Is it feasible to assist the poorest in low-income countries? Is it practicable to use cash transfers in rural areas with only the most basic administrative and financial infrastructure? Can we rely on community organizations to manage social protection for the poorest among them? These questions, and the issues they raise for the scope and effectiveness of social protection, are of great significance for poverty reduction in Africa. This chapter outlines and assesses a pilot social transfer scheme implemented in the Kalomo district of Zambia in 2004, with a view to providing answers to the questions above.

The motivation of the pilot scheme emerged from applied research at the national, district, village and household levels in Zambia, conducted in March/April 2003 by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)-assisted Social Safety Net Project of the Ministry of Community Development and Social Services of the Republic of Zambia (MCDSS). The main objective of the project was to assess the effectiveness of existing interventions and to identify potential areas for improvement. Primary data collection concentrated on six villages in Choma District, Southern Province.¹

The main findings from this research indicated some priorities for poverty reduction. First, 10 per cent of all households were found to be in need of urgent assistance. They are critically poor (surviving on just one meal a day) and at the same time labour-constrained. The children living in these households lack their most basic needs in terms of nutrition, medical services, clothing and basic education, regardless of whether or not they are orphans. The main, though not the only, factor behind their destitution is AIDS. Second, organizations at the village, sub-district and district level were preoccupied with relief food operations, AIDS prevention, health-care-related activities and development activities targeting households with the capacity to work. Assistance for households with limited capacity to work was found to be insignificant. Third, the Public Welfare Assistance Scheme (PWAS) of the MCDSS had a structure of welfare assistance committees at the district, sub-district and
village level. This structure had been established in most districts to distribute transfers in kind to needy households, but partly as a result of extreme under-funding, PWAS has had no significant impact on the welfare of households urgently needing social welfare interventions. However, PWAS seems to have the potential to implement a scheme that targets critically poor and labour-constrained households. Fourth, it was found that nearly all transfer programmes in Zambia focused exclusively on food aid, but critically poor households pleaded for transfers in cash, which they could use flexibly according to their own priorities. Further research revealed that the administrative and logistical costs of cash transfers would be substantially lower compared to transfers in kind, such as 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 were the most effective tool to reduce the suffering and to ensure the survival of the most needy and incapacitated households.

The decision to design and implement a pilot social cash transfer scheme in 2004 was intended as an experiment to establish whether using cash transfers to assist the poorest 10 per cent of households provided a feasible and effective way of reducing poverty and vulnerability in Zambia. This chapter describes and assesses this ground-breaking experiment. The chapter is organized as follows. The next section considers the rationale for the focus on the poorest households. The following section discusses the main design features of the pilot. The section after that assesses the operation of the scheme. A final section discusses the financial sustainability of the scheme beyond its pilot phase.

Why focus on the poorest?

According to the Food and Agriculture Organization (FAO), 50 per cent of the Zambian population falls under the food poverty line (FAO, 2004). This means that 5.3 million people, or around one million households, are food poor. The food poverty line is defined by the cost of a basket of food providing a minimum energy requirement, which according to FAO in Zambia is 1,800 Kcal per person (adult equivalent) per day. 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 homogenous sub-groups. The depth of poverty and the main causes of the persistence of poverty can be used to distinguish between different sub-groups. For the purpose of identifying the poorest, a consumption-based food poverty line is more appropriate because (i) actual consumption is related more closely to a person’s well-being than is income; (ii) consumption better reflects a household’s ability to meet basic needs; and (iii) consumption can be measured with greater accuracy than income. In most low-income countries, food poverty is a good indicator of acute poverty as well as persistent poverty.