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Report No: PAD5062

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF US\$155 MILLION

AND A

PROPOSED GRANT

IN THE AMOUNT OF US\$27.93 MILLION

FROM THE

ZAMBIA GIRL'S EDUCATION AND WOMEN'S EMPOWERMENT AND LIVELIHOOD
MULTI-DONOR TRUST FUND

TO THE

REPUBLIC OF ZAMBIA

FOR A

SCALING UP SHOCK RESPONSIVE SOCIAL PROTECTION PROJECT

June 14, 2022

Social Protection and Jobs Global Practice

Eastern and Southern Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2022)

Currency Unit = **Zambian Kwacha**

US\$1 = **ZMW17.25**

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

7NDP	Seventh National Development Plan
8NDP	Eighth National Development Plan
BOZ	Bank of Zambia
CWAC	Community Welfare Assistance Committees
DMMU	Disaster Management and Mitigation Unit
ESF	Environmental and Social Framework
ESS	Environmental and Social Standard
FM	Financial Management
GBV	Gender Based Violence
GDP	Gross Domestic Product
GEWEL	Girls Education and Women’s Empowerment and Livelihoods
GRM	Grievance Redress Mechanism
HD	Human Development
IDA	International Development Association
IFRs	Interim Financial Reports
IMF	International Monetary Fund
KGS	Keeping Girls in School
MCDSS	Ministry of Community Development and Social Services
MDTF	Multi-Donor Trust Fund
MIS	Management Information System
MoFNP	Ministry of Finance and Economic Planning
NSPP	National Social Protection Policy
OHS	Occupational Health and Safety
PEO	Provincial Education Office
PIU	Project Implementation Unit
PPE	Personal Protective Equipment
SCT	Social Cash Transfer
SOPs	Standard Operating Procedures
SRGBV	School Related Gender-Based Violence
SWL	Supporting Women’s Livelihoods
SZI	Smart Zambia Institute
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children’s Fund
WB	The World Bank
ZISPIS	Zambia Integrated Social Protection Information System



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Zambia	Scaling-up Shock Responsive Social Protection Project		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P179095	Investment Project Financing	Moderate	Urgent Need or Capacity Constraints (FCC)

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
28-Jun-2022	30-Jun-2025

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To protect poor and vulnerable households' consumption in response to shocks in Zambia



Components

Component Name **Cost (US\$, millions)**

Social Cash Transfer 182.93

Organizations

Borrower: Republic of Zambia

Implementing Agency: Ministry of Community Development and Social Services (MCDSS)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	182.93
Total Financing	182.93
of which IBRD/IDA	155.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	155.00
IDA Credit	155.00

Non-World Bank Group Financing

Trust Funds	27.93
Zambia Girls' Education and Women's Empowerment and Liveliho	27.93

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Zambia	155.00	0.00	0.00	155.00
National PBA	155.00	0.00	0.00	155.00



Total	155.00	0.00	0.00	155.00	
Expected Disbursements (in US\$, Millions)					
WB Fiscal Year		2022	2023	2024	2025
Annual		0.00	65.00	107.93	10.00
Cumulative		0.00	65.00	172.93	182.93

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Moderate
10. Overall	● Moderate



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants



Conditions

Type	Financing source	Description
Effectiveness	Trust Funds	The Grant Agreement shall not become effective until evidence satisfactory to the Bank has been furnished that the IDA Financing Agreement has been signed and delivered by all the parties, and all conditions precedent to its effectiveness have been fulfilled.
Effectiveness	IBRD/IDA	The Project Implementation Manual has been updated by the Recipient in a manner satisfactory to the Association



I. STRATEGIC CONTEXT

A. Country Context

1. **Zambia's Gross Domestic Product (GDP) growth has fluctuated over the last decade due to shocks.** In 2011, Zambia regained middle income country status, driven by a decade of strong GDP growth averaging 7.4 percent between 2004 and 2014.¹ While GDP growth was at a strong 10.3 percent² in 2010, shocks including sharp declines in copper prices, and El-Nino related rainfall patterns slowed economic growth from 2015 to 2019. Most recently, the global and local economic fallout of the Coronavirus Disease (COVID-19) pandemic contributed to a recession of 2.8 percent in the Zambian economy in 2020. The economy is returning to positive growth, following the global easing of COVID-19 restrictions, market confidence as a result of the recent national election, better rainfall and positive copper price outlooks. The GDP growth rate was 4.3 percent in 2021 and a projected 3.1 percent in 2022. However, delays in Zambia's debt restructuring process and rising global oil and fertilizer prices due to the war in Ukraine continue to pose risks to economic recovery.³

2. **Economic growth has not led to poverty reduction in recent years, leading to a stubbornly high poverty rate and regional disparities, which worsened after the outbreak of COVID-19.** As Figure 1 shows, Zambia has had high levels of poverty as well as inequality, with the national poverty rate having remained stagnant at 54 percent between 2010 and 2015.⁴ World Bank simulations suggest that the poverty rate increased to 56 percent by 2019. Following the COVID-19 shocks in 2020, poverty increased to 57.6 percent in 2020, according to the national poverty line or nearly 60 percent as per the international poverty line.⁵ Poverty incidence is twice as high in rural areas as urban, driven by an urban-rural divide as well as spatial divides in prosperity between Lusaka and the Copperbelt, and the rest of the country.⁶ However, urban poverty though less than rural, is still very high. As of 2015, about 1 in 4 urban Zambians were poor, while in rural Zambia 4 in 5 people were poor as per the international poverty line.⁷

¹ Zambia Country Partnership Framework, FY19-23. World Bank.

² World Economic Outlook Indicators. International Monetary Fund. April 2022.

³ Macro Poverty Outlook, Zambia. World Bank. April 2022.

⁴ Poverty and Equity Brief for Zambia. World Bank. April 2020.

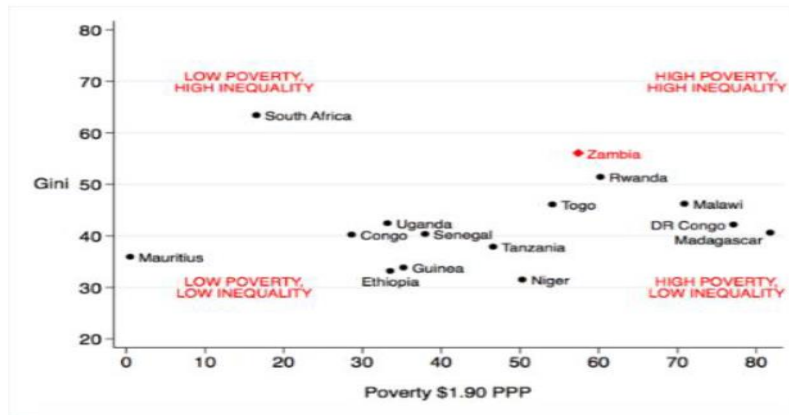
⁵ COVID-19, Poverty, and Social Safety Net Response in Zambia. World Bank. 2021.

⁶ Zambia Systematic Country Diagnostic. World Bank. 2018.

⁷ Poverty and Equity Brief for Zambia. World Bank. April 2020.



Figure 1: Both Poverty and Inequality are High in Zambia



Source: World Bank Systematic Country Diagnostic for Zambia, 2018.

3. **Food security of the poor is threatened by high inflation, rising fuel and fertilizer prices in the country, and global increases in food prices.** Inflation in Zambia has spiked in recent years, going from 9.2 percent in 2019 to 21 percent in 2021. It is projected to be 16 percent for the year of 2022 as per latest estimates. The war in Ukraine is resulting in supply shortages that are pushing up food prices –the World Bank’s food price index reached an all-time high, rising 11.5 percent in March 2022, a year-on-year increase of 37 percent⁸. While Zambia is self-sufficient in wheat and maize, the price of fuel and fertilizers is rising sharply, particularly in the context of subsidy reforms that the country is undertaking. World Bank simulations estimate a reduction of household welfare due to the indirect effect of fuel and fertilizer price increases on food prices, particularly among urban poor and rural households.⁹ Increased fertilizer prices are also likely to reduce application of fertilizers, particularly by the poor, reducing agricultural yields and increasing food insecurity.

4. **In the wake of a series of recent shocks, the ability of the poor to cope with fresh price shocks is extremely limited.** The loss in income since the COVID-19 outbreak, coupled with price inflation has meant that households, particularly in rural areas have had to deploy negative coping mechanisms such as reduced food consumption (as their savings are likely depleted due to previous coping efforts to weather shocks). The Zambia high frequency COVID-19 phone survey found that in 2020, households were facing increased food insecurity, with 39 percent of households reporting having skipped a meal and 41 percent of households reporting being concerned about running out of food.¹⁰ Proactive measures to boost incomes and purchasing power are required to protect the consumption of the poor and prevent negative coping mechanisms and increased food security.

5. **Girls and women were especially vulnerable before the pandemic, and gender inequality and vulnerability to poverty has worsened since.** According to the United Nations Development Program (UNDP)’s Human Development Report, Zambia ranked 137 out of 162 countries on the Gender Inequality

⁸ <https://www.worldbank.org/en/news/speech/2022/04/19/remarks-by-world-bank-group-president-david-malpass-to-the-u-s-treasury-s-event-on-tackling-food-insecurity-the-challeng>

⁹ Poverty and Social Impact Assessment of Potential Fuel Price Subsidy Reform in Zambia, draft version

¹⁰ Monitoring COVID-19 Impacts on Households in Zambia, Report No. 1: Results from a High-Frequency Phone Survey of Households. World Bank. 2020.



Index (GII) in 2019, before the pandemic.¹¹ A World Bank report shows that women and girls were disproportionately affected by the COVID-19 crisis, which reinforced unequal gender norms, child marriage, gender-based violence and decreased women's agency, maternal health, jobs and profit earnings.¹² In Zambia, women were significantly more likely than men to have stopped working between April and June 2020. A recent brief reported that women farmers and their households in African countries had to deploy negative coping behaviors such as selling agricultural assets.¹³ Even before the pandemic, women were at a disadvantage in accessing financing when compared to their male counterparts. While almost 60 percent of Zambian women and men experience some level of financial inclusion, men have an advantage over women overall (61.2 percent of men were included versus 57.6 percent of women) and women are more excluded than men in every category. Women who are financially included, are significantly less likely than men to take up formal financial services and more likely to rely on informal services.¹⁴ A (2015) World Bank Gender Assessment highlighted numerous constraints to women's productivity, including a lack of access to quality inputs, markets, and credit.¹⁵

6. Human capital investments continue to be threatened in poor households with women and girls particularly vulnerable. Zambia's Human Capital Index (HCI) is 0.4, which implies that children born today will only be 40 percent as productive as they would be if they enjoyed full educational and health attainment. Although the country achieved close to universal access to primary education, secondary school coverage is much lower at 43 percent.¹⁶ Stunting rates among children below age 5 years are also high at about 35 percent.¹⁷ Enrollment and retention in secondary school (grades 8-12) have been a greater challenge among girls from poorer districts as only a quarter of them enrolled in school, compared to one third among boys from the same districts. Drop-out rates among secondary school girls are higher than boys throughout the country—over double the rate for boys (5 girls drop for every 2 boys).¹⁸ Early pregnancy (47 percent), household economic constraints (18 percent) and early marriage (13 percent) are major reasons why adolescent girls drop out of school.¹⁹ Economic constraints and early pregnancy and marriage are interrelated in Zambia, with rates of early pregnancy rising to almost 50 percent among the poorest income quintile, compared with only 10 percent in the highest wealth quintile²⁰.

7. At the same time, large public debt threatens the government's fiscal space to respond with consumption boosting measures for the poor. Zambia's growth model has been public-investment heavy, relying on debt financing which did not deliver sustained poverty reduction and sufficient growth to recover debt. Zambia's public debt position has worsened consistently over the last few years, rising from

¹¹ Human Development Report Briefing. United Nations Development Programme. 2020.

¹²<https://openknowledge.worldbank.org/bitstream/handle/10986/37347/IDU00c5a3da201bc80481f087a80807ea85467ea.pdf?sequence=1&isAllowed=y>

¹³<https://openknowledge.worldbank.org/bitstream/handle/10986/36545/Coping-with-COVID-19-Shocks-in-Western-Uganda.pdf?sequence=1&isAllowed=y>

¹⁴ Financial Sector Deepening Zambia. Expanding Financial Inclusion (2015). *FinScope*. Lusaka, Zambia.

¹⁵ World Bank (2015). *Gender Assessment, Rural Zambia: A Qualitative Inquiry*. March.

¹⁶ <https://www.unicef.org/zambia/education>

¹⁷ Zambia Demographic and Health Survey 2018

¹⁸ Education Management Information System, Ministry of Education 2017

¹⁹ 2019 analysis of Education Management Information System data

²⁰ According to the DHS 2014. Zambia's fertility rate is 5.3 children per woman (falling to 4.7 as per DHS 2018), 31 percent of women (compared to 2 percent of men) were married by the age of 18 years, and nearly one third of girls aged 15 to 19 years have already been pregnant.



61 percent of GDP in 2015 to 138 percent in 2020, slightly dropping to 121 percent in 2021.²¹ The COVID-19 pandemic considerably worsened Zambia's macroeconomic imbalances and Zambia became the first Sub-Saharan African country to default on the Eurobonds in the midst of the COVID-19 crisis in 2020. While the newly-elected government is committed to undertaking macroeconomic reforms to make debt sustainable, debt restructuring efforts with Zambia's creditors have not yet concluded and the government's fiscal space is extremely strained. Therefore, the government's ability to finance and scale up safety nets transfer payments to the poorest is constrained in the immediate term.

8. **In addition to the recent COVID-19 shocks and the projected price shocks from national and global events, Zambian households also face frequent climate shocks.** Zambia's climate is highly variable, with extreme weather events, such as drought and flooding becoming more frequent and intense with climate change. Climate change in Zambia is projected to result in more frequent, severe rainfall periods and an average increase in temperature by 1.2-3.4 degrees Celsius by 2060. El Niño-induced droughts are increasingly common, affecting the southern half of Zambia, given more erratic rainfall and prolonged dry spells. Such variability in the weather negatively impacts agriculture, with over sixty percent of the population of Zambia deriving its livelihood from agriculture. As a result, climate change is expected to exacerbate poverty by reducing the rate at which households escape poverty and moving those who are not poor into poverty²². For example, in 2019, a severe drought affected much of the country, with maize production in Southern and Western provinces falling by over 50 percent and over 2.7 million people facing severe acute food insecurity.

B. Sectoral and Institutional Context

9. **There is a strong policy environment and commitment level to social protection in Zambia.** The National Social Protection Policy 2014-2018 (NSPP) provides a broad framework within which social assistance programs operate, highlighting the objectives of reducing poverty, boosting food security, and building human capital. In 2019, the Integrated Framework of Basic Social Protection Programs built on existing social protection policy to move the sector: (a) in the direction of layering a floor (basic social assistance) together with ladder programming (livelihoods and empowerment) to achieve greater impact; and (b) from programming in silos to a more complementary and comprehensive approach to reducing extreme poverty and promoting human capital development. The foundation of this "cash plus" approach is the Social Cash Transfer (SCT), which provides regular cash transfers to smooth the consumption of extremely poor and vulnerable households and enables them to make human capital and livelihoods investments through layered empowerment interventions. NSPP, in fact, sets forth concrete targets to scale-up the SCT program to all districts nationally by 2016—a target that the government managed to achieve by 2017. The Seventh National Development Plan (7NDP) reinforced the NSPP with targets to increase social assistance coverage from 40 percent to 70 percent of the poor, and spending from 0.7 percent to 1.7 percent of GDP. The forthcoming Eighth National Development Plan (8NDP) for 2022-2026 further outlines social protection and human development as one of the four key pillars of government's development strategy.

10. **The commitment to social protection in policy frameworks has been manifested in increased budget allocations on social assistance programs since 2014, especially the SCT.** The share of the social

²¹ World Economic Outlook Database. IMF. April 2022.

²² World Bank. 2015. *Climate Change and Poverty*. Climate Change and Poverty Conference



assistance budget increased from 0.14 to 0.8 percent of GDP between 2014 and 2022, with SCT comprising the majority of social assistance spending at 0.63 percent of the GDP in 2022. Other programs, such as Public Welfare Assistance Committee, Home-Grown School Feeding program, Keeping Girls in School and Supporting Women's Livelihoods initiatives, and other bursary programs, continue to be largely donor financed, nevertheless increasing in government budgetary commitments.

11. **Zambia's safety nets are critical to protect the poor from the effects of multiple crises and the expected food price shock.** The government recognizes the role of social safety nets in protecting the poorest and most vulnerable against consumption shocks. In response to the COVID-19 shocks, the government doubled its budgetary allocations to the SCT program to 0.63 percent of GDP equivalent in 2022. World Bank simulations suggest that the scale up in SCT program coverage and increased transfer value in 2021, which government undertook with the support of the World Bank, are estimated to have reduced poverty in Zambia by over 6 percentage points²³. In addition, the SCT cash transfers form the base for layering on 'accompanying measures' focused on economic inclusion, human capital and climate adaptation, which are a key policy tool to help diversify livelihoods to increase resilience to climate shocks.²⁴

12. **The World Bank has increased its investment in the social protection sector in Zambia in recent years, resulting in a large scale up of support to the poorest and most vulnerable.** The World Bank's current lending operation in the social protection sector in Zambia is the Girls Education and Women's Empowerment and Livelihoods (GEWEL) project (P151451). GEWEL is a cash plus social protection program that supports the poorest families in Zambia with cash transfers and layers additional interventions to empower girls from those families to complete their secondary education, and support women in starting their own small businesses. It has four main sub-components: (1) Supporting Women's Livelihoods (SWL); (2a) Keeping Girls in School (KGS); (2b) Social Cash Transfer (SCT); and (3) Institutional Strengthening and System Building. GEWEL has scaled up significantly and has pooled resources to the social protection sector through a World Bank administered Multi-Donor Trust Fund (MDTF), the Zambia Girls' Education and Women's Empowerment and Livelihoods Multi Donor Trust Fund, TF073377. The IDA-funded parent project of US\$65 million became effective in April 2016. Two Additional Financings have since been processed in 2020 and 2021, increasing the total amounts to US\$312 million IDA and US\$36 million grant from the GEWEL MDTF, with contributions from the Swedish International Development Agency (SIDA), Foreign and Commonwealth Development Office (FCDO) and Irish Aid.

13. **The sustained financing of Zambia's safety nets is threatened by government's shrinking fiscal space.** The delays in Zambia's ability to access debt restructuring under the G20 common framework and budget support, puts the financing of the social protection sector at risk. Despite increasing budgetary allocations to social assistance, actual spending for the sector has always been sensitive to government's fiscal constraints and has often fallen short. In the period 2014-2018, social assistance spending averaged only 0.11 percent of GDP, at half the authorized budget.²⁵ This reduced even further in 2019 and 2020, due to the worsening fiscal situation. Due to low budget execution by Zambia's Treasury, only about 15 percent of the SCT budgetary allocation was disbursed in 2019 and 46 percent in 2020. This led to the

²³ Zambia - Social Protection and Jobs Public Expenditure Review 2021 (English). Washington, D.C.: World Bank Group.

²⁴ Bodewig, Christian and Stéphane Hallegatte. July 2020. *Building Back Better after COVID-19: How social protection can help countries prepare for the impacts of climate change*. World Bank Blogs

²⁵ Zambia Social Protection and Jobs Public Expenditure Review 2021.



majority of SCT beneficiaries only receiving one out of six planned cash transfers in 2019, and three out of six transfers in 2020. However, recent gains in 2021 and 2022 of increased coverage and adequacy of the SCT, through IDA and MDTF financing as well as prioritization of more regular releases by Zambia's Treasury, are threatened by the shrinking fiscal space of the government.

14. Expansions of the SCT's coverage and adequacy have kept up with inflation but do not currently provide a preemptive cushion for additional shocks. The government prioritized social protection spending through regular releases to SCT in 2021, with World Bank and other donor support, through GEWEL, increasing coverage to 30 percent of Zambia's population and expanding the amount of the transfer successively to ZMW200 (US\$12) per month in 2022 compared to ZMW90 per month in 2019 (US\$4.5).²⁶ Whilst the transfer value has kept up with inflation over the past few years, as of 2022 it only represents 8 percent of the national poverty line, against a target of 20 percent in the 7NDP. While the SCT has made strong gains in improving coverage and reliability of transfers, continuing double digit inflation indicates that transfer values would need to be further increased in the future. The recent increase in transfer amounts will enable households to maintain a level of consumption against inflation but are not sufficient to cushion households against additional shocks such as drought or spikes in food prices.

15. Zambia's current social protection system is unable to mount timely responses to shocks through the SCT but there is major potential to support government in this regard. The response to recent emergencies in Zambia, namely the 2019 drought and the COVID-19 pandemic, were implemented through ad-hoc responses through United Nations (UN) agencies. While this was coordinated closely with government and leveraged the SCT program infrastructure to a large extent, it is widely agreed amongst stakeholders that a response implemented by government itself would be timelier and more cost effective in future. The World Bank, government and UN have already begun diagnostic work towards developing standard operating procedures for SCT to respond in times of shock in conjunction with the in-kind food responses implemented by Zambia's Disaster Management and Mitigation Unit (DMMU). DMMU regularly provides information on geographic hot-spot areas, which the Ministry of Community Development and Social Services (MCDSS) can utilize for shock response through cash transfers. Pre-positioning disaster risk financing through a World Bank financed emergency operation would be a major step forward in Zambia's ability to respond to the current and future shocks.

16. In the face of shrinking fiscal space, double digit inflation, and expected food price shocks, the Zambian government has requested the World Bank to increase support to its social protection sector, targeting extreme poor and vulnerable households. The predictability of cash transfers to the poorest and most vulnerable, particularly during emergencies, is critical to avoid further negative coping strategies and an irreversible impact on food security and human capital. In the wake of several recent shocks to the poor, delays in beneficiaries getting cash transfers will result in deepening negative coping strategies with potentially irreversible effects on food security and human capital.

²⁶ At average exchange rates in 2019 and 2022. For households with disabled members, the transfer value is double at ZMW400 per month.



C. Relevance to Higher Level Objectives

17. **The project is directly aligned with the government’s development priorities and with its recognition that human development and economic productivity are inter-related.** Vision 2030 outlines the government’s efforts to attain middle-income status for Zambia and recognizes that reducing national poverty and income inequality will be critical for attaining this goal. The Vision 2030 states that social protection must “Contribute to the security of all vulnerable Zambians by ensuring that incapacitated and low-capacity households have sufficient livelihood security to meet basic needs and are protected from the worst impacts of risks and shocks”. The forthcoming 8NDP outlines the importance of poverty reduction under its Human Development strategic area and highlights that “Human and social development is fundamental to inclusive development and is a catalytic ingredient to the transformation of the country”. These national documents recognize the correlation between economic outcomes and the need for programs to help poor and vulnerable households to overcome the constraints that they face, to enable equitable growth and economic prosperity.

18. **The project is also aligned with the World Bank’s objectives, strategies and frameworks.** The project directly targets and supports the poorest and most vulnerable households in Zambia, in line with the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity of the bottom 40 percent of the population of every country. The project is also aligned to the objective of “investing in people” outlined in the World Bank’s Africa Strategy²⁷, and forms the basis for livelihoods and productive investment by households thus contributing to a second objective of “creating jobs and transforming economies”. It is also aligned to Zambia’s FY19-23 Country Partnership Framework (CPF)²⁸, in particular Objective 2.1 under Focus Area II “improve access to secondary education, health services, nutrition and social protection, with attention to girls and women in selected rural areas” especially as a majority of expected beneficiaries are women. It highlights the need to invest in smart social protection (and thereby, enhance the redistributive impact of fiscal and transfer policies) to reduce poverty and smooth consumption which would further enable labor market productivity in the informal sector. The project also responds to the crucial challenge of supporting Zambia on climate change adaptation as well as to the recent call from World Bank, International Monetary Fund (IMF) and other international leaders to respond to food, fuel and fertilizer price spikes resulting from the Ukraine war and threatening increased food insecurity worldwide.^{29 30} Finally, the project contributes to the World Bank’s COVID-19 response approach “Saving Lives, Scaling-up Impact and Getting Back on Track”, particularly under Pillar 2 “protecting the poor and vulnerable”³¹.

²⁷ World Bank (2018). Supporting Africa’s Transformation. World Bank Africa Strategy 2019-2023.

²⁸ Discussed by the Board of Executive Directors on September 20, 2018. Report No. 128467-ZA

²⁹ World Bank (2022). Remarks by World Bank Group President David Malpass to the U.S. Treasury event on tackling food insecurity: the challenge and call to Action. April 19, 2022.

³⁰ World Bank (2022). Joint Statement: The Heads of the World Bank Group, IMF, WFP and WTO call for urgent coordinated action on food security.

³¹ World Bank (2021). Responding to the COVID-19 Pandemic and Rebuilding Better.



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

To protect poor and vulnerable households' consumption in response to shocks in Zambia.

PDO Level Indicators

The PDO will be measured by the following indicators:

- **Percentage change in beneficiary household expenditure on food.** This indicator aims to measure the percentage increase in target household average expenditure on food compared to a control group. The indicator also provides information on whether household consumption and expenditure are protected during shocks compared to non-beneficiaries.
- **Percentage change in number of beneficiary households eating more than one meal per day.** This indicator measures the percentage increase in average target households eating more than one meal per day compared to a control group. Again, this indicator will provide information whether household consumption was sustained during shocks.

B. Project Components

19. **The project will build on the GEWEL project.** It will focus on stabilizing funding for the government's national social cash transfer program while also continuing to strengthen delivery systems for the program. The project will therefore have one component, the Social Cash Transfer (SCT), which together with funding provided under GEWEL, will cover cash transfers to almost one million beneficiaries of the government's SCT program for the period of one year. This emergency financing will therefore stabilize financing for the SCT, while also including a small buffer of funds to allow for a limited vertical or horizontal expansion of the cash transfer to respond to price shocks or other shock as required. The project will utilize the existing systems and capacity built by the GEWEL project, including a Grievance Redress Mechanism (GRM) that is functional countrywide, and the Zambia Integrated Social Protection Information System (ZISPIS), which is an integrated management information and digital payments system, among others. Any financing not fully utilized for a vertical or horizontal expansion in the first year, will be utilized for the SCT in the following year.

Component 1: Social Cash Transfer (SCT) – US\$182.93 million (US\$155 IDA credit; US\$27.93 million MDTF)

20. **SCT is the government's flagship social protection program with proven impacts on food security, human capital and agriculture production.** The program started with small pilots in a few districts in 2003 and has since scaled up over time, reaching around 250,000 beneficiaries in 2015, 630,000 in 2019 and 974,000 currently. The most recent evaluation of the program in 2014 provided evidence of



its positive impact on food security, human capital and agricultural production. For example, there was a 19 percent and an 8 percent increase in households eating more than one meal and more than two meals per day, respectively. The number of children attending primary school increased by 10 percent and there was an increase of 22 percent in the number of children 6-12 months receiving minimum feeding requirements. Households also increased the land they farm by 18 percent, maize production by 8 percent, and their livestock by 21 percent³².

21. **This component will finance bi-monthly cash transfers to poor and vulnerable households on the SCT.** SCT currently provides a bi-monthly transfer of ZMW 400 (US\$24 equivalent, or US\$12 monthly) for an average household and double this amount for households with a disabled person. Beneficiaries are selected through categorical as well as poverty targeting to identify people that are poor and also are not able to work for reasons of age, disability, illness, or high dependency ratios. SCT also provides an education grant to households that have one or more adolescent girls through the existing SCT payment system. This is to support households to cover other costs involved in adolescent girls attending school such as uniforms, books, food, and transport, among others. The value of the education grant is currently ZMW600 (around US\$35) per girl per year. This represents 25 percent of the annual cash transfer value for the average household or 12.5 percent of the annual cash transfer for households with a disabled member.

22. **To support government to ensure stable financing to the SCT, the component will provide financing to cover SCT transfers to the caseload of almost one million beneficiaries for one year across Zambia's 116 districts.** This will stabilize financing to the social protection sector and ensure that poor and vulnerable people are protected at a time when government is facing economic and fiscal challenges. The World Bank started playing a stabilizing role for SCT in 2020 when it began to finance the SCT for the first time following a reduction in both government and donor funding due to financial misallocation issues in 2018 and government's fiscal challenges. This project would enable the World Bank to fully finance the SCT for the coming one year, including an adjustment for inflation or limited vertical scale up in response to shocks. Any funds not utilized in the first year will be utilized as a contribution to SCT in the following year. This would stabilize the financing to the sector while government improves its fiscal position and reduces the chances of volatile transfers to beneficiaries as per the situation in 2019 and 2020.

23. **The component will also finance a limited vertical or horizontal expansion of SCT in response to shocks if necessary.** MCDSS has the mandate to coordinate all emergency cash transfer responses in Zambia. Building on the United Nations Children's Fund (UNICEF) and the World Bank's current technical assistance in the area of shock responsiveness, government will develop detailed Standard Operating Procedures (SOPs) for SCT led-shock response for future shocks including droughts and other climate-related shocks. Vertical and / or horizontal expansion of SCT in response to shocks would improve timeliness and coherence of cash response during emergencies compared to lessons learnt from recent emergencies. UNICEF is currently undertaking a process evaluation of the UN-led drought and COVID-19 Emergency Cash Transfer (ECT) response in collaboration with government and had also previously developed an operational manual for the ECT implementation which will be useful for SCT to leverage and

³² Handa et al 2016. The Social and Productive Impacts of Zambia's Child Grant. *Journal of Policy Analysis and Management* 35 (2):357-387. Handa et al 2018. Can unconditional cash transfers raise long-term living standards? Evidence from Zambia. *Journal of Development Economics* 133.



build on to produce a shock response manual / SOPs for the SCT to be part of the updated Project Implementation Manual. The World Bank is also providing technical assistance through the MDTF to government to undertake an assessment of strengths and gaps of the social protection system in Zambia to be able to respond to shocks, which will culminate in the development of the detailed SOPs. The project will respond to the potential food price shock by temporarily increasing the cash transfer value if/as required (shock-responsive, temporary vertical expansion). The project may also respond to future shocks through a temporary horizontal expansion. Recent analysis shows that categories of households targeted by SCT are poorer than non-targeted categories; however, it is possible that additional households may need to be targeted as a result of future shocks. Thus, this component may provide resources to finance a temporary limited horizontal or vertical expansion of the SCT, as necessary.

24. **As part of operational costs, the component will also finance a nutrition messaging pilot for beneficiaries that receive mobile money transfers through ZISPIS in selected districts.** There is a desire that the project explores ways in which it can have an impact on nutrition beyond the impact of cash transfers on food security. A relatively low hanging fruit is providing nutrition messages to beneficiaries receiving mobile money digital payments through SCT. ZISPIS already has this inbuilt messaging capability but this requires further investment to be activated, including setting up a bulk messaging service. This has significant cost implications and therefore its feasibility for further scale up needs to be explored and established. The Ministry will therefore pilot this initially in 2 districts to be identified, based on areas that have mobile connectivity as well as that are prioritized in terms of nutrition indicators in the Zambia Demographic and Health Survey. The content of the nutrition messaging will be designed with the support of a nutrition consultant with input from other relevant institutions.

25. **It is expected that grant resources, in an indicative total amount of US\$27.93 million, will be secured latest by June 2023, and will be available for co-financing.** The grant agreement will be signed upon receipt of the first set of contributions into the MDTF. Additional grant resources will then be passed on to government as and when they are received. In the meantime, project implementation will start with only available IDA and grant resources. In case the co-financing does not materialize or is less than expected, either additional resources will be sought potentially through an IDA additional financing mechanism or the project will be restructured to be proportionately scaled down. Technical assistance (TA) will also be provided.

C. Project Beneficiaries

26. The beneficiaries of the project will be poor, vulnerable and labor constrained households across Zambia's 116 districts, and working age women and adolescent girls within those households.

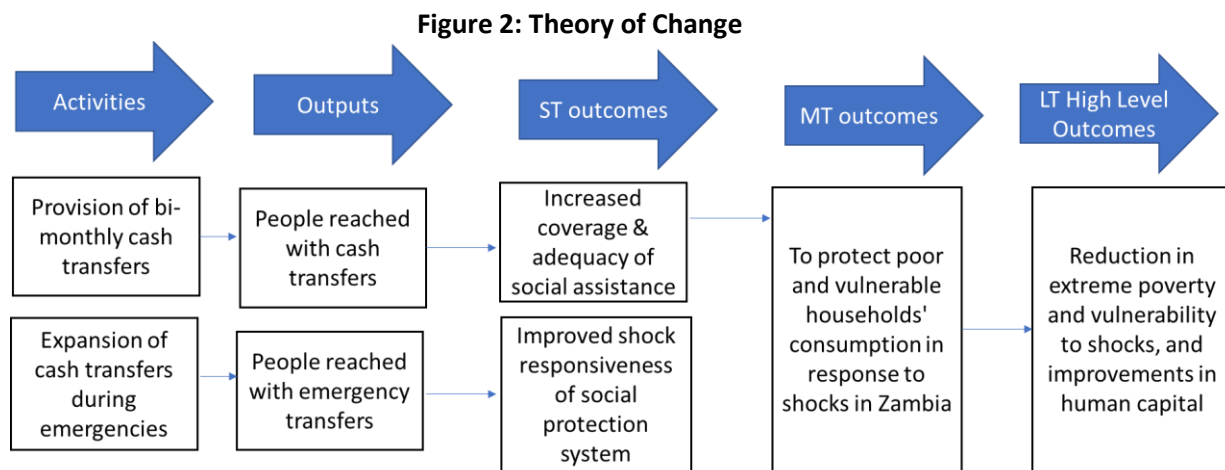
27. **Eligibility criteria.** The current eligibility criteria for SCT beneficiaries, are both categorical as well as poverty related. First, beneficiaries must meet one of the following categorical criteria: (a) elderly, above 65 years old; (b) severely disabled; (c) chronically ill; (d) child-headed household; or (e) female-headed household with three or more children. Second, poverty is also assessed through a proxy means test based on a household survey. The eligibility criteria for households receiving the education grant are SCT households that have one or more KGS beneficiaries (adolescent girls in target districts that are attending or willing to go back to secondary school). The eligibility criteria for any new beneficiaries to be targeted under a horizontal expansion in response to a shock will be determined at the time according to

geographic areas and categories of households that are most impacted. This will be undertaken in agreement with the World Bank and relevant stakeholders and will be in line with the SCT shock response manual / SOPs³³.

28. **The largest category of SCT beneficiary households is “female headed household with three or more children” which targets unmarried women heading households with large dependency ratios.** More than 66 percent of the SCT caseload consists of this category. Another 12 percent of the caseload consists of women who are disabled. This alone comprises almost 80 percent of all SCT direct beneficiaries (who receive the cash transfer directly).

D. Results Chain

29. The following pictorial representation of the Theory of Change outlines the key problem that the project aims to address, and the activities, outputs and outcomes expected in order to address it. It also outlines the assumptions that must materialize for expected outcomes to occur. The long term, higher level, outcomes are outside the remit of the project to achieve.



30. Problem statement: Extreme poverty and vulnerability to shocks adversely affect the basic consumption and human capital of households.

31. Critical assumptions for the expected outcomes to materialize include:

- Government acts promptly to increase the value of cash transfers in line with inflation on an annual basis
- Guidelines and standard operating procedures (SOPs) for SCT response during shocks, including the potential imminent food price shock, are developed and agreed by key government and non-government stakeholders
- Beneficiaries are able to bounce back from climate induced and other shocks, with the support of the project, and continue investing in improvements in human capital and livelihoods.

³³ SCT eligibility criteria may be revised in the future in line with research evidence on poverty. For example, moderately disabled persons could be considered or female headed households with less children, etc. Any such revisions will be approved by the World Bank as formal updates to the Project Implementation Manual.

Table 1: Gender Results Chain

Specific Gender Gap	Action that directly address the identified gap	Indicator to measure progress of the action towards closing the identified gender gap
Limited financial inclusion of women	Roll-out of delivery mechanisms to SCT beneficiaries (of which approx. 80 percent are women) which promote financial inclusion through digital payments and improve ownership of mobile money accounts	<ul style="list-style-type: none"> • Number of beneficiaries of safety net programs, of which are women • Share of SCT beneficiaries receiving digital payments through ZISPIS

E. Rationale for World Bank Involvement and Role of Partners

32. **While the government has shown its commitment to scaling up social protection spending to reduce poverty and inequality, the World Bank’s role in stabilizing financing to the sector is critical.** As mentioned above, government set itself ambitious targets in the 7NDP to reach 70 percent of the extreme poor with cash transfers set at 20 percent of the poverty line, among other policy commitments. Government also took practical steps across the past few years towards these commitments, scaling up the SCT from around 250,000 beneficiaries in 2015 to 630,000 in 2019. Yet government’s difficult fiscal situation led to volatile releases to the SCT and low budget execution. Also, a lack of trust in the sector after a financial misallocation scandal in 2018 led to a reduction of government budget releases, reaching their lowest levels of 15 percent of budgeted amount in 2019, with development partners also pulling out their financing. Since the World Bank started providing direct financing to the SCT in 2020, financing has been more stable, with the World Bank and Zambia’s Treasury releases complementing each other to provide more timely and predictable transfers to beneficiaries. Such timely transfers are critical to avoid beneficiaries resorting to negative coping mechanisms and allowing for the impacts on human capital, agricultural production and livelihood diversification to materialize. With the support of the World Bank, government has increased SCT coverage to around 50 percent of the poor and a transfer value of 8 percent of the poverty line, getting closer to its 7NDP targets.

33. **The World Bank’s convening power has also catalyzed a return of development partners to funding the sector and the crowding in of resources to support government.** Whilst the World Bank funded other social protection initiatives³⁴ of government since 2016, it did not finance the SCT until 2020. In 2019, government and development partners (UK and Sweden) requested the World Bank to finance the SCT, provide system strengthening support to government in critical areas and establish an MDTF to pool donor resources to the sector, under the World Bank’s fiduciary oversight. Through the World Bank administered GEWEL MDTF, development partners, Sweden, UK and Irish Aid returned to funding the sector, contributing US\$36 million equivalent in grants to SCT and KGS to date. Swiss Development Cooperation and the German Development Bank are also processing potential contributions.

34. **With the current looming food insecurity crisis, the World Bank’s convening power to pool**

³⁴ The KGS and SWL programs have been funded by the World Bank under GEWEL since 2016.



development partner resources in support of government is more important than ever. Development partners have provided their indicative forthcoming commitments to SCT in support of this operation as detailed above, totaling US\$27.93 million. These resources are processed and released on an annual basis by partners and are subject to annual budgetary approval processes. Amendments to the Grant Agreement will therefore be signed with the government from time to time as and when the MDTF is topped up with contributions from development partners.

35. **Beyond financing, the World Bank’s technical assistance, advisory and implementation support is important in strengthening government delivery systems.** The World Bank provides technical assistance to the government to strengthen the delivery of social protection. This includes just in time technical assistance in areas such as Management Information System (MIS), digital payments, targeting, Gender Based Violence (GBV) prevention, shock responsive social protection, financial management, procurement, etc. This is in addition to day-to-day implementation support and accompaniment towards improving capacities and resolving bottlenecks as they come up. This support has achieved tangible results in recent years, including advising and supporting government in the development of end-to-end integrated MIS and digital payment systems; the roll out of a GBV sensitive GRM system; and improvements in financial management and procurement performance. This support will continue to be critical in coming years for Zambia’s social protection system to mature and maximize efficiency, transparency and effectiveness.

36. **The World Bank collaborates closely with the UN in providing technical assistance to government and harmonizes key messages with development partners through the social protection working group.** The World Bank has a division of labor on technical assistance with the UN Joint Program on Social Protection (UNJPSP) so as to provide complementary support to government. The UNJPSP provides technical support to government in areas including social protection policy, disability, M&E, communications, shock response, and others. This has again enabled the crowding in of system strengthening support to government across a wide range of areas. In addition, the development partners social protection working group is an active forum that meets monthly to discuss strategic issues in the sector, coordinate partner contributions and harmonize key messages to government. Members of the working group include the United Kingdom, government of Sweden, Irish Aid, United States Agency for International Development, United Nations Children’s Fund (UNICEF), International Labor Organization and World Food Program and the World Bank.

F. Lessons Learned and Reflected in Project Design

A number of lessons have been learned which are reflected in the Project design.

37. **Importance of incorporating shock responsive systems.** The SCT, implemented since 2003, has evolved over time to strengthen delivery systems and take on increased responsibility to implement cash-plus programming. For example, the payment of education grants to KGS households through the SCT payment system was added in 2021. The next frontier for SCT will be to introduce more shock responsive elements to be able to scale up during emergencies such as drought and support Zambia’s adaptation to climate change – beginning with a potential vertical expansion of transfers on a temporary basis to cushion households from the expected food price shocks. A 2021 report on the UN-led Drought Emergency-Cash Transfers found that they reduced the proportion of households that employed negative food coping



strategies, increased the number of meals that households were having and increased the proportion of households with acceptable food accessibility levels and well-diversified diets.³⁵

38. **Inflation-adjustment to retain value of the cash transfer.** Recognizing the erosion in value of the cash transfer over the years due to inflation, the SCT increased its transfer value to ZMW150 per month in 2021 and to ZMW200 per month in 2022, compared to the ZMW90 per month up till 2020. Despite these large upwards revisions in the transfer, its value against the poverty line only slightly improved, as most of the transfer increase went towards making up for high inflation over the years. This reflects the need to regularly adjust the transfer amount in line with inflation, especially after high inflation since the COVID-19 fallout. The project thus includes funds to index transfer amounts to inflation for the coming year for which it will finance the SCT.

39. **Lessons in the approach to GRM.** The project's GRM will build on lessons learnt from GRM pilots and systems established under GEWEL. Piloting the use of complaint boxes, paper forms, mobile application using a MIS GM component in 5 districts, the GEWEL project found that: (i) the majority of grievances were from non-beneficiaries in relation to exclusion and payment delays; (ii) the majority of grievances were received through complaint boxes and forms while only 21 were received through the mobile application; and (iii) 45 percent of all grievances were entered into the MIS while 55 percent were not registered. The GRM builds on these lessons to strengthen GRM systems as well as communication with the communities. Further, the GRM has been designed to be sensitive to GBV, Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) issues. It includes a referral pathway that is survivor centered in accessing safe social services. In line with the GEWEL GRM, grievances will continue being handled in a transparent and culturally appropriate manner, thus upholding principles of confidentiality in the handling of GBV/SEA cases.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

40. **The existing implementation arrangements of the GEWEL project will also be leveraged for this project.** Both projects will therefore be coordinated by a Project Steering Committee (PSC) comprised of the Permanent Secretary of the implementing ministry (MCDSS), Ministry of Education and the Gender Division of Cabinet office. The PSC will continue to be chaired by the Secretary to the Cabinet or his delegate and will focus on strategic oversight of the project, policy, and coordination with other ministries. Its role will continue to be to provide policy guidance, approve annual work plans and budgets, oversee project progress, ensure coordination across the implementing ministries, and approve the audited financial reports. The PSC meets on a quarterly basis.

41. **The PSC will continue to be supported by a National Secretariat, housed in the Gender Division of the Cabinet Office, with a Director of Planning and Information and Project Coordinator facilitating coordination with MCDSS.** The National Secretariat will be responsible for: (a) consolidating progress

³⁵ UNICEF (2021). Emergency Cash Transfers (ECT) Pre-Post Study in Selected Wards of Affected Districts. Endline Report. UNICEF.



reports from the ministry and preparing the overall quarterly progress reports for the project³⁶; (b) calling meetings of the PSC, taking and distributing minutes, and following up on decisions of the PSC for action; and (c) advising the PSC as necessary. This is in addition to the coordinator role of the Gender Division on cross-cutting areas including communications, implementation of the GBV Action Plan, M&E and the roll out of the GRM.

42. **The MCDSS as the implementing ministry is, however, responsible and accountable for implementation of all SCT activities, with the Permanent Secretary as the controlling officer.** As such, the MCDSS is responsible for management of the SCT program, accounting of funds and submission of quarterly financial reports. Under the project, the SCT program will continue to be implemented by the MCDSS and the current SCT Project Implementation Unit (PIU) for GEWEL will continue to provide day to day management of the Program with strategic direction being provided by the Director of Social Welfare. The work on SCT shock responsiveness will be undertaken by SCT PIU under the Department of Social Welfare. Any shock response will also need to be closely coordinated with DMMU.

43. **Further measures towards decentralization of implementation of project activities will be made, with the Head Quarters (HQ) PIU playing more of a quality assurance, planning and monitoring role.** SCT is already implemented through MCDSS's existing decentralized line structures at the provincial and district levels. The HQ PIU has been providing intensive accompaniment and hand holding to provincial and district staff to ensure quality implementation of these, often new or innovative, activities. This will continue but, with the scale up of the components countrywide, HQ will need to decentralize some of the monitoring and backstopping of activities to provincial offices to be able to handle the scale at which the components are operating. More risk-based monitoring systems by HQ will need to be put in place, leveraging phone-based monitoring, submission of MIS reports and other measures to be able to backstop the project country wide. For SCT the existing Community Welfare Assistance Committees (CWAC) community level structures and Community Based Volunteers (CBVs) will continue to be used to reach and support beneficiaries at the community level.

B. Results Monitoring and Evaluation Arrangements

44. **The proposed operation will leverage the Monitoring and Evaluation (M&E) systems built under the GEWEL project.** The Gender Division will monitor and evaluate progress towards the achievement of the proposed indicators and will produce progress narrative reports every quarter. MCDSS will be responsible for implementation, monitoring and data collection towards PDO indicators and intermediate indicators. The data to measure progress towards the PDO and intermediate indicators will come from various sources including the ZISPIS (which is the MIS of the SCT program), periodic processes and implementation evaluations supported by the project, and impact evaluations. The ZISPIS is functional across the 116 districts and will be leveraged to collect timely data on implementation and monitoring progress. The project will leverage the ongoing randomized control trial impact evaluation processes established under the GEWEL project to assess impact of the current scaled-up SCT, contributing to the evidence-base on large-scale government-implemented cash transfer programs. Further, the World Bank and government will work together to ensure that the personal data on beneficiaries gathered due to the targeting, enrollment, payment and other processes is appropriately protected as per national and

³⁶ Although each ministry is responsible for reporting to the PSC on progress made on the implementation of each of the components.



international best practices.

45. SCT has a functional PIU in place with M&E capacity, though capacities need to be strengthened.

The PIU has an M&E Specialist which have developed the capacity to coordinate on progress reporting from districts, phone and in-person beneficiary surveys and impact evaluations. This includes a desire to shift more towards outcome-based M&E systems in addition to the current mainly output reporting – as well as a better feeding up of data from districts to HQ. However, the submission of quarterly narrative reports by the Gender Division based on contributions from component PIUs has not been regular. This seems to be caused by a lack of systematic collection of data and reports on inputs, outputs, outcomes and impact. The project will support the Gender Division and MCDSS in strengthening their M&E capacity, specifically through: (a) the development of an M&E framework and action plan; (b) staff training, South-South exchanges, and temporary consultants to help to build in-house capacity for M&E; (c) the strengthening of the single registry functionality; (d) the piloting of innovative ways to use ICT in data collection and monitoring; (e) the implementation of various monitoring and evaluation activities; and (f) ICT equipment.

46. SCT will benefit from the substantial investments made in MIS and digital payment systems.

The ZISPIS has been developed and deployed as a new MIS system for SCT with the support of the World Bank, Smart Zambia and the UN. The system provides an end-to-end integrated MIS and digital payment system for all SCT business functions, including registration, targeting, digital as well as cash payments and grievance management. ZISPIS has already been utilized across the 116 districts for the registration and targeting of beneficiaries during the scale up implemented in 2021 and for the generation of payment lists. Digital and cash payments through the system were piloted in two districts in April 2022, with planned further roll out by the end of the year. Two modalities are included in the new system: (i) urban modality, for digital payments through Banks and Mobile Network Operators (MNOs) in areas with connectivity and service provider presence; and (ii) rural modality, with almost real time payment tracking of physical cash payments by civil servants to beneficiaries through a mobile phone app, in remote areas with no connectivity.

47. Government’s vision is to achieve a unified MIS under the ZISPIS for all social protection programs in the country.

While currently SCT uses ZISPIS for implementation, payments and some monitoring, other government programs such as the SWL and KGS have their own functional MIS’s. By stabilizing SCT and continuing to build on ZISPIS functionality, the project will help lay the groundwork for the government to, in the future, unify the various social protection project MISs under ZISPIS.

C. Sustainability

48. The sustainability of the project will depend on several factors, based on which the project is considered to be sustainable and affordable:

49. Government ownership and political leadership commitment. As elaborated in the sectoral context section, the Government of Zambia recognizes the importance of social protection in its vision and strategies for reducing poverty and improving development. The new administration, which came into power in August 2021, has emphasized social protection programs and spending to bring



development closer to the people of Zambia³⁷. Most recently, social protection programs have been given prominence within the 8NDP document approved by Cabinet on April 5th 2022. SCT is an “on-budget” government project that is counted within the national budget. Over the past few years, government has also taken practical steps towards scaling up social protection, notably the GEWEL project scaled up its financing to government from US\$65 million between 2016-2020 to US\$348 million in the current phase (2020-2024). Lastly, the political narrative has improved in recent years with local communities and political leaders placing more importance on the SCT as part of the country’s poverty reduction strategy, although further awareness raising is needed to combat misinformation. All of this demonstrates the high level of government ownership and commitment to these interventions and components. Nonetheless, as is the case under GEWEL, the World Bank and government have the understanding that in future years, in the event that government is unexpectedly not able to meet its financial commitments to SCT from general revenues, any available World Bank financing would prioritize a pre-defined subset of districts³⁸ to ensure complete implementation in the districts targeted; and government would focus any partial funds released on implementing in other districts. However, given government’s strong commitment to the sector, as well as donor interest, it is expected that SCT will remain well funded in future years.

50. **Strong technical implementation and rigorous evaluation.** Strongly implemented projects are likely to garner more support for their continuation and sustainability. As mentioned above, government implementation of SCT has been strong, exceeding some of the targets originally set. Lessons have been learnt through the course of implementation and directly fed into improvements over the past few years. The SCT has a rigorous Randomized Control Trial impact evaluation soon to commence, which will build on previous impact evaluations of the early forms of the program and provide critical evidence to policy makers on the impact and cost effectiveness of the scaled-up program, hopefully strengthening the case for its continuation.

51. **Fiscal sustainability.** In any social protection program, there is a need to balance the aim of increasing coverage to more of the poor, with the need to ensure the program’s long-term fiscal sustainability. However, Zambia’s current fiscal spending levels on social protection are still below Sub-Saharan African averages of 1.5 percent³⁹, even with the addition of this proposed emergency financing on top of the recent scale up. Zambia is currently spending 0.8 percent of GDP and 2.4 percent of the national budget on social assistance in 2022. Moreover, African countries had committed to higher levels of social protection spending of 4.5 percent of GDP⁴⁰, but it is recognized that these are aspirational targets which will take time to reach given current financial realities. Nonetheless, there is a need for closer communication between Treasury and MCDSS to plan for fiscal allocations and sources of funding to meet SCT budgetary commitments in future years in line with government’s Mid Term Expenditure Framework (MTEF).

52. **Investment in human capital development.** At the level of individual beneficiaries, investments in human capital enabled by regular, shock-responsive transfers will yield sustained benefits over time.

³⁷ For example, see Government of Zambia’s budget speech for 2022

https://www.parliament.gov.zm/sites/default/files/images/publication_docs/BUDGET%20SPEECH%20_%202022.pdf

³⁸ In such a case the World Bank would prioritize funding SCT only in the districts also KGS initiative.

³⁹ “World Bank. 2018. *The State of Social Safety Nets 2018*. Washington, DC: World Bank. © World Bank.

<https://openknowledge.worldbank.org/handle/10986/29115> License: CC BY 3.0 IGO.”

⁴⁰ First Ministerial Conference on Social Development in Africa, Windhoek, October 2008.



This would include improved food security, health and education outcomes, investment in productive livelihood activities and better agricultural production, which will together be of a higher value to Zambia than the programs' costs. The next section on technical, economic and financial analysis and Annex 2 further outline the evidence regarding expected impacts on beneficiaries' human capital based on current results in Zambia and internationally.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

53. **Robust evidence from across countries shows that cash transfers play a crucial role in improving human capital outcomes, both directly and through improved consumption and productive investments.** Evidence that cash transfers improve consumption is available from multiple programs, including the precursors to the Zambian SCT, the Child Grant Program, and the Multiple Category Targeted Program. Evaluations of these earlier programs in Zambia show that consumption increased by US\$0.67 over and above a US\$1 transfer itself, implying an income multiplier resulting from productive investments.⁴¹ To achieve these impacts, however, cash transfers need to be delivered on time and to a sufficient value. The evidence on the impact of similar unconditional cash transfer (UCT) programs on reducing stunting and fertility, delayed marriage, and less risky sexual behaviors is well documented.⁴² For example, Malawi's UCT program showed a 7-percentage point reduction in pregnancy rates. Similarly, there is evidence from Africa of an improvement in educational outcomes such as enrollment, attendance, and cognitive skills among secondary school students.⁴³

54. **Simulations undertaken to understand the potential impact of the vertical expansion of the SCT program, show substantial poverty reduction.** The analysis shows that the SCT program at 2020 caseloads but with the increased transfer amount of ZMW150 per month per household⁴⁴ (which was made in 2021) would have reduced poverty incidence in Zambia by 6 percentage points⁴⁵. Factoring for COVID-19-induced increase in poverty in 2020, this translates to a net poverty reduction of 4.2 percentage points or a national poverty rate of 52 percent, lower than the 2015 rate of 54 percent. This represents about 1.5 million less poor in 2020 than would otherwise be the case. Looking at the disaggregated picture, it translates to rural poverty of 70 percent and urban poverty of 22.5 percent, as against 76.5 percent and 23.3 percent, respectively, in 2015. As the program's caseload is distributed in proportion to the prevalence of poverty across sub-regions in Zambia, this poverty reduction is expected to reduce regional disparities. The recent horizontal expansion of the beneficiary caseload in 2021 and 2022 is expected to contribute to the program impact, making it even larger in the coming years.

⁴¹ Handa et al 2018. "Can Unconditional Cash Transfers Raise Long-term Living Standards? Evidence from Zambia." *Journal of Development Economics*.

⁴² Bastagli et al 2016. *Cash Transfer: What Does the Evidence Say? A Rigorous Review of Programme Impact and of the Role of Design and Implementation Features*. Overseas Development Institute with Oxford Policy Management.

⁴³ World Bank 2018. *Realizing the Full Potential of Social Safety Nets in Africa*. World Bank 2013. "Cash Transfers and Child Schooling: Evidence from a Randomized Evaluation of the Role of Conditionality." Working Paper from Burkina Faso; Miller, Candace, and Maxton Tsoka. 2012. *Cash Transfers and Children's Education and Labour among Malawi's Poor*. Development Policy Review from Malawi; Handa et al 2014. *Livelihood Empowerment Against Poverty Program Impact Evaluation*. Carolina Population Center, University of North Carolina from Ghana.

⁴⁴ ZMW 300 per household per month for disabled beneficiaries.

⁴⁵ Zambia - Social Protection and Jobs Public Expenditure Review 2021 (English). Washington, D.C.: World Bank Group.



B. Fiduciary

55. **The World Bank** conducted a financial management and procurement management capacity assessment and the overall fiduciary risk is rates as substantial.

(i) Financial Management (FM)

56. **According to the World Bank's FM capacity assessment of the project, the FM risk is considered 'substantial'**. The FM assessment, as of April 2022, revealed that the implementing agency MCDSS had put in place adequate fiduciary measures to handle the project. The results of the assessment indicate that the overall FM arrangements satisfy the World Bank's minimum requirements under the World Bank Directive: Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021. Therefore, the project can adequately provide, with reasonable assurance, accurate and timely information about the status of the project, as required by the World Bank. The project funds would be used for upscaling of the social cash transfers (SCT). The project will use the existing FM arrangements put in place for the SCT under the Additional Financing to GEWEL of July 2020 although it will use a segregated account as it is a different project. Therefore, there are no significant changes in the implementation arrangements as the project entails use of the World Bank funds to stabilize the current program. The project will continue the focus on the government's cash plus social protection approach to support the poorest households in Zambia with social cash transfers.

57. **Budget and Disbursement arrangements:** The project will retain the same budget and disbursement arrangements as agreed in the July 2020 Additional Financing to GEWEL. The project will be included under the MCDSS existing chart of accounts code. For disbursement, the project will adopt the report-based method of disbursement whereby disbursement would be made on quarterly basis upon submission and clearance of the Interim Financial Report (IFR) by the World Bank. This method has already been implemented with MCDSS since July 2020. There will be no changes in the existing banking arrangements except that a new Designated Account (DA) will be opened for this project at Bank of Zambia (BOZ) and both IDA and MDTF funds for SCT will be transferred through it. The DA will continue to be denominated in US dollar. On request from MCDSS, the disbursement of funds will continue to be done by moving from the DA to the Control 99 account in BOZ and to the operational account in BOZ. Thereafter, the funds would be deposited into the commercial bank mirror account to be opened for this project by MCDSS, from which payments would be made for eligible project activities. The project will use the IFRs disbursement method to access advances from the World Bank based on approved cash forecasts for six months. Other methods of disbursements available to the project include reimbursement, direct payment, and Special Commitment. The reimbursement of eligible expenditures financed by the project using government own resources will be approved by the World Bank before they are incurred.

58. **External and internal audit:** The project annual financial statements will be audited by the Office of the Auditor General (OAG) of Zambia. The OAG is constitutionally independent and his/her office has the technical staff adequate for the audit purposes. As part of the annual audit, the OAG will provide an audit opinion on the financial statements of the project and will highlight the control issues and the audit recommendations in the management letter. The audit report and the management letter would be submitted to the World Bank within 6 months after the close of the financial year. In addition, a combined team of internal auditors from Gender Division and MCDSS will conduct quarterly internal audits in



accordance with the audit program and share reports with the World Bank within 30 days after the end of each quarter to which the internal audit relates.

(ii) Procurement Management

59. **The World Bank conducted a procurement management capacity assessment of the project and noted that the implementing agency, MCDSS, has in place adequate fiduciary measures to handle the project.** The results of the assessment indicate that the overall procurement management arrangements satisfy the World Bank’s minimum requirements under the World Bank Procurement Regulations for IPF Borrowers Procurement in Investment Project Financing Operations issued November 2020. Therefore, it can adequately provide, with reasonable assurance, accurate and timely information about the status of the project procurements, as required by the World Bank.

60. **The World Bank Fraud and Corruption guidelines will apply to the project.** The World Bank Procurement Regulations for IPF Borrowers (dated November 2020 and amended from time to time) (Procurement Regulations) and the provisions of the Financing Agreement will apply. Furthermore, the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (dated October 15, 2006 and revised in January 2011 and July 2016) will apply. The project tender documents’ Fraud and Corruption Clauses will be aligned to the World Bank’s Anti-Corruption Guidelines. Currently there is no dedicated mechanism in place in Zambia to treat procurement-related complaints in a timely manner. An online procurement-related complaints handling mechanism (including appeal mechanism), with pre-defined roles, responsibilities, processes, and timelines, will be put in place to deal with any complaints arising from procurement activities.

61. **The Anti-Corruption Commission of Zambia** is willing to share information on credible and material allegations with the World Bank and a memorandum of understanding is planned to be signed between the ACC and the World Bank’s Department of Institutional Integrity (INT) that will describe the details of the collaboration.

62. **Mitigation measures.** To strengthen the existing systems of the implementing agencies and to mitigate fiduciary risk, various action items are recommended such as: (i) publication of Annual Procurement Plan and Contracts on the e-GP platform and Program website; (ii) capacity building for key stakeholders in planning, financial management, budget preparation and execution, and (iii) incentivizing the Ministry of Finance and National Planning (MoFNP) to make budget releases on time.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No



D. Environmental and Social

63. **As per the final project's Environmental and Social Commitment Plan (ESCP)⁴⁶, the Environmental and Social Management Plan (ESMP) will be developed and submitted to the World Bank for No Objection one month after the Effectiveness Date.** In line with ESS1 Assessment and Management of Environmental and Social Risks and Impacts requirements, the ESMP will include: (i) an updated Occupational Health and Safety (OHS) risk mitigation measures to, (ii) Covid-19 prevention management plan, (iii) waste management, (iv) Labour Management Procedure (LMP) and (v) updated Gender Based Violence, Sexual Exploitation and Abuse, and Sexual Harassment (GBV/SEA/SH) action plan. Environmental and Social focal persons from within the SCT PIU will be identified to manage risks associated with the project. In particular, the role of the current Grievance Redress Mechanism (GRM) Officer will be expanded to include handling GBV issues and Stakeholder Engagement. As the project is being implemented under the Environmental and Social Framework (ESF), which is new to MCDSS, capacity building activities will be prioritized for national, provincial and district focal persons supporting the project.

64. **The project's environmental risks are related to the following Environmental and Social Standards (ESS): ESS4 (Community Health and Safety) and ESS3 (Resource Efficiency and Pollution Prevention and Management).** Under the SCT there is the potential for Payment Point Mangers (PPMs), civil servants that make physical cash payments to beneficiaries, to carry substantial and noticeable amounts of cash that increases the safety risk of theft and physical harm to them. Risk mitigation measures to prevent theft and harm to PPMs should include: (a) limiting the amount of cash carried by any one PPM; (b) PPM security training that includes risk awareness and safe mode of travel; (c) introduction of the digital method of payment where technically possible; (d) using two PPMs per cash transfer (principle and deputy PPM) to increase personal security; (e) reduce the number of bank visits and the amount stored locally at any one time; and (f) maintaining a low profile during beneficiary payments by implementing irregular payment patterns and maintaining privacy between PPM and beneficiary during payments.

65. **The Community Health and Safety risk of COVID-19 transmission is heightened because of the increased likelihood of face-to-face contact between project staff and beneficiaries.** Under SCT, project implementation requires interaction with beneficiaries for sensitization, training and payment activities. COVID-19 mitigation transmission measures should include: (i) social distancing and enhanced hygiene; (ii) increased Personal Protective Equipment (PPE) such as facemasks, washbasins and soap, etc; (iii) encouraging frequent handwashing or disinfection with an alcohol based hand sanitizer; (iv) physical distance of at least 2 meter; (v) regular environmental cleaning and disinfections of project locations (schools, offices etc.); (vi) use of digital payment methods for activities to reduce face to face contact; (vii) ensuring that policies, training, messaging and education in all project related areas are increased to improve awareness of COVID-19; and (viii) that management of people with COVID-19 or their contacts are treated critically e.g. requiring project related staff, workers and participants who are unwell or who develop symptoms to stay at home, self-isolate and contact a medical professional or the local COVID-19 information line for advice on testing and referral; (x) all face to face meetings are restricted to essential personnel only and are conducted in well ventilated venues.

⁴⁶ Final version of which was re-disclosed on June 9, 2022 on MCDSS's website.



66. **Under the project, COVID-19 PPEs (mainly masks) are provided to project staff to reduce the risks of transmission through project activities.** The risk of inappropriate disposal of this PPE waste should be mitigated by: (i) all non-infectious PPE should be disposed of as solid waste through the normal solid waste collection systems; (ii) in all project related events PPE should be segregated and placed in strong plastic waste bags, secured and disposed of in the municipal solid waste stream; (iii) project related participants infected with Covid 19 should have already visited a medical facility for assessment; (iv) those who are infected with COVID-19, their PPE should be disposed of in the medical waste stream at that medical facility; and (v) further advice about Covid related PPE waste should be obtained from local health care providers. The project does not involve construction, land use or any activities involving the extraction of natural resources. However, ESS1, ESS2, ESS3 and ESS4 are applicable to the project because of OHS, waste and community health and safety risks. All risk mitigation measures will be documented and detailed in the ESMP, which will include a security, OHS and solid waste management plan. The PIU managers and environmental and social focal points are responsible to ensure that the plans are implemented across all component activities.

67. **The project will respond to the challenges of climate change through adaptation.** The project will be implemented in areas subject to drought, extreme temperature, extreme precipitation, and flooding exacerbated by climate change. The Project is designed to promote resilience and reduce vulnerability of vulnerable and poor households, thereby making a critical contribution to both disaster risk management and climate resilience. The Project will finance investments in underlying systems to ensure adequate governance of the shock responsive social protection system and the ability to deliver timely assistance. The Project will thus build the resilience of the poorest and most vulnerable people to climate change *before* shocks occur, and will prevent the communities falling into poverty, or deeper poverty, after shocks occur, particularly in areas where poverty is widely prevalent and climate-induced risks are the most severe.

68. **The social risks identified for the project are focused on labor, exclusion and potential incidences of Gender Based Violence (GBV), Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) in relation to ESS1, ESS2 and ESS4.** Specifically, these include: (i) labor and working condition risks due to non-adherence to national legislation and requirements of ESS2 (Labor and Working Conditions); (ii) COVID-19 transmission due to multiple levels of interactions involving direct, contracted, primary suppliers and community workers recruited under the project also in relation to ESS2; (iii) incidences of GBV/SEA/SH involving workers and the community in relation to ESS2 and ESS4; (iv) exclusion due to unclear eligibility criteria in relation to ESS10 (Stakeholder Engagement and Information Disclosure); and (v) lack of meaningful consultations and limited participation with some stakeholders (such as people living with disabilities, marginalized women, the young and elderly) resulting in elite capture, contrary to the provisions of ESS10.

69. **To mitigate and address highlighted risks, the project will include corresponding measures in the ESMP to be developed for the project as well as in the Stakeholder Engagement Plan (SEP) and the updated GBV Action Plan.** The SEP has been developed in line with ESS10 and further consultations will be undertaken by effectiveness to ensure that engagement with the community and beneficiaries commences as early as possible and allows a timeframe for meaningful consultations. The SEP outlines the method of engagement to ensure meaningful consultations are undertaken with stakeholders in a timely and culturally appropriate manner, which is free of manipulation, interference, coercion,



discrimination and intimidation throughout the project. Further, the SEP includes measures to prevent further spread of COVID-19 through application of national COVID-19 guidelines and in line with the World Bank's Technical Note on Public Consultations and Stakeholder Engagement in World Bank supported operations, when there are constraints on conducting public meetings.

70. **In line with ESS2, a Labor Management Procedure (LMP) will be developed one month after project effectiveness as part of the ESMP to provide a framework for management of labor related risks on the project.** Codes of conduct (CoCs) for all workers that include provisions to address GBV/SEA will be adopted. The CoCs will outline the process of addressing such complaints in line with guidance from the World Bank Good Practice Note (GPN) on GBV. In response to the risks identified in relation to ESS2, ESS4 and ESS10, the Project will make use of the already existing GEWEL GRM designed to be sensitive to GBV and SEA/SH issues which already receives SCT related complaints and queries. The GEWEL GRM includes a referral pathway that is survivor centered in accessing safe social services. In line with the GEWEL GRM, grievances will continue being handled in a transparent and culturally appropriate manner, thus upholding principles of confidentiality in the handling of GBV/SEA cases.

71. **Citizen Engagement.** Multiple communications channels will be used to disseminate information on the Project, including entitlements and responsibilities of beneficiaries and their communities (i.e. community sensitization meetings, radio jingles and talk-shows, posters, Service Charters, etc.). GRM Complaints are recorded in and monitored through GRM modules that form part of the MIS for the Project. Individual complaints are responded to through letters, phone calls and/or in person communication. In addition, GRM Focal Points in the Ministry regularly analyze and identify trends in complaints which are then discussed in Technical Committee meetings and are inputs to decision-makers as part of regular GEWEL Steering Committee meetings and review missions. Expanding on the already established feedback loop through the GEWEL GRM, the Project will take an iterative approach to strengthening the citizen engagement feedback loop systematically across the social protection sector in Zambia in which groups and representative groups of citizens provide government with inputs and feedback, actively supporting implementation of reforms, and monitoring that citizens' benefit as intended. A Civil Society Organizations (CSOs) Platform established under GEWEL will be extended to the project in which information will be shared with selected CSOs and quarterly meetings will be held to receive feedback. A structured social accountability process, contextualized to the most marginalized and vulnerable beneficiaries, using at least one social accountability tool (e.g. community score card, citizen report card, etc.) will be implemented. Although there are multiple feedback loops, the Project will measure one citizen engagement indicator for SCT through the Results Framework. Specifically, the Results Framework will track the time it takes for grievances to be addressed and feedback provided to the complainants, thus closing the feedback loop to beneficiaries.

V. GRIEVANCE REDRESS SERVICES

72. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints



may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

VI. KEY RISKS

73. **The overall risk rating for this project is Moderate.** The main issues arise from the Macroeconomic Risks, Institutional Capacity for Implementation and Sustainability, and Fiduciary risks.

74. **Macroeconomic risks are rated Substantial.** The fallout of the war in Ukraine, the ongoing COVID-19 pandemic on top of Zambia's debt distress situation are resulting in increased volatility in Zambia's economy and in government's ability to sustain financing to social protection. The continued delay in an agreement on Zambia's debt treatment also puts the financing of social sectors at risk, threatening to undo some of the poverty reduction impacts estimated to have been achieved through the regular financing and scale up of safety nets in 2021. This project itself attempts to mitigate this risk through the provision of critical funding to stabilize financing to the social protection sector. The resources under this project are sufficient to finance 100 percent of SCT for one year with a provision for limited scale up in response to a shock. Given that there are also remaining undisbursed resources for SCT under GEWEL, together, resources are sufficient to finance 100 per cent of SCT up to around January 2024 (or less if transfers or caseload are increased to respond to a shock in the interim period). After this period, there is however a need for closer engagement with Treasury to better plan predictable sources of financing for the SCT in future years in line with MTEF commitments.

75. **Institutional Capacity for Implementation and Sustainability risk is rated Substantial.** While the implementing ministry, MCDSS, has already demonstrated its ability to deliver SCT, the project will continue to require significant investments in staff skills and capacity. Moreover, while investments have been made in strengthening SCT delivery systems, the new systems piloted are yet to be rolled out to all districts. Therefore, dedicated attention is needed to ensure that the program can deliver to beneficiaries, while minimizing fiduciary and other risks. To mitigate these risks, Action Plans developed for GEWEL will be expanded on and applied to the project. Technical assistance will continue to be provided to the SCT by the World Bank and the UN. In terms of sustainability, the project has good prospects for sustainability given political commitment, strong record of delivery, and fiscal implications that do not exceed 1.2 percent of GDP and are below the Sub-Saharan African average.

76. **Fiduciary risk is rated Substantial.** The **financial management** risk for the project is assessed as Substantial. The MCDSS has made significant progress in implementation of the FM Action Plan developed for GEWEL. The rollout of Navision accounting software to the districts was finalized and is now in use, internal audit capacity at MCDSS has been strengthened, and internal controls have been enhanced and accountability of funds improved over funds disbursed under SCT. However, there are still inherent fiduciary risks associated with such projects with decentralized implementation at district level countrywide. There are also areas of improvement identified related to non-uniform implementation of all FM measures and controls that would need to be addressed as part of project implementation. Finally,



until digital payments can be rolled out to a majority of districts and beneficiaries for SCT, fiduciary and safety risks associated with movement of physical cash will continue. The project will continue to require significant investments in staff skills and capacity and in the roll out of critical delivery systems. In particular, the project will use the Navision accounting software at the district levels to significantly reduce accounting errors, in addition to strengthened internal audit capacity at MCDSS and internal controls over SCT disbursements. Overall **Procurement** risk is deemed Moderate. The World Bank conducted a procurement management capacity assessment of the project and noted that the implementing agency, MCDSS, has in place adequate measures to handle the project. To strengthen the existing systems of the implementing agencies and to mitigate fiduciary risk, various action items are recommended such as: (i) publication of Annual Procurement Plan and Contracts on the e-GP platform and Program website; (ii) capacity building for key stakeholders in planning, financial management, budget preparation and execution, and (iii) incentivizing the MoFNP to make budget releases on time.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Zambia

Scaling-up Shock Responsive Social Protection Project

Project Development Objectives(s)

To protect poor and vulnerable households' consumption in response to shocks in Zambia

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
To protect poor and vulnerable households' consumption in response to shocks in Zambia					
Percentage change in beneficiary household expenditure on food (Percentage)		0.00	10.00	15.00	20.00
Percentage change in number of beneficiary households eating more than one meal per day (Percentage)		0.00	5.00	10.00	15.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
Social Cash Transfers					



Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1	2	
SCT transfer value as a share of national poverty line (Percentage)		8.00	8.50	9.00	10.00
Share of SCT beneficiaries receiving payments on time (Percentage)		83.00	89.00	95.00	100.00
Share of SCT beneficiaries receiving payments through ZISPIS (Percentage)		0.00	30.00	75.00	95.00
Share of eligible SCT beneficiaries who received the education lumpsum grant (Percentage)		50.00	65.00	80.00	95.00
Share of SCT Beneficiaries receiving KGS Education Grants on time (Percentage)		50.00	60.00	70.00	75.00
Number of SCT beneficiaries in a district severely affected by climate change (Number)		64,336.00	66,202.00	68,122.00	70,097.00
Beneficiaries of social safety net programs (CRI, Number)		974,000.00	990,000.00	1,010,000.00	1,026,000.00
Beneficiaries of social safety net programs - Female (CRI, Number)		642,840.00	653,400.00	666,600.00	677,160.00
Share of SCT related complaints received and resolved within the stipulated period of time (Percentage)		69.00	75.00	80.00	85.00

**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage change in beneficiary household expenditure on food	Percent change in total expenditure on food incurred by project beneficiary households	Baseline, Midline and Endline	Impact evaluations	Survey based Quantitative Analysis	MCDSS
Percentage change in number of beneficiary households eating more than one meal per day	This indicator measures the percentage increase in average target households eating more than one meal per day compared to a control group.	Mid-term and end-line	Beneficiary phone surveys and impact evaluation	Survey, quantitative data collection	MCDSS

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
SCT transfer value as a share of national poverty line	Enumerator is average SCT transfer value and denominator is (monetized) national poverty line	Annual	SCT MIS ZAMSTATS	Quantitative analyses	MCDSS
Share of SCT beneficiaries receiving payments on time	A transfer is considered on time if it is received by a beneficiary within a month of scheduled transfer date, as defined in the Operations manual	Annual	SCT MIS	Quantitative analysis	MCDSS
Share of SCT beneficiaries receiving payments through ZISPIS	Denominator is the number of beneficiaries who choose	Annual	SCT MIS	Quantitative analysis	MCDSS



	to be paid electronically through ZISPIS				
Share of eligible SCT beneficiaries who received the education lumpsum grant	Enumerator is number of SCT beneficiary households who received the education lumpsum grant and denominator is the number of households who qualify to receive the education lumpsum grant, i.e., have a KGS beneficiary	Annual	SCT MIS and KGS MIS	Quantitative analysis	MCDSS and MOE
Share of SCT Beneficiaries receiving KGS Education Grants on time	Enumerator is number of SCT beneficiary households who received the education lumpsum grant by the dates set out in the Operations Manual and denominator is number of SCT beneficiary households who received the education lumpsum grant	Annual	SCTP MIS and KGS MIS	Quantitative analysis	MCDSS and MOE
Number of SCT beneficiaries in a district severely affected by climate change	Beneficiaries of SCT in districts with an Integrated Food Security Phase Classification (IPC) level or above in the past 2 years	Annual	SCT MIS and Zambia Vulnerability Assessment Committee (ZVAC) reports	Quantitative analysis	MCDSS
Beneficiaries of social safety net programs		Annual	MIS	Quantitative analysis	MCDSS



Beneficiaries of social safety net programs - Female		Annual	SCT MIS	Quantitative analysis	MCDSS
Share of SCT related complaints received and resolved within the stipulated period of time	Resolved is defined as a complaint having been received, investigated and a response given to the complainant within times stipulated in the operations manual.	Annual	MIS	Quantitative analysis	MCDSS



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Zambia

Scaling up Shock Responsive Social Protection in Zambia

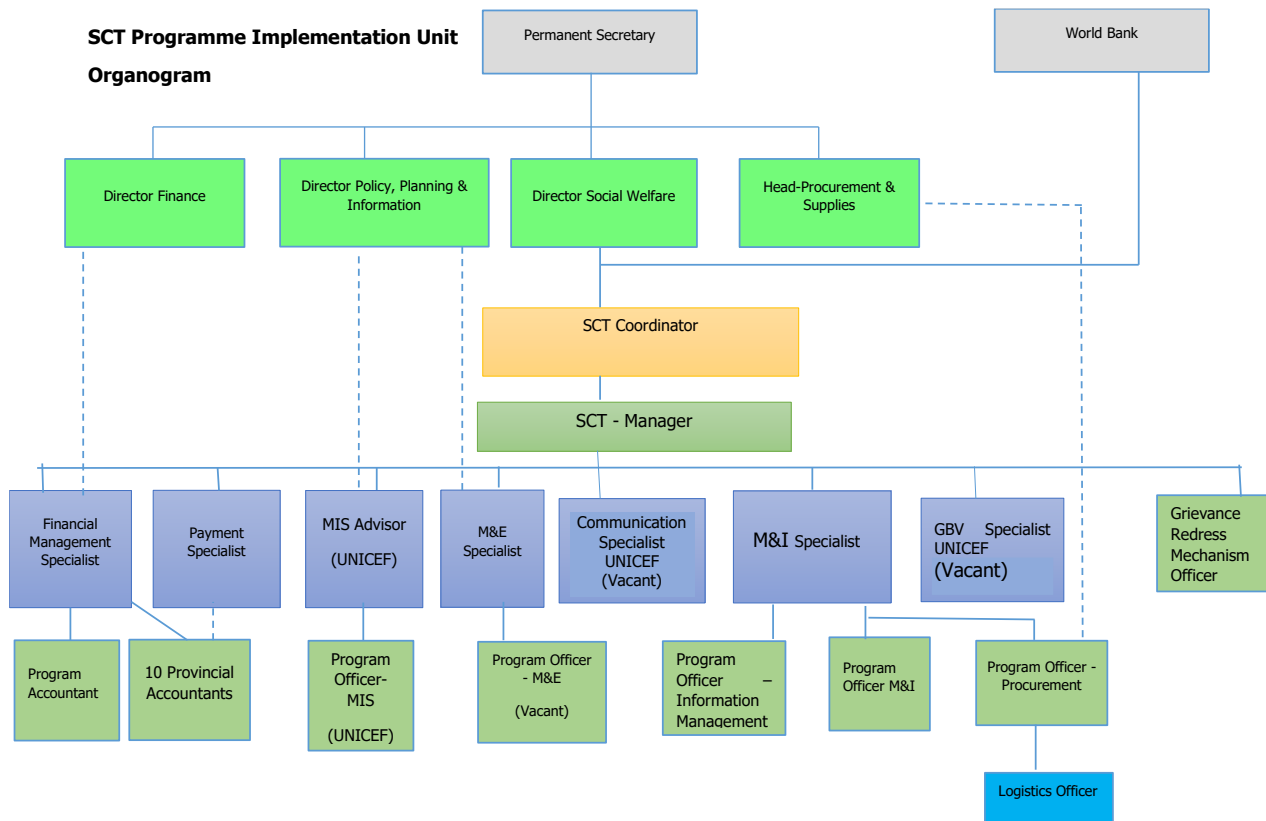
Operational and Programmatic Implementation Arrangements and Support

1. **The project will utilize the already existing implementation arrangements under the GEWEL project.** Strategic oversight will be provided by a PSC comprised of the Permanent Secretaries of the implementing ministry (MCDSS) and Cabinet office, Gender Division. The role of the PSC will be to provide policy guidance, approve annual work plans and budgets, oversee project progress, ensure coordination across the implementing ministries, and approve the audited financial reports. The PSC will meet on a quarterly basis and will be chaired by Secretary to Cabinet or his disgree. The PSC will be supported by a National Secretariat, housed in the Gender division, with a Director of Planning and Information supported by a Project Coordinator. As the implementing ministry the MCDSS is, however, responsible and accountable for implementation of the SCT and its activities, with the Permanent Secretary as the controlling officer. As such, the MCDSS is responsible for management of the program, accounting of funds and submission of quarterly financial reports.

2. **At HQ, the project will be implemented through the existing SCT PIU under MCDSS, which will continue to provide day to management of the component under the strategic direction of the Director of Social Welfare.** See Figure A1 below outlining the SCT PIU organogram. The SCT Coordinator and the SCT Manager will work closely with the PIU staff with support from Director Social Welfare will be responsible for: (a) preparation of the annual work plan and budget (AWPB); (b) tracking and oversight of SCT implementation; (c) drafting of the quarterly and annual SCT implementation and monitoring reports; and (d) backstopping and capacity building of provincial and district staff, working with the fiduciary teams to ensure adequate and timely financial, procurement and audit support. The SCT PIU is adequately staffed, currently comprising of an SCT Coordinator, SCT Manager, Financial Management Specialist, Management and Implementation specialist, Procurement Specialist, Payments Specialist, MIS Specialist, M&E Specialist, Accountant, Management and Implementation Officer, Program officer MIS, and Program Officer- Management and Implementation. Environmental and social focal persons will be assigned from within the PIU to be responsible for implementation of risk mitigation measures as per the ESF. The GRM officer will be the focal person for social issues and his duties will be expanded to include GBV issues and social engagement. In addition, ten Provincial Accountants support accounting functions for the SCT at the district level, given the absence of accounting staff for SCT in the districts.



Figure A1: SCT PIU Organogram



3. **At the provincial level, the SCT is implemented through the Provincial Social Welfare Office.** The Provincial Social Welfare Office provides monitoring, supervision, capacity building and technical support to the District Social Welfare Office. The Provincial Social Welfare Officer at the Province is supported by two Senior Social Welfare officers who provide support to the District Social Welfare Officers in the Districts. The Provincial Social Welfare Office provides support and supervision to the district offices not only on SCT but also on other departmental programs undertaken at the district level.

4. **At the district level, the SCT is implemented through the District Social Welfare Office.** The District Social Welfare Officer is assisted by two Assistant Social Welfare Officers and a dedicated Assistant Program Officer for the SCT. The roles and responsibilities of the District Social Welfare Office include: (a) leading implementation at the district and community levels, (b) undertaking the identification of beneficiaries in case of any future scale up, (c) working closely with payment service providers (PSPs) and PPMs in the payment of transfers to beneficiaries including payment reconciliations and follow-ups on un paid transfers, (d) compiling quarterly and annual reports for submission, (e) undertaking annual budgeting and planning including monthly budgeting, (f) capacity building of community structures , (g) leading communication, mobilization and sensitization efforts at both the district and community levels, and supporting coordination with other department and stakeholders in the district.

5. Additionally, program oversight functions such as budget approval, monitoring and backstopping are done through the District Welfare Assistance Committee (DWAC) consisting of various line ministries. At the community level, the CWAC volunteer structures will support sensitization, community



mobilization and oversight on payment activities. The CWACs are elective committees comprising of ten community members with sufficient knowledge about the community.

6. **Any shock response through SCT will be through the SCT PIU under the Department of Social Welfare.** Any emergency response will also need to be closely coordinated with DMMU. The Department of Social Welfare institutional arrangements at the province, district and community levels will also be involved. To ensure shock response activities are well coordinated, the Cash Working Group under the leadership of the Director Social Welfare will act as the main coordination platform, bringing together donors and other non-state actors. The SCT PIU will have the following immediate roles on SCT shock responsiveness: (a) develop SOPs and guidelines for shock response through SCT, (b) support capacity building of district staff in implementing shock responsive social protection, (c) under the guidance of the Director Social Welfare, develop and support coordination platforms, (d) prepare emergency response Action Plan; (d) support communication, sensitization, and mobilization efforts during an emergency, and (e) support learning and accountability and provide reports as per agreed timelines.

7. **World Bank Implementation Support Plan:** The World Bank will continue to undertake two Implementation Support Missions for the social protection projects each fiscal year. These missions generally focus on review of implementation progress and progress towards achieving the PDO; identification of implementation risks, bottlenecks and mitigation measures; review of FM, Procurement and Environmental and Social Action Plan implementation; and providing just in time support to implementing entities. In depth field missions will also be carried out, focusing on specific risks or bottlenecks that come up during project implementation. Accompaniment and on the job, support will also be provided by the World Bank to implementing agencies through monthly and quarterly technical meetings that are regularly held. This is in addition to joint hands-on field backstopping and support trips to implementing districts when necessary to fully understand the context under which implementation is taking place. Cooperating partners contributing to the GEWEL MDTF also actively participate in the six-monthly Implementation Support Missions, quarterly technical meetings, and ad hoc field visits in support of government agencies – in addition to the quarterly and six monthly technical and steering committee meetings of the UN Joint Program on Social Protection.

8. The World Bank will also scale up its technical assistance and accompaniment in several new and existing technical areas, supported by cooperating partners under the GEWEL World Bank Executed Trust Fund. These will include: (a) FM and procurement capacity building; (b) MIS and digital payments; (c) support to data management and development of the single registry; (d) targeting; (e) impact evaluation; (f) strengthening the GRM, including a focus on GBV sensitive GRM operationalization; (g) shock responsive social protection and (h) graduation pathways for SCT beneficiaries.

Financial Management

9. **Identified Project FM Risks:** The MCDSS has made significant progress in implementation of the FM Action Plan developed during the preparation of the GEWEL first Additional Financing. The rollout of Navision accounting software to the districts was finalized and it's now in use, internal audit capacity at MCDSS has been strengthened, and internal controls have been enhanced and accountability of funds improved over funds disbursed under SCT. Through the World Bank's technical assistance, a consultancy



firm⁴⁷ conducted an internal controls assessment and quarterly FM reviews at provincial and district levels. The consultancy firm provided useful recommendations to enhance internal controls. Robust technical and fiduciary measures have been put in place to support project implementation. However, there are still areas of improvement related to non-uniform implementation of all FM measures and controls that would need to be addressed as part of project implementation. As a result, the project initial FM risk is assessed as Substantial, with the residual FM risk assessed as Moderate once the agreed actions are implemented. The key areas of risk are as follows:

- i. Inherent risks of these types of operations including weak internal controls on tracking of funds at sub-national and community level and fiduciary challenges relating to decentralized expenditures (high volume/low value). The inherent risks are expected to continue as the program will continue operating in all 116 districts.
- ii. Limitation of scope of fiduciary supervision and monitoring arising out of COVID-19 travel restrictions, affecting World Bank staff and consultants ability to make on-site FM reviews.
- iii. Capacity constraints of the internal audit function at the implementing ministries.
- iv. Payment system risks in the SCT, including manual/non-direct payment through PPMs for the majority of rural areas and the attendant security risks of handling cash.
- v. Funds flow delays by the treasury releasing funds and delay occasionally by routing IDA and Multi-donor funds through control 99 with attendant delays in making payments to beneficiaries and vendors.
- vi. Relatively weak accounting capacity at district levels with some FM functions undertaken by social welfare officers.
- vii. Governance and anti-corruption risks including risk of elite capture and payments to beneficiaries that may not be eligible to receive the grants.

10. To mitigate the above-mentioned risks identified, the following mitigation measures will be implemented:

- i. Adoption of a 5-tier oversight system by the PIU for PPM's payment system consisting of program monitoring by the program officers of payments and operations of the PPM at community level (including physical visits and interview of beneficiaries); spot checks by PIU staff; quarterly internal audit review by government internal auditors; external audit review by OAG; and when necessary, use of special audits to follow up on specific risk areas.
- ii. In order to strengthen capacity in areas with poor connectivity and facilitate monitoring and reconciliation of the payments by the SCT, PPM's have now been assigned cell phones with appropriate software to provide almost real time payment tracking to ZISPIS. This enables PPMs to input the payment data on beneficiary payments into the app, which is uploaded onto the ZISPIS MIS platform as soon as the PPM has access to network connectivity.
- iii. Continued promotion of digital transfers for SCT beneficiaries as the ZISPIS digital pilot rolls out to further districts and internet connectivity and PSP networks continue to expand to rural areas.
- iv. Regular follow up with MOFNP on transfers of funds through control 99 and regular preparation and submission of the control 99 funds flow monitoring tool.
- v. Continued training to be conducted for district/provincial level staff in basic financial

⁴⁷ Ernst and Young.



management and on the use of the installed Navision accounting package.

11. **Budget and Disbursement arrangements:** The project will retain the same budget and disbursement arrangements as agreed under GEWEL. The project will be included under the MCDSS existing chart of accounts code. For disbursement, the project will adopt the report-based method of disbursement whereby disbursements would be made on quarterly basis upon submission and clearance of the IFR by the World Bank. This method has already been implemented under GEWEL as of July 2020. There will be no changes in the existing banking arrangements, except that a new Designated Account (DA) will be opened for this project at Bank of Zambia (BOZ) through which both IDA and MDTF funds will be transferred. The DA will continue to be denominated in US dollar. On request from MCDSS, the disbursement of funds will continue to be done through the TSA, moving from the DA to the Control 99 account in BOZ and to the operational account in BOZ. Thereafter, the funds would be deposited into the commercial bank mirror account opened under this project, from which payments would be made for eligible project activities. The project will use the IFRs disbursement method to access advances from the World Bank to the DA based on approved cash forecasts for the next 6 months (i.e. two quarters). Other methods of disbursements available to the project includes reimbursement, direct payment, and Special Commitment. The reimbursement of eligible expenditures financed by the project using government own resources will be approved by the World Bank before they are incurred. Risks related to disbursement and budget include budget underfunding for IDA project funds, delays by the treasury in budget releases even after budget has been allocated, both of which create risk of delayed payments and payment arrears/pending bills at year end.

12. **Accounting and Financial Reporting:** IFRs will continue to be submitted quarterly to the World Bank, no later than 45 days after the end of each calendar quarter. There is adequate capacity within implementing ministries for accounting and financial reporting. However, due to the lack of IFMIS system for financial reporting, this is done manually by use of spreadsheets such as Excel. Nevertheless, the roll-out of Navision at MCDSS, which has linked the ministry to the provinces and districts would address this. Another challenge is the relatively weak accounting capacity at the districts where there are no project accountants. Instead, the social welfare staff provide accounting support, but these persons are not professionally trained in FM matters. In order to address this, the project has adopted simplified reporting at provincial and district levels and SCT accounting is backstopped by ten Provincial Accountants that support district staff. The roll out of digital payments through PSPs in further SCT districts, and real time payment tracking through the PPM software application linked to ZISPIS in areas with no connectivity, would further reduce the reliance on social welfare officers for core FM work. The Navision system will also enable better accounting and financial reporting once fully operational and integrated. In addition, the PIU will continue to conduct regular spot checks and supervision of the project activities and provide the necessary handholding and capacity building training.

13. **External and internal audit:** The project annual financial statements will be audited by the OAG of Zambia. The OAG is constitutionally independent and his/her office has the technical staff adequate for the audit purposes. As part of the annual audit, the OAG will provide an audit opinion on the financial statements of the project and will highlight the control issues and the audit recommendations in the management letter. The audit report and management letter will be submitted to the World Bank within 6 months after the close of the financial year. In addition, a combined team of internal auditors from Gender Division and MCDSS will conduct quarterly internal audits in accordance with the audit program



and share reports with the World Bank within 30 days after the end of the quarter to which the internal audit relates.

14. **Conclusion of the FM Assessment:** The results of the assessment indicate that the overall FM arrangements satisfy the World Bank’s minimum requirements under the Financial Management in Bank Financed Operations and Other Operational Matters issued on September 7, 2021. The FM arrangements are therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank.

15. **World Bank Implementation Support Plan:** Based on the risk assessment of the project, the World Bank FM supervision review will be conducted at least twice every year. The mission’s objectives will include ensuring that strong financial management systems are maintained for the project throughout its life. Reviews will be carried out regularly to ensure that expenditures incurred by the project remain eligible for IDA funding.

Table A1: World Bank FM Implementation Support Plan

Activity	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Internal audit reports	Quarterly
Audit report review	Annually
On site Visits	
Review of overall operation of the FM systems	Twice annually during FM supervision missions
Monitoring of actions taken on audit reports, auditors’ management letters	Continuous
In depth transaction reviews/ fiduciary deep-dive	As required



ANNEX 2: Technical, Economic and Financial Analysis

COUNTRY: Zambia

Scaling up Shock Responsive Social Protection in Zambia

1. The economic and technical appraisal of the SCT is adapted from the Zambia Social Protection and Jobs Public Expenditure Review 2021 and updated to latest data where available. This section is organized by coverage, targeting, adequacy, and impact.

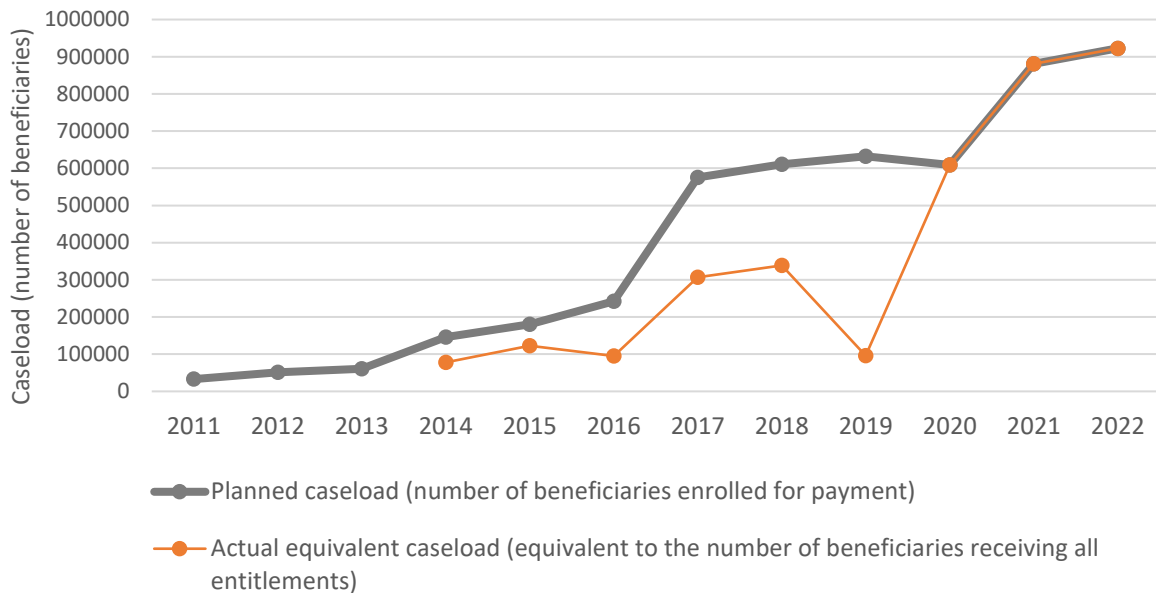
Coverage

2. **The SCT has undergone significant evolution since its inception in 2003 and is now a national program operational in all districts.** In the first phase (2003-10), five pilots, with some variations, were introduced with donor financing. These pilots aimed to cover the poorest 10 percent of the population in the districts served. By early 2010, social cash transfers were implemented in eight districts and reached about 24,000 households. In the second phase (2010-14), two variants - a Child Grant Program (CGP) and Multiple Category Transfer Program (MCP) – were launched, with joint government and donor financing. By 2013, these programs covered 61,000 households in 19 districts, with four different targeting models (labor-constrained, old age, child grant, and multiple category). In 2014, these grants were consolidated into a single program, with common eligibility criteria.

3. **Since 2014, the SCT has expanded coverage substantially, reaching nearly 30 percent of the population by 2022.** In 2014, the program received an eight-fold increase in the government budget allocation (from approximately US\$3.5 million to US\$30 million) and was scaled-up from 19 to 50 districts, reaching national coverage by 2017. The total number of beneficiary households increased from 32,643 to 632,327 between 2014 and 2019, covering about 18 percent of the population. Starting 2021, GEWEL financing together with government financing enabled a further scale-up to more than 920,000 beneficiaries and an increase in the adequacy of the transfer in line with inflation. Since 2020 to 2022, all enrolled beneficiaries have been paid their entitlements as compared to previous years when final budgetary releases were not always in line with the planned expenditure (Figure A2).



Figure A2: SCT planned and actual-equivalent caseloads



Source: Zambia SPJ PER, 2021 for 2011-2019; own calculations using SCT administrative data for 2020-2022.

Note: The ‘planned caseload’ refers to the number of beneficiaries enrolled for payments under SCT in a given year. The ‘actual equivalent caseload’ is calculated using the amount of budget actually released for SCT in the given year and converting it to the number of beneficiaries that would get full entitlements based on that budgetary release.

Targeting

4. **The program is reasonably well targeted across provinces and districts, with scope for improvement in some districts.** The Social Protection Public Expenditure Review (PER) 2021 reports that the SCT caseload (in terms of number of beneficiaries enrolled) is higher in provinces with a higher (projected) number of poor households as of 2019. This is also the case at the district-level, despite some variation. This is roughly consistent with an analysis of the SCT enumeration data from 2014 to 2017 that was used to enroll beneficiaries. This study found that the spatial distribution of program beneficiaries was reasonably close to the dispersion of poverty, at least at the provincial level, however, at the district level this correlation between the number of beneficiaries and the extreme poor was slightly weaker (IDInsight 2017).

5. **At the household-level too, the distribution of the beneficiary households is progressive.** The majority – 89 percent of enrolled beneficiaries – are in the first six deciles of the income distribution, which are poor in Zambia given that poverty is at almost 60 percent. A small share of beneficiaries – about 11 percent - in higher income deciles are also enrolled, but this is a relatively small proportion and comparable with other countries, given that it is difficult to achieve perfect targeting. A program assessment of the oldest SCT pilot in Kalomo district also found progressive targeting (Schuring 2007).

6. **This is indicative that the geographical distribution of the caseload and the combination of**



categorical and poverty targeting are able to reach poor households. This is partly because of the progressive spatial efficiency in distribution of the caseload and partly because households with members meeting the categorical eligibility criteria tend to be poorer than the overall population. In 2019, 63 percent of categorically eligible households were poor as opposed to 43 percent of the non-(categorical) eligible households. The application of a proxy-means test (PMT) likely further refines the focus on the poor, even as the efficiency of the PMT (to accurately exclude the non-poor) is eroding over time.

Adequacy

7. **The government undertook a vertical expansion of the SCT in 2021 and 2022.** Following strained fiscal space for the SCT up till 2020, government, with the support of the GEWEL funding and involvement of other cooperating partners, returned to timely and regular payments of the SCT transfers in 2021 and 2022. To keep up with double digit inflation (16 percent in 2020, 21 percent in 2021, 16 percent in 2022)⁴⁸, government increased transfer values from the existing ZMW90 per month to ZMW150 per month in 2021 and ZMW200 per month in 2022. Households with disabled beneficiaries receive double the transfer amount, going from ZMW180 per month up till 2020 to ZMW300 per month in 2021 and ZMW400 per month in 2022.

8. **As a result, the adequacy of the transfer kept up with inflation and improved slightly against the poverty line.** From 2017 to 2020, the value of transfer as a share of national per capita poverty line went from 7 percent to 5.2 percent in 2020, which was below the original transfer value in 2015. With double-digit inflation in 2020-22, the value was expected to drop to 3.6 percent of the poverty line.⁴⁹ However the recent upwards revisions of the transfer amount helped retain the value against the poverty line to initial levels, and slightly exceed them. With high inflation expected to continue from 2022 to the coming 2-3 years, the transfer value is at risk of eroding quickly against the poverty line unless it is adjusted regularly to keep up with inflation.

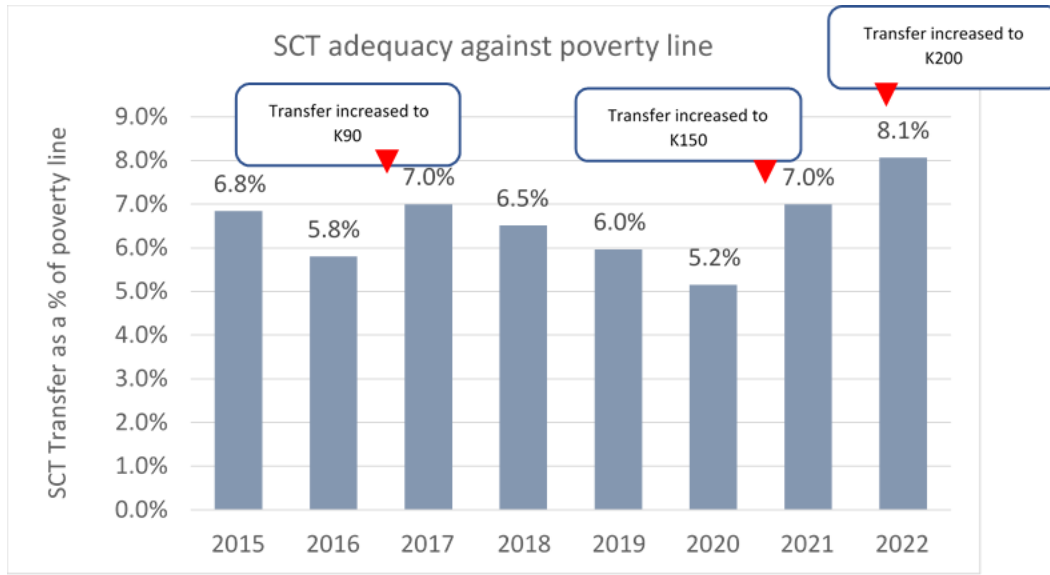
9. **The current benefit levels still fall short of the government's target.** The seventh National Development Plan 2017-21 (7NDP) aims to increase the benefit amount by almost three times, from 8 percent of the national per capita poverty line in 2017 to about 20 percent by 2021. This target is significantly higher than what has been achieved despite recent upward revisions and would require the current benefit amount to increase quite substantially, which has equally enormous budget implications.

⁴⁸ World Economic Outlook, April 2022. IMF.

⁴⁹ Social Protection and Jobs PER. World Bank. 2021.



Figure A3: SCT Transfer Adequacy against National Poverty Line.



Source: SCT Admin data for SCT transfer value; IMF's World Economic Indicators for inflation; National Poverty line of K214A.E. from 2015 as benchmark poverty line.

Impact

10. **The SCT has had significant impacts on beneficiary households, as it evolved in design and coverage over time.** A number of studies evaluated the impact of the pre-national versions of the SCT. Overall, the program has had large impacts on protection (the primary objective) and productive outcomes, discounting any concerns of dependency and suggesting the program may lead to sustained improvements in living standards. A brief summary of key directions of impact:

- a. **Evidence from Phase 1 (2003-10):** Evaluations of three pilots (in Kalomo, Kazungula and Chipata districts) found significant impact on household consumption, especially food consumption for poorer households (Tembo, Freeland, et al. 2014, Tembo, Chimai, et al. 2014). In Kalomo, the increase in consumption accounted for 27-33 percent of beneficiary households' per capita consumption expenditure.⁵⁰ In Kazungula and Chipata, the impact on consumption expenditure accounted for 57-85 percent of the beneficiary households' per capita consumption levels, with impact in Kazungula more than one-and-a-half times as much as in Chipata district.⁵¹ Though a fourth phase 1 pilot in Monze district had no impact on household consumption or health outcomes, it had significant impact on school enrolment, investments in productive assets and income diversification towards share cropping.⁵² While the program increased ownership of livestock,

⁵⁰ Tembo et al2014. *Social Cash Transfers and Household Welfare: Evidence from Zambia's Oldest Scheme*. Applied Economics and Finance 1 (1):14

⁵¹ Tembo et al2014. *Welfare Effects of Social Cash Transfers in Chipata and Kazungula Districts of Zambia*. Business and Economic Research 4:291-300

⁵² Seidenfeld and Handa 2011. *Results of the Three Year Impact Evaluation of Zambia's Cash Transfer Program in Monze District*. Final Report. Lusaka and Washington, DC: American Institutes for Research



purchase of fertilizers and a shift from subsistence to more cash crops, it had no impact on food expenditures (though this could be a limitation of the survey). The pilot also experimented with educational and health conditionalities and which significantly increased school enrolment (by seven percentage points), with even larger impacts on school enrolment of younger children (by 20 percentage points). There were no significant impacts on access to health care, suggesting additional interventions were necessary.

- b. **Evidence from Phase 2 (2010-14):** Evaluations of the CGP and MCP also found significant impact on a range of outcomes, including increased household consumption, food security, asset ownership, savings (and reduced indebtedness), incomes and revenues, shifts in employment patterns and income sources, perceptions of subjective poverty, and children's material needs.^{53;54;55;56;57} For instance, CGP's average effect size on household monthly per capita expenditures was approx. 27 percent, while MCP's was approx. 30 percent.⁵⁸ However, there is heterogeneity of impacts, particularly with respect to schooling and nutrition, depending on the initial conditions of the household, suggesting the need for complementary interventions.^{59;60} In the case of MCP, effect sizes increased over time, between two and three years of exposure to the program and the overall impacts after three years of implementation outweighed the transfer size. One study estimates a multiplier effect of 1.67, i.e., each ZMW transferred provides an additional 0.67 ZMW or roughly 70 percent more in terms of net benefit to the household. These multiplier effects were driven largely by increased productive activities.⁶¹

11. **The simulated impact of the recently expanded SCT shows potential reduction of poverty incidence by 6 percentage points.** In the absence of an impact evaluation of the national SCT, the appraisal has simulated the potential impact of the recently expanded SCT. Given data limitations, it is difficult to simulate the impact of the SCT *per se*. Instead, the analysis focuses on the potential impact of the recently expanded SCT against simulated counterfactuals without the program. The analysis simulates the potential impact of the expanded SCT, i.e., a fully funded program that pays its full caseload benefits at the level of ZMW 150 per month in 2021.⁶² SCT at this scale (which was achieved through the 2021 scale up) is expected to reduce poverty incidence by 6 percentage points. Factoring for COVID-19-induced increase in poverty in 2020, this translates to a net poverty reduction of 4.2 percentage points. The effect

⁵³ Hjelm et al 2017. *Poverty and perceived stress: Evidence from two unconditional cash transfer programs in Zambia*. Social science & medicine (1982) 177:110-117

⁵⁴ Handa et al 2018. *Can unconditional cash transfers raise long-term living standards? Evidence from Zambia*. Journal of Development Economics 133

⁵⁵ Handa et al 2016. *The Social and Productive Impacts of Zambia's Child Grant*. Journal of Policy Analysis and Management 35 (2):357-387

⁵⁶ Daidone et al 2014. *Zambia's Child Grant Programme: 24-month impact report on productive activities and labour allocation*. FAO

⁵⁷ AIR 2016. *The Multiple Categorical Targeting Grant —A Comprehensive Summary of Impacts (2010–2014)*. Washington, DC: American Institutes for Research

⁵⁸ Handa et al 2018. *Can unconditional cash transfers raise long-term living standards? Evidence from Zambia*. Journal of Development Economics 133

⁵⁹ *ibid*

⁶⁰ Chakrabarti et al 2020. *More evidence on the relationship between cash transfers and child height*. *Journal of Development Effectiveness*:1-24

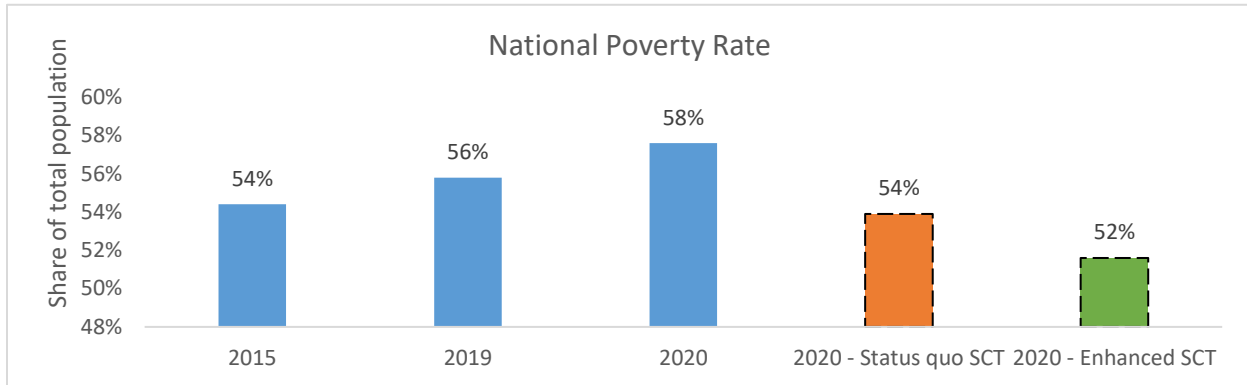
⁶¹ AIR 2016. *The Multiple Categorical Targeting Grant —A Comprehensive Summary of Impacts (2010–2014)*. Washington, DC: American Institutes for Research

⁶² An amount is chosen such that the 2021 transfer value adjusted for inflation is equivalent to the 2017 transfer value (ZMK 150 per regular household per month, and ZMK 300 per household qualifying on disability per month).



on rural poverty is larger than that on urban poverty—rural poverty is about 4 percentage point below the 2015 level whereas urban poverty is 1 percent below 2015 level. The recent upwards increases of the transfer value are projected, therefore, to have been strongly beneficial to the country’s anti-poverty agenda.

Figure A4: Simulated Poverty Impact of fully funded SCT program



Source: Zambia SPJ PER, 2021