

Pension watch

Briefings on social protection in older age



Briefing no. 1

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A social pension in Zambia

Perceptions of the cash transfer pilot in Katete

The Government of Zambia has been running a set of pilot cash transfers to test which could best form the basis of a national social protection system. The pilot being run in the Katete district transfers money to everyone over the age of 60 years, thus creating a form of social pension.

This brief outlines the perceptions of recipients, their families and the community towards the pension, and the impacts which have been observed on areas such as nutrition, health, education and the local economy. It also outlines the practical benefits and challenges of implementing the scheme.

It finds that, while some technical issues remain, the model being used in Katete is a popular, administratively simple and cost-effective option to scale up to national level.

Introduction

Zambia is one of the poorest countries in the world. In 2006 it was estimated that 64 per cent of the population live in poverty, with just over half classified as extremely poor.¹ In this context, the Government of Zambia has recognised social protection as a key tool to tackle the high levels of poverty and vulnerability faced by its citizens.² Since 2003, the Ministry of Community Development and Social Services (MCDSS) has been piloting various models of cash transfer to see which could best be scaled up to national level. Pilots are being run in the five districts of Chipata, Katete, Kazungula, Kalomo and Monze, with the specific aim of reducing starvation and extreme poverty in the 10 per cent most destitute and incapacitated households.

The newest of the five pilots, in Katete, gives 60,000 Zambian kwacha (US\$11) a month to all people over 60 years of age. The Katete scheme differs from the other pilots in that it uses age-based or “categorical” targeting to select individuals, rather than attempting to identify the poorest households using community-based targeting.³ The decision to use age-based targeting in Katete came as a result of the challenges encountered in identifying the poorest in other pilots, and the observation that a large portion of those finally identified were older people.⁴

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“When you look at me now I look smart, I look beautiful! I have a very balanced diet, I maintain my family, I have no problem, and when I die I am sure that I will have something to cover my body.”

Nyanyiwe Phiri, a 73-year-old woman

This report gives a snapshot of how beneficiary households, the community and those involved in implementation perceive the scheme. The report is based on a research visit in February 2009 during which the researchers conducted focus-groups and semi-structured interviews with a range of stakeholders in the community. These stakeholders included recipients of the pension and members of the community who were not benefiting directly. Existing studies of the scheme were also collected and are referenced throughout the report.

The Katete district is a largely rural area with Katete town at its centre. The scheme began in mid-2007 covering just one ward, but in early 2008 it was extended to 10 of the 24 wards in the district, all of which are in rural areas. It reaches over 4,500 people, of whom 63 per cent are women and 37 per cent are men. The pension is paid to the recipients every two months. The scheme is officially called a “social cash transfer” but for simplicity’s sake it will from here onwards be referred to as a pension.

Impacts on older people

Most older people in Zambia face a precarious existence. In a country where most people are poor, old age brings additional risks such as health problems which make it harder to work and demand greater expenditure. The situation is particularly problematic in households headed by older people, 83 per cent of which are poor, and 66 per cent extremely poor.⁵

The current social security system is still far from adequate to tackle these problems. Lifetimes spent in poverty and working in the informal labour market mean that very few older people have any form of pension. And these trends seem set to continue, with less than 12 per cent of the current labour force covered by a social security scheme.⁶

Despite these challenges, older people remain active members of their communities. A study commissioned by HelpAge International in 2006 revealed that Zambians continue to work into old age, with 8 out of 10 people over 60 still involved in some form of economic activity.⁷ Meanwhile, older people play a big role in caring for grandchildren and orphans, often left behind by the HIV and AIDS epidemic.

In this context, older people interviewed as part of the study described a range of ways in which the relatively small pension had improved their lives. Top of the list was having more money to buy food, and recipients and non-recipients alike highlighted the nutritional impact of the pension. Godfrey Macondo, a 56-year-old who does not receive the pension, observed: “The older people are now able to manage three meals per day to feed the family. They used to look very unhealthy before the pension, but now they look healthy.”

This is reflected in research on the spending patterns of recipients of the pension in Katete, which shows that 26 per cent of the pension is spent on food. Other important expenditure is on small business and saving (20 per cent), agricultural investment (18 per cent) and housing and rent (14 per cent).⁸ Expenditure on health is small overall (around 2 per cent), which may reflect the fact that, since 2006, primary healthcare has been free in rural Zambia.⁹ Nevertheless, older people described how the pension had helped them access health services, for example, in hiring transport to a local health centre or paying for medicine elsewhere when it was out of stock.

As well as increasing the income of older people, there is a strong perception that the pension has improved their social standing in the community. Community members and those involved in the implementation of the programme have seen a reduction in the number of older people begging. Meanwhile, some have noticed fewer accusations of witchcraft towards older women in particular. This suggests that increased income has changed perceptions of older people from being a burden, to being a resource. As Faides Konoye, a 70-year-old pension recipient, explained, “If you have only dust in your hands, then friends are far; when they are full, they come closer.”

1. ILO, *Zambia, Social Protection Expenditure and Performance Review and Social Budget (SPER/SB)*, Geneva, ILO, 2008

2. The Government of the Republic of Zambia's Fifth National Development Plan (2006 - 2010) has a whole chapter devoted to social protection

3. Categorical targeting involves identifying a certain category of the population to receive the transfer, for example, older people, children, people living with disabilities or people living within a certain region

4. For example, see E Boonstoppel, *The Aged in Need?: An analysis of the relation between age and need*, for MDCSS/GTZ, 2005 which concludes that “older people are more likely to be amongst the higher ranked beneficiaries.”

5. G Sinyenga, *Statistical Analysis of Poor Households in Precarious Circumstances in Zambia*, Lusaka, Ministry of Community Development and Social Services, 2003

6. ILO, SPER/SB, 2008

7. M Kamwengo, *The Situation of Older People in Zambia*, WHO-AFRO and HelpAge International, 2006

8. M Hichaambwa, *Lessons on Social Cash Transfer Expenditure Patterns from the CARE International Supported Social Cash Transfer Schemes*, CARE Zambia, 2008

9. F Masiye et al., “Removal of user fees at primary health care facilities in Zambia: A study of the effects on utilisation and quality of care”, Equinet Discussion Paper 57, 2008

10. Kamwengo, 2006

11. S Devereux, “Social pensions in Namibia and South Africa”, IDS Discussion Paper 379, 2001



“The people who receive assistance, the aged, are my old parents; so I am relieved when the transfer is given to them.”

Tiripire Banda, a 59-year-old woman and member of one of the community groups helping to implement the scheme

“Before, people used to bypass us as we had nothing to offer. Now there is a much stronger relationship within the community.”

Martha Banda, a 57-year-old woman whose husband receives the pension

Muzamo, 75, and his wife, Lakele, 60, live together in Kafulafula village. They care for two orphans left by their late daughter. Before the pension, Muzamo and his family were struggling to get by on the money they earned farming a small plot of land and selling charcoal.

Lakele recently turned 60 but is not receiving the pension as there is no system to register those who have reached the eligibility age since the pension was introduced.

“When there was no money to buy books we at times had to go and do piecework. If there was no piecework, we would send the children to school without books but they would be sent back...”

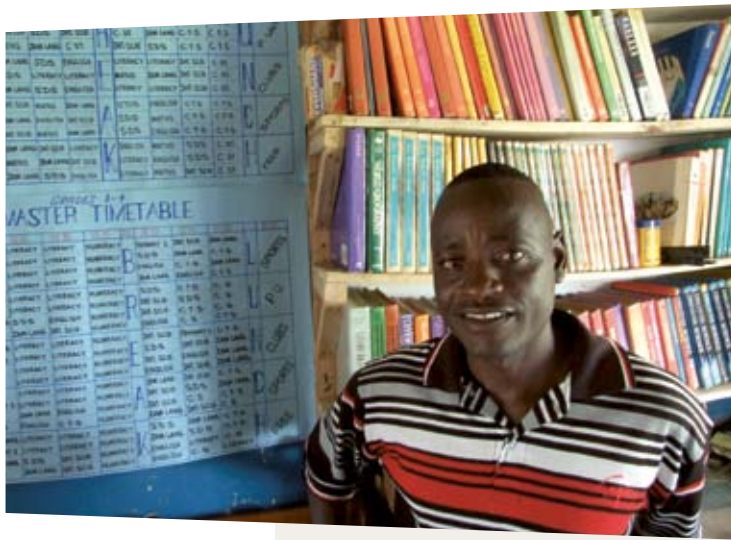
“We used to go without soap and without salt. But the moment my husband started receiving the pension we were able to purchase these things. We are even able to send the children to school and buy them books and uniforms which we never used to do in those days.”

Impacts on families

Families in rural Katete remain large and extended; and support relations within them are often complex. Many older people explained how their “household” in fact spread across a number of houses in the village that would share food, income and caring responsibilities. This reflects the situation across Zambia where in both rural and urban areas it is common for older people to live with three or even four generations.¹⁰

The nature of these households means that a transfer to older people often becomes a transfer to the household as a whole. While no quantitative study has been completed in Katete, research in Namibia, where there is a universal pension, has shown that older people spend less than a third of pension income solely on themselves, with the rest going to the family as a whole or individual relatives.¹¹

In Katete, the clearest sign of the pension being distributed through the family is the impact on children, and particularly on school attendance. Older people and others in the community described how the extra income had helped families to overcome many of the costs of schooling. School is free in Katete up to Grade 7, but families must pay from then onwards and many costs are still not covered, such as buying books and school uniforms. Both teachers and older people explained how children who went to school without a uniform would often be excluded or laughed at by the other pupils. Meanwhile, children without the necessary books would be unable to participate in class. These issues were seen to have reduced significantly with the introduction of the pension.



“Attendance has improved and absenteeism reduced to the minimum... their children are coming to school regularly now, unlike in the past when the pupils used to complain ‘there was no food yesterday, I didn’t have soap to wash’.”

Fastone Suko, Headteacher of Kafulafula Village School

“Now they buy enough food and the children come to school fed. When the child is fed concentration levels are higher and the output of the pupils is good. So, even the results are improving.”

Mr V Menda, Headteacher of Kafunnkha School and assistant pay point manager

Older people and teachers also noted other indirect benefits. One was that the improved nutrition of the children had improved their ability to learn. Another was that in some families the pension has decreased the need for children themselves to go out and do piecework instead of attending school. Headteacher Fastone Suko explains: “A number of children had left school to do piecework with their parents, herding cattle and so on. Now they are back in school.”

The impact on children was seen to have been particularly relevant for households where older people were caring for grandchildren and orphans. This situation is very common in Katete where many children have lost their parents to AIDS. In Zambia as a whole, over 40 per cent of older-headed households are caring for at least one orphan.¹² This is in line with evidence from across southern Africa showing that most orphans are cared for by their grandparents.¹³

Impacts on the local economy

In recent years there has been a growing interest in the economic impact of cash transfer schemes around the world. In Katete, the existence of the pilot means that every year an extra US\$600,000 enters the ten wards where it is running. As outlined above, many older people and their families decide to invest this money. In total, over a third of the pension is spent on small business, saving and agricultural investment.

Some older people explained how they had been trying to invest before the pilot began, but often had to sell their assets when food or money was short. Nyanyiwe Phiri, a woman of 73, described this coping strategy: “I used to sell my livestock in order to support my family. It was very difficult and painful for me, as it was not my intention to sell the livestock, but because of the problems that I had, I was forced to.”

Increased and more sustained investment has the potential to boost the productivity of the community, and can also create employment. In some cases, older people investing in their own plots of land had provided work to other members of the community, for example, in the form of ploughing a piece of land for a family with an older person.

Even the money not directly invested is supporting the local economy. Older people who cannot travel to Katete town to buy food spend money in small shops in the community: 63 per cent of the pension income was spent in the local trading centre or in neighbouring villages.¹⁴ As a result, a number of shop-keepers have seen business improve as older people are buying more basics such as salt and soap.

12. M Connolly and A de Wagt, *Orphans and the impact of HIV/AIDS in sub-Saharan Africa*, Rome, FAO, 2005

13. In Namibia, South Africa and Zimbabwe, over 60 per cent of orphans are cared for by their grandparents. In Malawi and Tanzania the proportion is over half. See UNICEF, *Africa’s Orphaned Generations*, New York, UNICEF, 2003 for more figures

14. M Hichaambwa and R Mwinga, *Social Cash Transfers as a Tool to Reduce Extreme Poverty: Lessons from the Pilot Social Cash Transfer Schemes in Zambia*, CARE International, 2008

15. CARE International, *Social Cash Transfers: Lessons from an Age-Based Social Pension Scheme*, CARE International, 2009

Community perceptions

From the focus groups and interviews, perceptions of the wider community towards the pension appear to be very favourable. On one hand, this was linked to the positive economic impact of the pension. Another recurring comment was that it had reduced the need for individuals to voluntarily assist older people, thus freeing up resources for their own needs.

Meanwhile, the age-based criteria was seen to be fair. Community members perceived older people to be a particularly deserving group in need of extra assistance. Their increased need for assistance was linked strongly to the impact of HIV and AIDS on the community and the role which older people were playing in caring for orphans. These testimonies echo the findings of a perception study conducted by CARE International prior to the start of the pilot, which concluded:

“The age-based criteria is seen by stakeholders of the Katete scheme to be fair, easy to implement, administratively simple, relatively affordable and very popular in terms of the way it strengthens the status of the elderly recipient and restores her or his status within an African family.”¹⁵

Limitations

The main criticism of the pension related to the limit of its reach. Such complaints were mainly from the 14 sub-districts of Katete not included in the pilot and from individuals who had reached the age of 60 but were not yet registered in the scheme. Focus groups also brought out concerns for vulnerable families that did not fit the eligibility criteria, such as households caring for orphans where there was no older person. These comments highlight the fact that a scheme of this nature should be seen as a component of a wider social protection system which includes a range of measures.

“We get most customers during pension payments. Elders bring their maize for grinding and pay in cash, which was not the case before the introduction of the pension.”

Fales Tembo, a member the Katete District Women’s Association, a livelihoods cooperative whose members grind maize and raise broiler chickens

Tiziwenji Tembo is 75 years old. She cares for four children of her late daughter who passed away five years ago. Being a widow and taking care of a large family, life was difficult before the pilot started.

“I used to starve, I had no clothes, I was not myself, but now I am able to run my family comfortably and hire labour for my farm in case I am not able to work.”

As well as buying basics such as food and materials for the grandchildren, she has been able to put a little money aside from the pension. Part of this she used to renovate her house which was about to collapse, and she also bought a piglet which she fattened up and sold on.

For the grandchildren the extra money for books and uniforms has ended the stigmatisation they experienced at school.

“My grandchildren are motivated to go to school now. Before the pension they didn’t want go because they did not have proper school uniforms and books, and their fellow students used to laugh at them.”



Implementation

The Katete scheme – as with the other four pilots being run in Zambia – is administered through systems set up through the MCDSS for the Public Welfare Assistance Scheme (PWAS), a social assistance programme which has been in place since the 1950s.¹⁶ This consists of various levels of administration from the District Social Welfare Office of the MCDSS down to the community level. Central to this system – and the running of the pilot cash transfers – are community groups called Community Welfare Assistance Committees (or CWACs). The Katete pilot has been supported by CARE International with funding from a number of cooperating partners.

At the start of the programme, the CWACs registered the older people using national registration cards to verify their age, and village registers to confirm that recipients had been resident in the village for not less than 12 months. In total, 4,711 recipients were registered for the scheme, 2,982 women (63 per cent) and 1,729 men (37 per cent).

The pension reaches older people in Katete through 32 pay points in schools and health centres. The payments are made by pay point managers who are all public servants, mostly schoolteachers or health staff. For their role they are given a monthly stipend of 50,000 kwacha. Pay days take place every two months when 120,000 kwacha is paid to each beneficiary. Every pay day the pay point manager withdraws the money for their pay point from the bank in Katete town and returns to the village by taxi (for which he or she is reimbursed).

The CWACs play a key role in the registration: informing the older people of the date of the payment day, being present throughout the payment and making visits to households if a recipient has not collected the amount. On registration, older people are asked to declare a deputy who can collect the pension if they are unable to do so themselves. However, if the deputy collects the amount three times in a row then a member of the CWAC will visit the household to speak to the older person and make sure there are no problems.

Key perceptions of the working of the scheme

Simplicity of scheme MCDSS staff involved in the implementation of other pilots highlighted that the age-based targeting in Katete was far simpler than other targeting models. A recent UNICEF report concluded that “the Katete model poses fewer difficulties to administer given the capacity available in the District Social Welfare Office and the PWAS partners.”¹⁷ Registration was completed within one month, whereas in other schemes it has taken around three months. In this way, despite being the newest of the pilots, Katete already has the biggest caseload.

Administrative cost The administrative cost of the Katete scheme is around 6 per cent of the total transfers.¹⁸ MCDSS staff outlined that this was significantly lower than the cost of other schemes. The pilot in Kalomo had administrative costs of 15-17 per cent.¹⁹

Mlumbenji Lucas Miti is 63 and cares for six children, two of her own daughters and four orphans from her late sister. Nutrition and health are two key areas where the pension has made a difference:

“Today my life has improved, I am able to buy at least two meals a day and use part of the money to hire a taxi to go to hospital if there is an emergency.”

However, the extra money has also helped her to save for longer-term needs:

“I was able to save and build a new house for my family. I used a large part of my savings to purchase iron sheets and wooden doors.”

“When I have health problems I use the money to hire someone to transport me to the rural health centre.”

Faides Konoye, a 70-year-old woman



Considerations for scale-up



“What motivates me the most, is that we are being assisted by these transfers, because instead of me assisting the aged, they are assisting themselves.”

Francis Enjovo, a CWAC member, explaining his motivation to help implement the pension

Rolling registration There has only been one registration period for the beneficiaries of the pilot in Katete. This is attributed to the newness of the Katete scheme relative to other pilots. The result is that some people have turned 60 but are still not receiving the pension. Further rounds of targeting have been planned for the near future. Another option to consider in scaling up would be the implementation of rolling registration to allow individuals to register when they reach the age of 60.

Assess robustness of the system of national registration cards Compared with other countries in the region, Zambia is in the advantageous position of having a relatively strong system of national registration cards. Nevertheless, implementation has revealed that some people still have cards which have inaccurate information. Similar issues have been encountered with health user-fee exemptions which were previously targeted to certain age groups.²⁰ In the process of any scale-up, the robustness of this system and the extent of errors would need to be assessed. An appeals system would also need to be developed for those refused access to the pension.

Payment mechanism One of the biggest concerns raised by pay point managers has been the security risk of having to carry large sums of money. While there have been no cases of theft in Katete, the risk would likely be far greater with a scheme at national level. Countries across the region have been experimenting with different ways to deliver cash to remote areas and there is a growing body of evidence on best practice. Examples include the use of secure mobile payment vehicles, local shops and technology such as smart cards and mobile phones. The MCDSS is currently considering the use of electronic payment methods.

Use of voluntary community groups Community groups play a central role in the Katete pilot through registration, payment and monitoring. However, questions remain as to what would be the role of community groups in a national scheme. CWACs have explained the difficulties of giving much of their time to support the scheme with only modest incentives (for example, CARE International provided a bicycle for each CWAC). One CWAC member commented: “On pay day, we stay the whole day without eating anything, so we would wish that something is given to us.” Meanwhile, it is not clear that the PWAS system is uniformly strong across the whole of Zambia. Options would include giving greater incentives to CWACs or reducing their level of involvement in the implementation of the scheme.

Indexing the pension level The pension in Katete is not indexed to inflation, meaning that, over time, its real value will have decreased. In order to maintain its support to older people and their families, this pension would need to be regularly adjusted in line with inflation.

Delays in payment There have been complaints that the MCDSS often encounters delays in releasing funds for payment to recipients and that payments have come late. The regularity and predictability of income is one of the key merits of any cash transfer, so this would be a key area to address in scale-up.

Inclusion of wealthier older people Although the issue did not come up during the research visit, one potential criticism of the age-based model is that wealthier older people are eligible. Considering the high levels of poverty and low pension coverage in Zambia, the proportion of non-poor older people eligible for the pension is likely to be small. Moreover, international experience suggests that attempts to exclude the wealthiest from a social pension may decrease political buy-in, create disincentives to contribute to other pension systems and even increase the total costs.²¹ Nevertheless, there are potential methods for reducing the benefits to the better off, for example, progressively excluding those with other pensions and clawing back money through taxation.

16. ILO, SPER/SB, 2008

17. RuralNet Associates Ltd for IPC and UNICEF, *Assessing Administrative Capacity and Costs of Cash Transfer Schemes in Zambia: Implications for Rollout*, 2008

18. MCDSS, *Project Profile: Katete Social Cash Transfer Scheme*, 2008

19. Regional Hunger and Vulnerability Programme, *Social Cash Transfers, Zambia*, REBA Case Study Brief Number 2, 2007

20. F Masiye et al., 2008

21. L Willmore, “Universal Pensions for Developing Countries”, *World Development* 35, 2007



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Conclusion

The perceptions of communities in Katete towards the pension reflect a large body of evidence from Zambia and across Africa which shows that even small cash transfers can make a significant difference to the lives of poor people. Older people are benefiting in terms of nutrition, health and a greater capacity to invest in their own livelihoods. At the same time, many of them have seen a shift in how the community perceive them: from a burden to a resource.

The benefits are also being passed on to other members of the family. In particular, the pension has led to more children attending and remaining in school, especially those who are orphaned or vulnerable due to AIDS and are living with older people.

Evidently, a scheme such as that in Katete needs to be seen as complementary to wider social policy. In the areas of health and education, the pension is reinforcing steps already taken by the Zambian government to provide services and reduce fees. A social pension will also work best if it is part of a broader system of social protection that addresses the needs of other vulnerable groups, such as children and people living with disability.

As a contribution to the Zambian Government's attempts to begin building such a system, the Katete pilot has provided an important learning opportunity. In particular, two key lessons stand out from the experience:

- Firstly, the model used in Katete is administratively simple and cost-effective to implement. While technical details remain, these qualities are clear merits to the age-based model in considering how to implement cash transfers at a national scale.
- The second lesson is the popularity of the scheme among the community as a whole, and the widespread support for the targeting method. In part this appears to be a positive response to seeing a deserving section of the population being supported. But it is also linked to the benefits which the wider community has seen through an increase in economic activity, and a decreased need to divert resources to support older people.

This popularity could be an important factor in building political will for a policy of this nature at national level.

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This brief draws on a more detailed report of the research visit written by Zubeda Chande of the Institute of Finance Management, Dar es Salaam, Tanzania.

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