

## Political Economy of Cash Transfers In Malawi

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\* Disclaimer: The views presented in this paper are those of the authors  
and do not necessarily represent the views of SDC

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## **Background and Acknowledgements**

Evidence on how cash transfers can reduce poverty remains a hot topic in both development and relief circles. Some development agencies have put cash transfers at the centre of their social protection strategies. However, cash transfers are far from a panacea, and questions around the appropriateness and feasibility of cash transfers in different contexts are important and urgent.

This paper is one of three commissioned studies on cost affordability and political economy of Cash Transfers - part of ODI's research study (2006–09) "Cash Transfers and their Role in Social Protection". The study aims to compare cash with other forms of transfers, identifying where cash transfers may be preferable, the preconditions for cash transfers to work well and how they may best be targeted and sequenced with other initiatives. The study explores a number of issues of interest to donors and governments, including which forms of targeting and delivery mechanisms are most appropriate. This project is co-funded by the Swiss Agency for Development and Cooperation (SDC) and the UK Department for International Development (DFID).

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## List of Acronyms

CEDAW	Convention on the Elimination of all forms of Discrimination against Women
CRC	Rights of the Child
CSOs	Civil Society Organisations
CTS	Cash Transfer Scheme
DPP	Democratic Progressive Party
GDP	Gross Domestic Product
GNP	Gross National Product
GoM	Government of Malawi
HDI	Human Development Index
HPI	Human Poverty Index
IHS	Integrated Household Survey
IPRSE	Institute for Policy Research and Social Empowerment
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MGDS	Malawi Growth and Development Strategy
MFE	Missing Food Entitlements
NAC	National Aids Commission
ODI	Overseas Development Institute
OECD	Organization of Economic Cooperation and Development
OVCs	Orphans and Vulnerable Children
SP	Starter Pack
SSTC	Social Support Technical Committee
TA	Traditional Authority
TIP	Targeted Input Programme
UDHR	Universal Declaration on Human Rights

## 1. Introduction

This report is about the political economy of cash transfers in Malawi. It, however, focuses almost exclusively on the Mchinji Cash Transfer Scheme (MCTS) because it is currently the only programme running, and is frankly speaking the subject of spirited debates and discussions among stakeholders active in the sphere of social protection. It was launched on a pilot basis in September 2006 (RHVP). This report is based on a study commissioned by the Overseas Development Institute (ODI) as part of a three year research programme which examines the role of cash transfers in social protection. The research programme is motivated by the growing interest in the potential of cash transfers to promote and protect livelihoods in both international development and humanitarian environments.

The study examined the political economy of cash transfers by reviewing the three linked questions of affordability, sustainability and acceptability through an exploration of the attitudes of key stakeholders, whose actions influence policy selection and implementation. The main aim of the study was to assess how the interaction between politics and economics affect the efficacy of Cash Transfer Schemes (CTS) in reducing poverty and vulnerability among the poorest of the poor.

In order to achieve this goal, the study explored attitudes and ideological dispositions of key stakeholders in government, donor community and civil society working in the area of social protection more generally since cash transfers are considered as one of the priority social protection interventions. The main focus was on the stakeholders' attitudes and ideological dispositions towards adoption, design, financing and implementation of cash transfer programmes.

### 1.1 Setting the context for Cash Transfers in Malawi

Malawi is one of the poorest countries in the world whether judged by the Gross National Product (GNP), Human Development Index (HDI) or the Human Poverty Index (HPI). Previous efforts to address the problems of poverty and vulnerability have not been very successful. To at least paint a picture of the magnitude and severity of poverty and vulnerability, it is argued that Malawi grapples with breadth and depth of poverty seen in few countries not ravaged by war (Chinsinga, 2006). This has brought cash transfers in the limelight as a result of the current prominence of social protection as a potentially viable strategy for dealing with the problem of chronic poverty and vulnerability. The salience of social protection is attributed to the following:

Dissatisfaction with the implementation of disjointed safety nets programmes. Prior to 2005, disparate social protection interventions were being implemented as isolated projects by different players in government, civil society, donor and even private sectors (Devereux, 2005 and Chinsinga, 2006). A key finding of reviews of the social safety nets programme was that the uncoordinated approach was costly and less effective at tackling chronic poverty and vulnerability.

Touted as a vehicle for achieving higher-level development objectives (particularly the Millennium Development Goals (MDGs). Locally, social protection is the second theme in the Malawi Growth and Development Strategy (MGDS), which is the country's overarching framework for development for the period between 2006 and 2011. The MGDS provides that its long term goal for social protection "is to improve the life of the most vulnerable" (GoM, 2006: 44).

Seen as a means of institutionalising the human rights-based approach to development which is invoked through several international human rights instruments and declarations such as the Universal Declaration on Human Rights (UDHR), the Convention on the Rights of the Child (CRC), the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and most recently, the Livingstone Call for Action on Social Protection<sup>1</sup>. These are further linked to

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<sup>1</sup> These instruments are actually cited in the latest draft of the social support policy, March 2009.

section 30 in the 1995 Malawi Republican Constitution which provides for the 'right' to development<sup>2</sup>.

All stakeholders generally make reference to these factors as having led to the prominence of social protection in the contemporary discourse about poverty and vulnerability. There are, however, some discernible differences among stakeholders in terms of degrees of emphasis on each of these factors. Most donor agencies and government officials place stronger emphasis on the first two factors while most of the local and international NGOs or more broadly civil society, invoke social protection primarily as a key strategy for institutionalising the rights based approach to tackling poverty and vulnerability in particular and development challenges in general. While these differences in emphasis are long established, they were apparent and reinforced during fieldwork for this study.

It is, however, important to note that social protection measures vary considerably in their objectives. Nevertheless, social protection measures generally aim at achieving one or more combination of the following:

*To manage social risk*

This has been popularised by the World Bank through its Social Risk Management (SRM) framework. Measures under this framework generally view poverty and vulnerability as compounded by 'uninsured risk' and envisage that effective risk management will stabilise incomes and consumption of the poor and vulnerable and therefore serve as 'investment in poverty reduction' (Holzman and Kozel, 2007).

*To transform the poor and vulnerable*

The main concern is on how to facilitate and achieve long-term and sustainable poverty reduction. And it recognises that there is a positive relationship between the security of livelihoods, autonomy and empowerment and long term poverty reduction. This is based on an appreciation of structural inequalities that disadvantage the poor (Sabates-Wheeler and Devereux, 2007).

*To increase the asset base of the poor and vulnerable*

This is related mainly to social protection interventions that draw from economic analyses that suggest that a critical level of assets exists above which people can invest productively, accumulate and advance, but below which people live in a 'poverty trap' from which they have no prospects to escape (Carter and Barrett, 2007).

*To provide a 'universal social minimum'*

This entails resources, opportunities, rights and power to the poor and vulnerable to lead an adequately decent and dignified life so that they can participate and advance as free and equal members in society. It is further informed by theories of social justice (Thomson, 2007).

*To reduce poverty*

This objective possibly subsumes the others above although it has distinct implications in practice. It is mainly advocated by the Organisation of Economic Cooperation and Development (OECD) countries and its rationale is to use social protection measures as the basis for a multi-pronged approach to poverty reduction motivated by the understanding that poverty is multi-dimensional

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<sup>2</sup> Section 30 provides that 'all persons and people have a right to development and therefore to the enjoyment of economic, social, cultural and political development and women, children and the disabled in particular shall be given special consideration in the application of this right'. It further states that 'the state shall take all necessary measures for the realisation of the right to development'.

and the need to focus on pro-poor growth that combines economic opportunities, social protection and inclusion/empowerment. Thus social protection measures are not only seen as key elements of pro-poor growth but also as rights-based responsibility to care (Voipio, 2007).

The cash transfer scheme (CTS) in Malawi is still run on a pilot basis and has been since its inception in 2005. It is, one of the several social support instruments recognised in the draft social support policy document. This draft policy was initially conceived as social protection policy but has been changed to social support policy to reflect the intent of the programmes proposed for implementation. This change, as further illustrated below, was effected at the behest of Cabinet. It was justified as a way of ensuring that the policy does not convey the impression that the beneficiaries are helpless victims of poverty and vulnerability who are likely to remain in that state for the rest of their lives. The change from social protection to social support policy would therefore propose that the beneficiaries graduating from various programmes proposed under the policy at least after sometime. The social support programmes would thus simply serve as boot strings to pull people out of chronic poverty and vulnerability over a defined period of time. Consequently social support is therefore defined as all public and private initiatives that provide income or consumption risks, and enhance the social status and the rights of the marginalised, with the overall objective of reducing ultra poverty as well as economic and social vulnerability of the poor and marginalised (GoM, 2008). It is therefore expected that in the medium term, the social support policy will “increase assets of the poor to enable them to meaningfully engage in sustainable growth and contribute to poverty reduction” (GoM, 2006: 44).

At the time of adopting the Mchinji CTS, poverty and vulnerability were reportedly widespread, deep and severe. According to the Integrated Household Survey (IHS) (2005) the poverty head count index was at 52.4 % of which 30% were moderately poor, and 22% were ultra-poor: 12% of the people living in poverty were deemed to have ‘labour capacity’ while 10% were described as ‘incapacitated’. The poverty line was defined as MK 47 per person per day in 2005 prices, equivalent to US\$ 0.3. The ultra poverty line, principally food poverty, was defined as MK 27 per day per person, equivalent to US\$ 0.2 for both those with and without labour. The 2007 Welfare Monitoring Survey shows that there have been significant reductions in the incidence of poverty. The poverty head count index is estimated at 40%, of which 25% are moderately poor and 15% are ultra-poor. Of the total people living in poverty 5% are deemed to have labour while 10% are incapacitated. Disaggregating the poor into these three categories (i.e. moderately poor, ultra-poor with labour, and ultra-poor and incapacitated) made it imperative to outline in the draft social support policy different social support interventions for each group with different primary objectives as shown in Table 1 below:

**Table 1: Categories of the Poor and Social Support Interventions**

Category of the Poor	Number of Households	Needs	Social Support Intervention
Moderately Poor	600,000	<ul style="list-style-type: none"> <li>✓ Employment</li> <li>✓ Skill building</li> <li>✓ Capital</li> <li>✓ Productive assets</li> <li>✓ Protection from capital/asset erosion</li> </ul>	<ul style="list-style-type: none"> <li>✓ Agricultural input subsidies</li> <li>✓ Insurance programmes</li> <li>✓ Village savings loans</li> <li>✓ Micro-credit/microfinance</li> </ul>
Ultra-poor with labour	300,000	<ul style="list-style-type: none"> <li>✓ Survival</li> <li>✓ Productive assets</li> <li>✓ Employment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Public works programmes</li> <li>✓ School feeding</li> <li>✓ Cash and food for assets combined with skills building</li> <li>✓ Cash for consumption (combined with adult literacy training)</li> </ul>
Ultra-poor and Incapacitated	250,000	<ul style="list-style-type: none"> <li>✓ Survival</li> <li>✓ Investment in human capital</li> </ul>	<ul style="list-style-type: none"> <li>✓ Social cash transfers</li> <li>✓ School feeding</li> </ul>

Source: GoM (2008)

According to the 2005 IHS, up to 7 million people living in 1.3 million households were classified as poor. Out of these 3 million people living in 550,000 households were identified as ultra poor. Ultra poor households are distinguished on the basis of the following characteristics: 1) they suffer from hunger during most of the year; 2) become physically weak; 3) have few or no assets, little or no land; 4) tend to sell or consume their productive assets such as livestock, tools, seed etc; 5) give investing in their like sending children to school; 6) are predominantly child/female/elderly headed with very dependency ratios; and 7) die from infections that other people survive.

Out of the 1.3 million poor households, four categories were identified. The first category comprises 600,000 households that are moderately poor. They are moderately poor because they include household members that could engage in productive work. The second category comprises 150,000 households that are labour constrained but are moderately poor either because they are headed by a pensioner who gets a little something at the end of the month or are supported on a regular basis by a relatively prosperous extended family system. The third category comprises 300,000 households that suffer from ultra poverty despite the fact they have household members that engage in productive work. And the final category comprises 250,000 households which are classified as the most vulnerable mainly because they cannot respond to development programmes since they have little or no self-help capacity (Schubert and Huijbregts, 2006).

It is important to note that the 150, 000 households that are labour constrained but enjoy support from the extended family network or are headed by a pensioner are not included as beneficiaries of the social support interventions. The justification is that much as they are labour constrained, they are only moderately poor and as such they are ineligible for social welfare because of resource constraints on the part of government to finance programmes of this nature on a large scale.

The opportunities and constraints for both the ultra poor with labour and the ultra poor and incapacitated are generally the same given the limited availability of employment openings in the countryside. The distinction is principally made for purposes of framing interventions that would be relevant for these two categories. And this is further a reflection of the widespread perceptions of poverty and vulnerability in rural Malawi. Those who are poor and vulnerable because of irresponsible behaviour, for example, selling livestock and other related household assets and spending the proceeds on beer do not attract any sympathy. Rural Malawi tends to be hard on people who have the ability and health to work but are nonetheless poor.

The targeted beneficiary group in the Mchinji CTS is the 'ultra-poor and incapacitated' who, according to the 2007 Welfare Monitoring Survey, constitutes 10% of the total people living in poverty in Malawi. For households to qualify as beneficiaries for the CTS, they have to meet two criteria: 1) ultra poor; and 2) labour constrained. A household is designated as ultra poor if it is in the lowest expenditure quintile and under the ultra poverty line and a household is labour constrained if it has no-able bodied household member in the age group 19-64 who is fit for work, has to care for more than 3 dependents who are under 19 or over 64 or unfit for work because they are chronically sick, or disabled or handicapped. A combination of these criteria is used in order to focus only on those households that are not able to access or benefit sufficiently from labour based interventions like public works or from piecework (RHVP, 2009).

The scheme has since been scaled up to six more districts out of 28 across the country. The districts covered are Likoma and Chitipa in the northern region, Mchinji and Salima in the central region, Machinga, Mangochi and Phalombe in the Southern region. Thus Malawi does not have a national social CT programme yet. The current effort is merely a 'scaled up pilot'. It is, however, now about four years since the first scheme began in Mchinji and it should therefore be possible to at least come up with a preliminary profile of the political economy of social cash transfers in Malawi.



## 1.2 Scope and Methodology of the Study

In order to explore the political economy of the CTS, the study sought to identify critical ideological and attitudinal issues regarding political, economic, fiscal and institutional factors which:

- Determined the adoption of the cash transfer scheme from a wide range of possible social support interventions.
- Influenced the design of the scheme and its scaling up.
- Determine the programme's acceptability and affordability.
- Affect the programme's prospects for sustainability.

The study further explored attitudes of key stakeholders regarding whether, on the basis of the emerging evidence, cash transfers are an effective means of reducing poverty and vulnerability or they simply encourage laziness and enhance dependency on the part of beneficiaries; and whether ideological differences or world views among donors, government and civil society organisations have shaped and continue to shape the development of the social support policy and the social support programmes with particular focus on the cash transfers.

In this assessment, political economy was broadly understood as the intersection of politics and economics, in particular how their interaction in a given context shapes programme outcomes. While the economic aspects of cash transfers are generally well understood and do not require unpacking, the politics are less so. The conception of politics deployed here takes its cue from the assertion that "the political should be defined in such a way as to encompass the entire sphere of the social...[e]vents, processes and practices should not be labelled 'non-political' or 'extra-political' simply by virtue of the specific setting or context in which they occur. All events, processes and practices which occur in the social sphere have the potential to be political..." (Hay, 2002:3). Consequently, the following broader definition of 'politics' was adopted to provide a conceptual frame for the study:

Politics comprises of all the activities of cooperation, negotiation and conflict, within and between societies, whereby people go about organising the use, production or distribution of human, natural and other resources in the course of the production or reproduction of their biological and social life (Leftwich, 2004: 103).

Data for the study was collected mainly through two methods, namely: 1) document review and analysis; and 2) in-depth semi-structured stakeholder interviews. Documents analysed included official, published and unpublished sources that were collected from government departments, donor agencies and civil society organisations active in the realm of social protection generally and cash transfers in particular. Key documents reviewed and analysed included the MGDS, the draft social support policy and various M&E reports for the CTS. The in-depth semi-structured stakeholder interviews were held in the second and third weeks of June, 2009 in Lilongwe and Mchinji. The interviews were designed to elicit deeper insights on a range of issues that were regarded as pertinent to understanding the political economy of the cash transfer schemes generally and the Mchinji CTS in particular. A total of 13 interviews were conducted (see Appendix I).

## 1.3 Organisation of the Report

Following the introduction, section 2 provides a quick overview of the social support policy processes to date including the key debates. Section 3 discusses the scope and the affordability of the CTS while section 4 is mainly concerned acceptability and impacts of the scheme. Section 5 assesses the prospects of sustainability for the CTS. Section 6 highlights the power and influence of donors on the design and adoption of the scheme and draws out implications on ownership and sustainability of the programme. Section 7 offers some concluding remarks.

## 2. The Social Support Policy Process: Current Status and Key Debates

The process of developing the social protection-now social support-policy has entailed a series of interdependent activities involving a quite a diverse set of stakeholders. Like many economic and social policies, the development process has been one that can best be characterised as ‘policy succession’ or ‘policy adaptation’<sup>3</sup>. While these two characterisations are not mutually exclusive, they capture the empirical observation that the development of the social support policy in Malawi has drawn lessons from, modified, built on and in some ways extended the institutional and organisational structures of the preceding National Safety Nets programme. Consequently, and not unusually, the process has been fundamentally political involving activities of conflict, negotiation, and cooperation among the various stakeholders as each has sought to use the process to propagate, reproduce and legitimise their own ideologies on how best to deploy social support to tackle poverty and maximise social and economic benefits.

Policy succession and adaptation imply complex cycles with forward and backward linkages between ‘the old’ and ‘the new’, so much that the process as a whole has neither a definite inception nor an ending point. However, any policy discussion must have a departure point. For the social support policy process in Malawi, the starting point is traced back to December, 2005 when DFID Malawi convened a workshop involving a cross section of participants from government, CSOs and donor agencies to discuss the implications of the findings of two studies it had commissioned on the poverty agenda in the country. These studies were:

- Devereux, S. *et al.* (2005) *Vulnerability to Chronic Poverty and Malnutrition in Malawi*, Lilongwe: Malawi
- Devereux, S. and Macauslan, I. (2005) *Review of Social Protection in Malawi: A Desk Study*, Lilongwe: Malawi

This workshop invariably set the agenda of the social support policy process with participants agreeing unanimously that the safety nets approach to poverty was ad hoc, short term, uncoordinated and ineffective, with evidence that poverty remained widespread, severe and deep across country. In the words of one of the interviewees “safety nets represented a scatter-gun approach—shooting everywhere in an unplanned manner as if poverty was a transient problem”. Moving forward, the categories of the poor (see Table 1) were used to inform interventions, but key questions were which group or groups and what social support instruments, to start with.

It was reported that the policy formulation process has mostly been top-down involving technocrats from relevant government departments and donor agencies who constituted the Social Support Technical Committee (SSTC). Broad based, bottom up consultations were only carried out after the draft policy had been produced in 2008. These were led by the Institute for Policy Research and Social Empowerment (IPRSE). Besides consulting with other CSOs, the consultations were taken down to 11 districts, four of which are part of the scale-up pilot scheme. In each district, the consultations took place with communities in at least two areas under the jurisdiction of Traditional Authorities (TAs). The feedback was presented to the SSTC for consideration in the refinement of the policy.

Key debates that characterised the policy process can be identified at two levels, namely: the technical and the political. At the technical level, the SSTC has been a forum where there have been frank discussions on sticky issues and elements of the policy often punctuated with

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<sup>3</sup> In adaptation, feedback loops connect later to earlier phases while in succession, new policies and organisations build on old ones (Dunn, 2003; Sabatier, 1999).

adjournments over matters that could not be agreed. The main issues of debated, according to the stakeholders interviewed, included the following:

- Whether to target exclusive categories of the poor e.g. the elderly, disabled, orphans etc or to target an inclusive group i.e. 10% of the ultra-poor. The gist of this debate has been whether to adopt poverty or categorical targeting in the identification of beneficiaries of the cash transfer programme.
- Whether and how to target actual beneficiaries within the targeted group or to provide interventions universally for the group.
- What criteria to use in identifying beneficiaries of social support interventions. Suggestions have ranged from household poverty characteristics, levels of household income, demographic groups, etc
- Whether to emphasise productivity enhancing interventions or direct welfare interventions. At issue has been the need to have interventions that contribute to growth and that do not create or enhance consumption-based dependency of the beneficiaries on the scheme.
- Whether social support to the poor should be based on a human rights approach or on other approaches that consider the implications of social support on autonomy, economy and a culture of self reliance.
- Whether social support funding should be centralised as a single budget line created in the national budget or should be decentralised and resources appropriated to sectoral budgets.

At the political level, the main forums of debate have been the cabinet and parliamentary committees especially the Committee on Health, Social Welfare and Community Services. The major highlights include:

- In 2006, the Cabinet considered the possibility of scaling-up the pilot scheme, it also ordered a change in the name of the policy from social protection to social support. The argument was that 'social protection' implied dependency of beneficiaries on the social support interventions. The idea projected in the new name was that the aim of these interventions was to help the poor pull out of poverty, a process in which they were going to be active rather than passive recipients.
- In 2008, the cabinet considered the draft policy document but withheld its approval on the basis that they were not happy with the use of statistics from the 2005 IHS. They directed to use statistics from the 2007 Welfare Monitoring Survey. The latter shows substantial decline of poverty headcount from 52% in 2005 to 40% in 2007. This remarkable reduction in the levels of poverty had political significance in broadcasting the performance of the Democratic Progressive Party (DPP) led government just three years after assuming power in 2005. The draft social support policy's approval is therefore subject to the revision of the poverty statistics used as a frame of reference.
- Parliamentarians, especially those that were in the opposition camp before the May 2009 elections, questioned the timing of the scale up as they viewed the scheme as a political campaign tool for the governing party. Most of them were concerned with the fact that the scale up was targeting districts that they considered as potential battlegrounds in the May 19 elections.

The financing of the scheme does not seem to have been a theme for contentious debate. Some of the debates highlighted above have been resolved while others have simply become dormant but are expected to become active again in the process of developing a comprehensive social support programme that will spell out concrete activities and interventions that will be put in place to implement the social support policy.

While the overarching goal of the social support policy is 'to reduce poverty and enable the poor to move out of poverty and vulnerability', its first objective is the provision of welfare support, that is, social cash transfers to meet the most pressing needs of the very poorest members of society.

Such transfers seek to ensure access to basic goods and services necessary for their survival and access to basic education (GoM 2009:21-22).

### 3. Scope and Affordability of the Social Cash Transfer Scheme

As noted above, the CTS began in September 2005 on a small pilot basis in Mchinji district under the auspices of UNICEF. On the basis of the preliminary evaluation report<sup>4</sup> the Cabinet commissioned that the scheme be scaled-up to include six more districts by 2008. The objective of the Cabinet decision was to embrace the scheme as its own initiative so that it could qualify for Global Fund financing which is disbursed through the National Aids Commission (NAC). UNICEF reportedly played a leading role in the preparation of the proposal for the government to access the Global Fund facility to support the implementation of the CTS. It was therefore not surprising when the majority of respondents observed that UNICEF was quite instrumental in putting the cash transfer scheme on the government's agenda and in securing Cabinet's approval for the scale-up. It was further observed that the proposal emphasised the scheme as a strategy for implementing the National Plan on Orphans and Vulnerable Children (OVCs). This has had tremendous influence on the perceptions of the scheme by some stakeholders.

As further demonstrated below, some stakeholders view the scheme as being UNICEF's initiative and supported by the government, when in fact the whole idea of the proposal was to secure government's contribution to the cash transfer scheme and promote ownership of the scheme. Likewise some stakeholders argued that the close involvement of UNICEF in the development of the proposal greatly influenced the shape and form of the targeting criteria adopted in the scheme. The view of these stakeholders is that the targeting mechanism is biased in favour of children because this is in line with UNICEF's core mandate. This was inevitable since the proposal for the scheme was mainly framed as a strategy for implementing the National Action Plan on Orphans and Vulnerable Children (OVCs).

As of March 2009, the scheme was covering 211 village clusters in seven districts and benefiting a total of 24,051 households, distributed as shown in Table 2 below:

**Table 2: Scope and Coverage of the CTS**

District	Mchinji	Likoma	Machinga	Salima	Mangochi	Chitipa	Phalombe	Total
Village groups/clusters <sup>5</sup>	93	3	41	17	38	10	9	211
Beneficiary households	890	192	4229	2686	4859	1628	1477	24,051

Source: CTS March 2009 Monthly Monitoring Report

According to the social support policy, 250,000 households would require support under the programme nationally. This translates to about 1,030,000 million individuals. While it is not possible to estimate the proportion of households benefiting from the CTS in each of the because of lack of data, anecdotal evidence from rapid qualitative inquiries indicates that deciding on who should qualify as a beneficiary to the programme is not an easy task. The 10% cut-off point appears to be

4 According to the CTS programmes coordinator in the Ministry of Women and Child Development, Likoma, Machinga and Salima were reached in June, September and November 2007, respectively. Chitipa and Phalombe districts were included in September, 2008.

5 The CTS programme coordinator indicated that a village cluster consists of a group of villages with a minimum of 800 and a maximum of 1,400 households. The grouping of villages was a direct lesson from the targeted inputs programme which relied on ordinary villages and ended up spawning new villages as households tried to increase chances of being targeted.

quite arbitrary as the incidence of poverty and vulnerability appears to be much more widespread than the official statistics suggest. Moreover the distribution of poverty and vulnerability is not equally distributed across the country. Some districts are much poorer and vulnerable than others.

When disaggregated by the type of beneficiary household, available data as of March 2009 show that the majority are female-headed households, followed by elderly headed households and then child-headed households. In terms of individual beneficiaries, children top the list, followed by orphans, the elderly and the disabled as captured in Table 3 below:

**Table 3: Distribution of Households and Beneficiaries of the CTS**

District	Mchinji	Likoma	Machinga	Salima	Mangochi	Chitipa	Phalombe	Total
Elderly-headed HH	5543	132	2427	1035	3153	1204	841	14335
Female-headed	5911	142	3110	1487	3670	935	1020	17175
Child-headed	109	1	64	20	61	8	45	308
Beneficiaries(head count)	35182	773	18579	7792	20260	5753	6047	94386
Children	21861	391	13026	4614	14494	3609	3789	61784
Orphans	20049	369	9043	3896	10263	2165	2850	48635
Elderly	6934	162	2945	1513	3435	1160	1014	17163
Disabled	929	52	268	133	336	126	107	1951

Source: CTS March 2009 Monthly Monitoring Report

The scaled-up cash transfer pilot scheme has three main objectives, of which two are poverty-focussed and the third is operational:

- To reduce poverty, hunger and starvation in all households living in the pilot areas who are simultaneously ultra-poor and labour-constrained<sup>6</sup>. It targets 10% of the ultra-poor and incapacitated in each village cluster. As shown below, this has had enormous implications on targeting;
- To increase school enrolment and attendance of children living in the targeted households and invest in their health and nutrition status. This takes a long term view of poverty reduction on the basis that education and a health life are the surest means to break inter-generational poverty which affect most of the households. This objective has had implications on the formula and value of transfers and while the scheme is 'unconditional', education bonuses for school-going children makes the scheme partly conditional;
- To generate information on the feasibility, costs and benefits and on the positive and negative impacts of the scheme to inform, at least in part, the development of the national social support programme. This clearly implies the need for a monitoring and evaluation system to track changes in a range of variables pertinent to the design and implementation of the scheme. However, as shown below, the institutionalised monitoring of the CTS has been primarily concerned with tracking the financial aspects of the scheme and less so with the impacts of the scheme on the livelihoods of the beneficiaries in totality.

Although there are a few operational problems and some lingering questions regarding sustainability, the CTS appears to be affordable and is increasingly becoming popular at least from the perspective of several stakeholders interviewed. The perception that the CTS is affordable is not based on any criteria but rather on experiences to date. Implicitly, stakeholder assumption of is that the programme is affordable as long as the government, working with its partners, is able to secure Global Funds to support the programme. At a political level, there is a semblance of political will and enthusiasm for the scheme across the political divide. Even opposition members of parliament are reported to have welcomed the scale-up of the scheme. The only major reservation

<sup>6</sup> A labour-constrained household is defined as one which has no able-bodied member in the age group 19-64 who is fit for work e.g. the elderly, child-headed households, the chronically ill, the disabled; or where a household member fit for work has a dependency ratio of more than three.

was on the timing of the scale-up as it was close to election time. They feared the CTS was going to be used as a campaign weapon by the governing party as it had potential to elicit votes not only from the 10% of the people in living in poverty and labour constrained (the ultra-poor) but also from those well above the poverty line and the marginally poor whom the scheme was going to give relief by reducing their dependency ratios (IPRSE, 2008). In the aftermath of the parliamentary elections, there are anecdotal claims that the scheme had indeed contributed to the landslide victory in an election that many local and international observers had predicted to be very tight. It is argued that the CTS was a potential vote winner as people were hoping for a roll out the programme nationally.

The total monetary value of transfers to households varies from one household to another based on the disbursement criteria that has fixed and variable components as shown in Table 4 below:

**Table 4: Level of Cash Transfers**

Number of Household Members	Malawi Kwacha/Month	US\$/Month
One	600	4
Two	1,000	7
Three	1,400	10
Four	1,800	13

There are bonuses of MK 200 and MK 400 for each child in the beneficiary household attending primary and secondary school respectively. It is, however, quite surprising that the cash transfers are not index linked to ensure stability in the consumption patterns of the beneficiaries. This surprisingly has not been an issue of debate at all in the course of implementing the CTS. The lack of debate on indexing the transfers can perhaps be attributed to the fact that the country's economy has been stabilising since 2005. Macroeconomic and fiscal management have improved tremendously which has brought down inflation to about 8.9% in 2009, from about 25% in 2005. The dramatic decline in the levels of inflation is attributed to the bumper maize harvests since the adoption of the fertiliser subsidy programme in the 2005/06 growing season. Food prices have been fairly stable and they are the most significant determinant in the levels of inflation. The indexing of the transfers is more likely have become an issue of debate should there have been sustained instability in the levels of maize prices in the near future.

The values of the transfers shown in Table 4 above were based on the following three main considerations: 1) the minimum figure should be sufficient to meet minimum requirements for survival<sup>7</sup>; 2) should be above the ultra-poverty line (i.e. MK27/head/day) computed principally as food poverty compared to the general poverty line estimated at MK 47/head/day; 3) and should not exceed the minimum value of a monthly pension for a retired person. These figures have remained static since 2005 and there was no indication of a possible revision in the near future. Possibly the reason for the figures remaining static is due to the improvements in macroeconomic fundamentals characterised by the dramatic decline in the level of inflation to a record low at 8.9%. While there is agitation to use statistics from the 2007 Welfare Monitoring Survey, the survey is not as comprehensive as the IHS. Apart from indicating the trends in the incidence of poverty and vulnerability, it does not provide details on the poverty lines making it difficult to assess trends leading to the decline in the incidence of poverty and vulnerability.

Generally the flow of transfers has not been regular, due in part to bureaucratic hitches in the financing arrangements; to the extent that some payments have been processed in arrears. The main bottleneck has been lack of synchronisation between the disbursement schedules of the

<sup>7</sup> Several respondents indicated that the price of a 50kg bag of maize was used as a benchmark and in 2005 at the inception of the pilot it was MK500.

Global Fund, the main financier of the scheme and the planned disbursement schedule of the transfers to households. For instance, at the time of the fieldwork in June 2009, disbursements were in arrears by five months, the last having been paid out in January 2009<sup>8</sup>. The reason was that the Global Fund Round 5 which had appropriated money for the first 2-year phase ended in December 2008. Although money for the next three years was already agreed to, no new agreement has been signed yet and a World Bank Mission was expected at the end of June 2009 to deal with the issue. As one respondent in Mchinji observed, “the financing glitches make it clear that this is not our programme as the amounts involved are huge; one month disbursement comes close to the annual expenditure for running the entire office of the district commissioner so much that reallocation of resources from other sources to cover up financing lags in CTS is simply not possible”.

In terms of the delivery mechanism, views and attitudes of key stakeholders both converge and diverge. While all agree that the institutional framework for implementing the CTS is ‘fit for purpose’, there are different views on the actual capacity of the district assemblies to implement the schemes effectively and efficiently. A particular observation is that district assemblies are ‘over burdened’ and should be relieved of the actual disbursement of transfers to households. It is against this backdrop that ideas are being floated to devise a disbursement mechanism that uses local banks but this is still a long way before it can become a serious option.

### **3.1 Selection of Beneficiaries**

As indicated earlier, the selection of beneficiaries has been at the heart of the technical debates among stakeholders but frankly speaking these are essentially ideological. Although some stakeholders, notably DFID Malawi and the Civil Society Coalition on Social Protection, have taken exceptions, the CTS uses community based poverty orientated targeting. It could be argued that this modus operandi of targeting was adopted mainly because of UNICEF’s strategic positioning in the debate of social protection generally. While DFID did take the lead in initiating debates about the need to embrace the coordinated social protection approach to tackling poverty and vulnerability, UNICEF was very quick in moving to practical experimentation with the cash transfer programme. By the time the framework for the policy processes leading to the development of a social support policy was taking shape, the Mchinji CTS was up and running and gave UNICEF an edge in driving the policy process equipped with practical evidence from within the borders of the country.

Consequently, it has been difficult for alternatives to make it onto the agenda because they are not backed up by ‘pilots’ even though stakeholders are still pushing to widen the debate about alternative groups to be targeted (old age pensions, disability and child grants) and the appropriate targeting and delivery mechanisms. UNICEF’s position is further strengthened by the fact that it has worked closely with the government’s lead agencies on social protection mainly through the provision of technical and financial support. The key steps in the targeting process are as follows:

- A community social support committee (CSSC) is elected by the community at a village cluster meeting. The committee consists of up to 12 members.
- The CSSC undergoes a two-day training conducted by the district social transfers committee under the superintendence of the District Commissioner.
- After training, the CSSC identifies and lists households that are both ultra-poor and labour-constrained before visiting the households to fill in form 1 which captures basic household data.
- On the basis of data on form 1, the CSSC ranks the households beginning with the most deserving and presents the ranking to the village cluster meeting for vetting.

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<sup>8</sup> The exception was Mchinji where interviewees indicated that UNICEF had provided funding for the months of April and May 2009.



- Chiefs sign each form, extension workers verify the information on the forms before submitting them to the district social support committee which, with the assistance of CSSC and extension workers, approves or disapproves any application and communicates the decisions to the district cash transfers secretariat which in turn advises the Director of Finance and CSSP on the approval or disapproval.
- The CSSP informs applicants of the approval or the disapproval after which successful beneficiaries begin to access transfers on a monthly basis.

## 3.2 Issues in the Targeting Process

While there are in-built checks and balances in the targeting process, both Monitoring and Evaluation reports and interviews with most stakeholders pointed to several pertinent issues that show how the politics of beneficiary selection coupled with incentives inherent in the CTS have shaped the behaviour of community members. The most relevant ones from a political economy perspective include the following:

### 3.2.1 Errors of Exclusion and Inclusion

Some deserving households are left out for several reasons. The frequently cited reason is that the 10% threshold calculated at national level is insensitive to the breadth and depth of poverty concentration. This has in turn led to isolated reports of opportunistic strategic behaviour on the part of communities which potentially erodes the benefits of the scheme. For example, one respondent spoke of a cash transfer village secret with reference to Kamkwatire village cluster, T/A Kambwiri in Salima. Whenever the 10% households chosen as beneficiaries receive their money, they take it to the chief who redistributes it equally among all deserving households. The practice is justified as a means of preserving village peace because as far as they were concerned everyone in the village was poor and equally deserves to a beneficiary of any form of assistance.

Besides this technically-induced type of exclusion, there are also claims of other forms of exclusion, not least because of inclusion errors. However, in a context of pervasive, deep and severe poverty, errors of exclusion and inclusion in any targeted intervention are inevitable (Hoddinot, 2007 and Mkandawire, 2005). The most critical thing therefore to look at is the margin of error. And as one respondent observed, “we should worry less with errors of inclusion because in an ideal situation all the 22% ultra-poor deserve to be recipients. We should worry, though, with errors of exclusion because then social support ceases to be a ‘right for all’ which is the motto of the final draft policy”.

The idea of targeting the poorest 10% as the basis for ensuring sustainable poverty reduction has a fairly long history. It is associated with the Targeted Input Programme (TIP) under which farmers were provided with inputs adequate for 0.4 hectares funded almost entirely by DFID. The TIP was a scaled down version of the Starter Pack (SP) which was a universal programme catering for all farming families in rural areas for a similar amount of inputs. The implementation of the SP brought the question of targeting in the limelight, and guided by the ‘emerging international best practice’, DFID commissioned simulation studies on the feasibility of targeting 10% of the poorest farming families as beneficiaries of the TIP (Chinsinga, 2005 and Levy, 2005).

These studies showed that targeting 10% of the poorest would not be practically feasible. The conclusion was that targeting would be considered fair by all stakeholders at the targeting level of 80% of rural households. In a rapid assessment of the Mchinji CTS, community estimates of beneficiaries to be targeted was in the range of 25-40% but if the objective of the programme was to assist those in poverty broadly defined targeting within the range of 65-75% would much more realistic (Chinsinga, 2006). While there has been some debate within the country about the feasibility of targeting 10% of the poorest in relation to the TIP, the Mchinji CTS was launched on the basis of 10% as a guiding cut off point. The reason for this is possibly the Mchinji CTS is more or less a replica of the Kalomo CTS, since the consultant who designed it was same one who

facilitated the Mchinji one. It could be argued that the 10% targeting principle gained traction with UNICEF and other stakeholders because it coincided with the outcomes of the 2005 IHS analysis.

This analysis revealed that while the incidence of ultra poverty was at 22.4%, the proportion of the labour constrained ultra poor was estimated at 10% of the total people living in poverty. While government stakeholders have not really questioned 10% as the basis for targeting, several donors have taken issues with it. The major argument is that the 10% cut off point as the basis of targeting is arbitrary but more critically it creates unnecessary social tensions within communities where poverty is quite widespread. It is thus difficult for some households who perceive themselves as deserving to come to terms with the fact that they have been left out as beneficiaries when their colleagues whom they perceive as being in the same category or slightly better off than them have qualified.

An independent evaluation of the Mchinji CTS by Miller, *et al.* (2008) shows that the targeting exercise registers an exclusion error of 38% but the programme management argues that this is inaccurate. The basis for this argument is that the evaluation team used a definition of ultra poverty which is inconsistent with the National Statistical Office (NSO) definition (Schubert, 2009). Using NSO data, the concept of the scheme is based on the assumption that the percentage of the ultra poor labour constrained households is approximately 10% of all households while the evaluation assumes 27%.

This has opened some space for debate about possible alternatives to targeting led by local and international NGOs, supported to some extent by DFID, the Ministry of the Elderly and People with Disabilities. These are pushing for categorical targeting with old age pensions as a starting point. While pointing to the challenges associated with targeting under the Mchinji CTS, these stakeholders are advocating for categorical targeting on the basis of evidence drawn from countries like Lesotho, South Africa and Namibia which is showing positive impact especially old age pensions in reducing household poverty and vulnerability.

The debate is likely to become much more intense as programme design and development for the operationalisation of the social policy takes shape. It is quite striking that the 10% is not so much a subject of debate when both IHS I and IHS II estimated the proportion of the ultra poor at 23.6% and 22.4% respectively. This may to a large extent be a reflection of the crucial question of resources which has direct implications on ownership.

### **3.2.2 Opportunistic Strategic Behaviours in Beneficiary Communities**

There are numerous undocumented reports about local elites, including members of the CSSC, trying to manoeuvre through the checks and balances in order to exploit the CTS for their own selfish gains. Some of these behaviours include the following:

*I. Local adoptions in the context of the extended family*

The CTS has promoted pseudo-adoption in which children of kin are registered as dependants of an elderly person, often grandparents, especially when they live in the same village but in different households. This practice is intended to maximise gains from the scheme but clearly contributes to errors of exclusion. The gains are much more significant if these are primary or secondary school going children because of the bonuses.

*II. Extortion*

It was emphasized that this was a significant problem in the early days of the pilot in Mchinji where members of the CSSCs were demanding something like a commission out of the monthly transfers from the beneficiary households. The members used to tell the beneficiaries that they were recipients only because the individual CSSC members had successfully argued out their cases. The commissions were as high as MK 200 per month. The problem was, however, rectified but in a way that has increased the delivery costs of

the scheme. Despite the committee members being 'volunteers', it was resolved to pay them an allowance of MK500/head/month on the same day that beneficiaries receive their transfers. By April 2009, the figure had been revised to MK835/month with each member of the committee entitled to a bicycle and the chairperson having a further entitlement to a mobile phone.

It should be noted that in some districts the volunteer allowance, which is increasingly being seen as a 'salary', is reported to be as high as MK1, 200 but there have been efforts to standardise the amount at MK 835 per month. There are, however, reports of demands to have the amount revised upwards. Thus, while not a bad thing in itself, it is worthy recognising that the CTS through the functioning of its institutional framework has effectively created 'salaried jobs' for up to 12 people in each of the 211 village clusters.

The irony, however, is that the transfers to beneficiaries have been static since the inception of the scheme in 2005. Consequently, a member of the CSSC, who would ordinarily not be a deserving target under the selection criteria, is essentially one, and gets much more than a deserving single-member household. The general practice is such that only those individuals who are ineligible as beneficiaries for the cash transfers become members of the CSSC. However, because of their success in convincing programme administrators coupled with crooked practices of the CSSC members in the initial stages of the scheme; their efforts in the running of the scheme at the local level are now rewarded. Looking at what they get, the CSSC members are benefiting much more than the CTS's primary beneficiaries. Besides having potential negative impact on the spirit of voluntarism, the practice effectively scales up the costs of delivering the scheme which raises questions of affordability and sustainability in the long term especially as the scheme rolls out across all the 28 districts in the country.

### *III. Exercise of Power and Influence by Local Elites*

Although in principle the procedures stipulated for selecting both the CSSCs and beneficiaries appear to have been designed to increase transparency, there are reports suggesting the contrary. The following cases from Salima and Mchinji are illustrative of what may be a common problem. In both districts, stories were reported of chiefs:<sup>9</sup>

- Acquiring one of the bicycles even though they are not members of the CSSCs.
- Engineering the election of members of their households (often spouses, nephews, siblings) into the CSSCs.
- Levying 'informal commissions' on beneficiaries.

These stories suggest elements of 'elite capture' and that there is a deeper 'political economy' of cash transfers that is shaped by the interplay between the formally laid down rules and the informal rules, especially those governing local power and influence in the pilot areas. Clearly, the formal and informal rules, in some cases complement each other to yield desired outcomes of the scheme, and in others the informal rules undermine the formal ones to yield deleterious effects on the scheme<sup>10</sup>.

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<sup>9</sup> The instances cited here are only those that were corroborated by at least one more respondent.

<sup>10</sup> See Helmky and Levitsky, 2004 and 2005 for an insightful framework of the interactions between formal and informal institutions.

### 3.2.3 Criteria for Selecting Beneficiaries

Under the operational guidelines, beneficiary households must be both ultra poor (i.e. living on less than MK27/person/day <sup>11</sup>(IHS, 2005) and labour constrained (i.e. a dependency ratio of greater than 3 which is the average for the poorest expenditure quintile (IHS, 2005))<sup>12</sup>. While the criteria for selecting beneficiaries have been said to be effective by its proponents (cf. Schubert & Huijbregts, 2006 and Schubert, 2009), some external assessments have suggested otherwise and a few key respondents took exceptions as well. For instance, Seaman *et al* (2008) found that the scheme in Machinga failed to select the 'poorest'. Specifically, they found that only 11.8% of the surveyed households which included both recipients and non-recipients met both criteria. The rest met only one of the criteria with more meeting the 'labour-constraint' criterion than the 'ultra-poor' one.

This finding is not very surprising as the targeting process emphasises the labour-constraint criterion than the income one, most probably because the latter is easily amenable to objective verification at the community level. According to Schubert and Huijbregts (2006:9)<sup>13</sup>, the CSSC "records, visits and interview all households that seem to meet the targeting criteria. They then rank all households that have a dependency ratio of more than 3 according to neediness" (emphasis added). For this reason, the income-based criteria are virtually eclipsed and community vetting is invariably greatly influenced by the labour-constraint criterion.

This raises at least three questions. First, whether the 'ultra-poor' criterion with its quantitative measure serves any useful purposes in community-based targeting where the perception that 'everybody is poor' is commonplace? Second, whether the criterion is useful in evaluating the impact of the scheme given that it is not used in selecting beneficiaries? The third question is whether the 10% cut off (which the district social support committee applies to any ranked list of potential beneficiary households) "is based on the assumption that on average, less than 10% of the households meet both criteria"?<sup>14</sup> (Schubert and Huijbregts, 2006: 10 emphases added). Given that the validity of this assumption has not been empirically assessed and its statistical basis is unclear, the question is whether the ultra-poor criterion is practically necessary for purposes of selecting beneficiaries.

The foregoing observations suggest that it is not easy for members of the community committees, many of whom are semi-illiterate, to establish the income poverty status of all households in their village cluster. The weaknesses of this criterion are perhaps best summed up in the words of two interviewees:

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11 It could be argued that the number of the ultra poor qualifying for the scheme has been decreasing as a percentage of the population since the poverty line has not been revised since 2005. Moreover, the 2005 Welfare Monitoring Survey shows that the proportion of the ultra poor has declined from 22.4% in 2005 to 15% in 2007. This could further be attributed to the stability in the macroeconomic fundamentals particularly the reduction in the level of inflation from 25% in 2004 to 8.9% in 2008. Food poverty may have therefore been positively impacted on since food expenditures are the primary driver of inflation either downwards or upwards.

12 A dependent is somebody who is either aged 19 years or less, aged 64 or more, is chronically ill, or is disabled.

13 Schubert is the designer of the targeting criteria and process that is used in the identification of beneficiaries for the CTS.

14 This analysis was not included in the 2005 IHS nor has this been computed independently to provide a solid empirical basis.

The selection criteria are subjective in practice although on paper they are spelled out and intended to be objective.

There are many poor. It is difficult to explain [to communities] why a household has not been selected. The tools for measuring village poverty just don't fit.

Such observations also come from beneficiaries themselves. An illustrative case is Setrida Eliya, a single grandmother caring for four orphans who observes that "we see others around us who need the same cash assistance. I hope they will also be assisted"<sup>15</sup>. Thus rather than using an arbitrary cut-off point of 10% for all districts, district-specific cut-off points based on district poverty profiles may be more equitable. While such an approach may not fully garner the requisite support politically, the choice for designers and implementers is clearly between being politically expedient at the expense of poverty reduction and equity (to people not geographical areas called districts) or doing the needful even when a few political gods groan in the short term. Given the human rights frame that underlies the design of the CTS, this deserves serious consideration (GoM, 2009 and Kunnemann & Leonhard, 2008).

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15 UNICEF Malawi, 2007, 'Telling their Stories', p. 16.

## 4. Acceptability and Impacts of the CTS

### 4.1 Acceptability

The CTS is generally accepted among government officials, politicians, civil society organisations, donor agencies as well as among beneficiary and non-beneficiary communities. This does not, however, mean that there are no reservations at all with the CTS. At this point it is important to note that these reservations are not about whether such a scheme is needed but on how to operationalise it in order to achieve the desired strategic impact on the country's poverty and vulnerability situation.

While the CTS has been endorsed at cabinet level and government officials across ministries and departments have given their support and approval, the Ministry of Finance, especially the Minister himself<sup>16</sup>, has shown only nominal acceptance as earlier commitments to apportion up to 1.5% of GDP in budgetary resources to social support is yet to be translated into practice (Schubert & Huijbregts, 2006) (see Tables 5 & 6). The 'technical' explanation so far has been that the government does not yet have an approved policy on social support let alone a programme that would provide the legitimate basis for social support programmes in the national budget (see section 2)<sup>17</sup>. Additionally, the Minister is reported to have been unsure of the implications on the aid budget of committing resources to CTS. The fear has been that the scheme would divert aid resources from investment in infrastructure, the politically sensitive agricultural subsidy programme, and primary health care, among many others. This could be understood against the backdrop that since 2004 when the current government came to power, it has been preoccupied with ensuring to restore donor confidence in so far as fiscal management and discipline are concerned. While there may not be indications of donors shifting resources should the government decide to commit itself to social support programme, the rather careful approach may mainly have been to ensure that the country's economy recovers fully. The current government inherited an economy that was tittering at the brink of collapse<sup>18</sup>.

This technical argument is further rallied around the 2005 Paris Declaration which champions aid effectiveness by some donor agencies. For example, DFID Malawi and the World Bank echo the Minister of Finance's sentiments of the need for an approved policy to guide resource allocation in the implementation of the social support interventions. They argue that they will wait for the approval of the social support policy, the development and adoption of the social support programme which will then give them a latitude of choice regarding 'which social support instruments for which groups of the poor' they can support.

There is a widespread perception that the design of the current CTS, which is the only component of the social support interventions, is largely dominated by the mission objectives of UNICEF. Stakeholders, for instance, point out to the fact that transfers are scaled-up according to household size which directly varies with the number of children particularly against the backdrop of the fact

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16 Mr. Goodall Gondwe, former IMF Director for Africa, was the Minister of Finance from 2004 to May 2009. He has now taken charge of the Ministry of Local Government and a new Minister for Finance has been appointed at the beginning of June 2009.

17 The draft policy has not yet been adopted by Cabinet. Cabinet wants the policy revised before it can be officially endorsed as a guiding framework for social support interventions. It wants the policy to use poverty and vulnerability statistics from the 2007 Welfare Monitoring Survey and not from the 2005 IHS. The 2007 Welfare Monitoring Survey statistics serves the government better politically because they suggest that its policies are effectively tackling the problems of poverty and vulnerability.

18 It could be argued that the former Minister of Finance's approach was very much influenced by his professional background as an IMF employee.

that bonuses are awarded to households for each of the primary and secondary school going children. Consequently, stakeholders interested in other categories of the poor (e.g. the elderly, the disabled, etc) resent the targeting mechanism as not being as inclusive as it is projected since it only covers up UNICEF's organisational bias towards children<sup>19</sup>. This perception (which may be factually informed) goes to the root of the debate between categorical and poverty (inclusive) targeting which has been a subject of contentious and unending debate in the social support policy development process (see section 3.2).

Different perceptions of acceptability of the CTS are important as they have implications on the sustainability of the scheme. Thus, as elsewhere in sub-Saharan Africa, the immediate challenge is to convince the Minister of Finance and development partners of different ideological dispositions that "social cash transfers are not simply hand-outs but necessary social investment [that have a huge potential to trigger sustainable development and prosperity for all]"(Hailu and Sores, 2008:4). In the case of Malawi, it may be important to note that since the transition to democracy in May 1994 the questions of poverty and vulnerability have moved to the centre stage of the government's agenda. Prior to 1994 the question of poverty did not arise officially as long as people had access to food, clothes on their back and lived in houses that did not leak when it was raining. The rise of the poverty agenda has not led to a sustained national debate that engages the government to deliver even on its promises as most of the people are preoccupied with the struggle for daily subsistence.

## 4.2 Impacts

Except for Miller *et al* (2008) who conducted an external evaluation of the Mchinji Cash Transfer Pilot and Seaman *et al* (2008) who conducted a less comprehensive survey of the Machinga pilot<sup>20</sup>, there have been no other 'impact' evaluation in any of the other districts where the CTS is being implemented. The monthly monitoring reports are preoccupied with the mechanisms of delivering the scheme. The monitoring instruments are heavily biased towards tracking financial aspects. There is not yet a well consolidated instrument for tracking 'effects' of the cash transfers to enable a data base that can be used to evaluate impact in a manner that clearly identifies the counterfactual and additionality of the scheme<sup>21</sup>.

Nonetheless Miller *et al* (2008) (observations of stakeholders in the interviews,<sup>22</sup> and documented life histories<sup>23</sup>) suggest that social cash transfers are a critical component to any strategy that aims at reducing poverty and vulnerability in the long term by enhancing the productive capacity of the poor so that they can contribute to economic growth. It is also a viable tool for ensuring a range of

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19 UNICEF and its collaborators are not unaware of this. They publish updates on the coverage of the scheme which shows numbers of people in the different categories of the poor that benefit from the CTS.

20 The study was mostly concerned with the criteria for selecting beneficiaries and impact assessment was only in terms of changes in household incomes.

21 Counterfactual means the sum total of change in the poverty status and vulnerability of the beneficiary households that would have happened in the absence of the CTS and additionality is used to mean the change in poverty focus and vulnerability of the beneficiary households that is directly attributable to the CTS and not any other interventions. However, it is not being claimed here that establishing these two elements would be any easier in any evaluation exercise.

22 This was echoed particularly by staff in Mchinji, Ministry of Economic Planning and Development and UNICEF.

23 The M&E instrument used by the Ministry of Economic Planning Development calls this 'human interest study' and defines it as a description on not more than a page of the situation of a typical beneficiary household before and after receiving the transfers.

human rights for poor people and restoring their dignity and esteem. In particular, the following anecdotal impacts of the CTS from the interviews and review of documents can be highlighted:

- Improved nutrition and food security. An insightful summation is perhaps provided by Esimy Lenardi, a single mother of 10 children with a cash transfer of MK3,200 (\$23) in Mchinji who used part of her first transfer to buy ingredients to cook a special meal: “I managed to buy some meat as a celebration. Before, we only ate meat once a year on Christmas Day. With the first cash transfer, I cooked beef with tomatoes and onions. Everyone was full. All the children were so happy” (UNICEF 2007: 6).
- Evidence from Mchinji show improved household food security reflected in higher food expenditures, fewer missed meals, fewer days without adequate food and greater food diversity (Miller et al, 2008:3)
- Stakeholders also talked of observed increases in asset ownership including livestock, improved housing, bicycles and radios, among others. A few life histories, for example, of Setrida Eliya on livestock, Regina Kondwerani and Tereza Chatsilizika on housing illustrate the potential of cash transfers in changing lives of poor people (UNICEF 2007).
- There are anecdotal reports that cash transfers have contributed significantly to increasing confidence to beneficiaries and have helped in the cultivation of a sense of status and dignity. For example, a woman in Salima is reported to have informed the IPRSE consultation team that before she began receiving the transfers, she was a marginalised person in the village. But she now gets people visiting her and she has suddenly become visible so much that she has now been elected into a position in her local church.
- There are also reports of increased school enrolment and attendance, better access to social services, decent clothing and housing (Miller et al, 2008 and UNICEF, 2007).
- Increased local trading activities have also been observed at what used to be seasonal markets in communities that access the transfers.
- There are varied reports suggesting that the CTS is significantly improving household disposable income with substantial positive impact since the marginal utility of cash to the poor is quite high as they often spend their income primarily on necessities. Besides subjective observations of those who visit beneficiaries on a regular basis, a scientifically tested finding comes from Seaman et al., (2008) which shows that a ‘poorest household’ which had ranked 80th at the time of being selected into the CTS, had improved its relative income by seventy (70) positions and ranked 10th in the income perking order within one year.

Thus, while the targeting process requires fine-tuning in several aspects, the positive impacts of the social cash transfers are being showcased by beneficiaries for their quick impact in providing relief against excruciating poverty and vulnerability. And for many beneficiaries, there is evidence through their life histories that the transfers have provided seed capital for small scale productive investments in assets and agricultural inputs while rehabilitating the health and nutrition status of beneficiaries. However, the data and the stories capturing the positive impacts suggest that the positive effects of social cash transfers depend on the amount of transfers to households, the availability of complimentary social services and the dynamics of control of the cash at household level. Thus cash transfers cannot work on their own.



## 5. Sustainability of the Cash Transfer Programme

The question of sustainability was approached from two broad perspectives: 1) from the perspective of financing; and 2) from perspective of the arrangements for 'graduating' beneficiaries from the scheme and post-graduation mechanisms to ensure that beneficiaries who graduate do not fall back into ultra-poverty. And from both perspectives, the question of sustainability presents more questions than answers.

### 5.1 Sustainability from a Financing Perspective

Apart from providing personnel costs for its staff in the ministries and district assemblies, the government is yet to start appropriating money to the cash transfer scheme. Finances so far have come from UNICEF (especially for the first pilot in Mchinji) and the Global Fund through the National Aids Commission (NAC) under the Global Fund OVC Round 5 Grant which was for up to June 2009. So far, the government's commitment and acceptability of the scheme is reflected in everything else except where it matters most-budgetary appropriation. Financing the scheme has been almost entirely supported by donor agencies and this raises questions as to whether without donors, the programme can continue and whether it would have been endorsed by Cabinet at all.

A confidential document<sup>24</sup> shows that a phased scale-up programme from the current 7 to 10 districts and thereafter adding 6 districts every year to have the scheme cover all the 295,768 households (i.e. 10% consisting of the ultra-poor and incapacitated) in all 28 districts by 2014 would cost \$222,731,390 in cash transfers alone in five years which would approximately translate to about 0.83% of GDP annually at the current levels. At the time of this study, government officials talked of a possible commitment of a percentage of GDP to the scheme in the 2009/10 budget and there was also talk of the possibility of introducing a fuel levy to finance the scheme, emphasized mostly by officials from government agencies. However, both proposals are subject to political approval by Cabinet and Parliament. It is also important to note that besides UNICEF and the Global Fund, other donors have expressed interest to fund certain components of the scheme. A Basket Fund Mechanism aimed at ensuring long term funding commitment is reportedly in the pipeline. Table 5 below shows the graduated cost of scaling-up the programme by 2014 and preliminary funding interests of donors as of March, 2009.

**Table 5: The Cost of Scaling-up the CTS and Potential Financiers**

Activity	Total Cost US\$ (2009-2014)	Financier (s)
Cash transfers	222,731,390	Government, European Union, Global Fund
Operational costs	22,256,000	European Union, Global Fund
Capacity Development	5, 450,000	Irish Aid, Australian Aid, UNICEF
Information Management System	2,000,000	World Bank
Delivery Mechanism	6, 600, 000	DFID
Monitoring & Evaluation	4,000,000	USAID
Total	263,037,390	

The scenario depicted above shows that the government can only afford, at least at the moment, to contribute to the actual transfers and its share in that component is the least of the three projected at US\$ 32,117,280 starting from the 2011/12 fiscal year. At current levels, the first government contribution projected at US\$ 5,072,010 is only 0.09% of GDP which is far less than 1.5% that has

24 Memorandum from the Malawi Government to the European Union, dated 13 2009.

featured in some discussions regarding government’s contribution to the cash transfer scheme. Further, there is still uncertainty whether it will be able to start making the contributions in the next two financial years when funding from EU and GF are also uncertain during the same period. Table 6 below read with the Table 5 above shows that the financing of the cash transfer scheme is virtually donor-dependent. In the long term, such a scheme can hardly be sustainable. Table 6 shows the projected costs of a scaled up casher transfer programme for the period between 2010 and 2015.

**Table 6: Projected Summary of Households and Cost-of Scaled-up of CTS at 10%**

Financial Year	10% Households Reached	Total Cost for 10%	Government Contribution	EU (10th EDF) contribution	Global Fund
09/10	87032	17,406,440	X% GDP	-	-
10/11	105096	22,914,110	X% GDP	-	15,000,000
11/12	146411	33,072,010	5,072,010	18,000,000	10,000,000
12/13	205 177	48,437,950	7,937,950	26,000,000	14,500,000
13/14	295768	59,153,660	9,553,660	31,900,000	17,700,000
14/15	295768	59,163,660	9,553,660	31,900,000	17,700,000
Total	295,768	222,731,390	32,117,280	107,800,000	74,900,000

Given that Cabinet approved the scheme in 2006 and actually ordered its scale-up, it is surprising that about three years later there is still no financial commitment. Table 6 further shows that at least for the current financial year there is as yet no financial commitment from any source. The situation raises several questions but an interesting one to this study is whether government was under some pressure to endorse the scheme and whether the government really ‘accepts’ the scheme and deems it affordable<sup>25</sup>.

## 5.2 Sustainability from an ‘Exit-Strategy’ Perspective

The question of sustainability, from the perspective of weaning off beneficiaries from the scheme, does not seem to have received serious thought and concrete action. It is generally understood that cash transfers are not supposed to be life-time entitlements but no graduation point has been set. Grapevine suggestions vary from two to five years. At the design stage it was intended that “the scheme [would] re-evaluate beneficiaries bi-annually to determine their eligibility and those who manage to stand on their own may be able to exit the scheme”<sup>26</sup>. However, the criteria for determining eligibility to graduate have not been developed even though the need for an exit strategy is appreciated and openly acknowledged by the managers and implementers of the scheme.

The absence of an exit strategy has real potential to create dependency and requires urgent attention especially as the scheme scales-up. As Huijbregts observes, apart from children, who hold much promise for the future, the rest of the beneficiaries will not easily graduate from the scheme so much that the scheme is perhaps best deemed as “an investment that will enable children living in these households to survive, grow and develop and break out of the inter-generational cycle of poverty”<sup>27</sup>. Given that a right to social support for the poor and the vulnerable

<sup>25</sup> However, it is important to note that the scheme is still a pilot, only one that is being scaled-up. It is not clear for how long it will remain a pilot. One would suppose that piloting will end when a national programme on social support is adopted and then government can be expected to scale-up its contribution to cash transfers.

<sup>26</sup> Huijbregts, ‘How cash grants are transforming the poor’, undated, p. 4.

<sup>27</sup> Ibid.

has been asserted, and in the light of the characteristics of the majority beneficiaries of the scheme, the question is whether there can be a separate exit criteria other than death. The following political economy issues should be anticipated in the wake of an exit strategy:

- Exit strategies may have to be related to entry criteria. Should this be the case there will be need to re-think the entry criteria as the criterion based on labour constraint is based on circumstances that may take a long to change if ever. It would further require developing a better monitoring instrument to capture changes in the poverty and vulnerability status of the beneficiary households.
- Whether a household can graduate from the principal transfer but continue to access child bonuses (in which case the scheme will resemble a child grant for such households).
- Whether households will graduate as single units when they satisfy the criteria or they will graduate in blocs in a given period of time starting from the day they received the first transfer.
- Whether a graduation point will be set in terms of a duration or a number of transfers received regardless of changes (or lack of changes) in the poverty status, and whether the duration or the number of transfers on funding time frames of major financiers.
- Whether there will be other post-graduation interventions to cushion the graduating households from slipping back into ultra-poverty and vulnerability.
- Whether and how the exit strategy will relate to the long term goal of the scheme to sustain human capital accumulation to tackle inter-generational poverty traps.

## 6. Power and Influence Donor Agencies on the CTS

There is concerted effort on the part of both donors and government to project the CTS as one that is fully owned by the government. While this is a politically correct thing to do, it does not in any way discount the power and influence of donors on the design, financing and implementation of the scheme.

The most influential donor agency has been UNICEF to the extent that some quarters perceive the CTS as a UNICEF programme supported by the government. The official line is that CTS is a government programme which has its origins in a UNICEF supported pilot. It is, however, on record that since 2004, UNICEF Malawi has mounted an effective campaign for social protection and especially social cash transfers to be integrated into national development plans and budgets of funding organisations. In early 2006, UNICEF organised familiarisation tours to Brazil and Zambia for policy makers and technocrats to study cash transfer schemes and fully financed the pilot in Mchinji. It is UNICEF that developed and submitted to Global Fund a proposal for funding that became the basis for the Cabinet directive to scale-up the scheme to other districts. Following this chain of events and listening carefully to the respondents, one thinks that a 'request' was put to cabinet which granted 'approval'. The persistent use of 'cabinet directive' by designers and managers of the scheme is, arguably, politically significant to project government ownership of the scheme even when facts on origins and financing of the scheme point more in the contrary direction.

Before the government adopted the CTS, there were other social protection instruments which had been tried in an uncoordinated manner under the National Safety Nets Programme. They fell into three broad categories, namely: 1) productivity-enhancing programmes; 2) welfare support programmes; and 3) disaster management activities (Kambewa, 2005; Devereux, 2005). Slater and Tsoka (2006:26) show that there was in total 38 projects, three of which were cash transfers and the cash transfer programmes covered a total of 14,215 beneficiaries.

These cash transfer programmes were run by Oxfam in Thyolo, Concern Universal in Dedza and Concern World Wide in Dowa. The Oxfam cash transfer run for a period of five months. It covered 6000 beneficiaries each getting an equivalent of US\$ 25.83. The disaggregated data for the Concern Universal's cash transfer programme is not readily available but it cost about US\$ 186,000 for a period of 12 months. Concern World Wide implemented the Dowa Emergency Cash Transfer Programme during the 2005/06 hunger crisis season. It targeted about 11,000 households to enable them "obtain their missing food entitlement (MFE) for a period of five months by providing them with cash transfers" (Mvula, 2007: 2). The amounts disbursed were based on household size but capped at 10. A single member household was getting MK 370 (about US\$ 2.64) per month and households of 10+ members were getting MK3700 (about US\$ 26.46) per month. These cash transfers are not related to the Mchinji initiative. These were relatively on small scales and rather unknown except the Dowa Emergency Cash Transfer Scheme which has come in the limelight for piloting an innovative way of delivering the transfers through smart cards. The Mchinji CTS draws its inspiration from the 'successes' of the Kalomo pilot project.

Besides cash transfers, the other projects were input subsidy, inputs transfers, school feeding, cash-for-work, food for work, integrated, food transfers, bursaries, inputs-for-work, targeted nutrition, food-cash and relief items. The question is why and how cash transfers have arisen to a level that has effectively eclipsed the other social protection support interventions that were popular or common? Stakeholders attributed this to the following factors:

- It is the only scheme that has been tested systematically and generated lessons for scaling up.
- It has shown to deliver quick wins against poverty and vulnerability and empowers recipients to make purchase decisions i.e. unlike conditional transfers, the CTS is unpaternalistic.

- Being piloted alongside the process of developing a social support policy has given the scheme an edge to overshadow other instruments and to shape the policy itself.

Differences among donors and some government quarters regarding the design of the social support instruments including cash transfers have delayed the completion of the policy document. They also have had implications on the depth and breadth of ownership and acceptability of the CTS. These differences, often dressed up as technical niceties, appear to have put government in a difficult position as it has allowed the scheme to scale-up (to the satisfaction of UNICEF) and dragged its feet on financial commitment (arguably, to the satisfaction of DFID and World Bank). However, the technical argumentations appear to be covering deep-seated ideological views on social cash transfers.

Stakeholder interviews revealed that there are unresolved issues regarding which approaches to poverty reduction would be beneficial to Malawi in the long-term. The main issue is that some stakeholders in social support are not yet sure if social cash transfers to the non-productive poor constitute a sustainable mechanism for tackling chronic poverty. This hinges on the scepticism that social cash transfers may simply create and enhance dependency as long as they do not correctly target those that are genuinely destitute. However, whether social cash transfers create dependency or reduce poverty are acknowledged by stakeholders to be empirical matters. In this regard the World Bank and DFID<sup>28</sup> have taken a 'temporary' wait-and-see approach and claim that their involvement will be evidence-based. It is therefore incumbent upon implementers of the CTS to make available objective evidence about the efficacy of the CTS in order to drum up support for it.

The hollowness of the arguments based on the lack of approved government social support policy is clear from the fact that the same institutions both on the donor and government sides that have taken exception to the CTS sometimes support other social support programmes that are labour-based with fuzzy productivity elements. It could be argued that attitudes of different government institutions are shaped and influenced by the donor agencies with whom they have close working relationships or champion orientations to cash transfers that would go a long way to contributing the attainment of their institutional mandates. Some donor agencies including government are actually investing in alternative interventions to cash transfer programmes. The government, for instance, has since the 2005/06 growing season been massively investing in fertilizer subsidies and public works programmes supported by some donors that have adopted a rather sceptical stance towards cash transfer programmes. This suggests that ideological dispositions are more poignant to explaining the attitudes of stakeholders to cash transfers than the technicalities of the policy process and the design of the programme.

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28 Both are big providers of budget support to Malawi Government.

## 7. Concluding Remarks

The examination of the acceptability, affordability and sustainability of cash transfers shows that the political economy approach is instrumental to understanding questions of conceptualisation (design), ownership and sustainability of social support programmes. Although the arguments are often couched in technically orientated terms, the context and the actual behaviour of their proponents on key questions about cash transfers clearly reflect deeply held ideological dispositions. In conclusion, the following can be highlighted as main elements of the political economy of cash transfers in Malawi.

- The policy process has been predominantly top-down with ‘too little, too late’ consultation with communities. Thus the process, while fairly consultative and characterised with what main stakeholders believe to be genuine contestation of ideas at the technical level, it has by far fallen short of the standard democratic requirement of ‘beneficiary’ involvement.
- At the local level, targeting is the most politically sensitive component of the scheme even though the targeting mechanism used is multi-stage and community-based. The challenge is that the criteria for selecting households create space for opportunistic strategic behaviours including elements of elite capture. The targeting criteria also minimises the coverage of the scheme by relying on an arbitrary cut-off point in contexts of widespread poverty. Further, the utility of the income-based criterion to the actual process of selecting beneficiary households has proved to be difficult for communities to apply at least objectively.
- Despite errors of inclusion and exclusion, the design of the CTS goes a long way in reaching the poorest of the poor than previous social protection efforts. Its integration into local governance structures contributes to the cost-effectiveness of delivering the scheme while making local government and decentralisation more meaningful to communities. The shortage of capacity at district assemblies is acknowledged and the consensus is to improve capacities by a combination of ways including creating new posts to increase staff numbers, and contracting out cash delivery to communities. The consensus is to improve capacities by not creating new structures but exploit the existing ones. And this is in line with current trends in institutional analysis where emphasis is on institutional multi and not mono tasking. In the words of one respondent, “the best way to improve structures is not to create new ones, but to continue working with them, however weak they may be in the beginning”.
- The effects of cash transfers on poverty and vulnerability are promising and the scheme appears to be an effective measure for tackling these problems with a long term perspective. While its coverage at national level is informed by the profile of poverty and vulnerability, there is increasing evidence that coverage of the poorest within the beneficiary communities is limited and there is need to scale-up, preferably based on poverty profiles at district levels. This should, however, be considered in the light of the question of sustainability. Further, there is need for a robust M&E instrument that will track not just the financial aspects but also elements that can be used to meaningfully assess impacts of the scheme. This is particularly important for providing objective evidence of what works and how it works.
- The CTS is widely accepted among government officials, politicians and beneficiary communities. The question of ownership is hard to settle. The analysis suggests that the scheme draws impetus from a particular camp of donors led by UNICEF. Other donors trail behind largely because of ideological differences in the approach and design of the scheme even though official reasons are generally couched in terms of technicalities. This lack of consensus has delayed the policy process, the design of the social support programme and has constrained the breadth of ownership of the scheme. The hesitation or unwillingness on the part of government to make substantial financial commitments to the scheme may be rationalised in many ways but the obvious reality is that it reflects shallow ownership of the scheme and this has implications on sustainability.

- The sustainability of the CTS depends on putting in place robust financing mechanisms and developing exit strategies for beneficiaries. The findings suggest that the absence of a funding mechanism that is locally resourced threatens the potential sustainability of the CTS. It is highly donor-dependent but this gesture of goodwill should not hold back government from looking for sustainable ways of financing the scheme. The problem of sustainability is compounded by lack of graduation criteria. When these two dimensions are put together, one sees dependency being created at two levels: government dependent on donors for financing and beneficiaries' dependent on the scheme to cushion their livelihoods more or less on a permanent basis. It is, of course, worthy noting that with respect to the second level of dependency beneficiaries of the scheme are already dependants. As a result, the question of their dependency on the scheme needs not be overemphasised. In essence what the scheme does is to remove the burden of overwhelming dependency on a few members of the extended family and the community and places that onus on the state. According to the District Commissioner in Mchinji, this aspect alone is responsible for the wide acceptability of the scheme among the non-beneficiaries.

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## **Appendix 1: List of Stakeholders Consulted**

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Ms. Mulle Chikoko, Social Advisor, DFID Malawi

Ms. Susan Kumwembe, Assistant Social Advisor DFID Malawi

Mr. Ron Kamwendo, Grants Accountant, National Aids Commission

Mr. Andrew Mkandawire, Grants Officer, National Aids Commission

Mr. Ali Phiri, District Commissioner, Mchinji District Assembly

Mr. Blessings B.M. Nkhoma, Director of Planning and Development, Mchinji District Assembly

Mr. Thomson Mwale, Accounts Officer responsible for Cash Transfers, Mchinji District Assembly