



**ZIPAR's Comments on the Findings and Recommendations of  
the report by the Auditor General on the Social Cash  
Transfer in Zambia**

Submitted to the

**Committee on Health, Community Development, and Social  
Services**

27<sup>th</sup> January 2020

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## **1. Introduction**

This memorandum has been prepared in response to the request by the Committee on Health, Community Development, and Social Services to the Zambia Institute for Policy Analysis and Research (ZIPAR). The Committee has requested ZIPAR to comment on the findings and recommendations of the audit report by the Auditor General on the Social Cash Transfer in Zambia for the Period 2014 to 2017.

The main purpose of the audit was to assess the efficiency and effectiveness of the Social Cash Transfer (SCT) programme in reducing extreme poverty among beneficiary households. The Audit covered four main themes as follows:

1. The extent to which the SCT programme has been rolled out to various districts.
2. The extent to which the Ministry of Community Development and Social Services has ensured that only eligible people benefit from transfers.
3. The extent to which the Ministry of Community Development and Social Services has implemented the SCT programme in an efficient manner.
4. The extent to which developments have been made on the beneficiaries of the SCT programme.

ZIPAR has provided comments following the same outline as above and the recommendations of the report at the end.

## **2. Background**

Zambia has high levels of poverty and vulnerability. In 2015 approximately 54.4% of Zambians were classified as poor, down from 60.5% in 2010<sup>1</sup>. Although these ratios show an improvement, the absolute number of people living in poverty actually increased between 2010 and 2015, from about 7 million to 8 million<sup>2</sup>. This means that vulnerability worsened. Zambian poverty also tends to be more of a rural than an urban phenomenon. The proportion of the population that is poor in rural areas is estimated at 76.6 %, which is three times higher than what was obtaining in urban areas, at 23.4%<sup>3</sup>. A striking characteristic of Zambian poverty is that it is non-responsive to positive economic growth. A study by Mphuka and others (2017)<sup>4</sup> conducted for the period 2006-2015 has shown that even if the

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<sup>1</sup> Central Statistical Office, 2010 and 2015 Living Conditions Surveys.

<sup>2</sup> Absolute numbers are calculated using actual populations for 2010 and 2015.

<sup>3</sup> Central Statistical Office, 2010 and 2015 Living Conditions Surveys.

<sup>4</sup> Economic growth, inequality and poverty: Estimating the growth elasticity of poverty in Zambia, 2006-2015 by Chrispin Mphuka, Oliver Kaonga and Mike Tembo

Zambian economy grows, economic growth does not translate into lifting a lot of people out of poverty.

In order to respond to the persistently high poverty levels and vulnerability, the Government introduced the Social Cash Transfer (SCT) scheme which started in 2003. The SCT was intended to target the extremely poor who were estimated at 40.8% in 2015, the equivalent of nearly 6 million people in that year. Translating to about 1.2 million<sup>5</sup> households qualifying for the SCT, out of the total 3 million households in Zambia, if extreme poverty was the only criteria for inclusion. Nonetheless, the eligibility criteria have been further fine-tuned and the MCDSS now undertakes its own survey at the district level in which a wealth index is determined and used to select households who go on the programme.

Since its inception, the SCT has expanded in terms of the number of beneficiaries as well as undergone several revisions with the aim of improving the programme's effectiveness. From 3500 beneficiaries when the SCT was first piloted in Kalomo District in 2003, the programme had expanded to reach 574,663 beneficiary households in 80 districts by 2017. The amounts given have also more than doubled, from K40 in 2003 to K70 between 2014 and 2017 and currently stands at K90.

Initially, the SCT adopted the ultra-poor approach targeted to cover the poorest 10% of the population in each of the targeted districts. After 2010 a two-pronged approach was adopted, with a Child Grant (CG) used to target vulnerable households with children below five, while a Multiple Category Transfer Grant (MCTG) was used to target households with various forms of vulnerability (Dubois, 2018). Currently, a harmonized approach is used which combines both of these approaches. The harmonised approach uses a criterion which includes disability, gender, elderly headed households, destitution, incapacitation and presence of under five children to identify beneficiaries. Importantly, the SCT is given per household even if one household has several people who meet the criteria for inclusion.

The benefits associated with the SCT in Zambia have been well documented and include improved food security, asset ownership and living conditions for beneficiary households. These will be discussed in a later section.

The following sections present the findings of the report and ZIPAR's comments on each of them.

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<sup>5</sup> Central Statistical Office, 2015 Living Conditions Survey.

### 3. The extent to which the SCT programme has been rolled out to various districts.

#### 3.1 Report Finding 1:

##### 3.1.1 Roll Out of the SCT programme to Various Districts

The Government targeted to roll out the SCT to 104 districts by 2017. However, the programme was only rolled out to 80 districts representing a 76.9 % achievement. Table 1 below summarises the progress in reaching beneficiaries.

Table 1: Number of Targeted vs Actual Beneficiaries 2014-2017

<b>Year</b>	<b>Targeted Beneficiaries</b>	<b>Beneficiaries Reached</b>	<b>Percentage Coverage</b>	<b>Comment</b>
2014	85,501	145,698	170%	Over-performed
2015	200,000	149,018	75%	Under-performed
2016	242,000	180,539	75%	Under-performed
2017	590,000	574,663	97%	Under-performed

Source: Adapted from Auditor General's Report on the Social Cash Transfer

##### 3.1.2 Percentage of Female Headed Households

The Government also targeted to enrol more female headed households. In 2014 it was set that 83% of the total SCT beneficiaries should be female headed households. The rest of the targets were 60% female beneficiaries from 2015-2017. Table 2 summarises the outcomes.

Table 2: Percentage of Targeted vs Actual Female Beneficiaries 2014-2017

<b>Year</b>	<b>Total Beneficiaries</b>	<b>Female Beneficiaries</b>	<b>Females % of total Beneficiaries</b>	<b>% Point Difference from initial target</b>	<b>Comment</b>
<b>2014</b>	145,698	80,632	55%	-28% points	Under-performed
<b>2015</b>	149,018	92,962	62%	2% points	Over-performed
<b>2016</b>	180,539	110,028	60.9%	0.9% points	Over-performed
<b>2017</b>	574,663	307,000	53.4%	-7% points	Under-performed

Source: Adapted from Auditor General's Report on the Social Cash Transfer

## **Comment**

*Roll out of the programme:* The SCT programme recorded a 76.9% coverage of districts and reached an average of 104% of targeted beneficiaries between 2014 and 2017. However, the number of beneficiaries reached represent less than 50% of households that are classified as extreme poor<sup>6</sup>. As the population grows, the number of vulnerable people will continue to rise and given the continued low coverage, Zambia risks failing to achieve its 7NDP objectives of ending poverty and vulnerability without leaving anyone behind.

More recently, the Zambian economy has slumped with growth projected to be at 2% of GDP in 2019 and lower thereafter<sup>7</sup>. Inflation, partly driven by a weakening Kwacha is steadily rising and now stands at 11.7%<sup>8</sup>, breaching the single digit target of the central bank. This translates into high cost of living making it even harder for poor households to make ends meet. The rising vulnerability as a result justifies the need to extend the SCT to more households living in extreme poverty.

Nonetheless, we note that at the same time the Government is facing public finance constraints mainly resulting from debt servicing obligations which is evidently crowding out social sector spending and hence failing to extend the programme.

*Enrolling of more female headed households:* It was very important for the Government to prioritise female headed households for the SCT programme as females tend to be poorer in Zambia compared to their male counterparts. For instance, in 2015, poverty levels for female headed households stood at 56.7% compared to those headed by their male counterparts at 53.8%<sup>9</sup>. Although the targets were not realised in some of the years, the Government demonstrated strong commitment which can be built upon in future.

### **4. The extent to which the Ministry has ensured that only eligible people benefit from transfers.**

#### *4.1 Report Finding 2:*

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<sup>6</sup> In absolute terms, according to the LCMS there are approximately 1.2 million households that were classified as extreme poor in 2015. With the SCT standing at around 574,663 households, this translates to approximately 48%.

<sup>7</sup> IMF Article IV for Zambia, 2019

<sup>8</sup> Central Statistical Office, December 2019 Monthly Bulletin

<sup>9</sup> Living Conditions Monitoring Survey Report, 2015

#### 4.1.1 Payments made to ineligible beneficiaries

According to the report, there were a total of 2,284 ineligible beneficiaries that received payments amounting to K2 million over the period under review from the sampled districts. The report further estimated that there could be total ineligible beneficiaries of 17,240 across all districts. The reasons listed for having ineligible candidates include that enumerators who capture the data for eligibility criteria could be doing it wrongly hence capturing those who are not eligible.

#### 4.1.2 Inclusion of uncertified disabled beneficiaries on the scheme

Approximately 31% of the disabled beneficiaries had neither Zambia Association for Persons with Disability (ZAPD) cards nor approved medical certificates. Among the 5,838 beneficiaries who were certified as disabled by the Ministry<sup>10</sup>, only 76 or 1% were confirmed as disabled by ZAPD. The extent of disability for the remaining 5,762 beneficiaries could not be ascertained even though they received the SCT.

#### **Comment**

Ineligible Candidates: Having as many as 2000 ineligible beneficiaries is a sign of inefficiencies in the programme. This can make the programme ineffective as the marginal impact the intervention would have on seemingly well to do household will appear lower compared to if the support was received by the genuinely extreme poor. It is good to know that these have been identified and we hope that they will be removed and replaced with genuinely needy households. Had these not been identified by the audit, a total of K 14.5 million<sup>11</sup> would have been spent on wrong candidates which is a misapplication and would have left the genuinely poor behind.

Persons with disabilities: Our considered view is that the presence of persons with disabilities on the programme that are unverified has more to do with poor coordination between the Ministry and ZAPD rather than the deliberate inclusion of ineligible individuals on the programme. Poor coordination between the Ministry and ZAPD is evident as it seems that the two institutions do not have a shared data base of the disabled. Additionally, the problem of lack of cards could be because the system of certification is centralised as ZAPD does not have presence in all districts, making it hard for people in far flung areas to obtain cards. Worse still, individuals considered disabled are already from vulnerable homes and may be immobile posing challenges in obtaining the disability cards.

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<sup>10</sup> Ministry of Community Development and Social Services

<sup>11</sup> This is based on our calculations using current data

## **5. The extent to which the Ministry has implemented the SCT programme in an efficient manner.**

### *5.1 Report Finding 3:*

#### *5.1.1 Delays in disbursements of cash transfers from the Ministry to the District Office.*

The main findings are that in 2010 the Government set a target of reducing transfer delays from 6 months to one week by 2016. However, by 2016 this target had not been met as the average number of days delayed in 2016 was 88 days (almost three months). Between 2014 and 2016 the number of days delayed ranged from 8 days to 332 days (11 months). Reasons for the delays included late disbursements from MCDSS to the provinces and districts and communication challenges due to poor network between districts and pay point managers. MCDSS further reported that the cause of delays was as a result of late disbursements from Treasury.

#### *5.1.2 Transfer Amount not reviewed*

The main findings were that the transfer amount of K70 had not been reviewed for a period of four years despite changes in inflation and there being a provision to revise the amount to take into account inflation.

#### *5.1.3 High Administration Costs*

The Government had set 15% allowance to cover administrative costs for running the programme. However, the audit revealed that at district level, administration costs between 2014 and 2017 were at an average of 28%. At provincial level, administration costs were as high as 49% in some cases. At national level the administration costs ranged from 26% to 56% with the average between 2014 and 2017 being 42%, above the operational standard of 15% and the grant agreement standard of 20%.

### **Comment**

*Delays in disbursement:* The problem of delays in disbursement revealed by the report goes against the intentions of the SCT and could render the programme ineffective. These delays also have the potential of worsening the impact of poverty on expectant beneficiaries, as the transfers meet key household expenditures on various needs such as food, education and agriculture inputs among other things. Nonetheless, delays of this length reflect the difficulty that the Government has been facing in recent years, as earlier alluded to.



*Static transfer amounts:* The failure by the Government to adjust the transfer amount upwards in keeping with inflation mean that the real value of cash received by the extreme poor was being eroded each year. In the process, the transfer amount fell far below the K154 food poverty line, an indication of the amount's inadequacy to lift individuals out of extreme poverty. Additionally, by increasing the number of beneficiaries instead of the transfer amount, the Government spread the resources too thin which risks the programme being ineffective with only minimal impact and failing to lift people out of poverty.

*High administrative costs:* The failure by the programme to contain administrative costs under 15% is a sign of inefficiency. Having implemented the SCT programme for more than a decade the MCDSS is expected to have achieved operational efficiency to a large extent. Although the exact administrative costs are not provided in the report, we expect that the Ministry could have, for example, adopted and used modern technology to automate certain systems such as data collection processes by the use of computer devices to minimise labour costs. Notably, between 2014 and 2017 a total of K760 million was spent on the programme, K317million of which went to administrative costs alone. Had administrative costs been contained within 15%, a total of K203 million which could have been used to increase the transfer amounts for increased impact of the programme.

## **6. The extent to which developments have been made on the beneficiaries of the SCT programme.**

### *6.1 Reporting finding 4:*

#### *6.1.1 Extent to which the beneficiaries are using the SCT fund in line with the programme guidelines*

There is a lot of undisputed evidence regarding the impact of the SCT in Zambia. These can be summarised as follows:

1. Improved food Security; a study by the American Institute of Research (AIR)<sup>12</sup> found that MCTG under the SCT had increased the percentage of households eating two or more meals per day by 15 percentage points since a baseline conducted in 2011.
2. Improved livelihood relating to livestock; The AIR study further showed that not only had the proportion of households with livestock increased for SCT beneficiaries, the variety of livestock had also increased. The increase in livestock holding for households meant these households could now access more income.

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<sup>12</sup> <https://www.air.org/project/impact-evaluation-zambia-s-multiple-category-transfer-grant-program>

3. Improved asset ownership; Government assessments showed that there was an improvement in the ownership of agriculture tools such as a plough. Additionally, there were improvements to dwelling type (house), sanitation, lighting and other household assets.

### **Comment**

The potential of the SCT in addressing poverty and vulnerability among the extreme poor is immense. However, as mentioned earlier, more than 50% of the extreme poor are yet to be reached. As observed, delays in disbursing the transfers also negatively affects the impact of this programme and delays the onset of benefits to the poor. A third concern is that by trading off increasing transfer amounts for more beneficiaries, the Government is spreading limited resources too thinly which can also affect the benefits. The last concern that can affect the benefits realised so far is the inclusion of ineligible candidates whose marginal benefits from the programme will be lower than if the correct beneficiaries received the support.

## **7. Recommendations**

This section presents the recommendations and ZIPAR's comments. We only provided comments on three recommendations that we thought were very critical in the implementation of the SCT.

### *7.1 Recommendation 1:*

*Ensure that only eligible beneficiaries as per set beneficiary criteria benefit from the programme by strengthening the selection process (identification, enumeration and validation) and ensuring that verification of beneficiaries is done before payment commences.*

### **Comment**

The report cites data entry errors by enumerators as one of the reasons for the inclusion of ineligible beneficiaries. However, our considered view is that the larger problem could be in the design of the methodology for identifying the extreme poor. Although errors resulting from data entry were cited as one of the main challenges that led to the inclusion of ineligible beneficiaries, we are of the view that the actual challenge was a poorly designed data collection and identification framework that contributed to the aforementioned challenges. This means that even if more qualified enumerators are employed, the design flaws in the methodology can allow ineligible people to be on the programme. The right thing to do therefore is to revisit the methodology to ensure the selection criteria and how variables are measured is very clear.

Additionally, the process of community validation was cited as another reason for the inclusion of ineligible beneficiaries. This process has been hijacked in some districts whereby Coordinating Committee Members have been intimidated and threatened for rejecting the inclusion of ineligible candidates. To remedy this situation, we propose that MCDSS increases sensitization of communities on the importance of ensuring that only eligible people are put on the SCT programme. This can improve the targeting by ensuring communities conduct validation processes well informed.

### 7.2 Recommendation 2:

*Improve collaboration with the Zambia Agency for Persons with Disability to develop a more rigorous framework for identification, verification and certification of the disabled beneficiaries so that the correct and deserving beneficiaries benefit from the programme.*

#### **Comment**

We note that improving collaboration and coordination between MCDSS and ZAPD is key. However, because ZAPD is centralised and not in all districts this recommendation should be strengthened by identifying a competent third party with presence in all districts such as Government clinics or hospitals to aid with the verification of disabled persons. Information collected and verified could then be sent to a central data base of the disabled at ZAPD but also accessible to the Ministry.

### 7.3 Recommendation 3

*Ensure that administration costs are kept to the minimum as per the Ministry's own set target of 15% in the Harmonised Manual of Operations for Social Cash Transfer. If this is used to pay for administrative cost instead of bringing people out of extreme poverty. The reduction of administration costs will also ensure that the goals of the programme are not defeated.*

#### **Comment**

In 2016, Government announced that it would adopt a single registry which is an electronic system to manage the SCT and other programmes.<sup>13</sup> Once implemented, this could lead to cost saving as some operations would be automated and won't require labour per se. For instance, the continued development and use of an electronic platform (the E-voucher) in the Ministry of Agriculture has proved to reduce on administrative costs and a similar approach would be beneficial for the SCT.

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<sup>13</sup> <http://www.daily-mail.co.zm/state-goes-electronic-social-cash-transfer/>

#### 7.4 Recommendation 4:

*Implement measures to ensure that transfers from the Treasury are made in a timely and consistent manner to avoid a trickle on effect of delayed payments to provinces, districts and ultimately to beneficiaries.*

#### **Comment**

This recommendation is important. However, in the current environment of fiscal constraints the Government is facing, which are being driven by high debt servicing costs and repayments, it may be difficult for the MCDSS to compel treasury to release money timely. Thus, it is important to seek the intervention of other arms of government such as parliament to find ways of compelling the central government to prioritise transfers to the poor in order to save them from vulnerability. In the meantime, and as the economy recovers, it is also important for MCDSS to improve the levels of efficiency in the running of the programme by ensuring to do more with less through various innovations such as the e-voucher system.

#### **Conclusion**

ZIPAR appreciates the report of the Auditor General which is timely and provides very useful insights to the running of the SCT and understanding some of the important issues surrounding the programme. As a way of conclusion, we wish to make three observations:

1. Future reports should also consider assessing how many beneficiaries have graduated from the SCT programme from the time it started. This is important because some beneficiaries, after improving their living standards from the proceeds of the SCT should be able to graduate and begin to fend for themselves. This way, new people can be brought on the programme but it will also reduce the burden on Government. Cash transfers have proved to reduce poverty and inequality in many countries. However, this is only possible if we follow the beneficiaries closely and monitor the progress they are making and remove them when they no longer need the support.
2. Related to above, the Government and other stakeholders involved in the running of the SCT should clarify whether the SCT is a POVERTY REDUCTION or POVERTY MITIGATION programme. If it is a poverty reduction programme then there's need to target people in such a way that for a specified number of years, we assess if poverty has been reduced and move them out of the programme. If it is merely a poverty mitigation programme, then it also has to be clear so all stakeholders know that those enrolled are not expected to graduate and should receive the support perpetually. Both of these have implications on policies and especially how to design the SCT programmes in future.

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3. The study we referred to earlier which found that economic growth in Zambia does not lift a lot of people out of poverty also concluded that the effect of growth is different and more positive when dealing with extreme poverty compared to head count poverty. Therefore, there is strong good justification to invest the proceeds of growth in programmes that target the extreme poor if the country is to make a dent on poverty.