutritional requirements, treatment, transportation and other priorities. In

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<sup>13</sup> IMF (2007), page 16.

addition, cash transfers support a broader strategy of empowerment, reinforcing the broader social policy framework required to effectively protect children.

#### **CAVEATS**

Cash transfers work primarily by linking poor households to well-functioning markets. However, if markets cannot supply the goods and services that poor households require, cash transfers can fail, often resulting instead in high inflation or windfall profits for the retail sector. Cash transfers are not a panacea. Alone their impacts are limited to what markets can deliver. Transformative social protection requires much more, including government provision of health, education and other vital services as well as the legal institutions that protect children from neglect and abuse. The implementation of cash transfer programs are most effective as part of a broader strategy for social protection.

#### **5. CONCLUSIONS**

The problems of poverty and HIV/AIDS in the social and policy context of Papua New Guinea suggest the potential relevance of social cash transfers. International experience documents successes in many countries with similar challenges. Cash transfers can help families with children cope with the increasing stress on traditional and informal coping mechanisms as well as the vulnerability shocks posed by HIV/AIDS. Papua New Guinea's economic progress creates new opportunities to tackle social challenges, and the developmental impact of more effective social protection may help to reinforce the foundations for continued economic growth.

The determination of the feasibility of introducing a cash transfer program for children affected by HIV/AIDS and other vulnerable children requires further consultation and analysis. In particular, it will be productive to discuss the issues raised in this paper with representatives from senior levels of government, civil society and development partners. Further research and analysis is required in terms of resources, political will and specific design questions, particularly targeting. Consensus on these key issues provides a basis for the design and implementation of an appropriate and effective program for Papua New Guinea.