“Upwardly Mobile”: the Potential to Deliver Social Protection by Cellphone – Lessons from Lesotho

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Abstract: Social protection has risen on the development agenda as a way of providing sustainable poverty relief, using mechanisms such as cash transfers. However, recognition of the difficulties involved in delivering cash to remote, rural locations has led to the development of alternative delivery systems using technology such as cellphones. This paper summarizes the concepts and debates behind cash transfers as a form of social protection. It then outlines a pilot project in Lesotho where cellphones were provided to women’s farming groups, and explains some of the advantages and disadvantages highlighted in the evaluation. It concludes that there is great potential for the use of mobile technology to deliver social protection, but that active partnerships between governments and private sector partners will be required.

1. Introduction

Social protection programmes are increasingly being developed to reduce poverty throughout Africa. A key component of such programmes is cash transfers to recipients, such as old age pensions, child support grants, and disability payments. Whilst there is growing evidence supporting the use of cash, ensuring effective delivery to recipients in often remote and inaccessible areas can be problematic. Cash transfers have typically been delivered through government departments and NGOs, often in conjunction with payment outlets such as post offices. But delivery systems are prone to problems, such as cash-in-transit heists and corruption. Identifying more effective delivery mechanisms is thus imperative to reduce leakages and improve the effectiveness of both cash and other forms of transfers within social protection programmes.

The Regional Hunger and Vulnerability Programme (RHVP) is building evidence on innovative approaches to develop better, more dynamic ways of tackling both acute hunger and chronic vulnerability. This paper reports the findings of a pilot project where cellphones were distributed to women’s farming groups in three communities in rural Lesotho: Maliele (St Michaels), Nyakasoba and Semonkong. These findings have informed studies that RHVP has subsequently undertaken on innovative delivery systems for social pensions in Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. In the second phase of the programme (2008-10) the geographical focus has been expanded to cover all fourteen Southern African Development Community member countries.

1 RHVP is a regional programme for southern Africa funded by the British Department for International Development and AusAID (the Australian Government’s overseas aid program) that seeks to address the problem of chronic vulnerability in the region by promoting a shift from reactive emergency food aid to longer term institutionalised social protection using innovative approaches. In the first phase of the programme (2005-08) RHVP focused on the six countries most acutely affected by the 2002-03 food crisis, namely Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. In the second phase of the programme (2008-10) the geographical focus has been expanded to cover all fourteen Southern African Development Community member countries.

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for the old-age grant in Swaziland and for the PSA (food subsidy cash transfer) programme in Mozambique.

2. Social protection: the emergence of the paradigm

Social protection has rapidly emerged as a dominant policy agenda in support of efforts to achieve sustainable poverty reduction in Africa, Asia and Latin America. Social protection is predicated upon the notion that poor people can be active agents in making the choices necessary to improve their wellbeing when given the chance. This marks a paradigm shift within development discourses.

The traditional development discourse is based on the idea that the poor are the problem. Under neo-liberal ideologies and the Washington Consensus, it was believed that development would be brought about by economic growth at a macro-level, which would in turn trickle down to the poor at the grassroots, thereby reducing poverty. Macro-level economic growth was promoted by the lending policies of multilateral institutions such as the World Bank and International Monetary Fund, with donors providing emergency assistance to the poor in the case of crisis. However, after many years the persistently high statistics of chronic poverty in Africa show that the model is not working, and thus prompted a rethink towards pro-poor development.

Pro-poor development recognises that macro-level economic growth does not necessarily filter down to the poorest at the grassroots, and instead advocates initiatives that are specifically targeted at this level. Fundamentally this represents a shift in paradigm: from viewing the poor as a problem to the solution. Under this paradigm it is recognised that if comprehensive social protection is provided to the poor it will help to generate economic growth at the grassroots level, in turn reducing poverty (and in turn the cost of providing the social protection). In addition, by attempting to address the causes of chronic vulnerability, social protection reduces the occurrence of crisis situations where reactive emergency aid is required from donors.

Social protection can be defined as all initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of socially excluded and marginalised people (Devereux and Sabates-Wheeler, 2007). This broad definition allows for the fact that different categories of people require different forms of social protection. Among those requiring social protection are the chronically poor, including rural landless and orphans; those who are economically at risk, such as people living with HIV and AIDS, internally displaced persons and refugees; and the socially vulnerable, including ethnic minorities, people living with disabilities, and child-headed households. But to protect their livelihoods each of these groups needs different forms of social protection: social transfers (e.g. disability or child grants), social services (home-based care, education, healthcare), and social transformation (broader policy and legislation changes to ensure rights to vulnerable groups). The more typical notion of social insurance, including contributory pensions and maternity leave, are also encompassed within the notion of social protection, although clearly only available to those able to pay.

Arguably the area of social protection that is most immediately relevant to pro-poor development is social transfers. Social transfers are non-contributory, predictable and on-budget transfers to recipients. They can take various forms: cash, vouchers, food, agricultural inputs, medicines, and school fee or health care waivers. There are already a number of social transfer programmes in operation in southern Africa: for example Swaziland and Lesotho have non-contributory social pension schemes that provide cash transfers to elderly citizens; Malawi has an input subsidy programme that provides subsidised fertiliser and seed to vulnerable but viable farmers; and Zimbabwe has a Basic Education Assistance Module that provides school fee waivers. Many countries also provide antiretrovirals (ARVs) to

2 For more information on these and a range of other social transfer programmes operating in southern Africa see http://www.wahenga.net/index.php/evidence/case_study_briefs/
people living with HIV and AIDS. Particular attention has been paid to the role of cash transfers in promoting pro-poor development.

3. Cash transfers as a form of social protection

Predictable transfers of cash to vulnerable groups are raising increasing interest amongst donors, NGOs and national governments in southern Africa, with a number of pilot projects and national programmes having been implemented (for more information see www.wahenga.net). Providing recipients with regular and predictable transfers of cash gives them the flexibility to plan their expenditure to meet immediate basic consumption needs as well as providing the opportunity for investment in productive activities. There is now a growing body of evidence to show that cash transfers are effective in ameliorating vulnerability and chronic poverty (Barrientos and DeJong, 2006; Farrington and Slater, 2006), and have wider positive impacts within recipient households and communities (Davies and Davey, 2007).

The impact of cash transfers begins with the recipient, and then expands to the household, wider community, and eventually the country, meaning that many more people can actually be said to be beneficiaries of cash transfers than just those people who receive them. It is possible to summarise these impacts at various levels. At the micro-level, cash transfers promote self-esteem, status and empowerment amongst vulnerable people, enabling them to be active members of their households and communities, rather than burdens. A Lesotho pensioner describes “before we were treated as if we were dead. Now people respect me” (Save the Children UK/HelpAge International/IDS, 2005). Similarly, a male disability grant recipient in Langa, South Africa explains “this disability grant is very helpful because I can buy food and medicines if necessary. I also became a decent person – I now have insurance and accounts” (Surender et al, 2007).

At the level of the household, there is plentiful evidence to show that cash transfers improve food security and nutrition. Typically a large proportion of a cash transfer is spent on food: the evaluation of Malawi’s Food And Cash Transfers (FACT) showed that 75.5% of the transfer was typically spent on groceries (Devereux et al, 2006). In Lesotho the number of old age pensioners reporting that they never went hungry increased from 19% before the pension to 48% after it was introduced (Croome and Nyanguru, 2007). As well as increasing the volume of food available, cash transfers lead to an increase in the variety of foods consumed within the household: in Zambia 12% more households consumed proteins every day and 35% consumed oil every day if they received a transfer, compared with those households that didn’t (MCDSS/GTZ, 2007). But in addition to this, there is morphometric data to show that receipt of the child support grant in South Africa increases the height of children who receive it by 3.5cm if it is received in their first year and for two of the first three years, and the old age pension increases the height of girls in the household by over 2cm (Aguero et al, 2007). There are gendered differences in the sharing of pensions (Burns et al, 2005), with a greater proportion of women’s pensions being spent on food (Case and Deaton, 1998), and women’s pensions showing particular improvement in the height and weight of girls (Duflo, 2003).

But household benefits are not limited to food security and nutrition. There is also evidence to show that receiving a cash transfer improves access to healthcare and education. Whilst improved nutritional status assists improved health status of household members, cash transferred to households allows recipients to afford treatment. In Zambia, for example, incidence of illnesses reduced from 42.8% to 35%; and incidence of partial sightedness reduced from 7.2% to 3.3%, potentially due to the fact that beneficiary households could

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afford minor eye surgery (MCDSS/GTZ, 2007). Cash transfers also play an important role in access to education, both by providing households with the means to pay school fees, but also to purchase peripheral requirements associated with attending school, such as uniforms, books and stationery. Education is accepted as a critical means of reducing inter-generational poverty and promoting development. In Namibia, interviews with a grade 12 class found that participation of 14 out of 16 learners was solely due to their grandparents receiving a pension (Devereux, 2001). Using data from the national household survey in 2000 in South Africa, models show that household receipt of an old age pension is associated with a 20% to 25% reduction in the school non-attendance gap, and receipt of a child support grant is associated with a 25% reduction in the non-attendance gap (Samson et al, 2004).

Receipt of cash transfers also provides small amounts of capital for investment in productive activities, giving recipients the opportunity to not only protect but also improve their economic well-being. In the Kalomo social cash transfer scheme in Zambia 29% of transferred income was invested, either in purchases of livestock, farming inputs, or informal enterprise (MCDSS/PWAS/GTZ, 2005). A recipient of the child support grant in Mdantsane, South Africa explains “I sell sweets and biscuits so that I don’t run out of paraffin. I buy them from the child support grant money. I do this so that when the child support grant runs out, we are not in darkness” (Surender et al, 2007).

The net effect of these individual and household benefits is a decrease in poverty. At its most rudimentary this is measured in reductions in the poverty headcount: in South Africa, for example, this would be 5% higher without the old age pension (40% compared with 35%) (Case and Deaton, 1998). Similarly in Mozambique the GAPVU cash transfer programme was estimated to have contributed to a reduction in headcount poverty by 6%, and reductions in the poverty gap and poverty severity by 27% and 44% respectively (Datt et al, 1997). All of this evidence suggests that cash transfers have a positive role to play in development.

4. Delivering cash transfers: what role for mobiles?

Despite the positive evidence for the impact of cash transfers, there are difficulties with delivering this mechanism of social protection. Vulnerable people are often disproportionately concentrated in remote and inaccessible areas, and getting cash to the recipients can be challenging, especially in poor countries with weak administrative capacities and severe deficits in rural infrastructure. Cash transfers have traditionally been delivered through a pull mechanism, where recipients are “pulled” to a set location – typically a government office or payment outlet such as a post office – at a set time to collect their transfer. But the liquidity of cash compared with other transfers, such as agricultural inputs or food, means that the resource can easily be used by anyone, and thus there is high risk of loss throughout the process of delivery, adding to costs. Staff costs, either from employing new personnel or the opportunity costs of diverting existing staff from their routine tasks, are high, and there are further ‘leakages’ and risks through ‘cash in transit’ heists and corruption (see, for example, Vincent and Freeland, 2008). This can result in delivery costs representing a disproportionately high percentage of programme budgets. Identifying more effective delivery mechanisms is thus an important policy need.

Information and communication technologies offer new opportunities for delivering social protection (Devereux and Vincent, submitted). A variety of such innovative delivery mechanisms have been proposed and piloted to increase the effectiveness of cash transfer programmes in southern Africa. The costs and benefits depend upon specific local conditions such as rural infrastructure, population density (or conversely, the dispersion of recipients), the technological capabilities of recipients, and installation and operating costs. These technologies are aimed at reducing the risk to implementing agencies when transporting and distributing transfers, ensuring efficient distribution to recipients, and reducing the management load on donors and implementers. Relevant technologies include smart cards, mobile ATMs, GPS devices and biometrics.
Cellphones also offer a useful mechanism for delivering social protection. A number of highly publicised schemes have recently begun which use cellphones to transfer cash from user to user. The M-PESA scheme in Kenya, for example, run by Vodafone (in conjunction with local operator Safaricom) registered 111,000 users within the first three months, and transferred nearly $6 million, with an average transaction value of $45. Zain (formerly Celtel) is about to launch similar cash transfer services across the fourteen countries it covers in Africa. Cellphones have not yet been trialled as a delivery mechanism for social protection, but they clearly offer lots of potential and have been mooted as a more innovative mechanism than smartcards (Pearson and Kilfoil, 2007).

5. Pilot project in Lesotho

In 2006 ten cellphones were distributed amongst three women’s farming groups in different agro-ecological zones in Lesotho: one went to a chicken farming group in Maliele (St Michael’s) (the lowlands); four went to a pig farming group in Nyakosoba (in the foothills); and five went to a seed potato and vegetable farming group in Semonkong (the highlands). The cellphones were Siemens handsets and training was provided by the Maseru-based provider (Vodacom Lesotho). Recognising the lack of exposure to mobile telephony amongst the target users, joint monitoring committees were established, comprising a teacher in the community and a young student, together with the members of each farming group. As it is beyond the scope of RHVP to provide a regular cash transfer, each handset was pre-loaded with ZAR500 (approx $40) of airtime, and the intention was that the recipients would use ZAR100 of this for group communication, and then sell the remaining ZAR400 (as airtime or SMS) to other community members, such that the enterprise becomes self-sustaining. A follow-up evaluation was conducted in May 2007, nine months into the project, in order to look at the opportunities and challenges.

6. Results from the follow-up evaluation May 2007

6.1 Opportunities offered by cellphone delivery in Lesotho

The evaluation highlighted several opportunities offered by the provision of cellphones in Lesotho.

The most overwhelming advantage relates to how an increase in communication led to a drop in travel times experienced by the women in the farming groups. Lesotho is a mountainous country and outside of the capital, Maseru, transport infrastructure can be poor, meaning that disproportionately long times are often spent travelling short distances. In the highland location of Semonkong, for example, women would typically make a four hour round trip to the Bishop Allard Vocational School where impromptu meetings are held concerning the marketing of produce. After cellphones had been distributed, it was possible for the women to call ahead to the market and obtain pricing information, and then to communicate with each other, removing the need for physical travel.

A number of women also provided stories of how access to communications had eased their lives in other ways, for example in the case of a medical emergency it was possible to call a doctor and obtain advice rather than getting a sick patient to a clinic.

Some women in Semonkong had also started selling airtime, as had been intended at the start of the project.

6.2 Challenges posed by cellphone delivery in Lesotho

That said, there were also a number of challenges that arose in the use of cellphones amongst the women’s farming groups. As vulnerable groups who are typically characterised by low incomes and high levels of poverty, previous ownership of cellphones amongst the recipients was typically low, and thus many of the women had poor technological capacity. Despite the
initial training provided by the service providers, many of the women initially had difficulty in using the technology. One older lady recounted how she had been shown how to use multiple functions, but then had to seek assistance from the teacher within the joint monitoring committee, who showed her again how to switch it on (“the green button”) and off (“the red button”).

The provision of a valuable commodity to vulnerable groups also raised concerns that it would inadvertently increase the vulnerability of the recipients. Although there had been no incidents of cellphone theft amongst the recipients, the women were all familiar with incidences of cellphone theft within their social circles, with one lady explaining how her daughter’s phone had been stolen at a party attended only by family and friends. Electricity availability for battery charging was also problematic: not all rural areas in Lesotho are connected to mains electricity, and so sometimes women had to take their cellphones to innovative local entrepreneurs with solar-powered charging systems, for which they paid a nominal figure.

Perhaps the biggest failure of this project was the assumption that women would be able to sell airtime, making the venture self-sustaining. The cost of cellphone calls in Lesotho is prohibitively expensive at ZAR1.60-ZAR2.90 (US¢18-30) per minute (much higher than equivalent charges for calls from a land-line) and so there was little demand for purchasing calling availability. As a result, the women’s farming groups were forced to finance the calls they used through alternative means.

7. Conclusion

This pilot project was very small scale and only reflects true social protection programmes in a very limited way; however it does offer valuable lessons on the provision of cellphones to vulnerable groups similar to those that are likely to be targeted by social protection programmes. The ancillary benefits of providing cellphones, in terms of improved communications, are clear, and link mobile telephony to wider development impacts. The challenges of using cellphones to deliver social protection, in terms of impeded technological capacity of recipients, and risk of increasing their vulnerability through theft remain.

RHVP has used the information generated by this small pilot in Lesotho to inform the studies on innovative delivery systems for social transfers that it has subsequently undertaken for Governments in southern Africa. Swaziland, for example, had a high profile political crisis concerning the delivery of its national non-contributory social pension, known as the Old Age Grant. Introduced in 2004, Swazi Post and Telecommunications initially took responsibility for disbursing payments through its post office branches, but suffered from administrative problems resulting in delayed payments. Parliamentarians took up the cause in government, and eventually the whole of cabinet was recessed until an effective solution was found, which ended up being government taking back responsibility for delivery through the Department of Social Welfare. As this was not a sustainable solution in the long term, given resource constraints, the government then put out a tender for a private sector partner to participate in delivery, and considered the use of innovative technologies such as cellphones. Similarly in Malawi interest in a potential social pension prompted a feasibility study to be undertaken, which included provision and costing of potential innovative delivery, including the use of cellphones; and in Mozambique the Ministry for Women and Social Action is currently looking to expand its Programa de Subsidio de Alimentos (Food Subsidy Programme, which is actually a cash transfer to vulnerable groups), and is also considering the use of cellphones for delivery, amongst other options.

In this pilot project the initial capital costs were covered by RHVP, whereas in a pilot or national social protection programme there would clearly need to be some provision to procure and distribute handsets to those programme recipients who are not already in possession of them. Clearly this could be a costly procedure: although retail prices of cellphones are now falling, and new and modern handsets are available in many southern African countries for less than $20 apiece. The potential savings through reduced costs

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(administration and leakage) of each transfer would be likely to offset this, although to provide this evidence is a catch-22 situation: project implementers are unlikely to trial cellphones as a mechanism of delivery until there is such evidence, yet until trials take place there will be no such evidence.

There is also considerable scope for imaginative partnerships between Government and private sector: the readiness of Vodacom Lesotho to support this pilot testifies that there is untapped enthusiasm for mobile telephony service providers to be partners in delivering public services and transfers. Likewise the preliminary studies in Swaziland, Malawi and Mozambique have shown cellphone operators to be enthusiastic about the potential of partnership: they see the commercial advantages of increased markets and further increases in coverage – while at the same time appreciating the public relations benefits in terms of corporate social responsibility and progress towards universal service obligations.

Indeed, there might even be potential for the GSM operators to turn this situation to their advantage. In Africa, mobile handsets and airtime are often heavily taxed as a luxury, and national governments frequently impose extra demands on operators in terms of their corporate social responsibility and universal service obligations. How much better would it be for the operators to free themselves of this burden, by acting in enlightened self-interest, and taking the opportunity to establish public-private partnerships with governments to manage a national social fund (part of which could be funded direct through – reduced – taxation on mobile phone usage), and then to deliver social transfers through their own networks on behalf of governments. In fact, a similar idea could even be taken to international scale: in the same vein as earlier proposals for taxes on globalisation, such as the “Tobin” tax on cross-border currency trading, or the more recently-proposed Currency Transaction Tax (0.005% on every foreign currency transaction, which it is estimated could generate $30 billion a year for development), GSM operators in the North could impose a “social tax” on mobile telephony. With estimated annual revenues of over $900 billion, a 3% tax could match the CTT’s $30 billion annually, which could be distributed as social transfers, again through the cellular networks, in the poorer countries of the South. On this basis, the term “GSM”, which many people in Africa already assume to stand for “God Sends Mobiles”, could eventually come to designate the operators’ role as “Global Social Moderators”!

References

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