

TUESDAY, 30 OCTOBER, 2018

STATEMENT BY THE VICE-PRESIDENT

**ALLEGED MISUSE AND MISAPPLICATION OF THE SOCIAL CASH TRANSFER
FUNDS**

THE VICE-PRESIDENT, MRS WINA

Mr Speaker, before I give my statement to the House, allow me to pay a special tribute to one of Zambia's political giants, Mrs Chibesa Kankasa who passed away in a South African hospital.

Mr Speaker, Mrs Kankasa was a courageous politician who crossed the boundaries of ethnicity and tribe, both in her personal life and in politics.

Mrs Kankasa was not only a political activist but an embodiment of women struggle for equality of opportunity. The country has lost a politician of substance. May her soul rest in eternal peace.

Mr Speaker, the statement is based on the alleged misuse and misapplication of the social cash transfer funds by some Government officers in the Ministry of Community Development and Social Welfare.

Mr Speaker, the Social Cash Transfer Scheme under the pro-poor Patriotic Front (PF) Government in Zambia constitutes programming which directly responds to the objective of the Social Protection Chapter of the Seventh National Development Plan (7NDP) under the Poverty and Vulnerability Pillar which is to reduce extreme poverty in incapacitated households through welfare support.

Sir, the scheme is a non-contributory grant given to households classified as incapacitated and vulnerable. The aim of the transfer is to reduce extreme poverty and inter-generational transfer of poverty.

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Mr Speaker, the Social Cash Transfer Scheme is the country's major social safety-net programme and is targeting to reach out to 700,000 household beneficiaries by December, 2018. The programme was initiated in 2006 in Kalomo with 169 beneficiary households. From 2011 when the PF took Government, the beneficiary households have risen from 32,643 in 2011 to 574,663 in 2017. This was due to the scale-up of the programme from nineteen districts to all the 109 districts in Zambia, especially in rural areas.

Mr Speaker, currently, the Social Cash Transfer Scheme is governed by a joint financing agreement which the Government together with the co-operating partners is funding. The co-operating partners are the United Kingdom (UK) through the Department for International Development (DFID), Sweden, Ireland, Finland and the United Nation (UN) agencies, namely, International Labour Organisation (ILO), United Nations International Children's Emergency Fund (UNICEF) and the World Food Programme (WFP). The Government of the Republic of Zambia provides 70 per cent of the funding for the social cash transfers while the co-operating partners provide 30 per cent. The last remittance of the funds under the Social Cash Transfer Scheme to the beneficiaries was for the January/February cycle which was paid in June 2018.

Sir, at present, the programme is using three payment service providers, namely, Zambia National Commercial Bank (Zanaco), Zambia Postal Services Corporation (Zampost) and Pay Point Managers (PPM). Zanaco is expected to cover Eastern, Lusaka and Central provinces while Zampost covered Luapula, Western, Muchinga, Northern and North-Western provinces, and two districts on the Copperbelt Province, namely, Mpongwe and Lufwanyama. The third payment service providers known as PPMs are civil servants, mostly, teachers or nurses who live in or near the beneficiary households in a community. These PPMs presently cover Eastern, Central and Southern provinces including the remaining districts of the Copperbelt Province.

Mr Speaker, towards the end of 2017, following complaints from beneficiaries and irregularities highlighted through the internal audit reports from the ministry about the implementation of the social cash transfers, a team of auditors from the Office of the Controller of Internal Audit was constituted to carry out a country-wide audit of the Programme. Furthermore, in January 2018, the ministry received another team of auditors from the Office of

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the Auditor-General to carry out their regular annual audits. The final 2017 Auditor-General's Report has since been released. I believe that every hon. Member of Parliament has a copy.

Mr Speaker, between the months of March and April, 2018, officials from the Ministry of Community Development and Social Welfare, Zampost officials and co-operating partners conducted a few spot-check visits to selected districts after complaints were received from the beneficiaries in the communities in which Zampost was providing social cash transfer payment services. It was during these spot-checks that the complaints of the beneficiaries were verified.

Sir, in order to further address the issues surrounding the implementation of the Social Cash Transfer Scheme, a number of meetings were held at Cabinet Office on the 6th, 13th, and 14th of June, 2018.

Mr Speaker, on 2nd August, 2018, the contract between the Ministry of Community Development and Social Welfare and Zampost was prematurely terminated due to a breach of contractual obligations. However, on 8th August, 2018, a week later, the decision to terminate the contract was rescinded to allow for further investigations. Resulting from these events, release of funds to pay Social Cash Transfer beneficiaries through Zampost was withheld by the co-operating partners awaiting the outcome of the Auditor-General's Report, the forensic audit and other investigations.

Sir, following this decision to withhold funds, a meeting was held on 5th September, 2018 at Cabinet Office with the co-operating partners. During this meeting, the Government assured the co-operating partners that it was doing everything possible to safeguard the public resources. The main issue with the co-operating partners was the release of the 2017 audit reports on funds meant for Social Cash Transfer beneficiaries as agreed to in the joint financing agreement.

Mr Speaker, actions taken by the Government to date are as follows:

- (a) on 20th September 2018, the board of the Zampost suspended the top management to pave way for the forensic audit;

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- (b) the Office of the Auditor General has initiated a forensic audit of the Social Cash Transfers Program and will provide the Government with the preliminary report after their visit to Zampost headquarters in Ndola;
- (c) the Drug Enforcement Commission (DEC), the Anti-Corruption Commission and Office of the President are presently still carrying out investigations;
- (d) the Ministry of Community Development and Social Welfare suspended eight key officers to allow for a speedy administrative investigation;
- (e) the Administrative Investigations Committee instituted by the Ministry of Community Development and Social Welfare and the Public Service Management Division (PSMD) has since concluded its sittings:

 - (i) the committee sat for seventeen days and interviewed a total of fifty-six officers, among them two Permanent Secretaries, six directors and three former directors and provincial and district social welfare officers;
 - (ii) it was generally observed that most of the issues that caused the unsuccessful implementation of the contract between Zampost and the Ministry of Community Development and Social Welfare were mainly due to the poor human interaction, poor communication and general disregard for laid down Government procedures.
 - (iii) it was also observed that Zampost failed to adhere to the provisions of the contract signed with the Ministry of Community Development and Social Welfare on 21st August, 2017, such as the failure to submit reports and returns, failure to implement an electronic payment system and failure to conduct entrepreneurship training and so on;

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- (f) the Ministry of Community Development and Social Welfare has since suspended all payments to the Social Cash Transfer beneficiaries through Zampost. For the period covering the investigations, the Ministry of Community Development and Social Welfare will pay beneficiaries through the PPP; and
- (g) the Ministry of Finance will continue to provide funds to pay beneficiaries according to the 2018 Social Cash Transfer budget.

Mr Speaker, in addition to the above, the Ministry of Community Development and Social Welfare in close collaboration with the Smart Zambia Institute is exploring a more comprehensive, cost effective, transparent and financially secure system to track Social Cash Transfer payments to beneficiaries across the country. The development of a good payment tracking system will bring back public confidence and support from co-operating partners and the Social Cash Transfer Programme.

Sir, regarding the issue of how the funds from the DFID were used, I wish to state that £2,599,049.00 received from DFID was a part of the funds used for the payment of the Social Cash Transfer beneficiaries in Eastern, Lusaka, Central, Southern and Copperbelt provinces for the September/October cycle, while £2,762,196.68 has since been paid back to the DFID.

Mr Speaker, the Government of the Republic of Zambia deeply regrets the alleged malpractices in the administration of the Social Cash Transfer funds meant for the vulnerable people in Zambia. I wish to assure the general public through the House, the co-operating partners and other stakeholders that appropriate action will be taken on whosoever will be found wanting.

Sir, finally, on behalf of the Patriotic Front (PF) Government, led by His Excellency Mr Edgar Chagwa Lungu the President of the Republic of Zambia and indeed on my own behalf, I would like to reiterate our commitment to ensuring the success of the social protection programmes.

I thank you, Sir.