

The Pilot Social Cash Transfer
Scheme Kalomo District – Zambia

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Abstract

This working paper presents a review and analysis of the Kalomo Pilot Social Cash Transfer Scheme, initiated in November 2003 by the Ministry of Community Development and Social Services (MCDSS) of the Republic of Zambia, in cooperation with German Technical Assistance (GTZ). The Zambian context of widespread food poverty and vulnerability is introduced, and it is suggested that there are approximately 200,000 households that suffer both critical levels of food poverty and high dependency ratios, and as such are unable to respond to any development opportunities that arise. It is these 'worst off' households that are targeted by the Pilot Scheme. Following a discussion of the rationale, objectives, and recent history of the Pilot Scheme, the targeting, approval and payment mechanism is detailed. The paper concludes with initial analysis of the performance and impact of the scheme. It is noted that while the Pilot Scheme has been highly effective in selecting only eligible households, the number of eligible households outstrips the 'bottom 10%' ceiling in some communities. The Scheme is highly effective in distributing transfers to beneficiaries with bank accounts living near Kalomo Town, as well as through the decentralised 'Pay Points', after initial delays. Both targeted beneficiaries and the local community have expressed that the transfers have improved the well being of the poorest households. Beneficiaries are using the transfers to buy food and other basic needs. Further, some beneficiaries have saved some of the cash (including through a rotating fund) and have invested in seed and small animals.

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1. Poverty and the Need for Social Protection in Zambia

According to the Food and Agriculture Organisation (FAO), 50% of the Zambian population fall under the food poverty line.¹ This means that approximately 5.3 million people living in approximately one million households are food poor. Food poverty is defined as consuming on the average less than the minimum energy requirement, which according to FAO in Zambia is 1,800 Kcal per person (adult equivalent) per day. For the purpose of identifying the target groups for social protection, the consumption based food poverty line is more appropriate than the income based absolute poverty line for the following reasons: (i) actual consumption is more closely related to a person's well-being than income; (ii) consumption better reflects a household's ability to meet basic needs; and (iii) consumption can be better measured than income. In this report, food poverty will therefore be used as a synonym for poverty.

In order to better understand the extent and the nature of the vulnerability of the different types of households affected by poverty, it is important to disaggregate the one million food poor households into more homogenous sub-groups. The criteria used to distinguish between different sub-groups are the degree of poverty and the main causes for poverty. Unfortunately, the statistical data published by the Central Statistical Office (CSO) are not sufficiently disaggregated to permit this kind of analysis. The figures given below are approximate estimates based on a number of smaller surveys undertaken by the Ministry of Community Development and Social Services (MCDSS), assisted by the GTZ in 2003.

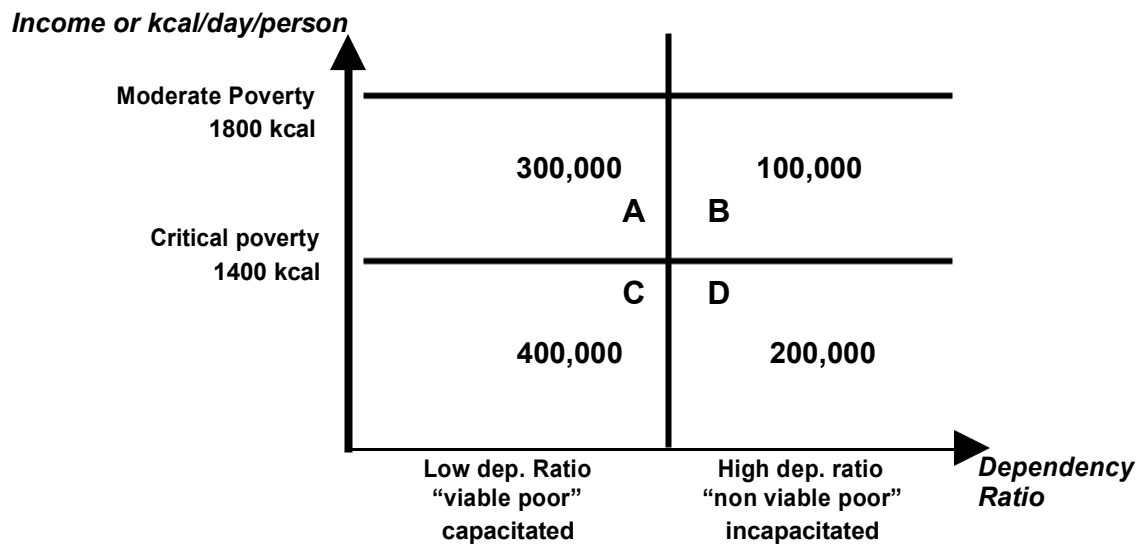
With regard to the degree of hunger it is useful to distinguish between moderate poverty (average energy consumption between 1,400 and 1,800 Kcal per person per day) and critical poverty (average energy consumption less than 1,400 Kcal). This distinction is important, because persons suffering extreme hunger over a period of time become physically weak, tend to sell or consume their productive assets (e.g. livestock, tools, seed), give up investing in their future (like sending children to school), and die from infections that other people survive. For these reasons critically poor people are slow to respond to programs, which demand a certain amount of effort and contributions (like credit and saving schemes). It is estimated that in Zambia approximately 400,000 households (2 million people) suffer from moderate food poverty and about 600,000 (3 million people) from critical poverty.

¹ FAO, The State of Food Insecurity in the World, Rome 2004.

With regard to the causes of poverty, out of the one million households suffering from food poverty in Zambia, approximately 700,000 are poor because of conjunctural factors. They are considered as *poor but viable*. The other 300,000 are *non-viable poor households*. Conjunctural poverty is caused by unemployment or underemployment. It involves households with able-bodied adults who have no access to productive employment. If these households get access to credit, to employment, to programs such as food for work or cash for work, they are able to escape from poverty.

Poverty among the non-viable is structural as it is related to the structure of the household. These households have few or no able-bodied adult household members. In statistical terms they have a high dependency ratio, i.e. relation between the number of dependent household members (not able to perform productive work) and the number of household members able to perform productive work. AIDS affects many of the households suffering from structural poverty. The breadwinners have died leaving grandparents, who are too old to work, and orphans, who are too young. These households cannot react to self-help oriented or labour-based projects or programs. The following figure summarizes the four categories of poverty described above:

Figure 1: Number of Households Suffering from Different Categories of Poverty in Zambia



The 300,000 households in Category A are in a relatively favourable situation. They are just moderately poor and include household members able to do productive work. They can respond to self-help oriented projects and programs in order to overcome their poverty and hunger.

The 100,000 Category B households are labour-constrained and are therefore unable to respond to labour-based interventions. However, in a very poor country like Zambia, they are not eligible for social welfare interventions because they are only moderately poor. Households headed by a pensioner, who receives only a small pension, or households regularly supported by the extended family are typical for this group.

The 400,000 Category C households suffer from critical poverty in spite of the fact that they have household members able to perform productive work. Many small-scale farmers and fishermen fall into this category. To improve the economic situation of these households they have to be targeted by programs specifically tailored for vulnerable but viable households.

The 200,000 households in Category D are in the most unfavourable situation. They suffer from critical poverty. At the same time they cannot react to development projects or programs because they have no household members able to perform productive work. They have no or little self-help capacity. This group – the 10% worst off households in Zambia – most urgently requires social protection or social welfare interventions. 60% of the approximately one million Zambians living in Category D households are children.

In the process of economic development, which will be accompanied by increasing opportunities for employment and self-employment, a number of households in Category A and C will be able to escape from food poverty. Category B and D households will, however, not automatically benefit from economic development, because they lack employable adults who can make use of such opportunities. Demographic trends (growing number of old people) and the impact of AIDS (more orphans and more generation gap households) will increase the number of incapacitated households considerably within the next 10 years. This has to be taken into account when designing the social protection strategy for Zambia.

2. History, Rationale and Objectives of the Pilot Scheme

The concept of the Pilot Scheme is based on applied research at the national, district, village and household level conducted in March/April 2003 by the GTZ-assisted Social Safety Net Project of MCDSS. Primary data collection concentrated on six villages in Choma District, Southern Province. Research results have been published in a report which can be accessed at

the GTZ-assisted Social Safety Net Project of the MCDSS.² In summary, the research revealed the following:

- 10% of all households urgently require social welfare interventions. They are critically poor (surviving on just one meal per day) and at the same time labour-constrained. The children living in these households are not provided with their most basic needs in terms of nutrition, medical services, clothing and basic education, regardless of whether or not they are orphans. The main (but not only) factor causing labour shortage and destitution is AIDS.
- Organizations at the village, sub-district and district level are preoccupied with relief food operations, AIDS prevention, health care-related activities and development activities targeting 'capacitated' households. Assistance targeting labour-constrained households or other incapacitated households urgently requiring social welfare interventions is insignificant
- The Public Welfare Assistance Scheme (PWAS) of the MCDSS has a structure of welfare assistance committees at the district, sub-district and village level. This structure has been established in most districts to distribute transfers in kind to needy households. Partly due to extreme under-funding, PWAS has had no significant impact on the welfare of households urgently requiring social welfare interventions. However, PWAS seems have the potential to implement a scheme that targets critically poor and labour-constrained households
- In contrast to receiving transfers in kind (as distributed by nearly all transfer programs in Zambia) the critically poor households pleaded for transfers in cash, which they can use flexibly according to their own priorities. Research further revealed that the administrative and logistical costs of cash transfers would be substantially lower compared to transfers in kind (like food aid). Considering also that additional purchasing power of poor households would result in economic multiplier effects for the local economy, it was concluded that social cash transfers would be the most effective tool to reduce the suffering and to ensure the survival of the most needy and incapacitated households.

In order to verify the hypothesis that a social cash transfer scheme is the most cost-effective approach to economically empower destitute and incapacitated households, the Kalomo Pilot Social Cash Transfer Scheme was designed. Details of the design are documented in two

²Bernd Schubert, Social Welfare Interventions for AIDS Affected Households in Zambia, Lusaka, March 2003. http://www.sarpn.org.za/mitigation_of_HIV_AIDS/m0014/index.php

separate reports.³ The Pilot Scheme is financed by GTZ for an initial period of two years and is implemented by PWAS. It has the following objectives:

- Reduce extreme poverty, hunger and starvation in the 10% most destitute and incapacitated (non-viable) households in the pilot region (approximately 1,000 households).
- Focus mainly – but not exclusively – on households that are headed by the elderly and are caring for orphans and other vulnerable children (OVC) because breadwinners are chronically sick, or have died due to HIV/AIDS or other reasons.
- Generate information on the feasibility, costs and benefits, and all positive and negative impacts of a Social Cash Transfer Scheme as a component of a Social Protection Strategy for Zambia.

Based on a draft Manual of Operations the Scheme started with a Test Phase, which was conducted from November 2003 to April 2004. In April, the Test Phase was evaluated and the Manual was improved.⁴ The Honourable Minister of Community Development and Social Services Marina Nsingo officially launched the Scheme on 4th May 2004.

During the period May to November 2004 the Scheme was rolled out to cover the whole pilot area, which consists of two Agricultural Blocks (Kalomo Central and Kanchele) with 143 villages, 5 township sections, 11,349 households, and a population of 85,624. The Scheme now includes six Area Coordinating Committees (ACCs), 36 Community Welfare Assistance Committees (CWACs), 19 Pay Points and the Kalomo Branch of the Finance Bank, and is paying monthly cash transfers to 1,027 households with a population of 3,856 persons.

Information on the structure of the beneficiary households is given in Table 1. The table shows that 66% of the beneficiary households are female-headed, 54% are elderly-headed, and 54% are affected by AIDS (for the other 46% it is not known if they are AIDS affected or not). 61% of the household members are children. Of them 71% are orphans.

³ Bernd Schubert, Social Cash Transfers for AIDS Affected and other Incapacitated and Destitute Households in Zambia, Lusaka, August 2003. Bernd Schubert, The Pilot Social Cash Transfer Scheme, Kalomo, November 2003.

⁴ Bernd Schubert, Test Phase Results of the Pilot Social Cash Transfer Scheme, Kalomo District, May 2004.

Table 1: Number and Structure of Beneficiary Households

ACC Name	Total no. of households	Total no. of households, by gender of HHH		No. of households headed by elderly (over 64 years old), by gender of HHH		No. of AIDS-affected households		No. of household members including HHH, by gender of HHH		No. of household members fit for work	No. of children (below 19 years old), by gender of child		Of them: no. of orphans, by gender of child	
		M	F	M	F	Yes	Not sure	M	F		M	F	M	F
Choonga	169	73	96	36	38	105	64	263	307	10	176	162	147	134
Inkumbi	167	57	110	35	69	81	86	322	425	57	221	219	133	135
Siambala	201	65	136	34	86	92	109	352	393	26	266	197	186	129
Kanchele	185	42	143	22	82	98	87	247	361	7	191	195	136	135
Mukwela*	95	45	50	26	21	47	48	151	185	10	107	107	71	80
Bekilumasi**	210	67	145	31	71	127	83	371	479	13	255	266	206	193
Subtotal (proportion of Grand Total)		349 (34%)	680 (66%)	184 (33%)	367 (67%)	550 (54%)	477 (46%)	1706 (44%)	2150 (56%)		1216 (51%)	1146 (49%)	879 (52%)	806 (48%)
Grand Total for Scheme (proportion of relevant total)	1027 (100%)	1027 (100%)		551 (54% of all households)		1027 (100%)		3856 (100%)		123 (3% of all household members)	2362 (61% of all household members)		1685 (71% of all children, 44% of all household members)	

HHH= household head

* Includes estimates for Mukwela CWAC.

** Includes estimates for Kinnertone and Mwata CWACs.

3. Target Group and Level of Transfers

The target group is not individuals but households, which fulfil the following two criteria:

- Critically poor (chronic hunger; undernutrition; begging; in danger of starvation)
- Incapacitated (breadwinners are sick or have died; household has no able-bodied person in the working age, just old, very young or sick persons; high dependency ratio)

Each household approved by the Scheme receives monthly ZMK 30,000 (US\$ 6) in cash. This is the equivalent of the average price of a 50kg bag of maize. According to FAO⁵, the poorest 10% of rural households in Southern Province consume on the average one meal a day. If the

⁵ FAO, Baseline Report on Inter-linkages between HIV/AIDS, Agricultural Production and Food Security, Southern Province, Zambia, June 2003.

beneficiary households spend the transfer on buying maize, this will permit them to have a second meal. The transfer does not lift the beneficiary households out of poverty. It just lifts them from critical poverty, which is life threatening, to moderate poverty. The beneficiary households are, however, free to spend the ZMK 30,000 in any way they want. The Scheme applies no conditions on how to use the monthly transfers.

At the same time, the Scheme assumes that the beneficiary households spend the money wisely. Poor people are not stupid or irresponsible. They know best how precarious their situation is and what they need most in order to survive. It is also assumed that the heads of the beneficiary households (mostly older women) spend most of the transfers on the OVC living in their households. All these assumptions are closely monitored and have so far proved to be realistic.

4. The Targeting, Approval and Payment Process

The targeting and approval process is entirely done by the Public Welfare Assistance Scheme (PWAS) structures, which were in existence before the Social Cash Transfer Scheme started. The PWAS structures are a hierarchy of committees that work on a voluntary basis. On village level there are Community Welfare Assistance Committees (CWACs), which cover an area of 200 to 400 households. The members of the CWACs are elected or approved by the community. The CWACs network with other village-level committees working in the social sector. The next higher level are the Area Coordinating Committees (ACCs) which coordinate between five and ten CWACs. The ACCs are in turn coordinated by the District Welfare Assistance Committee (DWAC).

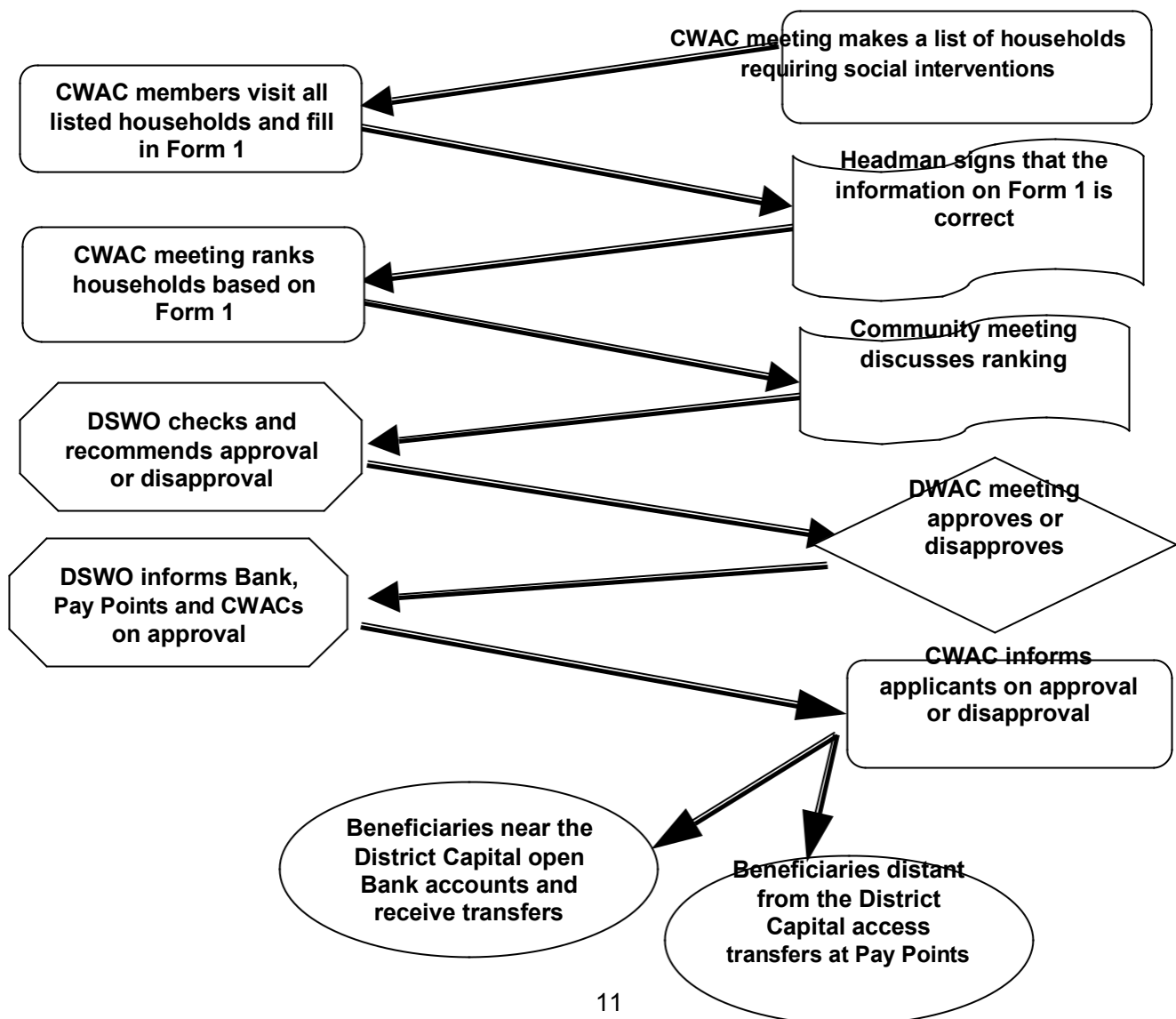
Each CWAC receives one day of training, which is based on the Manual of Operations and is conducted by the District Social Welfare Officer (DSWO). The CWACs then use a multi-stage participatory process to identify the 10% of households who are most needy and incapacitated in their area.⁶ They first interview all potential candidates for the Scheme and document the household structure and the degree of poverty on a form. Then they rank the interviewed households according to the severity of their destitution, giving the worst off household rank 1, the second worst off rank 2, and so on. After that they present the ranking to a community meeting and discuss it with the community until consensus is reached. Finally, they send

⁶ The 10% limit is based on results of the National Household Survey carried out by PWAS in September/October 2003 and on a number of smaller surveys carried out before designing the Scheme.

applications for the 10% worst off households to the ACC which passes them on to the DSWO. The DSWO scrutinises the applications submitted to him by the CWACs and presents them to the DWAC, who finally approves or disapproves the applications.

Payments to approved beneficiary households are channelled through the Kalomo Branch of the Finance Bank; beneficiaries living within 15 km of Kalomo Town open savings accounts to which their monies are transferred. For payments to beneficiaries living more distant from town, 19 Pay Points have been established at Rural Health Centres and Schools. The cooperation of these organisations is formalised by standardised agreements signed by the DWAC chairperson and by the Pay Point manager. All financial transactions are closely monitored and controlled by the DSWO. A flow chart of the entire targeting, approval and payment process is given in Figure 2.

Figure 2: Simplified Flow Chart of the Participative Targeting, Approval and Payment Process



5. Performance and Impact of the Scheme

In addition to the internal monitoring performed by the DSWO as a part of his management tasks, the Scheme has an external Monitoring and Evaluation (M+E) system, which is implemented by an independent consultant. The M+E system has been designed to provide information on:

- Effectiveness of targeting
- Reliability, timeliness and costs of the Scheme
- How do households use the transfers and who in the household benefits?
- Impact of the transfers on household level welfare indicators (e.g. undernutrition, child mortality, school attendance, self-esteem)
- Impact on the community
- Other positive and negative impacts

The M+E system has so far collected baseline data from beneficiary households immediately after approval but before they receive their first transfers. The last baseline data were collected in December 2004. Starting from March 2005 quarterly monitoring reports will document the effects and impact of the transfers. As these data are not yet available, the following paragraphs are based on the internal monitoring and on spot checks during field visits.

Effectiveness of Targeting and Delivery.

The vertical effectiveness of targeting is very high. This means that the CWACs have been effective in selecting only those households, which fulfil the criteria critically poor and incapacitated. Spot checks have found only very few cases that did not fully meet these criteria.

The horizontal effectiveness of targeting is not as good. This means that not all households in the pilot area, who are critically poor and at the same time incapacitated, have been approved for the Scheme. This is not the fault of the CWACs but is a result of the 10% limit (the Scheme approves only a maximum of 10% of all households living in the catchment area of a CWAC). In some villages more than 10% of the households fulfil the eligibility criteria but their applications could not be approved. The CWACs try to link these households to other social intervention programs if available.

Reliability and timeliness of the payments to beneficiaries has been perfect for those with bank accounts living within 15 km of Kalomo. For those living further away and having to rely on Pay

Points, the reliability and timeliness was also good once the Pay Points were established and functioning. However, in some cases it took two to three months to establish Pay Points, causing a delay in starting payments.

The biggest problem with regard to the payment system is the distance of up to 15 km that the heads of the beneficiary households have to travel to access the transfers. Especially for the very old, and disabled or sick persons, this distance is a matter of concern. The Scheme has reacted by establishing as many Pay Points as possible. But in a very sparsely populated rural area (Kalomo District has a population density of less than 10 per square km) there is a limit to reducing these distances. The Scheme has also introduced a procedure by which another household member can become a signatory and access the transfers. This does not, however, solve the problem of access for those beneficiaries who are unable to travel and are living alone.

Impact of the Transfers on Target Group Level

Heads of beneficiary households have understood the purpose of the transfers and make rational use of them. They buy basic necessities like food, soap and blankets. Some invest part of the transfer in seed, getting a field ploughed by neighbours, or buying chicken or a goat to raise and resell. Some of those beneficiaries with savings accounts left part of the transfers in the account in order to be able to use it later in the year when food becomes scarce. The beneficiary households express that the transfers have improved their well being and given them new hope. Headmen report that the incidence of begging has been significantly reduced by the Scheme

Not only do many of those beneficiaries with bank accounts save part of their transfers in order to later invest them in assets like chickens and goats or blankets. A number of beneficiaries using Pay Points have also started saving by using a traditional “Chilimba” system. They form groups of five beneficiaries. Each time they collect their transfers, they all pay ZMK 5,000 to one member, who in this way gets her/his own ZMK 30,000 plus ZMK 20,000 from the other group members. Next month another group member receives the “jackpot” and can use it for an investment. So far only women have been involved in Chilimba.

61% of the members of beneficiary households are children under 19 years of age (see Table 1). These children do not only benefit in terms of better nutrition but also in terms of meeting their school requirements like books, pencils, clothing and soap. The headmasters of Mabuyu

Basic School and Matondo Community School, in the catchment area of which beneficiary households have been receiving transfers for more than 9 months, report that attendance and appearance of children from beneficiary households has substantially improved.

The fact that the transfers are in cash, which is fungible and can be flexibly used in accordance with the individual needs and priorities of the beneficiaries, and the fact that the transfers are regular and reliable (unlike most other assistance reaching the villages) are regarded by the beneficiaries and the other stakeholders as the most important features of the Scheme. Another highly praised feature is the systematic, participative and transparent targeting and approval process.

Quantitative data on the impact of the Scheme with regard to changes in the number of meals consumed, the nutritional status of children, school attendance and the health, the self-esteem, and the social position of different categories of household members differentiated by gender are collected by the M+E system but are not yet available.

The Role of the Community

Community members that are not beneficiaries – especially the CWAC members, the headmen and the teachers – are welcoming and supportive of the Scheme. More than 90% of the CWACs that have been integrated into the Scheme have effectively performed all the functions laid down in the Manual of Operations and explained to them during training. The concept of voluntarism seems to be well-established and accepted in the PWAS structures, which is remarkable taking into account that most committee members are themselves absolutely poor (but not destitute). They take pride in their role and are satisfied with the impact of their work on the well being of beneficiary households

The decision to integrate headmen into the CWAC training had positive effects. Most headmen play a constructive role in assisting the CWACs, especially with regard to holding community meetings. One reason why headmen are interested in the success of the Scheme is the fact that they are traditionally the first to be approached for help by destitute households. They realised that the Scheme results in a reduction of begging. In cases where headmen tried to exert undue influence, this was contained in the approval process.

6. Roles and Tasks of Cooperating Partners

PWAS structures at national, provincial, district, sub-district and village level manage the Scheme and perform the implementation tasks including the internal monitoring. The CWACs, the ACCs and the DWAC, who are all working on a voluntary basis without any payment, are responsible for effective targeting and for counselling the beneficiaries. In order to facilitate a smooth functioning of all these committees (46 in the pilot area), the DSWO and his staff (three officers) have to undertake capacity building for all voluntary PWAS structures including training, motivating, supervising and guiding them. The DSWO and his staff also supervise the delivery of the transfers through the Finance Bank and the 19 Pay Points.

For the district level officers of the MCDSS, the Scheme involves a substantial amount of additional work, both in terms of quality and quantity. Mastering the additional tasks requires skills in leadership, communication, administration and problem-solving. Compared to the working routine of most district level MCDSS officers, the Scheme demands higher standards with regard to professional management and discipline. In order to achieve these standards, close supervision and guidance of the district level officers by the Provincial Social Welfare Officer (PSWO) is required. Efforts of MCDSS to strengthen district offices are supplemented by capacity building assistance provided by GTZ in the form of day-to-day advisory services and training and by supplying equipment, materials and monthly administrative budgets to be managed by the DSWO. The success of the Scheme depends to a very large extent on the performance of the district officers.

7. Financial Sustainability

With regard to ensuring [financial sustainability](#) of the Scheme beyond the two year pilot phase and beyond the pilot area, substantial progress has been made since the beginning of 2004.

MCDSS and the African Development Bank (ADB) have planned a Zambia Child Welfare Project (ZCWP) for the period 2005 to 2009. ZCWP will include an expansion of the Social Cash Transfer Scheme to eight districts for a period of five years. The Scheme will be financed by an ADB grant of US\$ 4 million and a Government of the Republic of Zambia (GRZ) contribution of

US\$ 1 million. GTZ will contribute Technical Assistance of US\$ 1 million.⁷ The GRZ is committed to continue funding after 2009.

The rationale for integrating Social Cash Transfers into a Child Welfare Project is the fact that the majority of the people living in the 10% poorest households are children (see Table 1), and most of them are orphans. These OVC are deprived of all of their basic needs with regard to nutrition, clothing and shelter, basic education and access to health services. The most cost-effective way to improve their welfare is to economically empower their caregivers. It is assumed that more than 50% of the transfers received by the heads of critically poor households will be spent on meeting the needs of the OVC living in these households.

DFID has signed a Program Partnership Agreement (PPA) with CARE International which includes a Social Cash Transfer Component. The first district, where a Social Cash Transfer Scheme financed by PPA will be established is Kazungula. PWAS will be the implementing structure for both, the ZCWP and the PPA financed Schemes.

GRZ has established a Social Protection Sector Advisory Group (SP/SAG) which is chaired by the Permanent Secretary of MCDSS. The main task of SP/SAG is to integrate Social Protection into the PRSP 2006-2008. After completion of this task, the SP/SAG will be involved in coordinating and monitoring the Social Protection Programs and will eventually advise GRZ on establishing the 2009-2011 PRSP. With regard to financial sustainability SP/SAG provides the institutional platform to successively integrate the Social Cash Transfer Scheme into GRZ budget process. There is evidence that policy makers and donor agencies have started to realize the potential of social cash transfers as a means to cope with the impact of AIDS on the livelihood of the affected households and to contribute to achieving the Millennium Development Goals.

If the Social Cash Transfer Scheme is eventually extended to all the 200,000 destitute households in Zambia (Category D households in Figure 1), the annual costs will amount to US\$ 16 million – the equivalent of 4% of the annual foreign aid inflow, or 0.4% of the Zambian GDP. This means that Social Cash Transfers are affordable – especially if GRZ and donors share the costs.

⁷ Bernd Schubert, Scaling Up – Extending Social Cash Transfers beyond the Pilot Areas, Lusaka, December 2004.