CHAPTER 3. CASE STUDY PROGRAMMES

During Stage 1 of this study, a number of cash transfer programmes were identified in the 15 ESAR countries included in the review. Four of these programmes were selected for in-depth analysis in Stage 2. The selection criteria aimed to maximise diversity in terms of implementing agencies, sources of funding, scale and coverage, target groups, and other programme characteristics. The four selected programmes are in Ethiopia, Lesotho, Mozambique and Zambia:

- Meket Livelihoods Development Project (Ethiopia)
- National Old Age Pension (Lesotho)
- Food Subsidy Programme (Mozambique)
- Kalomo District Pilot Social Cash Transfer Scheme (Zambia).

3.1 Comparing the Four Programmes

Table 3.1 presents summary information on the four case study programmes. Although all four are classified as 'unconditional cash transfer' programmes, important differences can immediately be seen between them in many respects, such as their implementing agencies and funding sources (government, bilateral donor or international NGO); coverage (nationwide or locality-based), target groups (economically inactive and 'vulnerable', or economically active but poor); numbers of beneficiaries (1,000 to 69,000); size of cash transfers (US$ 2.8 to US$ 25 per month); and so on.

Three of the four programmes are implemented by government ministries or agencies, while the fourth is implemented by an international NGO (Save the Children UK) with funding provided by a bilateral donor (the Netherlands Government). Two of the three government programmes (in Lesotho and Mozambique) are financed domestically, out of the state budget, while the third (Zambia) is funded by a bilateral donor (the German Government) who plays an active role in the project. The two state-funded programmes are both national in coverage (though the Mozambique programme is confined to urban areas including district towns), while the two donor-funded projects are both small scale, covering less than a single rural district. This has implications for 'scaling up': donor funding and NGO capacities are typically restricted to the sub-national level. This difference in scale is evident from the numbers of direct beneficiaries in each case, ranging from only 1,000 households in the Zambia district-level project to over 69,000 individuals in the Lesotho and Mozambique national programmes.

Three of the four programmes have been operational for less than two years; only the Mozambique Food Subsidy Programme has been established for a lengthy period of time. It follows that the Mozambique programme might provide lessons for other, less well-established cash transfer programmes in the region to learn from, not least in the area of dealing with fraud and corruption, which caused its predecessor, GAPVU, to be closed down.

The amounts of cash transferred to beneficiaries on these programmes are quite small: US$ 2.80 per month to a single-person household in Mozambique, US$ 3.50 per month per person to households in Ethiopia, US$ 6 per month to a single-person household in Zambia, US$ 8 if there are children. Lesotho's Old Age Pension stands out as relatively generous (US$ 25 month), but is low compared to neighbouring South Africa's social pension (US$ 111 per month).

It might be argued that the real value of the cash transfer varies from country to country according to differences in costs of living: Lesotho, being poorer than South Africa, is also a cheaper place to live. It might also be argued that living costs are lower in rural areas (no rent or electricity bills) than urban centres (the Ethiopia and Zambia projects are in rural communities); rural people also grow some or all

of their food, while most urban residents are almost entirely market-dependent. In three of these four programmes, the target groups are economically inactive individuals (older people, chronically sick people, people with disabilities), sometimes further qualified as 'living alone' or 'without support'. This implies that the cash transfer is intended as the main or only source of income; yet its value is so low that it can only serve as a supplementary income. Also, the only urban-based programme (in Mozambique) pays the least, notwithstanding the fact that urban living costs are higher. In Lesotho – the only fully national programme – no allowance is made for differences in costs of living between urban and rural areas. Apart from the Zambia project, no attempt appears to have been made to relate the amount of cash transferred to living costs (in the Zambia case the minimum payment buys one bag of maize). Three of the programmes do increase the transfer according to household size, but the amount of the increments is inconsistent, and Mozambique and Zambia impose ceilings on transfers per household. Only in the Ethiopian case is there a consistent relationship between household size and per capita cash transfers (approximately US$ 3.50 per person).

The following sections of this chapter introduce the selected cash transfer programmes.

Table 3.1: Summary information on four case study programmes

Country	Ethiopia	Lesotho	Mozambique	Zambia
Programme	Meket Livelihoods Development Project	Old Age Pension	INAS Food Subsidy Programme	Kalomo District Pilot Social Cash Transfer Scheme
Type of scheme	Cash for work and relief	Social pension	Social welfare	Social assistance
Implementing agency (type)	International NGO	Government Ministry	Government agency	Government Ministry
Implementing agency (name)	Save the Children UK	Department of Pensions, Ministry of Finance	National Institute of Social Action (INAS)	Department of Social Welfare, Ministry of Community Development and Social Services
Funding agency	Government of The Netherlands	Government of Lesotho	Government of Mozambique	German Technical Cooperation (GTZ)
Start date	2003	November 2004	1997	May 2004
Transfer amount	30 Birr (per person)	150 Maloti	Mzm 70,000–140,000	30,000-40,000 Kwacha
Transfer value (US$)	US$ 3.50 (per person) US$ 17 (5-person HH)	US$ 25	US$ 2.80 – US$5.60	US$ 6 (without children) US$ 8 (with children)
Frequency	Monthly (but irregular)	Monthly	Monthly	Monthly
Beneficiaries	46,600, approx 5000 receive cash relief	69,046 (individuals)	69,095 (direct)+ 91,411 (indirect)	1,027 (households)
Target group	Food insecure rural households	Older people	Citizens unable to work with no income	Poorest households (10%) with no able-bodied labour
Eligibility criteria	Unconditional payments to pregnant/lactating mothers older people, children, those with disabilities	Lesotho citizen Over 70 years old	Older women (55+) and older men (60+) unable to work with no source of income Physically 'handicapped' Chronically sick Malnourished pregnant women	Poorest 10% No able-bodied adult fit for productive work High dependency ratio (>300%)
Coverage	Half of Meket *woreda* (half of one district)	National	Urban centres (cities and district towns)	Two rural blocks in one district, Southern Province

3.2 Ethiopia: Meket Livelihoods Development Project

Save the Children UK has supported a series of cash transfer projects in rural Ethiopia since 2001, in several *woredas* (districts) in North Wollo and South Wollo (Adams and Kebede, 2005). Some of these interventions were labelled 'cash for relief projects', while others are part of the 'livelihoods development project' in Meket *woreda*. These cash transfer programmes are in keeping with Save the Children's own advocacy for cash-based assistance, in order to protect household assets and support local markets and producers, and the Government of Ethiopia's stated preference for humanitarian and developmental interventions to shift away from food aid. Meket Livelihoods Development Project (MLDP) began with a pilot phase that lasted from mid-2003 to mid-2004. Phase II runs alongside the government's 'Productive Safety Net Programme' (PSNP) but is not a part of it, and operates under different criteria. The PSNP began in January 2005. Phase II of the MLDP was scheduled to begin in July 2004 but the time taken to negotiate its rules with the Ethiopian Government meant that in practice it began at the start of 2005 – it will run for three years.

The objectives of the Meket Livelihoods Development Project (Phase II) include the provision of cash relief to vulnerable households to help them meet 'essential food expenditure' in bad years, and to invest in assets in better years. The longer-term goals are to contribute to the diversification of livelihood options, to enhance community-level assets, and to stimulate the rural economy, all in the project area. The argument is that all of these goals can be better achieved through the provision of cash transfers and the phasing out of non-emergency food aid. Another important advocacy goal is to analyse the impact of cash transfers on asset protection, rural development and child-caring practices, and to draw lessons in order to influence policy-making. The MLDP seeks to achieve these objectives through both cash payments within employment generation schemes and cash payments as gratuitous relief that is provided to those who cannot, or should not, work, including pregnant and lactating mothers.

The cash programme transfers 30 Birr (about US$ 3.50) per person per month to 40,000 beneficiaries who operate in the *meher* season and 6,600 in the *belg* season.[8] The amount of cash transferred increases with household size, so that a five-person household, for instance, should receive 150 Birr (about US$ 17.50). The MLDP targets the poorest households in each community, following established practice with other safety net initiatives in Ethiopia, such as the Employment Generation Scheme (EGS). Beneficiaries are identified through the local Peasant Associations and officials. Unconditional cash transfers are given to those households who cannot or should not work, an estimated 11 per cent of all households involved (estimated to be higher than the percentage of vulnerable households receiving cash relief through the government programme in this region but no figures were available to confirm). No formal number or percentage of beneficiaries of the cash relief is set in the Meket programme: the most vulnerable households are selected through the Associations using a number of criteria – most importantly livestock ownership, access to land and performance in the previous harvest - and then those who could not or should not work are designated as recipients of the unconditional cash transfer.

Progress in Phase II has been hampered by political events in Ethiopia, efforts to secure government support for the project, problems with ensuring that the poorest households are indeed reached, and rising grain prices.

3.3 Lesotho: Old Age Pension

In November 2004, the Government of Lesotho instituted an Old Age Pension for all resident Basotho aged over 70 years. This is the fourth and most recent social pension[9] scheme in the countries included in this study, after South Africa (scheme introduced in the 1920s), Namibia (in the 1970s) and Botswana (in the 1990s).[10] Lesotho is one of the poorest countries in Africa, and one of only two 'Least

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[8] That is, not all beneficiaries receive the cash at the same time of year – it depends which harvest they rely on.

[9] A 'social pension' is non-contributory (ie, it is entirely state funded) and is not necessarily linked to retirement from the workforce: often, eligibility is simply triggered by reaching an age milestone.

[10] Within Africa, Mauritius and Senegal also operate large-scale social pension systems.

Developed Countries' in the world (along with Nepal) to operate a universal non-contributory pension for all its older citizens.

Lesotho's Old Age Pension is unusual in other respects as well. Most notably, it appears to have been generated entirely by a domestic political economy agenda, and financed out of domestic resources, with no technical or financial support from international donors. Indeed, there appears to have been some scepticism among observers like the International Monetary Fund (IMF) about the affordability of the pension and its macroeconomic implications. One motivation for its introduction might be a perception that older people in Lesotho are more financially vulnerable and less well supported than in the past, for a mix of economic, demographic and social reasons, including: declining remittance incomes; rising numbers of people living with HIV and AIDS (which is raising dependency ratios); recognition of the role of older people in the care of OVC; and a process of rapid social change that is characterised by increasing commercialisation and individualism. Importantly, however, the pension was explicitly not intended to support 'AIDS orphans' and other vulnerable children, but simply to provide financial support to older people.

Lesotho's social pension is modelled on that of Namibia and Botswana. Unlike the South African scheme, it is not means tested. On the other hand, the age qualification is higher than the other schemes in the region, which set eligibility at 60 or 65 years of age. (This suggests that the model for Lesotho's Old Age Pension might be Nepal, which starts at 75 years of age.) Out of a national population of 2m, only 74,900 Basotho (3.6 per cent of the population) qualify for the pension based on their age, 65,000 of whom are registered on the programme. Because of gendered differentials in life expectancy, the pension reaches more women than men: about 60 per cent of beneficiaries are women and 40 per cent are men.

Setting the age criterion at 70 years reduces the cost of the programme, which is important from the fiscal point of view, given Lesotho's low gross domestic product (GDP). The total cost of the transfer is currently M117m per annum, or 1.43 per cent of GDP and about 7 per cent of the government's recurrent expenditure. This is in line with the cost of social pensions in other countries in southern Africa. Delivery costs are low, at under M4 per pensioner (though many costs are incorporated into the Department of Social Welfare's normal running costs). The Lesotho Government plans to lower the age of eligibility to 65 years. This would bring 49,000 more pensioners into the system and would cost an additional M88m per annum. Lowering the entry age further to 60 would add another 48,000 pensioners and cost an extra M87m.

The benefit level is M150 per month (US$ 25), more or less equivalent to the official national poverty line, one objective of the pension being to lift older people out of poverty. It is not index-linked but the intention is to increase it periodically, at the discretion of the Minister of Finance. The Old Age Pension was not introduced as a welfare response to HIV and AIDS but older people in Lesotho have become "a generation of carers". For this reason, lowering the age of eligibility, as the government plans to do, would potentially improve the well-being of many more older people and OVC in Lesotho.

3.4 Mozambique: Food Subsidy Programme

The National Institute for Social Action (INAS), under the Ministry for Women and Social Action (MMAS), manages and implements a Food Subsidy Programme that provides a monthly cash transfer to recipient households. The value of the transfer is low and depends on the size of the household, starting at Mzm 70,000 (US$ 3) per month for a one-person household and rising to a maximum of Mzm 140,000 (US$ 6) for households with five or more members. The Food Subsidy Programme is not in fact a subsidy at all, but a cash transfer intended to be used by poor Mozambicans to buy food. It therefore supports entitlements to food through raising household income, rather than bringing down the price of food.

The Food Subsidy Programme is financed entirely through the state budget, with no direct donor support.[11] The programme aimed to reach 92,300 direct beneficiaries in 2005, but it currently provides transfers to 69,000 household heads, reaching 160,000 people (household head and registered dependants).

The target groups include people who are temporarily or permanently unable to work and unable to satisfy their subsistence needs. These include: older people (women over 55 years and men over 60 years) who are unable to work and lack family support; 'physically handicapped' people over 18 who are unable to work and living alone or heading a chronically sick household; chronically sick people over 18 and unable to work, as verified by medical certificate; and malnourished pregnant women. Other criteria for eligibility include being resident in the area for more than six months and having a monthly income of no more than Mzm 70,000.

These multiple eligibility criteria make targeting complex. Eligibility is determined by a combination of proxy indicators (age, disability), means testing (per capita monthly income below Mzm 70,000), and health status ('chronically sick' or malnourished). Some of these criteria are easy to observe, others require careful individual assessment and empirical measurement. Some beneficiaries' circumstances will change over time, so they are expected to 'graduate' out of the programme (pregnant women cannot claim the benefit for more than six months).

The registration procedure is lengthy: a community representative identifies and registers potential beneficiaries; this is followed by a house visit from the local district officer, and each case is then reviewed by the provincial department. At the next stage, an application form is completed by the Department of Social Welfare and an identity card and other relevant documents (such as a medical certificate) must be provided. The criteria for eligibility are stringent and dependants are not registered if they lack the appropriate identification (ID or birth certificate). This is especially a problem as seventy per cent of children in Mozambique do not have birth certificates, with this figure being even higher in rural areas.

The project's geographical reach is national, but it focuses on urban and peri-urban areas, ie, provincial capitals and district towns. However, expansion to rural areas has recently been approved by the Council of Ministers. Because of this limited scope and capacity/funding constraints, coverage is limited: for example, the population of Zambezia province was 2,891,000 according to the 1997 census, but the food subsidy in southern Zambezia only supports 4,257 people, slightly less than the quota allocated for this area. Nationally the programme targets less than 1 per cent of the population.

3.5 Zambia: Kalomo District Pilot Social Cash Transfer Scheme

The Kalomo District Pilot Social Cash Transfer Scheme (hereafter Kalomo Pilot Scheme) was initiated by the Government of Zambia in November 2003, with financial support from a bilateral donor (the German Government) for an initial period of two years. The Kalomo Pilot Scheme is implemented by the Department of Social Welfare's Public Welfare Assistance Scheme (PWAS), within the Ministry of Community Development and Social Services (MCDSS). The German agency GTZ is also providing technical support. Interest in providing additional support has been shown at both national and international levels by the African Development Bank (ADB), DFID and Care International.

The overall objective of the Kalomo Pilot Scheme is to reduce extreme poverty and hunger in the 10 per cent of households identified as most destitute and 'non-viable' among communities in the pilot area, with a focus on households headed by older people and households caring for orphans and other vulnerable children. A further objective is to evaluate the impacts of an experimental social cash transfer scheme, with a view to extending the project within Zambia and possibly replicating the concept elsewhere. It should be noted that prior to starting the pilot, research conducted in Choma district in March 2003 as part of the GTZ Safety Net programme found that AIDS was a major (but not the only) cause of labour constraints in the poorest 10 per cent of households, and that many of these

[11] Given Mozambique's high level of donor dependence, donor funds in the form of direct budget support are presumably being put towards the Food Subsidy Programme by the government, but the point remains that this spending choice reflects the government's decision to implement the programme; it is not donor-driven.

households were headed by older people living with orphans and other vulnerable children. These findings were further confirmed in a national household survey conducted by the PWAS in 2003; this also confirmed that 10.5 per cent of households were without productive capacity.

Only 1,027 households were included in the pilot scheme. The project provides cash transfers for AIDS-affected, incapacitated and destitute households. Each of the 1,027 targeted households initially received a monthly cash transfer of ZmK 30,000 (equivalent to US$ 6). This is enough cash to buy one 50kg bag of maize. Following complaints that this money was not enough to meet basic needs, especially in large households with many dependants, the cash transfer was increased to ZmK 40,000 (US$ 8) to households with children. This is not graduated or scaled according to the number of children, as all households with children get the same amount. The objective of providing a single top-up for families was to keep management/targeting as simple as possible, while recognising the needs of larger families with children, but not encouraging households to take in extra children.

The money is paid to beneficiaries through a local bank account or through pay points in schools and health centres. Community committees identify the 10 per cent most needy recipients, based upon: those who are extremely needy; those who have only one meal per day or depend upon begging; households without an able-bodied adult fit for work; or households with a very high dependency ratio (over 300 per cent). The list of the 'most needy' is revised each year. The project targets households that have lost their main breadwinner, and thus impacts directly upon HIV and AIDS, as 55 per cent of beneficiary households have lost their main income-earner to AIDS.

The cost of the pilot scheme is relatively modest, at US$ 110,000 per annum. Crude calculations suggest that if the social cash transfer is extended to all 200,000 households in Zambia classified (or estimated) as 'destitute', the total annual cost will amount to US$ 21-26m, or 0.5 per cent of Zambia's GDP. Donors such as DFID consider this to be fiscally affordable and sustainable, despite involving regular cash transfers to potentially large numbers of people.

As noted, there is a great deal of interest in the Kalomo Pilot Scheme from international donors, NGOs and other African governments. GTZ are planning to support expansion of the scheme to the rest of Kalomo district and Monze district, while CARE will pilot the scheme in Kazungulu district and Chipata town; both agencies doing so with funding from DFID. The MCDSS and the ADB drafted the Zambia Child Welfare Project (which includes a cash transfer component), but this has not yet been approved, reflecting reservations within the Ministry of Finance. There is also interest in replicating the scheme in countries like Malawi in the next few years.