The political economy of social protection financing in Zambia: The Social Cash Transfer Scheme

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By

Nkandu David Chilombo, Social Policy Specialist
Dr Paul Quarles van Ufford, Chief of Social Policy & Economic Analysis
Starting point: What is political economy?

“It’s called political economy because it has nothing to do with either politics or economy”

Stephen Leacock
Canadian Economists
Background

- The Zambian Social Cash Transfer programme has developed from a small donor-funded pilot project, which started in 2003 in Kalomo district, into a national government-funded scheme which is projected to cover 75 (CURRENT 50 DISTRICTS) of the 104 districts with a target caseload of 250,000 households (about 8% of the projected population) by end 2016.

- The transfer amount is ZMW 70.00 per month (currently $6, but was $11 in January 2015).
Development of case load

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## Expansion and Financing Social Cash Transfers

<table>
<thead>
<tr>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Caseload</strong></td>
<td>19 districts out of 103</td>
<td>50 districts</td>
<td>50 districts</td>
<td>Target 76 districts</td>
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<tr>
<td><strong>SCT Budget</strong></td>
<td>72.1 million Kwacha [0.22% of national budget]</td>
<td>199.2 million Kwacha [0.47% of national budget]</td>
<td>180.6 million Kwacha [0.39% of national budget]</td>
<td>302 million Kwacha-0.57% of the National budget</td>
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<tr>
<td><strong>SCT Budget as a share of GDP</strong></td>
<td>0.06%</td>
<td>0.14%</td>
<td>0.095%</td>
<td>0.15%</td>
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Funding sources for social cash transfer scheme (2013-2016)

Government Funding  
Donor Funding

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Factors influencing the 2016-2018 scale-up

Demands to political leaders from districts without program
Buy in by Ministry of Finance after impact evaluation

New champions for scheme:
- IMF
- Economics Association of Zambia
- Members of Parliament
- Civil Society

Those with competing programs
- Farmers’ Union and Zambia Cooperative Society
Factors influencing the 2013 scale-up

Overall:
- Political momentum for social protection and pro-poor programs
- Consensus framework for the national social protection policy
- Partial removal of subsidies (fuel, fertilizer)
- Demonstrated impact
Review of Government Expenditure on Transfers and Subsides

- Farmer input support Prog: 24% (2016), 25% (2015)
- Empowerment funds: 4% (2016), 2% (2015)
- Social Cash Transfer: 3% (2016), 7% (2015)
- Public Service Pension Fund: 19% (2016), 0% (2015)
- School Feeding Programme: 1% (2016), 1% (2015)
- Strategic Food Reserve: 18% (2016), 17% (2015)

2016 vs 2015 expenditure percentages are shown for each category.
Conclusion

“Single most important message is that development outcomes depend fundamentally on the political incentives facing political elites and leaders” David Booth and Ole Therkildsen, 2012

the transformation of the Zambian Social Cash Transfer scheme’s from a donor supported project to a nationally funded scheme is a testimony of when economic fundamentals and political incentives collide