

Social Cash Transfers for AIDS Affected and other Incapacitated and Destitute Households in Zambia

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1. Introduction

The Ministry of Community Development and Social Services (MCDSS) has applied for support from the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) to finance the preparation phase of a pilot Social Cash Transfer Scheme for AIDS affected households. A request for financing the 2-year implementation phase of the pilot scheme has been made but not yet processed by the GFATM.

The GTZ financed Social Safety Net Project of the MCDSS has supported the Ministry in preparing the application to the GFATM. The empirical evidence regarding the need for social welfare interventions for households that are destitute and incapacitated as a result of AIDS or for other reasons are documented in a separate report, which can be requested from the project.¹ The report also contains the vision of a Social Cash Transfer Scheme to ensure the survival of the most affected households. Further analysis of the rationale of a Social Cash Transfer Scheme is provided by a paper of the MCDSS advisor Dr. Jörg Goldberg documented in Annex 3 of this report.

GTZ is now assisting the MCDSS in the preparation of the pilot scheme, which will start operations on the 1st of April, 2004. Part of this assistance is a consultancy, which is scheduled for 1st to 18th of August and 25th September to 6th November, 2003 (see TOR in Annex1). This interim report covers the results of the first part of the consultancy.

The consultant acknowledges the support of all persons and organisations contacted (see Annex 2). They generously provided their time, advice and data. Dr. Jörg Goldberg, the GTZ advisor to MCDSS, and Mr. Maurice Pengele joined the field trip to Southern Province and most of the meetings held in Lusaka. They also commented on previous versions of this report and gave valuable advice.

Requests to the Central Statistical Office for further analysis of household level data identifying the consumption patterns of different categories of the most needy and incapacitated households have been made and will be integrated in the second part of this consultancy.

¹ Bernd Schubert, Social Welfare Interventions for AIDS Affected Households in Zambia, Lusaka, March 2003

2. National and International Experience with Regard to Social Cash Transfer Schemes

On national level in Zambia there is so far no experience with regard to social cash transfers. However, DIFD is considering financing a pilot social transfer scheme to be administered by an NGO.

In neighbouring countries South Africa and Mozambique have cash transfer schemes that reach a large number of their destitute households. Malawi has a pilot social transfer scheme for destitute households financed by DIFD. Namibia, Botswana, South Africa and Mauritius have universal non-contributory pension schemes for the aged.

In Asia (e.g. India and Nepal) and in Latin America (e.g. Brasil, Mexico and Chile) such schemes are firmly established. The experience gained in all those countries can be used in the process of designing a pilot scheme in Zambia.

On the level of International Organisations the Human Development Network of the World Bank is assisting a number of countries (including Zambia) in establishing "Comprehensive Social Protection Strategies". Social transfers to work-constrained destitute households will be a key element of these strategies. At the same time the International Labour Organisation (ILO) is establishing a Global Social Trust (GST) that aims at co-financing national non-contributory pension schemes for needy elderly-headed households in developing countries.

In summary, the Zambian Pilot Social Cash Transfer Scheme is in line with an international trend to establish schemes that aim at the social protection of incapacitated and destitute households. The devastating impact of HIV/AIDS on household level is one of the main reasons for the increased international concern for social protection.

3. Objectives of the Scheme

1. Reducing extreme poverty, hunger and starvation in households with limited self-help potential in the pilot region.
2. Focusing mainly on households that are headed by the elderly and are caring for OVCs because the breadwinners are chronically sick or have died due to AIDS or due to other reasons.
3. Generating information on the feasibility, costs and benefits of a social cash transfer system as a component of a social protection strategy.

4. Targeting Criteria and Procedures

When discussing the interrelated issues of defining the target group, the eligibility criteria and the responsibility for identification and approval of the beneficiaries, a number of options were taken into consideration. Each option was assessed with regard to its advantages and disadvantages.

Based on this analysis all stakeholders agreed that the most promising option was to give all the responsibility for the identification and approval of beneficiaries to the community and to allocate a central role to the Community Welfare Assistance Committees (CWACs). In detail this means that:

- The CWACs will be informed that the Social Cash Transfer can be paid to up to 10% of the households living in the respective community.
- They will also be informed that the scheme aims at households that are not only extremely needy but that are also incapacitated. Incapacitated means that they have no household members that are fit and in the working age. This criterion has to be used in order to avoid that households are selected that could be reached by labour-based schemes like Food for Work or Micro Credit.
- Using these two criteria (extremely needy and incapacitated) the CWACs have to rank the households in their community starting from the worst off until they have reached the cut-off point of 10%. The PWAS Matrix, which contains economic and social qualifiers, specifies in more detail how to identify the most needy and incapacitated households (see Annex 4). In this way – assuming a community of 300 households – they will have to select 30 households.
- In order to avoid any conflicts and in order to have the backing of the whole community, the CWACs should seek the advice of traditional leaders and should keep the selection process as transparent as possible. To facilitate this the Public Welfare Assistance Scheme (PWAS) will provide forms for the CWACs to document for each household the reasons why this household is considered to be extremely needy and incapacitated.
- Once this process has been completed and documented the list of selected households is passed to the Social Welfare Officer, who will register the selected households as beneficiaries of the scheme.

The advantages of this targeting mechanism are:

- It is based on community participation, which will facilitate ownership and support.
- The CWACs are already familiar with using the PWAS Matrix and trained in ranking.

- It makes maximum use of the information, which the CWAC members have with regard to the social problems and needs in their community.
- It gives flexibility to the CWACs to interpret “most needy and incapacitated” in any way, which they feel appropriate to the specific situation of their community.
- The mechanism is simple and straightforward and has low administrative costs.

Risks involved in the proposed targeting mechanism:

- The cut off point of 10% does not take into account that some communities are poorer than others
- Some CWACs could misuse the responsibility given to them
- Some households could disagree to the ranking done by the CWACs, which could lead to conflicts in the community.

Appraising these pros and cons most stakeholders feel that the advantages of this mechanism clearly outweighs the risks. This has to be verified by the Pilot Scheme.

5. Amount to be transferred per Beneficiary Household

The amount of cash to be transferred has to fulfil two conflicting criteria. It has to be sufficiently high in order to have a significant impact with regard to the objectives of the scheme. At the same time the transfer should not raise the economic status of the beneficiaries beyond the level of the majority of households in the community because this would cause envy. In addition budget restrictions have to be taken into account.

In practical terms this means that the amount to be transferred has to be determined by identifying the gap in welfare between the 10% most needy households and the majority of households in rural areas. A representative household survey in 3 districts of Southern Province¹ indicates that the 7 to 12% worst off households can afford on the average only 1 meal per day while 30 to 40% of the households have on the average only 2 meals. The better off households can afford 3 meals. At the same time the poorest households spend more than 80% of their income on food.

The amounts to be transferred should be sufficient to facilitate that the most needy households can afford a second meal. A typical meal of a 6 person poor

¹ FAO, Baseline Report on Interlinkages between HIV/AIDS, Agricultural Production and Food Security, Southern Province, Zambia, June 2003

household in rural Zambia requires 1.7 kg of maize. For 30 days this amounts to 50 kg of maize, which - on the average - will cost 30,000 Kwacha.

A third factor that has to be taken into account when determining the amount to be transferred is the budgetary implications. K30, 000 is the equivalent of 6 US Dollars. Multiplied by 12 months and allowing for 10% administrative costs the annual cost per beneficiary household is 80 US Dollars. In the pilot phase 1000 households will be covered (the pilot area will have a total population of about 10,000 households). In this phase the costs are only 80,000 US Dollars per year. However, once expanded to 10% of all households in Zambia, the number of beneficiary households will rise to 200,000. Then the costs of the scheme will be 16 million US Dollars. This is a substantial amount compared to the 300,000 US Dollar, which the Government of the Republic of Zambia has released to PWAS in 2002. Even if a large part of the 16 million US Dollar will hopefully be financed from international sources, it may be unrealistic to assume that the scheme can attract more than 16 million US Dollars per year.

In summary, 30,000 Kwacha per month can be regarded as a significant contribution to the survival of an extremely needy and incapacitated household (two meals per day instead of one). It will, however, not raise the beneficiary household beyond the livelihood level of the majority of poor rural households (they also consume only 2 meals per day). At the same time an increase beyond 30,000 Kwacha would raise concerns with regard to the budgetary viability and endanger the replicability of the scheme.

In order to back up these preliminary conclusions by data on the average income, expenditure and consumption of extremely poor rural households compared to data from moderately poor households, a request to the Central Office of Statistics (CSO) has been made for a specific analysis of data from the 2002 National Household Survey.

However, stakeholders have pointed out that food prices have considerable seasonal fluctuations. While after harvest (May to August) prices for a 50 kg bag of maize are approximately 20,000 Kwacha they can reach 60,000 Kwacha in the peak of the hungry season. Therefore, it has to be considered to vary the transfer in accordance with seasonal price fluctuations. Before making a decision on this issue further data analysis (average seasonal price fluctuations) and a careful balancing of pros and cons of a seasonal variation of the transfer are required.

Another open question regards the size of households. Should all households receive the same amount regardless of the number of household members? This may seem unfair to the big households. But a variation of transfers according to household size would complicate the scheme and would invite manipulations.

It was also discussed if the other PWAS activities in the pilot region should be discontinued once the scheme starts operations. After some discussions stakeholders reached a consensus that other activities like the bursary scheme should be continued and that it should be left to the CWACs to decide if a

household benefiting from the Social Cash Transfer Scheme should also benefit from other PWAS activities.

6. Payment System

Taking into account that many of the beneficiary households are headed by elderly, disabled or chronically sick people, easy access and a timely and reliable flow of funds are essential criteria for the success of the scheme. These criteria are not easy to meet in a sparsely populated rural area (population density in Southern Province is 7 per square km) where the distance to the next bank can be up to 100 km, infrastructure is underdeveloped and public transport unknown. In addition the transport of money may face security risks. Stakeholders also expressed the fear that funds could be diverted at all stages of the payment channels and that beneficiaries could be cheated. The payment system has to take all these concerns into account. In addition it has to be low cost.

So far the most promising concept is to use district level banks as main payment points supplemented by a limited number of additional payment points in remote areas of the respective districts. Such pay points could be rural hospitals or schools that have accountants and safes.

Bank branch managers in Kalomo and Siavonga indicated that they are prepared to pay transfers directly to those beneficiaries, who live near the township. For them they would open accounts like they do for pensioners. For those beneficiaries who want to receive their transfers at hospitals or schools in their vicinity, PWAS would have to make contracts with the respective organisations. The bank would then channel the appropriate amounts to the accounts of the respective organisations.

In this system the ACCs and CWACs are not involved in the actual payments. Their role is to inform the beneficiaries on their rights, to assist them where necessary to get to the pay points, to closely monitor the timeliness and reliability of the payment system, and to report all problems and failures to the management of the scheme, which will then have to take corrective action.

7. Organisation and management

Organigrams and job descriptions with clear responsibilities, lines of supervision, reporting and control have to be elaborated and training of all persons involved has to be organised. A manual of operations should be available by the end of October 2003.

8. Monitoring and evaluation system

In order to make timely operational adjustments and program improvements the following aspects have to be monitored closely:

- Performance of the scheme in terms of reliability, timeliness and costs
- How the beneficiaries are using the grants received with special emphasis on how the weakest household members (aged, women and OVCs) benefit
- Impact on beneficiary household level with regard to welfare indicators such as malnutrition, child mortality and school attendance
- Impact on non-beneficiary households, on the community as a whole (conflicts, envy, etc) and on the local economy (multiplier effects of the additional purchasing power injected into rural areas by the scheme)
- Other positive or negative effects

The monitoring system should verify or falsify all the hopes and fears, which stakeholders have with regard to the feasibility and with regard to the expected positive and negative impacts of a social cash transfer scheme. This information is required for decisions on if and how the scheme should be expanded to other districts at a later stage.

9. Financing

Under the assumption that payments to beneficiaries will commence on 1st April 2004 and a two-year duration involving approximately 1,000 beneficiary units is envisaged, the following costs have to be budgeted:

- Costs in 2004:
 - Training and supervision of all persons involved in the identification, registration, payments and monitoring
 - Information campaign to inform communities in the pilot region and the public in general on the commencement of the scheme
 - Initial registration of beneficiaries and setting up a data bank with the entire baseline data that have to be monitored in order to identify the positive and negative impacts of the scheme
 - Costs of cash to be transferred during the period April to December 2004
 - Costs for all activities regarding administration and monitoring of the scheme during the period April to December

- Costs in 2005:
 - Costs of cash to be transferred during 12 months
 - Costs of all activities regarding administration and monitoring of the scheme during 12 months
 - Costs for an interim evaluation of the scheme
 - Costs for adjusting the scheme to accommodate additional types of beneficiary households and to implement changes recommended by the interim evaluation
- Costs in 2006:
 - Costs of cash to be transferred during 3 months
 - Costs of all activities regarding administration and monitoring of the scheme for months
 - Costs for the final evaluation and for follow-up activities

Sources of finance:

- An application for funds for all the activities listed above has been made to the Global Fund for AIDS, Tuberculosis and Malaria (GFATM)
- GTZ has started to finance initial preparatory activities and will continue to do so until GFATM funds are available
- GTZ is financing consultancies of a social protection expert as required

10. Schedule

Activity	Completion point
- Selection of pilot area	15 th August 2003
- Assessment of needs and frame conditions in pilot area	10 th October 2004
- Agreement by main stakeholders on targeting and payment procedures and on other key elements of the scheme	15 th October 2004
- Draft organizational manual ready for testing	20 th October 2004
- Manual tested in 5 communities and improved	31 st October 2004
- Concept for monitoring and evaluation ready	5 th November 2004
- Broad discussion, further improvement and final consensus on design and organisation of the scheme	31 st January 2004
- Training of all persons involved in the scheme	20 th February 2004
- Start of registration of beneficiaries	1 st March 2004
- Start of payments to beneficiaries	1 st April 2004

11. Sustainability after Completion of the Pilot Scheme

There is evidence that bilateral and multilateral donor agencies are mainstreaming social protection. It is also clear that for HIPC countries social protection schemes need international financial support. Initiatives to generate funds for supporting social protection schemes in poor countries have started. Examples are the GFATM and the ILO sponsored Global Social Trust (GST).

The rationale of piloting a Social Cash Transfer Scheme is that international funds for social protection can be attracted, if the scheme is able to prove that cash transfers are a feasible and low cost policy option for ensuring the survival of members of AIDS affected households and of other work-constrained and destitute households. It is therefore essential that the MCDSS consults and networks with all major donor agencies and constantly informs them on the progress of the scheme. This is especially important in the context of the elaboration of the Social Protection Strategy for Zambia and in the context of the consultation process for the next PRSP.

12. Pilot Region

Taking into account that the funds available will be sufficient to run a 2 year pilot scheme for 1000 beneficiary households and taking into account that 10% of the households are targeted (see chapter 3) a pilot region with approximately 10,000 households (population of 50,000 to 60,000) has to be selected. This could either be a small district or a well-defined zone of a bigger district. Other criteria to be taken into account are listed in the table below.

When discussing these criteria with stakeholders on all levels two districts emerged as potential candidates – Siavonga and Kalomo. In order to choose between these districts a number of interviews were done resulting in information, which has been summarised in the table below. After discussing this information in a meeting in PWAS Headquarters on 14th August 2003, consensus was reached that two or three Agricultural Blocks of Kalomo District (Chinkojo, Kanchele and maybe Kalomo Central) are the most suitable regions for the pilot scheme.

Comparisons of Kalomo and Siavonga Districts with regard to their suitability as pilot regions

Criteria for selection of a Pilot Region	Kalomo	Siavonga
1. PWAS structures on all levels working well	+++	++
2. Qualification and motivation of PWAS staff	+++	+++
3. Experience and knowledge of local conditions of PWAS staff	+++	+
4. Cooperation with other departments and NGOs well established	+++	++
5. Possibility to establish clear borders of pilot region	++	+++
6. Easy access from Lusaka for monitoring and evaluation	++	+++
7. Synergy effects with on going AIDS mitigation activities	+++	+++
	19	17

Annex 1:**Preparation of pilot projects on social cash transfer for households in precarious social and economic circumstances in Zambia**

- Terms of Reference for a Consultancy –

Background

Due to demographic changes and the impact of HIV/AIDS particularly in Southern and Eastern Africa, an increasing number of poor households have to face new economic and social challenges. The main problem these households have to deal with is the chronically sickness and the death of able-bodied breadwinners. Widowed women, grandparents and even adolescents in some cases have to care for sick people and for children/orphans. Due to the lack of able-bodied labour force, these households cannot be reached through classical self-help approaches of development policies: Food or cash for work, micro-finance, public work programs, promotion of micro-enterprises, agricultural extension activities, etc. are labour based approaches failing to address the problems of these labour-scarce category of extremely poor households.

Given the high level of generalised poverty and the ongoing societal changes occurring in modern Zambia, extended families and communities as traditional social safety nets are overburdened. The obligation to support a growing number of destitute relatives and community members is reducing the capacity even of 'moderately' poor people to engage in productive activities and to ensure a decent livelihood of their family.

Development policies are becoming aware of this problem. Some proposals of ILO (Global Social Trust) and World Bank (in the framework of the Social Protection approach) try to address this new challenge. However, there are only some scattered experiences available on how to conceive support schemes suitable to ensure the survival of the most needy households and how to manage transfers without discouraging community based efforts.

Objective of the consultancy

The consultancy should prepare (two) pilot projects on social cash transfers for households without or with limited self-help-capacity at least in two different rural areas of Zambia, networking with the Public Welfare Assistance Committee (PWAS) on district-level, the Area Coordination Committees (ACC) and the Community Welfare Assistance Committees (CWAC). Another partner would be the home-based care scheme of Churches Health Association of Zambia (CHAZ) in a selected CHAZ catchments area. Depending on the financing available for the implementation of these pilots during two years (GTZ, Global Fund on Aids, Malaria and Tuberculosis-GFATM, DFID), it should be possible to extend the testing areas.

Tasks in detail

The consultancy should provide the following information:

- What are the experiences with cash transfer schemes in rural areas of Africa, particularly in Southern and Eastern Africa (Namibia, Botswana, Malawi, Benin/ILO)? The consultant should discuss these experiences and draw conclusions for the conception of the pilots in Zambia.
- What are the main categories of households requiring permanent and reliable social transfers? What are the targeting criteria, by whom and on which level these criteria should be implemented? What is the number of eligible households in the area of the pilots?
- What is the average daily energy consumption (in kcal/day/adult equivalent) of members of different household categories requiring urgent social welfare interventions? What should be the minimum amount of transfers required to ensure the survival of household members?
- How to ensure that the most needy persons and household members are benefiting from the transfers?
- How is the existing social safety net (formal as well as informal) organised in the pilot communities? What is the institutional environment in which the transfer system could be integrated? What is the perception of communities with respect to social transfers?
- How should the social transfer scheme be organized, what are the most appropriate procedures and institutional settings?
- How to conceive and to implement a monitoring system suitable to ensure the proper functioning of the scheme and to supervise if the identified households are really benefiting? How to conceive the evaluation of experiences so that lessons can be drawn for the extension of the exercise?

Organisational arrangements and reporting

The consultant is assigned to organise the necessary research activities and to propose the organisational arrangements for the implementation of the pilots, including supervision and monitoring. He selects the necessary support staff, proposes terms of reference and organises the necessary training in close cooperation with the respective partners (PWAS, CHAZ) and the MCDSS/GTZ Social Safety Net Project.

The activities will be carried out in the period from 1st August to 15th November 2003, requiring a total of 70 working days, including about 60 field days in Zambia. A progress report will be handed over after the first field visit until 30th August 2003. A comprehensive final report should be ready before 15th December 2003.

Annex 2: Schedule and Persons Consulted

Monday, 4th August 2003 (Holiday)

- Dr. Jörg Goldberg, GTZ Advisor, Social Safety Net Project

Tuesday, 5th August 2003

- Mr. Peter Mwamfuli, Permanent Secretary, Ministry of Community Development and Social Services (MCDSS)
- Ms. Martha Linyando, Director of Planning Dept., MCDSS
- Mrs. Monica Masisani, Director of Social Welfare Dept., MCDSS
- Ms. Caroline Chibinga, Coordinator, Public Welfare Assistance Scheme (PWAS)
- Ms. Mulemba Kaley, Training Expert, PWAS
- Mr. Stenfield Michelo, Monitoring Expert, PWAS
- Mr. Maurice Pengele, Consultant, Social Security
- Ms. Charlotte Harland, Consultant, Social Security
- Mrs. Grace Kamfwa, Consultant, Social Security
- Ms. Karen Sichinga, Churches Health Association of Zambia (CHAZ)
- Mr. Hamusimbi Coillard, Farming Systems Association of Zambia

Wednesday, 6th August, 2003

- Mr. Bruce Lawson MacDonald, Dept. for International Development (DFID)
- Ms. Kathryn Tovey, DFID attached to CARE International

Thursday, 7th August, 2003

- Travel with Dr. Goldberg and Mr. Pengele to Choma, Kalomo and Livingstone
- Ms. Doris Götze, DED attached to GTZ NGO Project
- Mr. Dirk Hesselback, GTZ Advisor ASSP
- Mr. Liselotte Morohn, GTZ Advisor ASSP
- Mr. Basil Mweepwa, GTZ Advisor ddp-sp

Friday, 8th August, 2003

- Mr. E.C.M. Walumba, Provincial Social Welfare Officer, Southern Region
- Ms. Chinkwa, Kazungula District Social Welfare Officer

Saturday/Sunday 9th/10th August, 2003

- Drafting preliminary report

Monday, 11th August, 2003

- Mr. Keddy Majila, Kalomo District Social Welfare Officer
- Ms. Cynthia Mulenga, Kalomo District Planning Officer
- Mr. Lawrence Nswima, Branch Manager, Finance Bank Zambia, Kalomo Branch

Tuesday, 12th August, 2003

- Mr. Bwalya Kasonde, Siavonga District Social Welfare Officer
- Mr. Anderson Mutinta, Siavonga Senior Agricultural Officer
- Mr. Martin M. Sakuhuka, Branch Manager, Zambia National Commercial Bank, Siavonga Branch

Wednesday, 13th August,

- Mr. Oscar Chilanga, Siavonga District Planning Officer
- Mr. Kelvin Katowa, Siavonga District Statistical Officer
- Return to Lusaka

Thursday, 14th August, 2003

- Debriefing in PWAS Headquarters

Friday, 15th August, 2003

- Mr. Freddy Mubanga, National Food and Nutrition Commission
- PWAS National Training Team

Saturday/Sunday, 16th/17th August, 2003

- Report writing

Monday, 18th August, 2003

- Departure for Germany

Annex 3: Paper written by Dr. Jörg Goldberg

Pros and Cons of social transfer schemes for destitute households in Zambia

Opening remark:

The purpose is to propose a reliable and sustainable permanent social transfer scheme for Zambia on which poor households and families can rely when facing some particular risks, above all the loss of breadwinners. Whereas numerous projects and NGOs are involved in often important but scattered charity activities, such a scheme should provide reliable and sustainable support – projects and charity are only limited in time and scope and their support depends on availability of funds from donors and benefactors. Particularly the project-approach is not suitable – as projects are always limited in time. As we want to change certain coping patterns of very poor people threatening to undermine future capacities (pulling children from school, child-work, sale of assets, reducing caloric intake, etc.), the reliability of the support is a key issue. But as such transfer schemes are new in Africa and as some important requirements for them are not obvious (fiscal affordability, adequate information on beneficiaries and administrative capacity for targeting/means testing), we want to discuss some key arguments frequently brought forward against permanent social transfer schemes.

Key arguments against permanent transfer schemes for households in precarious circumstances (cash or kind):

- Undermining willingness to undertake self-help activities/creating false incentives
- ‘Crowding out’ of support from extended family and communities
- Targeting families/households includes risk not to reach out to the needy individuals (women, sick, children, orphans)
- Targeting of “incapacitated” poor households is too difficult and too costly.

Key arguments with particular respect to cash transfers:

- Cash is not spent on priority needs particularly of weak household-members (drinking, buying luxurious items, etc.)
- Money is not saved, it will be wasted on no-priority goods when received
- In some areas, it is difficult to buy food or other items for cash (?)
- The distribution of money is particularly prone to corruption.

Permanent transfers

1. “Permanent social transfers undermine the willingness to carry out self-help-activities.”

- This is above all a point for a good targeting. The justification for permanent transfer schemes is the fact that a certain group of households are not able to carry out economic activities, which can cover their basic needs. So the high poverty level of certain households alone is not a sufficient targeting criterion – these households are poor because they have no sufficient productive capacity to care for themselves. This targeting criterion can be difficult to implement as under certain conditions households with productive capacity (“capacitated poor”) may be as poor as the target group: when there is no employment, when there is no land available, etc. However, in these cases an economic self-help approach is the most appropriate because there is productive capacity available. The selection criterion is the cause, not the dimension of poverty.
- This is the reason why the transfer scheme should only cover the most basic needs: There should be always an incentive to carry out economic activities, even on a very low level. However, these activities should not cause the loss of “human investments”, they should not threaten the survival of the affected people. Social transfers of this type should complement other sources of income but help to avoid negative coping strategies. The level of transfers is a question needing careful consideration and testing. (In the case of Zambia the value of a 50kg bag of maize is proposed)
- If we continue to insist on supports only based on the promotion of self-help activities we fail to attain the “incapacitated” poor and we will risk forcing them to behaviours and coping strategies tending to undermine “human capital”.

2. “We should not support the very poor through direct transfers but we should strengthen the capacity of extended families and of communities to help the destitute.”

- This argument supposes that extended families and communities are still functioning as social safety nets ensuring the survival of “incapacitated” households and individuals. However, most research activities show that the target group does not receive sufficient support from relatives or from communities. The ‘traditional’ social safety nets are overstretched and the increasing family and community obligations undermine the weak capacity of most households to face risks.
- Results of many research activities show that individuals, in most cases orphans, are taken by relatives (in most cases by grandparents). However, these households are among the poorest and need support.
- The obligation of the extended family and of communities to ensure a minimum level of physical survival for the most needy individuals and households in an extremely fragile economic environment as Zambia undermines the self-help capacity of the “capacitated” poor. Projects supporting self-help capacities of poor communities under the condition to care for the destitute of the community seem to be very artificial. Self-help projects are in most cases economically

fragile and the return on investment is low – if the small return of such projects should be used to support destitute members of extended family and community, the willingness and the capacity of people to tackle self-help-projects will be undermined.

- We should be aware that the obligation to support the extended family and poor community members in an extremely fragile economic environment tends to hamper development. If a self-help project is working, it should help to generate some new investments (human and capital). So permanent and reliable transfers to the “incapacitated” poor would be an important contribution to take a heavy load from the “capacitated” poor and to strengthen the willingness and the capacity to carry out self-help-capacity.
- All in all, the obligation even of poor families to channel a part of their meagre income to destitute relatives and neighbours should be eased, not hindered. Particularly the AIDS pandemic “condemns the extended family (and the communities, J.G.) to shoulder a burden far beyond its capacity...”¹

3. “...if subsidies are given to an entire family, the benefits may be unfairly distributed or diffused ...”²

- Although this argument is mainly discussed in the framework of programs targeting orphans, it is concerning as well other poverty reduction activities addressing families and households: the distribution within households is not tackled. However, targeting particular vulnerable household-members is difficult and can produce stigma costs. Nevertheless, the point emphasizes the need to embed social transfer programs in more comprehensive strategies and institutional arrangements. In easing the economic burden through a transfer scheme, the community can be encouraged to care for their most destitute and vulnerable members addressing non-economic problems.
- However, if it is possible without stigmatising the weak individuals, support should be given in a direct and targeted form: this is certainly the case with education and health subsidies, which can be targeted to children, women etc.

4. “As there is widespread poverty in the rural areas and differences between poverty groups are small it is difficult or impossible to reach only the “incapacitated” poor.”

- The targeting problem is in fact the most important challenge in the framework of social transfer schemes. Subbarao et al.: “Cash transfer programs work well when programs are small-scale and vulnerable families or individuals can be identified with ease.”
- In the case of Zambia, targeting the “vulnerable” is an issue for many development activities above all in the framework of widespread food-relief-programs. However, most of these programs have no reliable (independent) monitoring or evaluation mechanism, which could identify inclusion or exclusion errors. Targeting is often poor and targeting criteria differ from one program to another.
- The redesigned Public Welfare Assistance Scheme (PWAS) has established a framework for the targeting of selected destitute households and orphans (linking screening criteria and community based targeting). Although up to now there is no evaluation report proving if this is successful, some anecdotic

¹ Edwin Kaseke, *Social Security Systems in Rural Zimbabwe*, FES, Harare, 1998

² K. Subbarao et al, *World Bank, Social Protection of Africa’s orphans and other vulnerable children*, Washington, August 2001, p. 21

evidence shows that the targeting works on a ranking basis (supply-side approach where the number of beneficiaries is limited to availability of funds). These experiences show that communities generally accept the targeting of some very poor households excluding the majority of community members who are only slightly better off. But this only works based on a ranking exercise: Communities are asked to identify the (two or three) most needy households. This would prove difficult if the limitation in number is lifted.

- In conceiving pilot projects, the targeting problem must be addressed with priority. However, results of research activities show that the targeting of only few destitute households in the community is easier than targeting of all “vulnerable” etc. The following three criteria should be considered:
 - + Type of household according to household head (disabled/chronically sick, elderly or child, widow/separated single women)
 - + High dependency ratio: none or very few household members (one or two depending on household size) are fit for work
 - + No regular support from extended family or from a retirement scheme.
- In addition to that, it could be considered to give a limit for the number of households to be supported, based on the results of research activities in the respective area, e.g. not more than 10 % of households of a community should be selected. In this case, communities would have to do a ranking, which is easier to handle (“enumerate the 5 most destitute households in your village”). However, it is likely that this limit will be transformed into the minimum: the community will always enumerate 10 % of the households.
- All in all, given the limited availability of funds and the tendency of communities to easily expand the number of potential clients (“we are all poor”), targeting criteria should be very clear and strict. The following procedure could be considered:
 - + selection of one or more areas/districts for a pilot project
 - + carrying out of a strict ‘vulnerability assessment’ based on the three above-mentioned selection criteria
 - + The outcome of this assessment should be used to fix a limit (in the Choma-case: 6 % of households are eligible)³
 - + Communities/structures assigned to do the targeting are asked to name the 6% most destitute households in implementing the above mentioned targeting criteria. Inclusion and exclusion errors have to be accepted in this case.

Cash transfers

As money is fungible, it seems to be the best form for social transfers. As beneficiaries are the ones to know best their needs and priorities cash transfers are most in line with the principle of subsidiarity. Furthermore, cash is easy to channel to the beneficiaries; costs to acquire and to transport goods and services are not impeded to the transfer scheme. (“low transaction costs”) However, serious concerns have to be taken into account when proposing a cash transfer scheme.

³ Bernd Schubert, Social Welfare Interventions for AIDS affected households in Zambia, GTZ, Lusaka March 2003, analysis of table 3 to 8

1. “Particularly very poor people are not familiar with managing larger amounts of cash. Given the distribution of power within households, cash transfer risk to be misused.”

- As many examples show, even transfer in kind (food or food stamps, clothes, etc) does not exclude misuse (e.g. selling of relief food), having a negative impact on markets and the local economy. Although we should admit that the decision to buy e.g. alcohol is easier to take in case of cash transfer, there is no guarantee that e.g. food packages won't be changed to other items. Selling in-kind transfers has negative side effects for all beneficiaries, as prices may be low. And the priorities of donors are not necessarily the priorities of beneficiaries.
- A point for cash is the demand-side effect in poor rural areas: Creating markets for local producers is a contribution to development which cannot be reached through the purchase of in-kind-support items carried out on urban or even on international markets.

2. “Poor people are used to managing their income on a day-to-day basis – the provision of a larger amount of cash to be spent e.g. on a monthly basis overstretches the planning capacity of the destitute.”

- Linked to the above-discussed argument (1), this is a point against cash transfer. However, the money could be used to buy larger amounts of food or other items, to avoid ‘informal borrowing’ at high interest rates, to repair the shelter etc. Evidence from some African examples (Namibia and Mozambique) shows that the money is sometimes used to start small income generating activities. This should be an issue to be monitored in the framework of a pilot project.

3. “In remote areas it can be difficult to buy food for cash as the economy is still based on subsistence production”

- This can easily be checked in preparing a pilot project. However, there is no evidence that this may be a major problem in Zambia.

4. “Cash is always prone to corruption”

- It is questionable if the purchase and the distribution of goods is less corruption-prone than the distribution of cash. However, as there are only few experiences with cash-transfer schemes in Africa and none in Zambia, this issue has to be analysed with care. The first requirement is transparency: Everybody should know the beneficiaries, the amount and the responsible persons identified to distribute the money. Regularity and reliability of the procedure should be ensured.
- It is clear that well supervised and evaluated pilot projects are required to find the best approach.

Final remark

There is no doubt that demographic changes and the impact of the HIV/AIDS pandemic are producing a new type of widespread poverty in Africa which cannot be addressed by self-help oriented poverty reduction approaches only. There is increasing evidence⁴ that development community has already started to become

⁴ ILO is presently discussing and testing a Global Social Trust, GFTAM is prepared to provide support for AIDS affected households through mitigation measures.

aware of this new challenge: permanent direct transfers to the poor. As Smith and Subbarao state, these transfers should avoid distortionary incentives and be as selective as possible.⁵ However, development policies will have to tackle this problem sooner or later, particularly in Africa:

- Given the economic fragility of African Economies and the increasing number of “incapacitated “ poor including more and more families, this problem cannot be solved within the context of informal/traditional social safety net schemes (extended family and community). Easing the increasing burden of extended family obligations would be an important contribution to development.
- Without new social safety net schemes, relevant parts of the population will fall to consumption levels which are unacceptable low and live-threatening. As the international community cannot accept this low consumption level, there would be a tendency to proceed to more and more frequent but not sustainable emergency assistance.
- Implementing small, but reliable and sustainable transfer schemes has redistributive effects favouring economic growth.
- Given the essential role of destitute households for the survival of children, social transfers represent an investment in future growth by avoiding the erosion of human capital.

However, experiences with this type of Social Safety Nets in low-income countries are lacking. Through the discussion of some well-founded critical arguments we tried to show that there are serious problems needing more field-experience. These experiences can only be acquired through well-conceived and closely monitored pilot projects.

⁵ Smith, Subbarao, What role for safety net transfers in very low income countries?, World Bank Institute, Washington, June 2002

Annex 4:

PWAS Matrix for the Identification of Households requiring Social Welfare Interventions

	SOCIAL QUALIFIERS						ECONOMIC QUALIFIER			OTHER QUALIFIERS							
PERSONAL DETAILS	Must have at least one of these (H/hold headed by:)						Must have at least two of these			May add more							
Name & No. of dependants	aged	child	disable	si	F	client orphan/vul. child	client is disaster victim	No Support from relatives	unable/should not work	No.produ-ctive assets	Not enough food for family	child not attend school	Housing below average stand.	cannot access health serices	recent death of former h/h head	o	other