NATIONAL AIDS COMMISSION

External Evaluation of the Performance and Impact of the Social Cash Transfer Scheme in Malawi

FINAL REPORT

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Abbreviations

ART	Antiretroviral Therapy
CCTs	Conditional Cash Transfers
CSPC	Community Social Protection Committee
DSCT	District Social Cash Transfer Secretariat
DSPC	District Social Protection sub-Committee
DSWO	District Social Welfare Office
EAs	Enumeration Areas
IHS3	Integrated Household Survey 3
KfW	Kreditanstalt für Wiederaufbau
MK	Malawi Kwacha
NAC	National AIDS Commission
NGOs	Non-Governmental Organisations
NSO	National Statistical Office
PLHIVs	People Living with HIV
SCT	Social Cash Transfer
TAs	Traditional Authorities
UCTs	Unconditional Cash Transfers
UNICEF	United Nations Children's Fund
VDC	Village Development Committee

Executive Summary

Background and Context

The Social Cash Transfer (SCT) scheme in Malawi was designed to alleviate poverty, reduce malnutrition, and improve school enrolment among the poorest households by delivering regular and reliable grants to "ultra poor" households, defined as those households that have minimal assets and income, high dependency ratios, and are labour constrained (i.e. there is no person aged 19-64 able to work). It was first implemented in 2006 as a pilot programme, in Mchinji District. However, beginning in 2008, it was extended to six other districts of Chitipa, Likoma, Salima, Mangochi, Machinga and Phalombe. The programme, until the end of 2011, had mainly been funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria through the National AIDS Commission (NAC). In recent times, additional funding was provided by Irish Aid, and from January 2012 funding was provided by the German Government through Kreditanstalt für Wiederaufbau (KfW). In the 2012/13 budget to the SCT, the Malawi Government allocated MK100 million, increased to MK450 million in the 2013/14 fiscal budget. The programme reached 29,925 households (102,000 individuals) by the end of 2011.

Objectives and Methods

Since the extension of SCT scheme to other districts, there have been no studies evaluation the impact of the cash transfer programme in Malawi. The main aim of this study, therefore, is to examine the impact of social cash transfer on households that benefited from the programme. The study focused on reviewing the international literature on cash transfers, reviewing the design features and implementation modalities of the Malawi SCT, assessing the multiple impacts of SCT and examining the extent of affordability and financing of SCT as a basis for scaling-up and sustainability of funding. The study was conducted in four districts of Chitipa, Salima, Machinga and Phalombe; these districts were selected purposively with at least one in each of the three regions of the country. Since there was no baseline survey, in each district, interviews were conducted with beneficiaries in targeted Traditional Authorities and comparison households in non-targeted Traditional Authorities. A total of 800 beneficiaries and 400 comparison households were interviewed. The comparison households were identified using the cash transfer targeting criteria based on household characteristics in 2008 or 2009. Data was collected through a household listing questionnaire, household questionnaire, focus group discussion and key informant interviews.

Main Findings

Literature on Cash Transfers

The literature shows that social cash transfers have gained the momentum as one of the instruments to fight poverty and vulnerability in middle-income and low income countries. This revolution has been motivated by the impacts of carefully evaluated programmes in Latin America that have demonstrated that it is possible with cash transfers to improve the welfare of citizens.

Large social cash transfers are mainly implemented in Latin America and Asia, reaching millions of poor households, but there are programmes in Africa that are being scaled up to cover more vulnerable households. In Africa, large programmes are being implemented in South Africa and Ethiopia, reaching 2.4 million and 1.5 million households, respectively.

The types of cash transfers vary. The most common ones, and are mainly implemented in Latin America, are conditional cash transfers where access depends on satisfying minimum contribution in cash or kind by the beneficiaries. The other type is unconditional cash transfers, mostly implemented in African countries. There is emerging evidence that conditions do not significantly alter the impacts of cash transfers.

There is compelling evidence that with careful implementation on a larger scale, social cash transfers can be important instruments for reducing poverty and vulnerability in developing countries. The strongest evidence emerges from Latin American countries, where with rigorous impact evaluation, it has been demonstrated that social cash transfers have positive effects of schooling, health, food security and nutrition, reduction in poverty and severity of poverty. While results are more conclusive on the impacts on school enrolment and school attendance, whether conditional or unconditional, in some of the welfare indicators, the evidence is mixed. However, what is also emerging from the literature is the limited evidence on the impacts of the cash transfer on asset accumulation and investment in productive activities, pathways that can enable some households to graduate from social cash transfers.

Design and Performance of the Malawi SCT Scheme

The Malawi SCT scheme was designed to alleviate poverty, reduce nutrition and improve school enrolment among the poorest households in Malawi. The SCT scheme targets the poorest of the poor, defined as ultra-poor households not able to meet basic needs while at the same time being labour-constrained with no able-bodied member in 19-64 years age group or where an able-bodied person is caring for more than 3 persons.

A community based targeting system is used in identifying households and involves community level committees, responsible for identification of potential beneficiaries who were ranked and confirmed by the communities. The concept of ultra-poor and the variations in the proxies of poverty, varied considerably between communities. Nonetheless, such flexibility enabled some of the communities to place emphasis on households that were affected by HIV and AIDS and those with orphans while in some other cases such flexibility also allowed inclusion of households that did not qualify in one of the criteria.

There are difficulties in finding households that meet both criteria for the scheme to reach 10% of the households. Owing to the limited indicators of vulnerability, there is strategic splitting of households to meet the labour-constraint condition. The listing exercise in comparison areas demonstrates how the labour-constraint condition is rarely satisfied in rural communities.

There is high incidence of inefficient targeting in the Malawi SCT scheme as a substantial proportion of households could not satisfy the joint criteria of ultra-poor and labour constrained household. A significant proportion of beneficiary households, 38.4%, did not meet the labour constraint criteria compared to 62.5% of comparison households. This finding of failure to meet the labour constraint condition is also supported by previous studies. One of the problems is that the two simple targeting criteria can easily be manipulated by households and communities to enable more people to access the cash transfer in the community.

Given the targeting criteria, the community based targeting, though preferred for acceptability and transparency, is also prone to targeting errors and can be influenced by local level politics. There are widespread claims that the 10% cut off is too restrictive, but the study has shown that in most communities it may even be difficult to find more than 10% of households that satisfy the more objective labour constraint criterion.

The real value of the benefit levels have been undermined by the rising costs of living and this has potentially limited the impacts of the programme on beneficiary livelihoods. By 2012, the benefit levels lost 34% of their 2008 value. In terms of maize purchasing power, benefits for a one member household could purchase the equivalent of 24 kilograms of maize in 2008 but this falls to 8 kilograms of maize in 2012/13 season. Hence, there has been significant erosion of benefits in the cash transfer scheme with implications on impacts of the programme.

There are widespread complaints about delays in the payments of cash transfers to beneficiaries. These delays were mostly a result of the flow of funds from the Global Fund to NAC and NAC to District Council and less so due to capacity issues at the District Council. The proportion of beneficiaries experiencing delays in payment was 86% and on average cash transfers were delayed by 78 days (with 90 days being typical days). In addition, although the districts are able to implement many aspects of the programme, some of the delays in funding were partly due to failure to account for the funds in a timely manner.

Impact of the Malawi SCT scheme

The results on the impacts of the social cash transfer reveal limited impacts on the food security of beneficiaries. With respect to the objective of reducing hunger and starvation among poor households, the indicators of food consumption and food security suggests minor differences between beneficiary and comparison households. The comparison group had better food diversity than beneficiary groups. Although the beneficiaries spent most of their cash transfer of food particularly maize, the effects on food security are muted due to the high incidence of access to FISP among beneficiary (64%) and comparison (67%) households. In addition, overall, 73% of beneficiary households had benefited from other social protection programmes.

The impacts of the social cash transfers on poverty alleviation, based on income and expenditure patterns and qualitative indicators of wellbeing, suggest mixed results. There are no differences in average cash incomes of beneficiary and comparison households. However, the cash transfer has reduced the reliance of beneficiary households on *ganyu* wages as a source of livelihood. Similarly, there are no statistical differences in cash expenditures between beneficiary and comparison groups. However, household's own assessment of poverty and wellbeing, indicates a major change in how beneficiary households perceive their poverty relative to others in the community compared to comparison households.

There have been marginal gains in the level of durable assets and livestock among beneficiary households compared with comparison households, although asset levels are higher among the latter group. These results are consistent with the evidence that beneficiary households are not spending a significant proportion of the cash transfers on purchase of durable assets. Similar results are evident with respect to livestock, although the absolute change in number of goats was higher in beneficiary households than comparison households.

There is mixed evidence on the impacts of the cash transfer on school enrolment and attendance, health and nutrition. The study finds higher enrolment among beneficiary households than comparison households, but no difference in school attendance. But there are no differences in incidence of under-five-year old illness. However, there is higher burden of HIV and AIDS among beneficiary households than comparison households in terms of number living with HIV and AIDS and those with orphans, suggesting that the cash transfer has relatively benefited people living and affected by HIV and AIDS.

Scalability and Sustainability

The analysis has demonstrated that there is scope for scalability and sustainability of the social cash transfer in Malawi with proper implementation and rationalisation of various social protection programmes. Thus,

- **If the target is to reach the poorest 10% of households in Malawi, it has been estimated that this entails a target of about 300,000 households with a programme outlay equivalent to 3.4% of the budget or 1.04% of gross domestic product, given the current benefit levels.** However, this study shows that if the labour constraint condition is to strictly be consistent in targeting, national household surveys and this study's household listing in comparison areas suggest a much lower target figure of possible cash transfer beneficiaries. It has been shown that only 1.64% of rural households would jointly be ultra-poor and labour-constraint. This is, however, more conservative as the calculations have not accounted for ability to work among the economic-active age group.

- **It is possible to finance scaling up cash transfers to 300,000 households in Malawi by rationalisation of social protection programmes.** The Farm Input Subsidy Programme (FISP), which is largely funded from domestic resources accounts for nearly 10% of the budget and reaches 1.5 million rural households, some of which are also recipients of cash transfers, can potentially be scaled down by putting 1.2 million households under FISP and the poorest 0.3 million households under the cash transfer programme, while eliminating double or multiple dipping. However, such a structure will require maintenance of a social register.

Recommendations

First, in order to improve evidence-based policy making, it is recommended that design of the scaling up of the cash transfer programme should include best practice impact evaluation approaches that establish a baseline or control groups prior to the implementation of the programme. This will improve the understanding of the impacts of the programme on beneficiary households.

Second, there is a need to improve the targeting process and targeting criteria in order to improve the targeting efficiency of the social cash transfer scheme. This can be improved in several ways:

- Prior to the implementation of the community based targeting processes, there is a need to collect programme neutral information on household characteristics through a census of all households in the targeted communities carried out by an independent body. This census should be short and focus on key variables linked to the targeting criteria. Such census information can be used by the District Social Cash Transfer Secretariat in evaluating the selection of target households by the Community Social Protection Committee.

- Improvements are needed in the proxies for ultra-poor by bringing additional indicators that are difficult to manipulate by the beneficiaries and communities. Additional work needs to be done on poverty correlates in Malawi and appropriate weights need to be derived to develop a more objective targeting means testing index. For example, based on the analysis of the second Integrated Household Survey, Houssou and Zeller (2011), identify 10 indicators that can be used to rank households in rural areas: household size, ownership of wireless radio, smoothed cement floor of house, bicycle ownership, use of electricity for lighting, *panga* ownership, at least Junior Certificate of Education qualification, ownership of bed net, public heap as waste disposal facility and reading in Chichewa by household head.

Third, there is a need to incorporate the principles of graduation of households from cash transfers, not only through the education of children, but also through incorporating programmes that strengthen the capabilities of households to embark on sustainable livelihoods independent of social cash transfers. Such programmes may include training in management of business activities and linking beneficiaries to savings and credit programmes.

Fourth, there is also a need to maintain the real value of benefit levels in order to enhance the impacts of the cash transfer programmes and to promote graduation of some of the beneficiaries or some of the areas over time.

Fifth, the social cash transfer must be scaled up to reach at least 300,000 households across the country, and there should be political commitment to fund the cash transfer from domestic resources as is the case with the FISP. Specifically, rationalisation of social protection programme domestic funding sources offers more opportunities for scaling up social cash transfers in Malawi. For example, reduction of the FISP by 15% and using the fiscal savings for the cash transfer can enable substantial scaling-up of the programme.

Finally, more coordination of social protection programmes is required and there is a need to be maintaining an updated social register of the beneficiaries of social protection in order to minimise multiple dipping.

1. Introduction

1.1 Background and Context

Malawi is one of the poorest countries in the world. In 2004/05 it was estimated that 52.4% of the population in Malawi lived below the poverty line, with rural poverty estimated at 55.9% (GoM and World Bank, 2007). Poverty has not declined significantly over time. NSO (2012) estimated that the national poverty rate in 2010 was 50.7%, and rural poverty increased to 56.6%. There is also high level of vulnerability of households particularly due to the agricultural nature of the economy, dominated by rain-fed cultivation. It is estimated that about 95% of households in Malawi experienced at least one economic shock between 2000 and 2005, with most households experiencing more than one type of shock (GoM, 2006). The most common shocks are agricultural related and include large increases in the price of food, lower crop yields due to flood or drought, illness or accident of household member, large fall in the sale price of crops and loss of livestock (GoM and World Bank, 2007). Since 2005 prices of fertilisers have increased dramatically in recent years (Dorward et al., 2010), and this has created difficulties for rural farmers to acquire fertilisers at prevailing market prices. The prices of the main staple crop, maize, have been volatile, within the season and across seasons. Such food price volatility can be damaging to economic activities and to the welfare of the poor who are also net maize buyers. With high levels of poverty and high incidence of shocks, social protection programmes become necessary to reduce the severity among the vulnerable groups in society.

Social protection instruments in Malawi are generally categorized into four: direct welfare instruments, productivity enhancing instruments, market interventions, and transformative policy changes (Devereux and Macauslan, 2006; Kambewa, 2005; GoM, 2009). Direct welfare instruments currently implemented in Malawi include conditional and unconditional cash transfers, school feeding programmes and food aid. Productivity enhancing programmes include public works programmes and fertiliser subsidies. Market interventions include control of price of maize, minimum prices for agricultural produce and maintenance of strategic food reserves. Chirwa (2010) presents a typology of formal social protection schemes by type of programme, instrument used and implementation agents, funding agencies and extent of coverage. Most of social protection schemes are implemented by the Government of Malawi and rely on a mix of donor and local funding. The extent of coverage varies from selected districts to all the 28 districts in Malawi.

As part of the efforts of addressing poverty and mitigating the impact of AIDS, Malawi started implementing the Social Cash Transfer (SCT) programme in 2006 on a pilot basis in Mchinji District. The Social Cash Transfer (SCT) scheme is implemented by the Government of Malawi at the District Assembly level with technical assistance from the Ministry of Women and Child Development, the Ministry of Development Planning and Cooperation, and United Nations Children's Fund (UNICEF). The programme, until the end of 2011, had mainly been funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria (Mangani and White, 2012). According to Miller et al (2010), the SCT reached 23 651 households and 92 786 beneficiaries in 2009, and this was estimated to have increased to 29 925 households (102,000 individuals) by the end of 2011 (Mangani and White, 2012). Mangani and White (2012) also note that additional funding was provided by Irish Aid, and from January 2012 funding was provided by the German Government through Kreditanstalt für Wiederaufbau (KfW). For the first time, the Malawi Government allocated MK100 million in the 2012/13 budget to the SCT (GoM, 2012) and this has been increased to MK450 million in the 2013/14 fiscal budget (GoM, 2013b). According to GoM (2013a), the government will implement a social cash transfer amounting to MK3.4 billion with support from KfW and Ireland.

The Cash Transfer Scheme was designed to alleviate poverty, reduce malnutrition, and improve school enrolment among the poorest households in Malawi, by delivering regular and reliable grants to "ultra poor" households, defined as those households that have minimal assets and income, high dependency ratios, and are labour-constrained (i.e. there is no person aged 19-64 able to work). The goals of the programme are in line with the draft National Social Protection Policy which calls for programmes and policies to confront poverty and vulnerability, directly provide transfers to the destitute, and strengthen human capital in order to break the poverty cycle. In a bid to draw adequate evidence for informing scale up processes nation-wide, Malawi Government consequently extended the programme to the districts of Chitipa, Likoma, Mchinji, Salima, Machinga, Mangochi and Phalombe, albeit in selected traditional authorities. As the Malawi Government is planning extending the programme to all the districts of the country, there is a need to evaluate the experiences and impacts of the cash transfer programme to inform policy choices.

1.2 Objectives of the Study

The main objective of the study was to examine the impact of the social cash transfer on households that benefited from the programme. The specific objectives of the study include to:

- Identify, review and analyse existing literature on social cash transfers with respect to current trends world-wide and relative to implementation in the seven pilot districts.
- Identify and assess multiple types of impacts that the social cash transfer has had on the beneficiaries (including PLHIVs) in the pilot districts and in addressing a variety of socio-economic policy objectives and provide recommendations for roll-out and or improvements.
- Assess evidence regarding the design and implementation arrangements of SCT in meeting the policy goals of poverty alleviation.
- Assess in particular the targeting mechanisms and provide recommendations for improvements.
- Explore factors as well as situations militating against implementation of the scheme.
- Examine the extent of affordability and financing of the SCT programme with respect to determining the feasibility of scale up options and sustainability in the long term i.e. beyond NAC support.
- Establish the extent to which SCT programme has been able to achieve set objectives and goals.

1.3 Limitations of the Study

There were several limitations of the study which must be taken into account in the interpretation of the results. Firstly, as an impact evaluation study, there was no baseline data to which the after programme indicators could have been compared with the indicators before the programme. This is a major shortcoming of the study and the results should be indicative of the sort of changes that have taken place. Secondly, and related to the first, although we carefully selected the comparison group using the same criteria of targeting households in the social cash transfer scheme, we did not use community based targeting as was the case for beneficiary households. There are different interpretation and context in the local communities on what they use as indicators of ultra-poverty since the guidelines provide a number of possible indicators. This has the implication that a comparison group may not strictly be similar to the beneficiary group. In addition, as noted below, the targeting of beneficiaries was not consistent with the objective criterion labour constraints at household level. It was also difficult to find large enough number of household in control areas which met the criteria of a labour constraint household. Of the more than 1,800 households listed in the control areas less than 5% qualified under the labour constraint criteria. Thirdly, there are huge differences in the official records on dependency ratios with recall data that was obtained from beneficiary households, suggesting that with the knowledge of the programme there is strategic splitting of households. Fourthly, there are differences in the years of implementation of the cash transfer across and within the districts and within areas. This resulted in different time frames over which beneficiaries had been on the programme. In the analysis, we have not accounted for the year the individual household started receiving cash transfers.

2. Methodology

2.1 Sampling Strategy and Methods

There was no baseline data collected prior to the implementation of the Malawi SCT Scheme. The sampling strategy involved selection of beneficiary households and comparison households. The selection of comparison households followed a household listing exercise with questions about their household composition and food consumption or poverty status in 2008, a period prior to the implementation of the cash transfer in the survey districts. The impact assessment was carried out in four out of the seven districts: Chitipa, Salima, Machinga and Phalombe. Owing to financing constraints, in consultation with NAC, one district was purposively selected in the northern, central, eastern and southern parts of the country. In Salima, two Traditional Authorities (TAs) were excluded from the sampling because they were also selected for randomized trial impact assessment study – Malawi Economic, Health and Demographic Survey (MEHDS – Baseline) by Carolina Population Center – University of North Carolina and CSR University of Malawi. Different sampling strategies were used for selecting beneficiary and comparison households. In each district, a sample of 200 beneficiary households and 100 comparison households was obtained.

2.1.1 Selection of Beneficiary Households

Each district was stratified into intervention TAs and non-intervention TAs. From the beneficiary TAs, two TAs were then randomly selected. Each TA has clusters of villages and two clusters were randomly chosen in each. The required sample of beneficiary households per district was 200, and 100 beneficiaries were selected in each TA equally split between 4 clusters – hence, 25 households were randomly selected in each cluster using random table numbers. The selection of beneficiaries in each selected cluster was based on the list of beneficiaries from the District Social Welfare Office (DSWO) and interval sampling was used after randomly selecting the starting point.

2.1.2 Selection of Comparison Households

The selection of comparison households posed a bit of a challenge owing to differences in the coverage of TAs for SCT in the four districts. In Chitipa and Phalombe, all the TAs were intervention areas while in Salima and Machinga some of the TAs were non-intervention areas. The selection of comparison households involved two strategies: one for the districts where coverage is in all the TAs, and the other where only a few TAs are covered for social cash transfers. Enumeration Areas (EAs) based on National Statistical Office (NSO) classification were used as a basis for sampling control areas.

First, in districts with complete TA coverage, the comparison groups were drawn from villages in Enumeration Areas not currently targeted for cash transfers. Within each selected TA, all the EAs not benefiting from cash transfers were identified and 2 enumeration areas were randomly selected. Second, in districts with some TAs that are not benefitting from cash transfers, 2 TAs were randomly selected from the non-intervention areas and randomly select 2 EAs in each TA.

A sample of 100 households in each district was drawn to form a comparison group. Fifty (50) households in each TA (25 households in each cluster) were randomly sampled. The selection of control households involved two processes. First, all households in the selected EA were listed. A simple listing questionnaire was used for each village in the selected EA and the questions focused on the key criteria for targeting (poverty and labour constraints) in 2008 and the current household composition. With respect to poverty, the self-assessment poverty ladder (with 6 steps) was used in which respondents positioned themselves in relation to their neighbours from the poorest (step 1) to the richest (step 6). Secondly, after a household listing, a wealth ranking exercise was done with four key informants in the village, to rank the households in terms of poverty.

While it must be appreciated that the actual targeting involves several iterations and interactions with the communities, given the time limitation of this study, the processes used in the study provide necessary information for selection of control group households that would be deemed similar to beneficiary households in many respects.

However, there were practical challenges in implementing the sampling strategy. First, in beneficiary household areas, due to smaller numbers of beneficiary households in some clusters there was oversampling of the clusters in order to meet the target sample of 200 households per district. Secondly, in comparison household areas, more than 2 enumeration areas were also selected because the numbers of households that qualified for interviews under the labour-constraint and poverty conditions were few to generate a sample of 100 households per district.

2.2 Data Collection Tools

The performance assessment and impact evaluation of the SCT scheme in Malawi used four (4) data collection instruments, combining quantitative and qualitative methods namely (a) household listing questionnaire in control areas, (b) household questionnaire, (c) focus group discussion guide, and (d) key informant interview guide.

2.2.1 Household Listing Questionnaire

The household listing questionnaire was used in selected control areas designed as a quick way to obtain household information to decide on households that qualify for sampling (Annex I). The questionnaire obtained information on gender of the head of the household, the number of persons in the household, the number of able-bodied economically active members in the household (between 19 and 64 years old), number of meals per day (food security) and self-assessment of poverty. The information on the household situation 4 years ago and their current household composition were obtained in order to match the targeting criteria for selecting comparison households. As noted above, listing was done in more EAs than planned due to the small number of eligible respondent households in a particular area.

2.2.2 Household Questionnaire

The household questionnaire was the main data collection instrument administered to beneficiaries and comparison households (see Annex II). It obtained information on household composition, education levels of household members and schooling, health status, labour use and supply, housing and water and energy sources, ownership of assets and livestock, income and expenditure, food security, access to other safety nets, social cash transfer performance, subjective assessment of well-being and food consumption, recent shocks and stresses and living and affected with HIV and AIDS.

2.2.3 Focus Group Discussion Guide

One of the qualitative methods used to obtain information about the performance and impact of the SCT scheme in Malawi was Focus Group Discussions (FGDs). Focus group discussions were conducted with beneficiary households in selected clusters. The FGD guide focused on information relating to livelihoods in general, experiences in the implementation of Social Cash Transfer, efficiency and timing of SCT, stakeholder and institutional analysis, and use of cash transfers by beneficiary households and the perceived self reported impacts of the SCT. In each district, 2 focus group discussions were conducted – one with a group of females and another with a group of males. The participants to these FGDs in the beneficiary areas were drawn from both beneficiary and non-beneficiary households.

2.2.4 Key Informant Interview Guide

The key informant interview (KII) guide was targeted at officials involved in the implementation of the SCT scheme at district and national levels. At local level, the key informant interviews were conducted in beneficiary clusters. The KII Guide sought information on selection of clusters for cash transfer, selection of beneficiaries, stakeholder and institutional analysis, performance of the cash transfer and linkages with other initiatives, and perceptions on the performance of the social cash transfer.

2.3 Summary of the Sample Distribution

Table 1 summarises the number of interviews conducted in each district. In total, the sample includes 1,202 households interviews of which 802 are beneficiary households and 400 are comparison households. Eight FGDs with men and women were conducted and 12 key informants' interviews were held at district level.

Table 1: Summary of Number of Interviews

District	Households		FGDs	KIIs
	Beneficiary	Comparison		
Chitipa	201	100	2	3
Salima	200	100	2	3
Machinga	201	100	2	3
Phalombe	200	100	2	3
Total	802	400	8	12

3. Review of Literature on Social Cash Transfers

3.1 Social Cash Transfers as a Social Protection Instrument

Social cash transfers, defined as regular non-contributory payments of money paid to households by governments or non-governmental organisations, have become popular instruments of social protection for poor and vulnerable households around the world particularly in many developing countries (Samson, 2009). Arnold et al (2011) note that over the past two decades, social cash transfers have moved from the margins to the centre of development policies in many parts of the middle income and developing countries. As Adato and Bassett (2008) note, increasing interest in social cash transfers in south Asia and Africa as one of a political possibility with national governments, donors, multilateral agencies, international and national non-governmental organisations (NGOs), are cooperating to pilot and roll out programmes intended to reach hundreds of thousands of people within a few years. Social cash transfers address multiple facets of poverty and deprivation including reduction in income poverty, reduction in risks and reduction in vulnerability to shocks and stresses through promotion of consumption, productive investments and human capital investments. In the context of the ravages of HIV and AIDS, Adato and Bassett (2008) reckon that there is emerging evidence on the effect of good nutrition to slowing the progression of AIDS and the effectiveness of antiretroviral therapy, with benefits not only for people living with HIV, but for the households and communities.

Table 2 presents some of the large scale cash transfer programmes in emerging and developing countries, some covering a large proportion of the population. Levy and Schady (2013) document 16 Latin American countries with conditional cash transfers targeting a range of households from 5.5% of households in Chile to 40.2% of households in Bolivia. The average proportion of the population reached by conditional cash transfers in Latin America is 22.6% and the values of the transfers are equivalent to 0.37% of the gross domestic product.

Table 2: Some Large-Scale Cash Transfer Programmes

Country	Name/Type of Cash Transfer Programme	Number of Beneficiaries
ASIA		
China	Minimum Living Standards Scheme	22 million
Pakistan	Benazir Income Support Programme	3.5 million of the poorest families
Philippines	Conditional Cash Transfer Programme	3.5 million households
Indonesia	Safety Net Scheme	15 million households
India	National Rural Employment Guarantee Scheme	48 million households
LATIN AMERICA		
Mexico	*Oportunidades*	5 million households (24.2% of HHs)
Brazil	Bolsa Familia Old Age Pension	13 million households (28% of HHs) 2.4 million households
Colombia	Conditional Cash Transfer Programme	2.4 million households (23% of HHs)
Ecuador	Conditional Cash Transfer Programme	1.2 million households (34% of HHs)
Bolivia	Conditional Cash Transfer Programme	0.97 million households (40% of HHs)
Guatemala	Conditional Cash Transfer Programme	0.87 million households (37% of HHs)
AFRICA		
Ethiopia	Productive Safety Nets Programme (PSNP)	1.5 million households
South Africa	Child Support Grant Old Age Pension	10 million children 2.4 million households

Source: Arnold et al (2011); Levy and Schady (2013); World Bank Website

3.3 Types of Social Cash Transfers and Design Features

There are basically two kinds of social cash transfers: conditional and unconditional social cash transfers. Conditional cash transfers (CCTs) are those whose access to transfers depends on satisfying the minimum contribution in-kind or cash by beneficiary households or by participating in specific programmes. Some of the CCTs are popular in Latin America and Asian countries (Handa and Davis, 2006; Adato and Bassett, 2008; Fiszbein and Schady, 2009) and some of the conditions that have to be satisfied for beneficiaries to receive the transfers include enrolment of children in schools, attendance and maintenance of passing grades in school and immunization of children. Most of the programmes in Latin America are conditional cash transfers (Arnold, 2011; Levy and Schady, 2013).

Unconditional cash transfers (UCTs) are transfers made to households without qualifying conditions for receiving the benefits. The UCTs are increasingly implemented in African countries as social protection instruments. For instance, the cash transfer programmes in Zambia and Malawi are unconditional.

Regardless of the type of cash transfers, there are several issues that can affect the performance and impacts of social cash transfers. One of the difficult issues in social protection programmes and cash transfers is the identification and selection of beneficiaries given the programme budget, particularly in environments where poverty and the extent of vulnerability are high. Literature also suggests that there are several ways of targeting social cash transfers at local authority level and household level. Ellis et al (2009) identify six ways in which social protection programmes have identified and selected beneficiaries in Africa. These include geographic targeting, categorical targeting, means tests, proxy means tests, community selection and self-selection. These targeting mechanisms have different implications for costs and targeting errors: errors of inclusion and exclusion and they do affect the effectiveness and efficiency of the interventions.

Secondly, the implementation of cash transfer programmes entails involvement of several stakeholders in different processes and at different stages. For example, different institutions may be involved in identification of beneficiaries, verification of conditions for disbursement and disbursement of transfers to the beneficiaries. A good example is what happened in the Dowa Emergency Cash Transfer where several agencies including different Ministries, the development partners, traditional leaders, non-governmental organisations and a private bank playing various roles were involved in the formulation and implementation of the programme (Mvula, 2007). This implies that better collaboration among institutions and coordination can enhance the effectiveness of the impacts of cash transfers. A case in point is where such collaboration and coordination lead to timely disbursement since delays in the payment of cash transfers can undermine the benefits especially in environments of high price instability.

Thirdly, the effectiveness of social cash transfers on participants' livelihood depends on the amount of transfers, duration of the transfers and the availability of investment opportunities. These conditions are also important in the sustainability of the impacts and the eventual graduation of some beneficiaries from social protection programmes (Chirwa et al, 2011). Sustainability of the impacts and potential graduation from cash transfers also depend on existence of complementary programmes that help households to engage in productive activities that can guarantee future streams of incomes without relying on cash transfers. The issue of graduation has implications for reducing the cost of the cash transfer programme through reduction in the target beneficiary households over time.

3.3 Impacts of Social Cash Transfers

There is ample evidence on the impact of social cash transfers on the welfare of beneficiaries and the local economy. Apart from alleviating poverty, some of the documented impacts of social cash transfers include human capital development (through increased school attendance and improved learning outcomes, improving workers health and productivity), reduced asset depletion by poor households, mitigating risks and encouraging investments thereby stimulating demand for local goods and services (Samson, 2009). There has also been widely documented significant evidence about the effects of conditional cash transfers on school enrolment of children in recipient households (Filmer and Schady, 2011; Baird et al, 2009).

3.3.1 Education

There are several ways through which social cash transfers can have impacts on education both in conditional and unconditional cash transfers (Fiszbein and Schady, 2009; Arnold et al, 2011). Firstly, the increased income enables households to pay fees and other school costs and this keeps children in school. Secondly, cash transfers reduce the burden from children in contributing to household income through activities that keep them away from school. Thirdly, social cash transfers can also improve nutrition that can help children learn better in school. There has been overwhelming evidence in Latin American countries that conditional cash transfer programmes have had significant impacts on education output variables: school enrolment and attendance (Arnold et al, 2011; Adato and Bassett, 2012; Miller and Tsoka, 2012; Levy and Schady, 2013). Adato and Bassett (2012) note that although both conditional and unconditional cash transfers can improve the educational outputs, there is more reason to believe that conditional cash transfers tend to optimise school enrolment and attendance since these tend to be obligatory in the cash transfers. However, the evidence on the importance of the effects of conditionalities is just emerging. For instance, Baird et al (2010) find that the unconditional transfer had greater impacts on girls' enrolment in schools in Malawi and that the conditions did not contribute to these outputs significantly.

Levy and Schady (2013) note that due to CCTs, net enrolment rates in Latin America exceed 90% in primary schools, and range between 60% and 80% in secondary schools. Glewwe and Kassouf (2012) find that cash transfers increased enrolment by about 5.5% in grades 1–4 (6.5% in grades 5–8); lowered dropout rates by 0.5 percentage points in grades 1–4 (0.4 in grades 5–8); and raised grade promotion rates by 0.9 percentage points in grades 1–4 (0.3 in grades 5–8) in the evaluation of the CCT in Brazil. Miller and Tsoka (2012) and Arnold et al (2011) review a number of studies in Latin America and Africa that show the positive impacts of social cash transfers on education outputs. For instance, evidence cited in Arnold et al (2011) and in Adato and Bassett (2012) shows that in South Africa school attendance rates are significantly higher in beneficiary households of the unconditional cash transfers; and in Ethiopia, about 51 percent of beneficiary households spent their cash transfer on education. Miller and Tsoka (2012) find that children in beneficiary households compared to comparison households experienced a 5 percentage point higher enrolment, higher educational expenditures, fewer absences, and a 10 percentage point decrease in labour outside the home. Robertson et al (2013) find that in Zimbabwe, the proportions of children aged 6–12 years who attended school at least 80% of the time was 7·2% higher in the UCT group and 7·6% higher in the CCT group than in the control group. Galiani and McEwan (2013) find that eligible children were 8 percentage points more likely to enroll in school and 3 percentage points less likely to work and that the effects were much larger in the two poorest strata in Honduras. In the CCT in Mexico, de Brauw and Hoddinott (2011) find that the absence of beneficiary school attendance monitoring forms reduced the likelihood that children attended school, and the likelihood was severely reduced when children were making the transition to lower secondary school.

Levy and Schady (2013) argue that although there is increasing evidence of increasing school enrolment and attendance, such increases in schooling levels have not been accompanied by increases in quality (school outcomes). Ribas et al (2008) also note that evaluation of the cash transfer programmes in Mexico and Brazil have yielded dismaying results on educational achievements with test scores not getting better than non-beneficiaries and beneficiary children being 4 percentage points more likely to fail than non-beneficiary households, respectively. Ponce and Bedi (2010) find no impact of the programme on test scores, suggesting that attempts at building human capital, as measured by cognitive achievement, in the evaluation of the CCT in Ecuador.

3.3.2 Health Outcomes

Adato and Bassett (2008) note several pathways through which social cash transfers can impact on households affected by HIV and AIDS including securing basic subsistence where the illness constrains households to embark on sustainable livelihoods; keeping children in school instead of using them to provide labour; facilitating investments in small-scale income-generating activities that can lead to increased incomes. There is emerging evidence that suggests positive health impacts of cash transfer on health outputs and outcomes including increased use of health services, increased spending on health, improved health status and immunisation although some of the evidence remains mixed (Fiszbein and Schady, 2009; Arnold et al, 2011; Adato and Bassett, 2012). Fiszbein and Schady (2009) review 20 CCTs and find mixed evidence on the impact of CCTs on indicators such as reduced incidence of illness (morbidity); reduced rates of childhood anaemia; and low infant mortality. Ranganathan and Lagarde (2012) in a review of 13 cash transfer programmes find evidence on the effectiveness of CCTs in increasing the use of preventive services, improving immunisation coverage, certain health outcomes and in encouraging healthy behaviours.

Robertson et al (2013) in a randomized control trial in Zimbabwe find that the proportion of under five children with birth certificates increased by 1.5% in the UCT group and by 16.4% in the CCT group and the proportions with complete vaccination records was 3.1% greater in the UCT group and 1.8% greater in the CCT group than in the control group. Reis (2010) provides evidence from Brazil that children who benefit from cash transfer programmes have better health indicators than those who live in a non-beneficiary households and than non-beneficiary children who live in households that receive cash transfers.

Hidrobo and Fernald (2013) also find that, for women with greater than primary school education, a cash transfer in Ecuador significantly decreases psychological violence from their partner, and for women with primary school education or less, the effect of a cash transfer depends on their education relative to their partner's, with the cash transfer significantly increases emotional violence in households where the woman's education is equal to or more than her partner's.

There is also recent evidence that is emerging that social cash transfers have health related benefits such as improving the nutritional status of children and household members, food security (Miller et al, 2011); mitigating the effects of HIV and AIDS and reducing the prevalence of HIV (Baird et al, 2012), early marriage, teenage pregnancy, and self-reported sexual activity (Baird et al, 2009). However, very few studies have focused on the impacts of cash transfers on People Living with HIV (PLHIV) and the practice has been to infer the effects from the positive effects on food security and improved nutritional status. However, it is widely recognised that social cash transfers can have impacts on HIV prevention (Baird et al, 2012), HIV treatment and care and support for people living and affected by HIV (Arnold et al, 2011).

Adato et al (2011) in a longitudinal qualitative analysis from four countries find that there are multiple socio-cultural and structural influences on health care decisions that compete with cash that explain variations in the impacts of cash transfers on health and nutrition. These factors include beliefs around traditional and modern biomedical practices, socio-cultural norms, gender relations, and the daily experience of poverty in many dimensions.

3.3.3 Food Security Outcomes

Cash transfers can improve food security by improving access to food through regular income that increases purchasing power or through use of cash to purchase agricultural inputs that can improve agricultural production. Leroy et al (2009) and Gaarder et al (2010) show a number of mediating pathways linking CCTs to health including parental education, feeding care and practices, supply of health services, and cash. These pathways include household income, food security and diet quality pathway; the women's income and control over resources pathway; the child dietary intake pathway; the women's knowledge and awareness pathway; the health services utilisation and child health pathway; the women's time pathway;

and the long-term girls' education pathway (Leroy et al, 2009). Miller et al (2011) argue that for food security to improve in the whole household there must be equitable intra-household allocation of food.

Miller et al (2011) find that the unconditional cash transfer scheme in Malawi significantly increased the consumption of complex proteins, dietary diversity, and increased food production compared to the case in the control groups. Sabates-Wheeler and Devereux (2010) find that food transfers or food plus cash packages are more superior in achieving food security objectives than are cash transfers alone in Ethiopia. They find that food and mixed payment households experienced an average reduction in food shortage of 1.2 months a year, an improvement in household food security which was significantly better than the experiences of comparison households and beneficiaries with only cash transfers. In a review of several CCTs in Latin America, Leroy et al (2009) find that CCT programmes significantly improve child anthropometry but have very little impact on micronutrient status. Fiszbein and Schady (2009) cite evidence that households that benefitted from CCT in Colombia significantly increased items rich in protein, such as milk, meat, and eggs, and that the increases in food expenditures in Mexico and Nicaragua were driven largely by increased consumption of meat, fruits, and vegetables. Manley et al (2012) in a meta-analysis of several studies find that the cash transfer average impact on height-for-age is positive, but small and not statistically significant, with conditionality unrelated to health being weakly negative related to height-for-age scores. Schady (2012) shows that modest cash transfers substantially reduced anaemia among women of reproductive age in rural Ecuador.

3.3.4 Asset Accumulation

There have been arguments that cash transfers can enable beneficiaries to build assets and reduce the likelihood of distress sale of the little assets they own. However, the evidence on the impact of cash transfers on assets is limited. For instance, in Ethiopia, Sabates-Wheeler and Devereux (2010) find that households receiving food payments experienced 62% higher growth in livestock than did comparison households, and food payment to households has significantly higher livestock growth than other payment types. However, there was limited evidence that the transfers lead to increase in the value of assets. Miller et al (2008a) also find evidence that there was increased asset accumulation in beneficiary households after one year of receiving cash transfers compared to comparison households. Covarrubias et al (2012) also find increase in ownership of agricultural assets and livestock (mainly goats and chicken) among beneficiary households compared to comparison households in Malawi SCT scheme.

3.3.5 Productive Investments

Cash transfers can also facilitate investment in other productive activities such as agriculture and small scale income generation activities. However, the use of cash transfers in investments and savings in most programmes tends to be minimal. Adato and Bassett (2008) in a review of several programmes in Africa, find that only 2 of the 7 programmes reviewed had beneficiaries investing and in those programmes less than 5% of beneficiaries indicated use of cash transfers in savings and investments. Chirwa et al (2012) also find similar results in the public works programme in Malawi, namely, that only 6.7 percent of the wages are used by beneficiaries for savings and investment promotion. Hoddinott et al (2012) analyse the impact of the complementarity between the cash transfer programme and other programmes that provide assistance and training in Ethiopia, and find that access to both programmes and high level of payments in the cash transfer has positive effects on use of fertilisers and enhanced agricultural investments, but the evidence on yields was mixed. In Malawi, Covarrubias et al (2012) find that the SCT generates agricultural asset investments, reduces adult participation in low skilled labour, and limits child labour outside the home while increasing child involvement in household farm activities.

3.3.6 Poverty Reduction and Vulnerability

Cash transfers can help in the fight against extreme poverty and vulnerability and intergenerational transfer of poverty where the cash provides additional income that can be used to raise the standards of living, thereby bridging the gap between the poor and the rich. There is ample evidence, especially from the experiences of Latin America, that cash transfers have positively contributed to poverty reduction (Arnold et al, 2011; Levy and Schady, 2013; Fiszbein and Schady, 2009). Adato and Bassett (2008) observe that the existing cash transfer programmes and country simulations demonstrate that these programmes have the potential to reduce poverty, particularly the poverty gap and the severity of poverty, if they are targeted to poor households, households with children, households without able-bodied members, or to the elderly.

Fiszbein and Schady (2009) show that in each of four Latin American countries (Colombia, Mexico, Honduras, and Nicaragua) CCTs have made a statistically significant impact on poverty according to the three indices that comprise the Foster–Greer–Thorbecke measure between beneficiary households and control households. These local level results have had significant effects on the national poverty rates. For instance, in Mexico the CCT has reduced the poverty gap by approximately 20 percent (from 8.5 to 6.8%); in Ecuador, poverty fell from 7% before CCT to 6.1% after CCT; and in Brazil poverty fell from 9.8% to 9% (Arnold et al, 2011). Arnold et al (2011) also cite evidence from South Africa which indicates that the comprehensive system of cash grants reduced the Gini coefficient in South Africa by 3 percentage points.

However, Adato and Bassett (2008) note that the impacts on headcount poverty tend to be smaller, showing that the poor are generally not pushed above the poverty line, but the fact that the poverty gap and the severity of poverty measures improve as a result of cash transfer programmes illustrates that the very poor would benefit. Nonetheless, the impacts on poverty and vulnerability depend on many other factors including initial poverty levels, levels of cash transfers, the duration of participation in the programme, targeting methodologies, integration with other complementary programmes such as microfinance and skills training and the effectiveness of other public services (Arnold et al, 2011).

4. Review of Performance of Malawi SCT Scheme

4.1 Objectives of the SCT Scheme

The social cash transfer scheme in Malawi aims at reducing poverty, hunger and starvation in all households which are ultra poor and at the same time labour-constrained; increasing school enrolment and attendance of children living in target group households and invest in their health and nutrition status; and generate information on the feasibility, costs and benefits and on the positive and negative impact of a SCT as a component of a Social Protection Programme for Malawi.

4.2 Targeting Criteria and Targeting Processes

4.2.1 Targeting Criteria

The targeting criteria for beneficiary households are consistent with the objectives of the SCT scheme in seeking to reach out to ultra-poor households. There are two main criteria for targeting households both of which must be satisfied for households to be enrolled in the scheme. The target households must satisfy these two conditions:

a) Households must be ultra-poor who are not able to meet their most urgent basic needs and have no valuable assets (only one meal per day, not able to purchase soap, clothing, school costs, utensils and other essential non-food items).
b) Households must be labour constrained defined as having no able-bodied member in the age group 19-64 years who is fit for work, or has to care for more than 3 dependents.

Although the targeting criterion is unambiguous, it is still subject to different interpretation on what constitutes an ultra-poor household, particularly when several proxies of poverty are variedly applied in different contexts. There are several claims from the community that the SCT scheme is just targeting a few of these ultra-poor and labour-constrained households. However, the data on the targeting criteria among beneficiary households and similar data from the listing of comparison households suggest poor targeting in the SCT scheme in Malawi. Table 3 shows the targeting outcomes using the labour constraint, the food insecurity proxy indicator and households own assessment of poverty.[1] With the caveats of the biases, the data shows that about a third of the beneficiaries met the labour constraint criterion in 2008 and in 2013 only 62% of the beneficiary households had dependency ratios of more than 3. These figures are consistent even when we control for the year of participation in the SCT scheme. Another observation is that both for beneficiary and comparison households, the proportion with dependency ratios of more than 3 has risen between 2008 and 2013. Similarly, the average number of meals is higher than the 1-meal-per-day that is used as a proxy of poverty in the targeting guidelines. In fact the beneficiary households tended to have more meals per day than the comparison group. The proportion of households that recalled that they were having one meal per day in 2008 is relatively small among both beneficiary and non-beneficiary households. This partly suggests that the number of meals per day may not be a good proxy of poverty. Another problem with number of meals per day is that it is

[1] There are likely to be biases in reporting with beneficiaries tending to portray a worse situation prior to the SCT scheme while comparison households are likely to portray a worse situation in both periods. However, the figures in the table suggest that there may be biases in the self-assessment of poverty.

seasonal, and if targeting is done in the lean months there may be cases of many households in such high risk food security situation. With respect to self assessment of poverty, most of the beneficiaries (76%) evaluated themselves as poorest in 2008 and this was comparable with 64% among comparison households. The proportion that is ultra-poor in 2013 among beneficiaries fell to 38% and some of this may be due to project intervention bias. In contrast to comparison households, 66% of households classified themselves as poorest and they may also be strategic biases to exaggerate the extent of poverty in anticipation of social benefits.

Table 3: Targeting Outcomes

Targeting Criteria	Beneficiary Group (N=802)		Comparison Group (N=400)	
	2008	2013	2008	2013
Proportion with Dependency Ratio >3 (%)	33.8	61.6	19.0	37.5
Number of Meals per Day	2.0	2.1	1.9	2.0
Proportion with 1 Meal per Day (%)	13.0	5.1	15.8	12.3
Proportion Ultra-Poor (Self-Assessment) (%)	75.8	38.0	63.8	66.0

Source: Computed by authors based on household survey.

Table 4 shows the targeting outcomes among beneficiary households by district. The figures show some consistencies across districts with lower proportions of households with dependency ratios of more than 3, ranging from as low as 28% in Salima to 50% in Phalombe. Similarly, in 2013 the proportion of households with high dependency ratios ranges from 54% in Machinga to 66% in Chitipa. These figures demonstrate the problems of meeting the targeting criteria among the beneficiaries of cash transfers.

Table 4: Targeting Outcomes in Beneficiary Households by District

Targeting Criteria	Chitipa (N=201)		Salima (N=200)		Machinga (N=201)		Phalombe (N=200)	
	2008	2013	2008	2013	2008	2013	2008	2013
Proportion with Dependency Ratio >3 (%)	27.9	66.2	27.5	62.0	29.9	54.2	50.0	64.0
Number of Meals per Day	2.1	2.2	2.1	2.0	2.0	2.0	1.7	2.0
Proportion with 1 Meal per Day (%)	2.5	2.0	6.0	4.5	11.4	10.0	32.0	4.0
Proportion Ultra-Poor (Self-Assessment) (%)	77.6	30.3	60.5	54.5	70.6	47.8	94.5	23.5

Source: Computed by authors based on household survey.

Official records from the DSWOs were also collected and a lot of variations in the dependency ratio were found compared to what households provided about their situation in 2008 and 2013. Although the original beneficiary information shows that a large proportion of beneficiaries were labour-constrained, the household survey data questions the reliability of the information. Out of the 1, 868 households listed in 150 comparison villages, 8.8% and 11.8% of households had a dependency ratio of more than 3 persons and claimed to only having 1 meal per day in 2008, respectively. Only 2% of the 1,868 households would have qualified on the basis of the labour constraint and 1 meal per day criteria and only 5% of households would have qualified on the basis of labour constraint and ultra-poor self-assessment of poverty. Both these figures are less than 10% of the target population for the cash transfer scheme.

These results suggest possibilities of strategic structuring of households given the information about the cash transfer through splitting households during the targeting of households. There were anecdotal instances where the elderly who were being cared for by a productive household were registered as single households.

The variances of the targeting outcomes with the targeting criteria suggest difficulties of targeting social protection programmes when subjective indicators are being used even with community-based targeting. Some of the sentiments in Table 5 from the key informants and beneficiaries reveal problems with the interpretation of the criteria and the type of emphasis placed on various proxies of poverty, even among the CSPC members that are responsible for targeting.

Table 5: Stakeholder's Perspectives on Targeting Criteria

Nature of Comments on Targeting	Stakeholder
Consideration was given to individuals living in abject poverty, those suffering from food insecurity, those in need of school fees for their dependants, people living with HIV and AIDS, the elderly poor supporting their grandchildren.	CSPC Member Chitipa District
For households to qualify they were supposed to be the poorest with no assets that they can sell and they should be households that do not have food most of the times.	Chairperson – CSPC Machinga District
The labour constraint factor was one of the indicators of vulnerable household. In this sense, households that have a ratio of 1:5 were considered to be labour deficient hence targeted. Most priority was given to the household that are headed by the elderly. Household living or affected by HIVAIDS were also considered to be vulnerable. Orphans from age 0-16 that are supported by poor household or child-headed families were also targeted. But the very most determining factor was that the household had to be ultra poor at all costs.	CSPC Member Salima District
Those households with secondary school students to pay school fees; households with food shortages; households affected by HIV and AIDS; and asthma patients.	FGD with Men Chitipa District
Labour Constrained Households; elderly people who could not work for themselves; widows with children; disabled household heads; and very poor households with no means of income. Priority was given to those households with HIV and AIDS orphaned children. The majority of the beneficiaries were indeed very poor; however, there were some who did not really belong in the SCT scheme.	FGD with Women Chitipa District

Source: Qualitative Interviews

Beneficiary households were also asked to indicate the likelihood of different types of households being targeted for cash transfers. Table 6 shows the proportions of beneficiaries that indicated the types of households that were likely than others to be targeted for cash transfers. There are variations across districts on what beneficiaries believe counts most in the targeting of households. Of the two criteria of ultra-poverty and labour constraint, the likelihood that ultra-poor are likely to be targeted ranges from 72% in Machinga to 98% in Phalombe, while the likelihood that labour-constrained households are more likely than others to be targeted ranges from 34% in Salima to 83% in Phalombe. As observed above, in comparison with the rest of the districts, Phalombe had the highest proportion of households, with dependency ratios greater than 3. The data also shows that the households headed by the elderly are more likely than others to be targeted in the cash transfer scheme. Overall, 76% of beneficiary households believe that elderly-headed households are more likely to be targeted in cash transfers, with minor district variations. These variations in the perspectives reveal the problems in the consistency of targeting households.

Table 6: Likelihood of being Targeted in the Cash Transfer (%)

Household Category	Chitipa	Salima	Machinga	Phalombe	Total
Very poor (ultra-poor) households	90.0	78.5	72.1	98.0	84.7
Labour constrained households	61.2	33.5	39.8	83.0	54.4
Households with orphans	76.1	59.5	59.2	75.5	67.6
Households affected by HIV and AIDS	61.7	50.0	40.8	41.0	48.4
Households headed by elderly	81.1	73.0	69.2	82.5	76.4
Better off households	3.5	0.5	5.5	0.5	2.5

Source: Computed by authors based on household survey.

There is general agreement among beneficiary households that the better-off households are less likely to be targeted in the cash transfers.[2] On average, only 2.5% of beneficiaries believe that better-off households are more likely than others to be targeted in the cash transfer scheme. It seems consideration of other kinds of vulnerability is also important from the point of view of beneficiary households. On average, 67% and 48% of beneficiary households believe that households with orphans and households affected by HIV and AIDS are more likely than others to be targeted in the cash transfer scheme.

These findings on the difficulties of targeting are consistent with previous studies on targeting of cash transfers in Malawi. Miller et al (2010) using various indicators of ultra-poverty find that the exclusion errors range from 37 percent to 68 percent, hence the 10 percent cut-off leaves many eligible households out of the scheme. Furthermore, if those not eligible were removed from participation, then the cut-off point of about 15 to 19 percent based on one meal per day and using the poverty line would eliminate exclusion errors, respectively. Miller et al (2008b and 2010) also found that 24 percent of the households that were receiving cash transfers were not eligible and attribute the inclusion errors to the lack of clarity of the targeting concepts and the use of poor proxies, favouritism and the influence of village level politics. IPRSE (2011) also find that there is political interference at the local level in which members of the CSPC and extension workers are under pressure to include relatives of traditional leaders even though they do not qualify under the criteria. Seaman et al (2008) also find that most of the households in the SCT scheme did not meet the labour constraint criterion of targeting. Although the sample size was small, Seaman et al (2008) find that the targeted households were equally represented in quintile of incomes and 44% of the beneficiary households did not meet the labour constraint criteria.

4.2.2 Targeting Processes

The process of targeting beneficiaries is community based and involves multiple stages from institutional organisation at community level to enrolment of beneficiaries in the cash transfer scheme. According to the Malawi Cash Transfer Operational Manual (Schubert, 2008), there are 10 steps involved in identification and enrolment of cash transfer beneficiaries. First, the District Council mobilises communities through the Village Development Committee (VDC) to hold a community meeting. At this meeting the SCT scheme is introduced and the community elects members of the Community Social Protection Committee (CSPC). Second, the CSPC is trained by the District Social Cash Transfer Secretariat (DSCT) on how to implement the SCT scheme. Third, once the CSPC is trained, its first task in the community

[2] However, there may be some bias due to participation in the cash transfer scheme. The perception of who is likely to be targeted was not asked among comparison households as they do not have experience of the cash transfer in their areas.

is to list all ultra-poor and labour-constrained households in the community based on their knowledge as well as community knowledge.

Fourth, the CSPC visits identified households for the latter to fill out an application form. Fifth, the completed forms are signed by the Village Headman as verification that information on the application forms is accurate. Sixth, the CSPC meets to rank households from most to least destitute based on the completed application forms. Seventh, a community meeting is held to discuss the ranking of the households. Eighth, the District Social Welfare Officer (DSWO) recommends approval or disapproval. Ninth, the District Social Protection sub-Committee (DSPC) approves eligible households. Tenth, the CSPC informs applicants of status whether they have been enrolled to receive monthly transfers or not.

Accordingly, once these two criteria are satisfied, communities rank the households based on poverty and the poorest 10 percent are selected and confirmed by the community for the cash transfer scheme. According to Schubert (2008), the use of the 10% cut off point was based on the assumption that on average less than 10% of the households would meet both criteria. Key informant interviews also revealed that in the earlier phases of the programme, living and affected by HIV and AIDS was one of the considerations, provided there was medical evidence to that effect.

There was a fairly general level of understanding of the process involved in the targeting of beneficiaries in the social cash transfer scheme. However, most key informants indicated they face difficulties with the 10% cut-off because this leaves some of the vulnerable households out of the scheme. But as is shown in this study, there were difficulties finding households that meet the most objective criteria of being labour-constrained in the villages from which a sample of control households was drawn. This implies that the perception that a lot of qualifying households are kept out of the scheme can only be validated if one is to only use the ultra-poor criterion, which varies in the interpretation from one community to another. The study also found that the use of the Community Social Protection Committee is preferred to using traditional leaders in the identification of potential beneficiaries. However, there were a number of cases where concern was expressed on the usefulness of the committee in addressing the problems such as delays in payments.

4.3 Benefit Levels

According to Schubert (2008) a 1 member household receives MK600, 2 member household receives MK1,000, 3 member household receives MK1,400 and a household with 4 or more members receives MK1,800 per month. In addition, households also receive bonus payments of MK200 and MK400 for children in primary and secondary schools, respectively. Taking these payments into account, on average, households receive MK1, 700 per month (Miller et al., 2008c). It was argued at the time that the $12 was sufficient to fill the gap of $9.6 between the ultra-poverty line of $46 and the average monthly expenditure of $36.5 of the household in the lowest expenditure quintile (Schubert and Huijbregts, 2006). Table 7 shows how the benefits have changed overtime in equivalent US$. The value deteriorated rapidly in 2012, following the devaluation and eventual floatation of the Malawi Kwacha.

Table 7: Levels of Cash Transfer Benefits (MK & US$)

Year	1 Member	2 Members	3 members	4+ Members	Primary Child bonus	Secondary School Child Bonus
MKW 2008	600	1 000	1 400	1 800	200	400
US$ Equiv						
2008	4.27	7.12	9.96	12.81	1.42	2.85
2009	4.25	7.08	9.92	12.75	1.42	2.83
2010	3.99	6.64	9.30	11.96	1.33	2.66
2011	3.83	6.39	8.94	11.50	1.28	2.56
2012	2.35	3.91	5.48	7.05	0.78	1.57
2013	1.60	2.66	3.72	4.79	0.53	1.06

Source: Computed by authors based on household survey.

While it may be difficult to maintaining the dollar value of the cash benefits to beneficiaries, there may be a case for adjusting the benefits in line with the purchasing power of the Malawi Kwacha in the domestic economy. Figure 1 shows that the benefits have significantly fallen between 2008 and 2012. Overall, in 2012 the benefits have lost about 34% of their 2008 values. To see the effects of this declining value on food security, in terms of the amount of maize the monthly benefit can buy, in 2008 the MK600 for 1 member household could purchase 24 kilograms of maize, but this fell to 8 kilograms in 2012/13 season. The need to increase the value of the benefits emerged as one of the concerns about the cash transfer in key informant interviews and focus group discussions. With the declining level of benefits over time, the prospects of graduating some of the households are limited.

Figure 1: Real Value of Cash Transfer Benefits (MK)

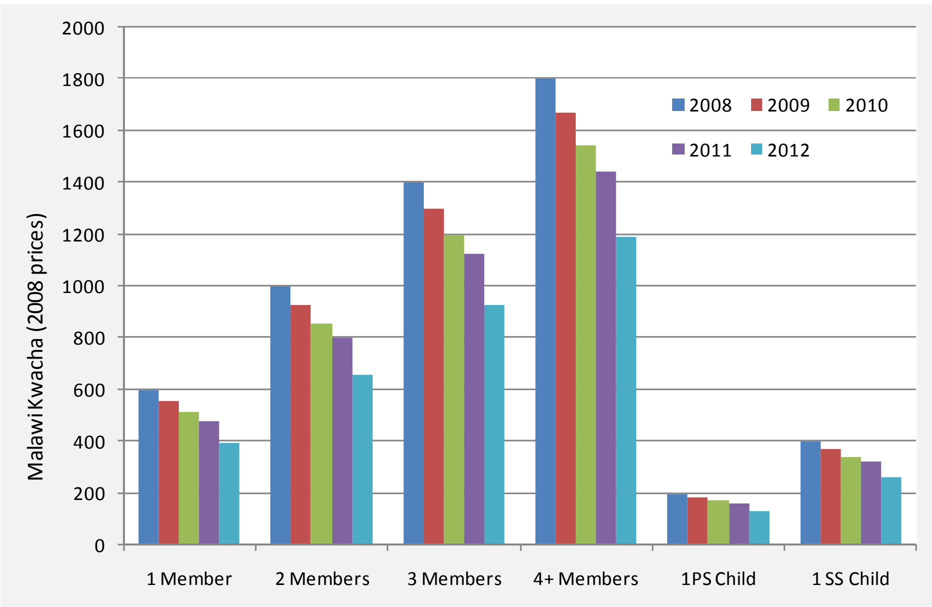


Table 8 shows the actual amounts of transfers beneficiaries received in the most recent payment. The nominal payments range from as low as MK181 to MK9,001. On average, the beneficiary households received MK1,968 in their last payment. However, the data does not reveal the extent to which some of these are cumulative payments. Across the districts, Phalombe beneficiaries received the highest average cash while Machinga beneficiaries received the lowest average cash amount. The higher amounts are consistent with the delayed payments.

Table 8: Value of Most Recent Cash Transfer Received (MK)

Value	Chitipa	Salima	Machinga	Phalombe	Total
Nominal Value (MK)					
Mean	1,904	2,093	1,786	2,097	1,968
Minimum	181	501	601	261	181
Maximum	8,401	3,601	4,101	9,001	9,001

Source: Computed by authors based on household survey.

4.4 Payment Systems and Service Efficiency

The arrangement for payments is that beneficiary households are paid transfers monthly at a place convenient to the village, preferably a primary school. The District Council is responsible for all the financial transactions relating to the cash transfer at the district level. The office of the Director of Finance is critical in ensuring that cash transfers are paid on time to the beneficiaries and appropriate accounting is undertaken as a basis for replenishment of funds. The preference is that the head of the beneficiary household is the one who collects the cash, although other members of the households can be registered to receive cash on behalf of household heads, in cases where the head is disabled or so advanced in age he/she could not walk to the payment points. The District Council provides notice to the beneficiaries on the dates they are expected to make payments.

The evaluation finds that there are no problems with the convenience of the payment points and most of them had no difficulties in accessing the payment points. However, the major issue in the payment system is the efficiency with which District Councils makes transfers to beneficiaries. There were widespread complaints from various stakeholders and beneficiaries about the delays in payments and lack of explanations on the reasons for such delays. In all the focus group discussions, there were indications that the problems of payment delays have worsened in the 2 years and this undermines the purpose of the cash transfers given that the monthly amounts are small. In one of the interviews, it was argued that these delays force beneficiaries to contract debts, which they repay at high interest rates once their transfers are made. Table 9 shows the extent of delays in the payment of cash transfers to beneficiary households. Overall, 86% of beneficiaries reported that they have ever experienced delays in receipt of cash transfers, with average 78 days and maximum 1 year of delays in the cash transfers. Three months was the modal period of cash transfer payment delays. Across the districts, the highest proportion of households experiencing delays was recorded in Machinga while the lowest proportion was recorded in Salima. Nonetheless, the extent of the delays for cash transfers targeting vulnerable groups are unacceptable and are likely to undermine the effectiveness of the scheme.

Table 9: Number of Days of Delays in the Cash Transfer Payments

Indicator	Chitipa	Salima	Machinga	Phalombe	Total
Proportion experiencing delays (%)	93.5	68.0	96.5	86.0	86.0
Mean number days of benefit delays	50	49	109	96	78
Maximum number days of benefit delays	210	160	333	365	365

Source: Computed by authors based on household survey.

The problems of delays in the payment of cash transfers were also evident from the discussions with the community and key informants as reflected in Table 10. There is, however, consensus that those that are not paid on time are paid arrears, but such payments end up repaying debts which some may have contracted. These delays have implications on the effectiveness of the cash transfer. As noted below, many of the beneficiaries of SCT scheme have access to subsidized farm input coupons and delays in payments can jeopardise their food production if they rely on the cash transfer to purchase the inputs.

Table 10: Stakeholder's Perspectives on Payment Systems

Nature of Problem	Stakeholder
The SCT payment arrangement was good at the start of the programme but then things started to change. At first beneficiaries used to get the money at the end of every month. All of a sudden payment of the money changed and then delays came in. People started to receive the money after three months. Nonetheless, people do get their accumulative arrears.	CSPC Member Chitipa District
The payments in the past were being made on a monthly basis. However, in recent years (the last 2 years) there have been delays, sometimes beneficiary households stay for close to 3 months without getting paid. But when it is time to pay them they include missed months.	Head Teacher – Advisor to the CSPC Machinga District
In terms of frequency in payments, the beneficiaries are supposed to be paid on a monthly basis. However, some stay for close to 5 months without being paid, though later they are paid for missed month.	Traditional Authority – Machinga District
The biggest problem with the cash transfer scheme is delayed payments, some beneficiaries end up accumulating huge debts.	Chairperson – CSPC Machinga District
There have been delays in the payment system, between 1 and 3 months. In 2012, people received three times only although the delays are communicated and explained.	FGD with Women Chitipa District

The delays in payments of cash transfers are supported by the overall poor rating of service delivery. Table 11 also shows that the poorly rated service relates to the delays in payment of cash transfers. However, there are also other services that are rated poorly including the adequacy of the money in the cash transfers to meet the basic needs of the households, the length of notice provided to beneficiaries about the pay day. The most highly rated services are the level of security at pay points and level of respect at pay points. However, there are sizeable proportions of beneficiary households who feel that the services are generally not of the expected standards.

Table 11: Proportion Satisfied with Levels of Services

Service Quality	Chitipa	Salima	Machinga	Phalombe	Total
Amount of notice about pay day	77.6	74.0	58.7	63.5	68.5
Length of wait to get money	53.7	66.0	51.7	44.5	54.0
Level of respect at pay point	86.1	92.0	97.5	90.0	91.4
Officials able to answer questions	74.6	73.5	81.6	83.0	78.2
Level of security at pay point	93.0	92.0	98.0	89.5	93.1
Communication from district	76.6	51.5	53.7	78.5	65.1
Satisfaction with amount of money	51.2	35.5	56.7	86.0	57.4

Source: Computed by authors based on household survey.

There is no single district in the 4 districts covered in this study that has been excellent in efficient delivery of cash transfers. Previous studies have noted the shortfalls in the capacity of District Councils in effective and efficient delivery of services to the poor. Chirwa et al (2012) also note serious delays in the payment of wages in public works problems largely due to District Council failures. IPRSE (2011) also notes substantial capacity gaps in Chitipa both at the District Council level and the District Social Welfare Office level. However, in this impact evaluation, two main factors contributed to the delays. First, the flow of funds from National AIDS Commission (NAC) was not consistent and contributed to the delays in the payments to beneficiaries. District Councils reported delays of 3 to 6 months funding and that under the funding arrangement, they were not supposed to pay beneficiaries in arrears. Chinsinga (2009) also makes similar observations that the delays in cash payments to beneficiaries were due to irregular funding from the Global Fund. Secondly, there were also inefficiencies in accounting for disbursed funds by District Councils through late submission of reconciliation which were a basis of releasing the next cycle of funding.

4.5 Transparency and Accountability of Systems

The other issue investigated in the study is the level of downward accountability in the scheme. The evidence cast some doubts on transparency and accountability to the beneficiaries as indicated in Table 12. The beneficiaries are usually afraid to raise questions and issues for fear of being scrapped from the scheme. Delays in payments are seldomly explained by officials and there is a feeling of 'beggars are not choosers' among the beneficiaries. Access to cash transfer is treated as a privilege and not a right to decent standard of living. There are also ambiguities over who to hold accountable. Further, the beneficiaries seem to be disempowered and devoid of a voice in the scheme.

Table 12: Stakeholder's Perspectives on Transparency and Accountability

Issues on Transparency and Accountability	Stakeholder
There has been no real transparency or accountability in the scheme. People are just informed of the decisions made. They are afraid to ask the committee members or officials from the DC out of fear of being removed from the programme.	FGD with Men Chitipa District
There has been transparency mainly from the local committees which try to put everything for the public scrutiny, but not much is known from the DC's officials. Accountability is non-existent as people don't know who to hold accountable. Furthermore, one of the participants said, "Ndalama zaulere tingafunse kuti zachedwa bwanji olo utakhala kuti wakwiya kuti zachedwa? *[Free money, you can't ask why payment has been delayed even if you are angry that payment has been delayed]*	FGD with Women Chitipa District

5. Impacts of Social Cash Transfer Scheme

5.1 Methods of Assessing Impacts and Limitations

It would be difficult to determine the impact of the intervention if the overall design of the programme did not consider impact evaluation methodologies. The implementation of the SCT in Malawi neither had a baseline nor random control trials as part of the overall design of the intervention. This implies that the available methodologies that rely on beneficiary recalls or post-intervention comparison group cannot rigorously tell us about the impact of the interventions due to the many co-founding factors.

As noted above the approach adopted in this study was to select a comparison group obtained from areas which do not have access to the SCT. The two main criteria (food insecurity/poverty and labour constraints) were used for targeting the SCT in Malawi to identify households that would have qualified in 2008/2009 for the cash transfer if it were implemented in the area. Thus, after conducting a household listing exercise with self-assessed poverty and dependency ratio households were selected into the comparison group. In this case, households that evaluated themselves as ultra-poor based on a poverty ladder (step 1 on the ladder) (with step 6 representing the richest) and those with dependency ratios of more than 3 were selected into the comparison groups.

There were several difficulties with this approach, which warrant caution in interpreting the impacts of the SCT based on the comparison group approach. First, the study is based on recall of the household situation in 2008/2009 and there are bound to be recall errors. Secondly, different from the community-based targeting in the SCT, the qualification of the comparison group households is based on self-assessed poverty, which was not confirmed by the community. Thirdly, in districts where the SCT covers the whole district, the sample of the comparison group was drawn in villages adjacent to beneficiaries. Owing to rural economy-wide effects of the cash injections, the direct household impacts are likely to be blurred if the cash transfers improve the cash economy through higher demand of goods and services. Fourthly, it was extremely difficult to find households that qualified under the labour-constraint criterion in areas where the SCT is not being implemented. This raises questions whether in the SCT areas, households were being split for purposes of the cash transfer – indeed as shown above many targeted households not being labour-constrained. There were cases in the SCT target areas where it was unimaginable for a very elderly person not to be under the care of a household that had productive labour. Other previous studies have also raised the issue of poor targeting of households in terms of the more objective criteria of dependency ratio. In the context of a limited number of households that were qualifying in the comparison groups on the basis of labour constraint and noting that among the beneficiaries there were a number of households that were not labour constrained, self-assessment of poverty had more weight in the recruitment of control households even if it had dependency ratio of 3. Fifthly, different areas and households were targeted for the SCT at different times since 2008 and have therefore had different periods of access to the SCT with implications on the extent of the impacts of the cash transfer.

Table 13 presents the household characteristics in 2008 based on some recall questions for both beneficiary and comparison households. There are a number of characteristics that are statistically different between the beneficiary group and the comparison group. The beneficiary group has higher proportion of households with dependency ratio of 3, although a much higher proportion was expected among beneficiary households even though this information is based on a longer period of recall.[3] A higher proportion of beneficiaries tended to characterise their wellbeing characteristics as ultra-poor and poor compared to the households in the comparison group. However, beneficiaries tended to have more meals per day than households in the comparison group. In terms of assets, beneficiary households have lower asset numbers in all assets except for number of sickles, hoes and phones. This shows that the households in comparison group were relatively better off than households in the beneficiary group.[4]

Table 13: Household's Characteristics in 2008

Indicator	Beneficiary Group (N=802)	Comparison Group (N=400)
	Mean	Mean
Proportion with Dependency Ratio >3 in 2008 (%)	33.8	19.0[a]
Proportion Ultra-Poor in 2008 (%)	75.8	63.8[a]
Proportion Poor in 2008 (%)	98.1	94.5[a]
Number of Meals per Day in 2008	2.00	1.93[b]
Number of Bicycles in 2008	0.13	0.26[a]
Number of Hoes in2008	2.39	2.64[b]
Number of Sickles in 2008	1.30	0.56
Number of Axes in 2008	0.49	0.50
Number of Beds in 2008	0.18	0.31[a]
Number of Radios in 2008	0.09	0.20[a]
Number of Bush Knives in 2008	0.27	0.33[c]
Number of Phones in 2008	0.01	0.09
Number of Tables in 2008	0.08	0.17[a]
Number of Cattle in 2008	0.06	0.16[a]
Number of Goats in 2008	0.48	0.73[b]
Number of Chickens in 2008	3.00	4.74[b]

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

Table 14 shows some of the household characteristics in 2013. Proportionately, the heads of households in the beneficiary group are older than those in the control group, just confirming that most of the targets that would qualify under the labour constraint criteria are households headed by the elderly. Most of the households in the beneficiary group are headed by people aged 65 years and above. It is also observed that only 25% of beneficiary households were male headed compared with 51% among comparison group households. Although, on average comparison group households have more people in the households (even in terms of adult equivalents), the values are not statistically different. The differences on housing conditions are not statistically different with exception of the floor of the house in which a slightly higher proportion of households live in houses with better floor materials (cement and tiles). There are no statistical differences in land holding sizes between the two groups. With respect to education of household heads, higher education levels were found among comparison group households than among beneficiary group households. With the high proportion of elderly headed households in the beneficiary group, this is not surprising.

[3] Even if the period of recall is long, the history of the household composition is one of the features that may be subject to less recall bias.
[4] However, there may be downward bias in reporting on initial conditions for beneficiaries with the knowledge that they were selected on the basis of poverty.

Table 14: Household's Characteristics in 2013

Indicator	Beneficiary Group (N=802)	Comparison Group (N=400)
	Mean	Mean
Age of Household Head	63.7	52.0[a]
Male Headed Households (%)	25.8	51.0[a]
Household Size	4.8	5.0
Number of Adult Equivalents	4.3	4.4
Dependency Ratio in 2013	4.3	3.2[a]
Proportion with Dependency Ratio > 3 in 2013 (%)	61.6	37.5[a]
Elderly Headed Households (%)	57.6	31.5[a]
Proportion with better materials of walls of house (%)	47.0	52.0
Proportion with better materials of floor of house (%)	3.6	4.8
Proportion with better materials of roof of house (%)	2.5	0.3[a]
Land Size (hectares)	0.7	0.7
Years of Education of Household Head	1.8	3.5[a]

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

Overall, most of socio-economic indicators of households in the beneficiary group are statistically different from households in the comparison group, particularly on their characteristics in 2008. The analysis implies that the comparison group includes a significant proportion of households that were better off than the beneficiary group. This has implications for interpreting the impacts and may understate the impacts of the social cash transfer programme. Given that the comparison group was relatively better off prior to the implementation of cash transfers, outcomes in favour of beneficiaries should indicate stronger effects of the SCT scheme in Malawi. Nonetheless, caution must be exercises due to lack of baseline, and the use of non-experimental approach of impact evaluation adopted in this study.

5.2 Impacts of SCT Scheme

Several indicators are used in assessing the impact of social cash transfers on the livelihoods of beneficiary households in comparison with non-beneficiary households. These indicators at household level include food security indicators, income or wealth indicators, asset ownership, subjective wellbeing indicators, schooling and health indicators, shocks and stresses, and narratives of social integration and inclusion.

5.2.1 Food Consumption and Food Security

Reducing hunger and starvation among poor households is one of the objectives of the SCT scheme in Malawi. Several indicators of food security are used to evaluate the effects of the social cash transfer in Malawi. Firstly, self-assessment indicators of adequacy in food consumption are used in this study. Respondents were asked to indicate whether their household's food consumption was adequate in the past month and past year of the survey. Secondly, the number of meals per day that household had in 2008 prior to the intervention relative to the number of meals in 2013 is also used as an indicator of food security. This is one of the indicators that were used in the targeting of beneficiaries as a proxy for ultra-poor – particularly for households having one meal per day. Thirdly, following Maxwell and Caldwell (2008), the Coping Strategy Index (CSI) was computed based on the frequency of use of coping strategies weighted by severity. The CSI is a proxy for household food security, interpreted such that the higher the CSI, the more a household has to cope; the more food insecure is the household. Some of the strategies in the CSI include relying on less preferred foods, borrowing food or relying on friends and relatives, limiting portion sizes, restricting consumption by adults in favour of small children, and reducing the number of meals eaten per day. Fourthly, following WFP (2008), the Food Consumption Score (FCS) which is a composite score based on dietary diversity, food frequency and relative nutritional importance of different food groups consumed in the household during the previous seven days was used as another indicator of food security. The higher the score the more food secure is the household.

The outcomes in food security are presented in Table 15. In terms of adequacy in food consumption, there is no difference between the beneficiary group and comparison group. In both cases, about 70% of the households indicated that their food consumption has been adequate in the past month and past year of the survey. Similarly, there is no evidence of differences in the number of meals that households were having in 2013 between the beneficiary and comparison groups, although in 2008 households in the beneficiary group were having statistically significant more meals per day than households in comparison group.

Table 15: Food Consumption and Food Security Indicators (%)

Indicator	Beneficiary Group (N=802)	Comparison Group (N=400)
	Mean	Mean
Food Consumption Adequate in Past Month in 2013 (%)	70.4	69.3
Food Consumption Adequate in Past 12 Month in 2013 (%)	72.9	72.8
Number of Meals per Day in 2013	2.1	2.0
Number of Meals per Day in 2008	2.0	1.9[b]
Coping Strategy Index (Reduced)	10.5	10.5
Food Consumption Score	31.8	33.4[b]

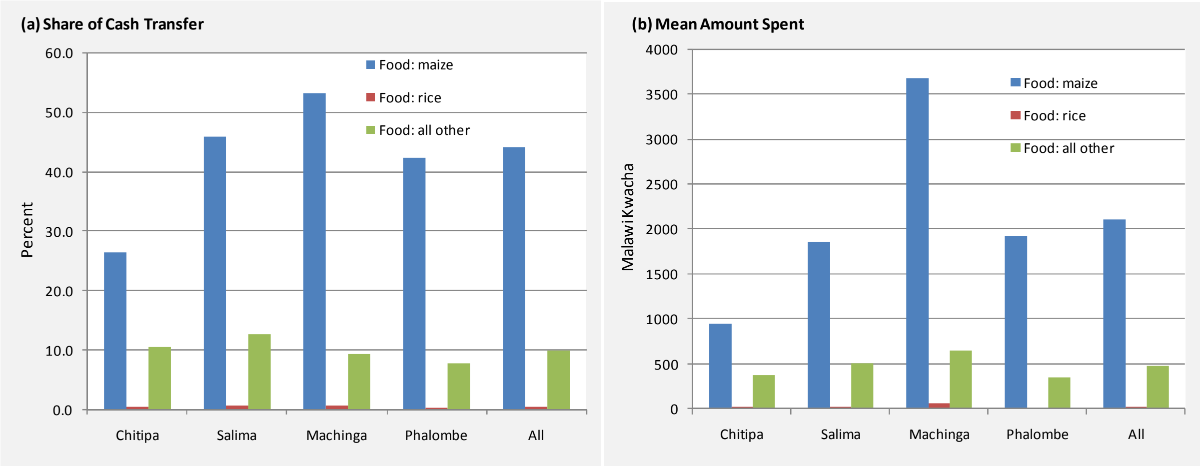
Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

Households in both the beneficiary and comparison groups tend to have similar coping strategies and there are no statistically significant differences. A CSI score of 10.5 indicates relatively higher levels of the food security, which is consistent with households own self-assessment of adequacy in food consumption. With respect to the food consumption score, households in the comparison group have statistically significant higher consumption scores than households in the beneficiary group. According to the WFP (2008), a FCS between 0 and 21 represents poor food security, 21.5-35 represents borderline cases and above 35 represents acceptable food security situation. The observed scores for both beneficiary households and comparison group households are within the borderline range, but quite close to acceptable food consumption levels.

Overall, most of the indicators of the current food security among households are not statistically different between households in the beneficiary and non-beneficiary groups. This may be due to the many intervening programmes, particularly access to subsidised farm inputs in which there is high access in both groups. Interestingly, households in the beneficiary group tended to have higher numbers of meals in 2008 than did households in the comparison group.

More positive impacts on food security would have been expected from beneficiary households since they tend to spend most of their cash transfer on purchase of food, more particularly on the purchase of maize. Figure 2 shows the spending patterns of the most recent cash transfer, with maize purchase dominating the share of expenditure. Overall, maize purchase accounts for about 42% of the spending of the most recent received cash transfers, Machinga with the highest average share and highest amount spent on maize. This is followed by Salima and Phalombe. Chitipa has the lowest proportion and amount spent on maize (and food). The dominance of spending on maize of the cash transfer may explain the limited diversity in food consumption among the beneficiary households as observed above.

Figure 2**:** Recent Cash Transfer Spent on Food by District



Source: Authors' calculations based on beneficiary survey

The lack of major differences in food security may be related to the existence of other interventions that also focus on improving food security. Table 16 shows the proportion of households that had access to other social protection programmes in addition to the SCT scheme. One of the important programmes that might have masked the differences in the food security status is household access to subsidised maize production under the Farm Input Subsidy Programme (FISP). About 64% and 67% of beneficiary households and comparison households, respectively, had access to farm subsidy programme in 2012/13 which aims at increasing agricultural productivity, national and household food security. Chirwa et al (2013) observe that most of the beneficiaries to the farm input subsidy tend to be repeat beneficiaries, implying that some of the beneficiaries of SCT scheme have also benefited regularly from the farm input subsidy. There are, however, no statistical differences in the extent of participation in the farm input subsidy programme. In terms of other programmes, statistically significant higher proportions of comparison households had access to free food distribution and food-for-work or public works programmes. A higher proportion of beneficiary households had access to other forms of assistance (including school feeding, bursaries and other special assistance) than comparison groups. This analysis also shows the extent of double dipping or multiple dipping in social protection programmes in Malawi and may also reflect the inefficiencies in the implementation of the cash transfers. Overall, 73% of SCT beneficiary households had benefited from other social protection programmes in the past 12 months of the survey.

Table 16: Access to Non-SCT Safety Nets by Households

Indicator	Beneficiary Group (N=802)	Comparison Group (N=400)
	%	%
Free Food Distribution	7.9	11.8[b]
Food for Work or Public Works	6.1	13.0[a]
Targeted Nutrition Programme	3.1	4.8
Farm Input Subsidy Programme	63.7	67.3
Other Safety Nets	25.8	14.8[a]

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

5.2.2 Incomes and Expenditure Patterns

The effects of the SCT scheme on the incomes of households are also explored in this study. For each household an estimate was made of the cash income received in the past year by type of source and the expenditures incurred by type of expenditure. It must, however, be noted that both income and expenditure data is prone to measurement errors and estimated with large variances. For poor households, who tend to have limited sources of income and less frequent expenditures, annual estimates are likely to be problematic.

Table 17 compares average incomes of households in the beneficiary and comparison groups for 2012/13. The households in beneficiary and comparison groups have roughly the same incomes but comparison group households have higher incomes than beneficiary households. The role of SCT scheme in the incomes of the beneficiary households is apparent and it accounts for more than 50% of incomes. With respect to comparison groups, *ganyu* labour, crop sales and business enterprises incomes are the main sources of income. One interesting observation from the data is the low contribution of *ganyu* labour wages among beneficiary households (13%) compared to the most significant source for the comparison households (24%). This may suggest that the SCT reduces the incidence of households engaging in *ganyu* labour, a form of labour known to be common among the poorest households in Malawi.

Table 17: Mean Annual Incomes earned by Households in 2012/13 (Kwacha)

Income by Source	Beneficiary Group (N=802)		Comparison Group (N=400)	
	Mean (MK)	Std Dev	Mean (MK)	Std Dev
Total Annual Income	29,736	30,814	34,721	56,734
Crop Sales	3,340	8,224	8,565[a]	20,254
Business	2,320	11,586	7,845[a]	28,448
Remittances	1,043	5,577	2,770[a]	11,167
Cash Transfers	16,283	20,895	-	-
Public Works	248	1,234	756[a]	2,540
Salaried Farm	30	540	140	1,998
Salaried Non-Farm	105	1,657	1,888[a]	11,986
Ganyu	3,871	8,785	8,586[a]	17,939
Land Rentals	134	980	223	2,018
Other Incomes	37	676	-	-

Note: Superscript *a* represents statistically significant differences at 1% level.

Table 18 shows expenditure patterns of beneficiary and comparison group households in 2012/13. Similar to incomes, there are no major differences in total cash expenditures between beneficiary and comparison groups. Total cash expenditures are almost twice as much as cash incomes in terms of levels. With respect to types of expenditure, food expenses are dominant cash expenditures accounting for nearly half of total cash expenses. There are statistically significant differences in personal goods expenses, transport expenses, expenses on utilities and expenses on farm inputs, with higher average spending among comparison group households compared to beneficiary households.

Table 18: Mean Annual Cash Expenditures by Households in 2012/13 (Kwacha)

Expenditure by Type	Beneficiary Group (N=802)		Comparison Group (N=400)	
	Mean (MK)	Std Dev	Mean (MK)	Std Dev
Total Annual Expenditure	68,322	178,527	81,040	154,098
Food	31,420	60,960	35,329	65,063
Health	2,656	7,414	2,661	8,152
Clothing	3,694	7,022	5,079	17,508
Housing	8,416	143,879	1,865	14,724
Education	4,328	12,966	4,371	24,905
Personal Goods	11,360	21,215	17,313[a]	41,570
Transport	1,294	7,155	3,033[b]	15,181
Utilities	1,391	4,389	2,908[b]	12,462
Farm Inputs	2,697	7,321	6,806[a]	23,638
Labour	1,045	4,838	1,552	10,695
Other Expenses	22	240	124	1,571

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

5.2.3 Household Assets and Livestock

The social cash transfer can also help poor households accumulate assets or reduce the risk of selling household assets in distress. Data was collected on the number of durable household assets and livestock owned by households in 2013 and by recall in 2008. Table 19 presents results in terms of the mean number of assets owned by beneficiary and comparison households in both years. In both 2008 and 2013, durable household asset levels seemed to be better among comparison households compared to beneficiary households. Statistically significant differences are found in most of the assets including number of bicycles, hoes, bed, radios, phones/cellular phones and tables. This study also finds that beneficiary households experienced marginal gains in assets between 2008 and 2013 compared to comparison groups. As observed above, most of the expenditures are on food and little may be expected in terms of acquisition of durable households.

Table 19: Mean Number of Assets Owned by Households, 2008 and 2013

Asset	2008		2013	
	Beneficiary Group	Comparison Group	Beneficiary Group	Comparison Group
	Mean	Mean	Mean	Mean
Bicycle	0.13	0.26[a]	0.17	0.36[a]
Hoe	2.39	2.64[b]	2.38	2.71[a]
Sickle	1.30	0.56	0.60	0.63
Axe	0.49	0.50	0.53	0.56
Bed	0.18	0.31[a]	0.20	0.34[a]
Radio	0.09	0.20[a]	0.13	0.25[a]
Bush Knife	0.27	0.33[c]	0.34	0.38
Phone / Cell Phone	0.01	0.09[a]	0.03	0.16[b]
Table	0.08	0.17[a]	0.10	0.21[b]

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

Table 20 shows the mean number of livestock owned by the households in 2008 and 2013. The data show that the comparison households have more livestock than beneficiary households particularly for cattle and goats both of which are statistically significant at the 5% level in both periods. However, there are no differences in the number of chickens owned by households in both groups. The other issue to note from the ownership of livestock is the big improvement in number of goats between 2008 and 2013 for beneficiaries, while the numbers of all types of livestock have declined among comparison households. This may suggest that the SCT has helped in building the stock of goats among beneficiary households.

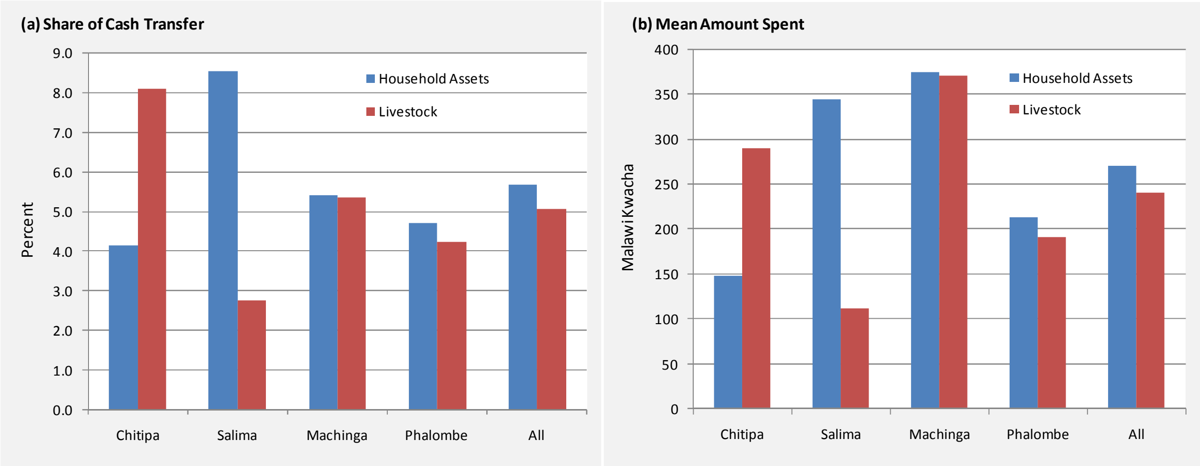
Table 20: Mean Number of Livestock Owned by Households, 2008 and 2013

Livestock	2008		2013	
	Beneficiary Group	Comparison Group	Beneficiary Group	Comparison Group
	Mean	Mean	Mean	Mean
Cattle	0.06	0.16[b]	0.05	0.13[b]
Goats	0.48	0.73[b]	0.85	0.65[b]
Chicken	3.00	4.74	2.06	2.14

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

The share and amount of the cash transfer that is spent on purchase of household assets and livestock among beneficiary households is about 5.7% and 5.1%, respectively. Figure 3 shows district variations in spending patterns among beneficiary households. The highest proportion of the cash transfer spend on purchase of household assets was observed in Salima (8.5%) and lowest in Chitipa (4.2%). With respect to livestock, Chitipa recorded the highest proportion of 8.1% while Salima recorded the lowest proportion of 2.8%. Overall, beneficiary households spent on average MK270 and MK271 on household assets and livestock from the most recent cash transfer received, respectively.

Figure 3: Recent Cash Transfer Spent on Assets and Livestock by District



Source: Computed by authors based on beneficiary survey

5.2.4 Self-Assessment of Poverty and Welfare

Households were also asked to make a self-assessment about their poverty and wellbeing relative to their neighbours in the community. We used a ladder of six steps, the first step representing the poorest in the community and a maximum value of 6 representing the richest in the community.[5] Only 0.6% and 1.5% of beneficiary households and comparison households considered themselves better-off households, respectively. Table 21 shows the own poverty assessment of household poverty in 2008 and 2013. With respect to self reported poverty 76% of beneficiary households and 64% of comparison households reported that they were ultra-poor in 2008, respectively. These differences were statistically significant at the 1% level. The self-assessed poverty levels significantly improved (almost halving ultra-poverty) among the beneficiary households while it has marginally increased among comparison households. Furthermore, 15.7%, 32% and 42.3% of beneficiary households reported decrease, no change and increase in poverty ratings between 2008 and 2013. Similarly, more broader measures of wellbeing also show that a larger proportion of beneficiaries (11%) compared to only 3% of comparison households were indicating much better wellbeing in 2013 than they were five years before. Household's assessment of overall satisfaction with life is much better among beneficiary households (34%) than with comparison households. Overall, the picture that emerges from this analysis is that the cash transfer has positive effects on people's perception of their poverty. However, when we look at the proportion of households that are poor, there are marginal changes, implying that although the SCT reduces ultra-poverty, most of the targeted households have not really beaten the poverty trap. This suggests that SCT has limited potential to graduate some of the beneficiaries from the scheme. This was supported by sentiments from focus group discussions and key informants interviews, which doubted the extent to which cash transfers can graduate some of the beneficiaries. Some of the contributing reasons raised include the low level of benefits and the inefficiency in payments of cash transfers.

[5] However, there may be a positive bias in the self assessment of poverty and wellbeing among beneficiary groups to show that the cash being received is making a difference in the poverty reduction.

Table 21: Self Assessment of Wellbeing by Households (%)

Indicator	Beneficiary Group (N=802)	Comparison Group (N=400)
	Mean (%)	Mean (%)
Ultra-Poor in 2013	39.0	66.0[a]
Ultra-Poor in 2008	75.8	63.8[a]
Poor in 2013	97.8	95.3[b]
Poor in 2008	98.1	94.5[a]
Wellbeing Better in 2013 than in 2009	11.0	2.8[a]
Overall Satisfied with Life in 2013	37.4	11.8[a]

Note: Superscripts *a* and *b* represent statistically significant differences at 1% and 5% level, respectively.

The relationship between absolute changes in the poverty self-assessment and participation in the cash transfer programme is further investigated in a multivariate regression analysis. Table 22 shows the ordinary least square results on the relationship between changes in poverty and household characteristics. The results show that the cash transfer scheme is positively associated with changes in poverty status, being a beneficiary increases ratings by 0.32 steps. Beneficiary households that reported having 1 meal per day also made statistically significant (at 10% level) improvements in poverty reduction. However, households that had a dependency burden of more than 3 in 2013 were more likely to express worsening poverty situation. The analysis also reveals a statistically significant positive relationship between change in poverty and households that had better walls of their houses and households that had larger parcels of land. There are statistically significant negative relationships between changes in poverty and incidence of having a member living with HIV and AIDS and households whose current dependency ratio was greater 3. If only beneficiary households are considered, there is a statistically significant positive relationship between better walls of the house, land size and having 1 meal per day in 2008, but negative relationship with better roof materials of the house.

Table 22: Determinants of Poverty Status Change

Dependent variable: Absolute change in poverty self assessment	Beneficiary and Comparison Households		Beneficiary Households	
	coeff.	*t-ratio*	*coeff.*	*t-ratio*
SCT (1/0)	0.3240	2.63[a]	-	-
Other social safety nets (1/0)	-0.0600	-0.59	0.0843	0.96
SCT × other social safety nets (1/0)	0.1907	1.46	-	-
Living with HIV and AIDS member (1/0)	-0.1731	-1.89[c]	-0.1511	-1.42
Experienced shocks and stresses (1/0)	-0.1573	-1.63	-0.0201	-0.15
Male-headed household (1/0)	0.0054	0.09	-0.0280	-0.34
Elderly headed household (1/0)	-0.1019	-1.53	-0.1000	-1.21
Better floor materials of house (1/0)	-0.1503	-0.86	-0.0212	-0.10
Better walls materials of house (1/0)	0.1362	2.50[b]	0.2306	3.37[a]
Better roof materials of house (1/0)	-0.3112	-1.46	-0.3726	-1.71[c]
Land size (hectares)	0.0879	2.10[b]	0.0919	1.87[c]
Years of schooling for household head (years)	0.0131	1.29	0.0184	1.20
Dependency ratio >3 in 2008 (1/0)	-0.0143	-0.13	0.0803	1.10
SCT × Dependency ratio >3 in 2008 (1/0)	0.1287	1.02	-	-
Dependency ratio >3 in 2013 (1/0)	-0.1192	-1.78[c]	-0.1097	-1.35
One meal per day in 2008 (1/0)	0.0431	0.40	0.1764	1.76[c]
SCT × One meal per day in 2008 (1/0)	0.2060	1.49	-	-
Salima (1/0)	-0.5403	-6.50[a]	-0.5164	-5.15[a]
Machinga (1/0)	-0.2749	-3.19[a]	-0.3745	-3.56[a]
Phalombe (1/0)	0.0382	0.48	0.2463	2.67[a]
Constant	0.2474	1.72[c]	0.4068	2.26[b]
Number of observations		1196		801
F-statistics		15.16		11.46
Prob > F		0.000		0.000
R-squared		0.1552		0.1490

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

5.2.5 Schooling, Health, HIV and AIDS

Schooling and health outcomes have been some of the documented impacts of social cash transfers in the international literature. Improving education and nutrition are some of the objectives of the SCT scheme in Malawi. With respect of education, two indicators are computed and analysed. Firstly, the primary school enrolment at household level computed as the proportion of the school going age that was currently attending school. Secondly, the primary school attendance rate as the proportion of the school days in the past 2 weeks of the survey attended by the child. For health, the proportion of households that had reported that their under-5-year old member was ill in the past 2 weeks of the survey is computed. Table 23 reports the results on schooling and health. There are statistically significant differences in primary school enrolment between beneficiary households and comparison households, with beneficiary households recording higher enrolment rates.

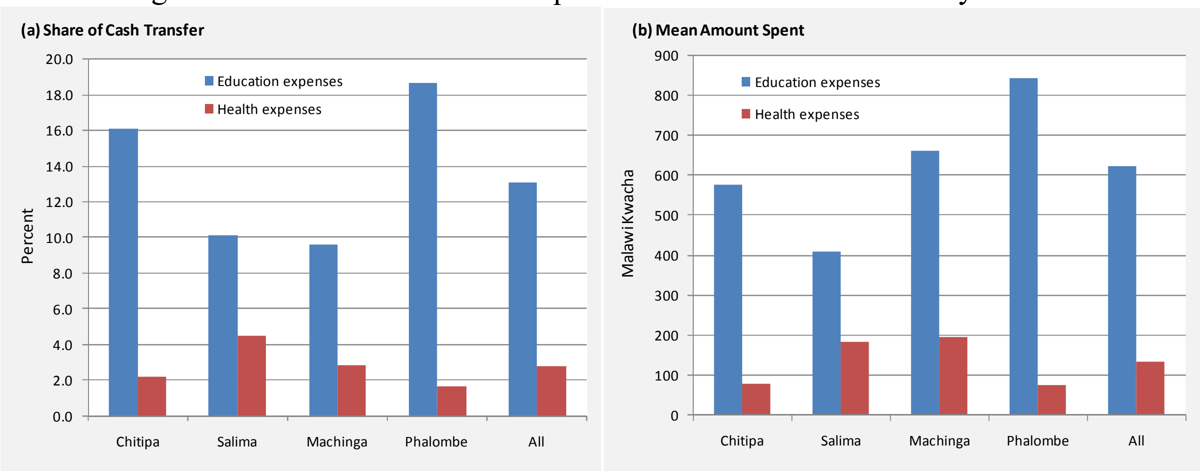
Table 23: School Attendance and Incidence of Illness

Indicator	Beneficiary Group Mean (N)	Comparison Group Mean (N)
Schooling		
Primary school enrolment rate (%)	91.9 (597)	85.2[a] (302)
Primary school attendance in 2 weeks (%)	91.3 (564)	90.5 (276)
Health		
Households with under-5 ill child in past 2 weeks (%)	41.2 (204)	38.9 (176)

Note: Superscript *a* represents statistically significant differences at 1% level.

The differences in the contribution of cash transfers to education and health among beneficiaries can also be viewed from the spending patterns of the cash transfer. Figure 4 shows that about 13% and 2% of the recent cash transfer received by households was spent on education and health items, respectively. There are district variations in the spending pattern, with 18% of cash transfer being spent on education in Phalombe, followed by Chitipa and the lowest proportion was observed in Machinga. The highest spending of the cash transfer on health is observed in Salima where beneficiary households spent only 4.5% and lowest was in Phalombe with only 1.7% of the cash transfer spent on health related items. It seems the extra cash transfer provided to beneficiary households with primary and secondary school children is directing more resources to education relative to health expenses. This is probably the reason there are significant differences between beneficiary and comparison households in terms of school enrolment and no differences in incidence of under-5-year illnesses.

Figure 4: Recent Cash Transfer Spent on Education and Health by District



Source: Computed by authors based on beneficiary survey

The household survey also asked respondents to self report on the problems of HIV and AIDS and how they have been affected. The questions related to whether there is a member living with HIV and AIDS, number members living with HIV and AIDS, the number on ART, whether in the last 10 years somebody died due to AIDS and whether households have taken more responsibility of care for others due to the problem of HIV and AIDS. These questions involved self reporting and may therefore understate the extent of the problem of HIV and AIDS. Table 24 presents the findings from these series of questions. A statistically significant higher proportion of beneficiary households than that of comparison households has members living with HIV and AIDS. However, the average number of members living with HIV and AIDS in these households is similar among beneficiary and comparison households, so is the proportion of members with HIV and AIDS that is on ART.

Table 24: Households Affected by HIV and AIDS

Indicator	Beneficiary Group	Comparison Group
	Mean (N)	Mean (N)
Households with members living with HIV and AIDS (%)	10.1 (802)	7.0[c] (400)
Average number of members living with HIV and AIDS	1.3 (81)	1.4 (28)
Proportion HIV members on ART (%)	93.8 (81)	96.4 (28)
Average number of members on ART	1.4 (76)	1.6 (27)
Proportion of household with HIV and AIDS related deaths (%)	21.4 (802)	15.5[b] (400)
Proportion of households adopting orphans (%)	17.2 (802)	9.5[a] (400)

Note: Superscripts *a*, *b*, and *c* represent statistically significant differences at 1%, 5% and 10% level, respectively.

In terms of proportion of households that had HIV and AIDS related deaths in the past 10 years, significantly 21% of beneficiary households compared to 16% of comparison households reported such cause of deaths. It is also evident that a higher proportion of beneficiary households are taking more responsibility in terms of absorbing children or adults from other households because caregivers or others died of HIV and AIDS.

5.2.6 Shocks and Stresses

Poor and vulnerable households are susceptible to shocks and stresses. The cash transfer scheme has the potential to reduce the severity of the shocks on livelihoods. The study investigated the extent to which households experienced shocks in the past five years and whether they were able to recover from such shocks. Table 25 shows the proportion of households that experienced shocks, average number of shocks and proportion of households recovering from the shocks. One would expect that beneficiary households should be more likely to recover from shocks and stresses. However, the analysis shows that although a higher proportion of beneficiaries than comparison households experienced shocks and stresses the differences are not statistically significant. Similar proportions of beneficiary households and comparison households were able to recover from these shocks and there were no significant differences.

Table 25: Shocks and Stresses Experienced by Households

Indicator	Beneficiary Group	Comparison Group
	Mean (N)	Mean (N)
Proportion Experiencing Shocks (%)	91.8 (802)	88.8 (400)
Number of Shocks and Stresses	2.7 (736)	2.7 (335)
Proportion Recovering from Shocks (%)	38.0 (736)	37.8 (335)

5.3 Use of Cash Transfers by Beneficiaries

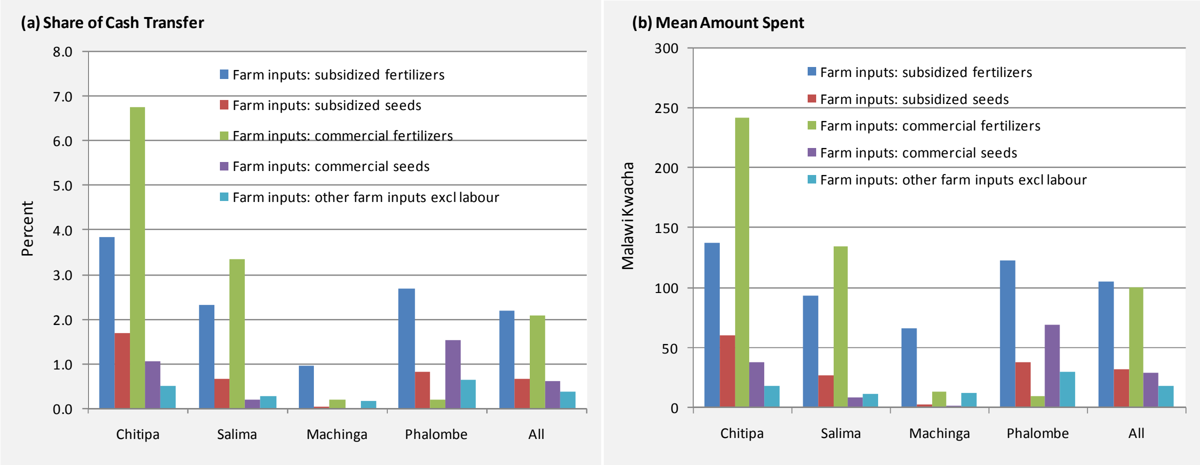
There are several pathways, as noted above, on how the cash from cash transfer schemes can be used by households with implications on their welfare. The use of the cash transfer was analysed based on the household's last received cash transfers. Although the NAC funding arrangement did not allow payment of arrears, the District Councils were more pragmatic by paying arrears such that last payment received by some of the beneficiaries covered several months due to delays in payments. Table 26 shows the use of the cash transfer by beneficiary households. Beneficiary households were asked to indicate whether they have ever used the cash transfer to finance particular categories of expenditure and investments, and the specific amounts they spent on each category for the last received cash transfer. Consistent with the household overall spending patterns noted above, the typical uses of the cash transfer are purchase of food, financing of education and health expenses, purchase of farm inputs and purchase of assets and livestock, with at least 75% of beneficiary households indicating that they have ever used the cash transfer to finance these household needs. Only 15% and 30% of beneficiary households have ever used the cash transfer to accumulate savings and invest in a business enterprise, respectively.

Table 26: Use of Cash Transfers by Beneficiary Households

Type of Expenditure or Investments	Ever Spent transfer on item (%)	Mean Use of Last Transfer (MK)	Mean Proportion of Last Transfer (%)
Food	96.0	2,603	56.78
Assets and Livestock	74.6	511	9.88
Education and Health	82.0	756	13.78
Farm Inputs	78.3	538	12.88
Savings	30.3	162	2.98
Business Enterprise	14.6	26	0.44
Other	20.4	167	3.26
Total	-	**4,762**	**100.00**

With respect to average amounts of the most recently received cash transfer used for each expenditure category, of the average total MK4,762 received, more than half was spent on food (MK2,603) and food expenditures are a single dominant expenditure category. Food expenses are followed by expenses on education and health and purchase of farm inputs. As observed above, most of the cash used for purchase of food is spent on maize, and education expenses account for most of the expenses in the education and health category. A large proportion of beneficiaries indicated ever using the cash transfers on purchase of agricultural inputs. Figure 5 explores further the use of cash transfer on farm inputs by distinguishing types of farm inputs. Overall, about 2% of cash transfer was spent each on subsidised fertilisers and commercial fertilisers while about 0.6% was spent on subsidised and commercial seeds. Use of cash transfer for purchase of commercial fertilisers is highest in Chitipa (also with the highest use on subsidised fertilisers) but lower in Machinga, which also has the lowest use of cash transfer on farm inputs. The use of cash transfer in the purchase of inputs demonstrates useful links and conflicts that can exist between different social protection programmes.

Figure 5: Recent Cash Transfer Spent on Farm Inputs by District



Source: Computed by authors based on beneficiary survey.

The average amounts saved and invested in business activities account for 3% and 0.4% of the most recent received cash transfer, respectively. Although most of the households benefiting from the scheme are poor, the proportion of the cash transfer that goes to future consumption is small, and weakens the case for some of the beneficiaries to be independent over time. Similarly, only 10% of the last cash transfer was spent on purchase of assets and livestock, but as discussed above this might have enabled gains in assets and livestock among beneficiary households. The low rate of use of cash transfers in investment activities is, however, linked to the declining purchasing power of the cash transfers over time.

6. Scalability and Sustainable Financing

6.1 Does the Evidence Justify Scaling Up?

The international evidence on the role of social cash transfers on reducing poverty and vulnerability is compelling to justify scaling-up of pilot cash transfer programmes in Africa. The strongest evidence comes from the analysis of cash transfers on education outputs although the evidence on education outcomes is limited but emerging. There is mixed evidence on the other indicators especially on health and nutrition outcomes and poverty reduction. The studies that have been conducted in Malawi have shown that cash transfers can positively contribute to multiple impacts and improvements in household welfare. Nonetheless, these results mainly emerge from studies that cannot isolate other co-founding factors that influence impact variables. Much more complex in Malawi is the fact that cash transfer beneficiaries tend to access more than one type of social protection and studies have not paid particular attention to this issue.

6.2 Scalability of Social Cash Transfers

The existing targeting guidelines for social cash transfers aim at reaching out to the poorest 10% of households in Malawi. Mangani and White (2012) estimate that this will entail reaching out to 319,108 households distributed across all the 28 districts in Malawi, proportional to the poverty levels. There is, however, a case for reaching a much lower number of beneficiaries than estimated by Mangani and White (2012). Firstly, the population projections in Mangani and White (2012) did not account for households that are in urban and town centres who may not be eligible for a cash transfer. Secondly, if the targeting criterion is to remain the joint satisfaction of ultra-poverty and labour constraint, save the strategic splitting of households, from the census data, the proportion of households satisfying this criterion is more manageable. There may be reasons, therefore, to believe that the proportion of households that are labour constrained in Malawi may not be as high as 10%.

This is illustrated using the Integrated Household Survey 3 (IHS3) data as presented in Table 27. Although the dependency ratio has not been adjusted by ability to work for the economic active age group, it is illustrative of the extent of vulnerability from a national representative sample. The data shows that only 2% of urban households and 7.3% of rural households had a dependency ratio, based on the SCT targeting criteria, of more than 3 persons. If SCT targeting was based on the expenditure per capita estimate and dependency ratio, the proportion of households that would qualify in the rural areas is only 1.6%. Another scenario is the use of the computed incidence of having orphans (less than 18 years who lost one or both parents) in households. The data indicates that 17.1% of households in the urban areas and 14.9% in rural areas were living with orphans. If orphanage and ultra-poverty are combined, only 4.1% of households in the rural areas are ultra-poor with orphans living in the household. These figures suggest that with better poverty and vulnerability targeting, the social cash transfer can be scaled-up nationally, within manageable levels.

Table 27: Extent of Vulnerability in IHS3 (%)

Vulnerability Indicator	Urban (%)	Rural (%)	National (%)
Ultra-Poor	3.09	22.88	19.79
Dependency Ratio >3	2.01	7.27	6.45
Ultra-Poor × Dependency Ratio >3	0.22	1.64	1.42
Households with Orphans	17.08	14.94	15.28
Ultra-Poor × Households with Orphans	0.78	4.12	3.60

Source: Computed from Integrated Household Survey 3

6.4 Financing and Budgetary Implications

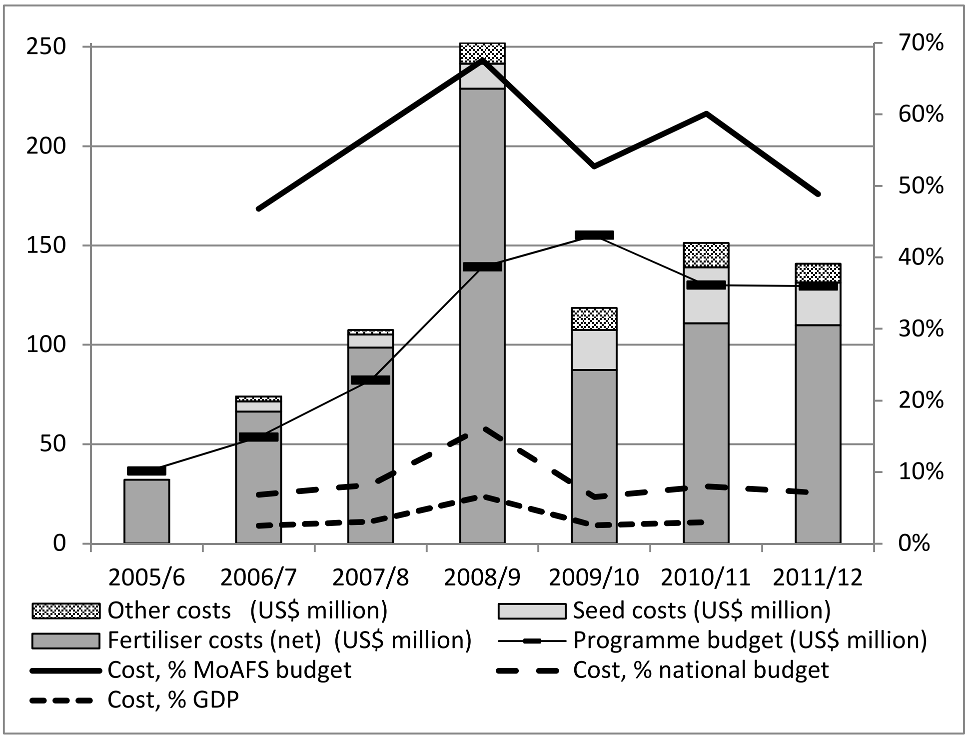
The cost of cash transfers depend on the coverage, the level of benefits, the cost of delivering cash benefits to the target and set-up costs (Arnold et al, 2011). One of the factors that have led to limited implementation of large scale cash transfer programmes in Africa on the scale of Latin American and Asian countries is the affordability of the programmes in environments where extreme poverty is high. Ellis et al (2009) note that one of the problems with most schemes is unstable funding and lack of continuity.

In spite the evidence of the positive benefits of cash transfers in middle income countries, most of the cash transfer schemes in Africa are still being implemented on a pilot basis. Chirwa (2010) notes the challenges of scaling-up social protection programmes in many low income countries where there is a high proportion of households living below the poverty line. Scaling-up would require massive financial resources and this has usually to be balanced with other development needs of a country. In some cases, the administrative cost of delivering the benefits to beneficiaries are usually prohibitive to warrant implementation at national scale.

Although, the Malawi Government has recently devoted massive domestic resources towards some social protection programmes such as the farm input subsidies and various forms of price subsidies, the SCT scheme and other social protection programmes in Malawi remain largely funded by donors. The reliance on donor funding imposes limits to the extent to which social cash transfers can be scaled up. Poverty and vulnerability in Malawi remains high and up-scaling various social protection schemes could be costly and crowd out resources for other development activities such as infrastructure. However, more recently, the Malawi Government has demonstrated that it can put huge resources towards social protection programmes through its commitment to fund the Farm Input Subsidy Programme from domestic resources, since the 2005/06 fiscal year.

Figure 6 shows the trend in the costs and cost components of the FISP since 2005/06 agricultural season. Programme costs appeared to be increasing exponentially from 2005/6 to 2008/9, while the programme budget was supposed to rise more slowly and steadily. This led to an increase in estimated expenditure from US$74 to US$250 million from 2006/7 to 2008/9, with the programme accounting for 68% and 16% of the Ministry of Agriculture and Food Security (MoAFS) and national budgets and 6.6% of gross domestic product (GDP) in 2008/9, respectively. However, while the 2009/10 budget continued to rise, 2009/10 actual programme costs fell dramatically below the budget, and although costs rose again above the budget in 2010/11 and 2011/12, they remained below half of 2008/9 levels in relation to the national budget and GDP (at or below 8% and 3%, respectively). The major cost item causing programme cost changes is clearly the cost of fertiliser (which includes procurement and transport to markets), as seed and other costs are responsible for a small proportion of programme costs and show a steady increase over the life of the programme (due to increases in seed volumes and prices and greater reporting of other costs items).

Figure 6: Budgeted and Actual Programme Costs of FISP



Source: Chirwa and Dorward (2013)

In the 2013/14 fiscal budget, the FISP was allocated MK61 billion, representing nearly 10% of the national budget and 48% of the Ministry of Agriculture budget allocation (GoM, 2013a & b). The total allocation to social protection in the 2013/14 fiscal budget was 10.5% of the national budget, implying that social cash transfers, public works programmes and school meals constitute only 0.5% of the budget financed by domestic resources. However, it is expected that most of the resources for implementation of public works programmes and social cash transfers will be financed by foreign credit and grants.

Mangani and White (2012) worked out various options of scaling up cash transfers in Malawi under different beneficiary benefit levels assuming that 10% of the poorest households are reached by the cash transfer scheme. They estimated that a national programme roll-out based on the current benefit levels would cost the Malawi Government MK7.6 billion in direct costs reaching 319,108 households in Malawi, while if benefits are based on their recommended ultra-poverty gap plus 10% formula for determining benefit level, the cost increases to MK10.3 billion per annum. The ultra-poverty gap determined benefits were estimated to constitute 3.4% of the budget and 1.04% of gross domestic product. This compares favourably with the spending of between 0.34% and 1.40% on cash transfers in middle-income countries (Arnold et al, 2011).

As Mangani and White (2012) note, these figures are affordable and can be financed from domestic resources by rationalising the existing subsidies and other general subsidies within the economy. Chinsinga (2009) also concludes that scaling-up the cash transfers in Malawi is affordable and can be sustained. Firstly, owing to lack of coordination and lack of a social register, the extent of double or multiple dipping into social protection programmes in Malawi is high (Chirwa, 2010). This provides avenues for resource rationalisation within the social protection funding envelop. As noted above, the majority of the social cash transfer beneficiaries are also beneficiaries of the farm input subsidy and some have also participated in public works programmes. Thus, it could be said that the ultra-poor that are provided with fertiliser coupons under the FISP should only be entitled to the social cash transfer, and the FISP resources that are directed at the ultra-poor may be optimal as a cash transfer.

Secondly, the largest social transfer programme in Malawi, the FISP, has been shown that it does not optimise reaching the poor. Studies have consistently shown that the poor are less likely to have access to coupons and if they have access they tend to receive fewer coupons, partly as a result of increasing sharing of coupons within the villages in favour of less poor households (Chirwa and Dorward, 2013). Dorward et al (2010) find that better off households (based on self-assessment) access about 35% of subsidised fertiliser coupons and tend to have high average receipt of coupons than ultra-poor households. These are households that are likely to afford fertilisers at market rates, and there may be a case for shifting resources from FISP to cash transfers for the ultra-poor and labour-constrained households.

Thirdly, there have been questions about the effectiveness of the input subsidy programme in reducing poverty, given its scale and the period over which it has been in operation. The results of the evaluations are somewhat mixed, with stronger economy-wide effects than direct beneficiary effects and continued volatility of maize prices amid estimated production of maize, and questions remain on the impact of the subsidy on agricultural productivity (Chirwa and Dorward, 2013). The failure of the FISP to have an impact on poverty raises questions on the effectiveness of the input subsidy on reducing poverty, relative to the resources that are invested in this programme. National Statistical Office (2012) shows that national poverty between 2004/5 and 2010/11 only declined by less than 2%, with a fall of only 1.5% from 58.1% in 2004/5 to 56.6% in 2010/11 in rural areas. This also points to opportunities to rethink about the design of the FISP that can effectively deliver on its objective of improving agricultural productivity and food security.

The FISP reaches about 1.5 million households in rural Malawi, which is about half of the number of rural households. Rural poverty in Malawi is estimated at 56.7%, implying that if the subsidy was targeted only at the poor, poor rural households can be reached in rural Malawi under the programme. However, some of the households are ultra-poor and find it difficult to find resources to procure subsidised fertilisers and social cash transfers may be the best instrument of social protection for this group. FISP resources can therefore be rationalised with better targeting in such a way that the poorest 0.3 million households in the FISP should be migrated to the social cash transfer, leaving 1.2 million other poor households in the FISP provided there is no double dipping. Our analysis of use of cash transfers among beneficiaries show that they tend to use the cash transfers to purchase commercial fertilisers relative to subsidised fertilisers, so the exclusion of the poorest from the subsidy programme should be of less concern.

7. Conclusions and Recommendations

This study set out to evaluate the performance and impact of the social cash transfer scheme in Malawi. The SCT scheme was first piloted in Mchinji District in 2006, but the pilot was extended to 6 other districts in Malawi with funding mainly from the Global Fund to Fight AIDS, Tuberculosis and Malaria and technical support from UNICEF. More recently, the SCT has attracted other donors such as the European Union and Ireland. The Malawi Government has also started allocating some funds towards cash transfers in its national budget, in addition to the cost it bears in implementing the cash transfer using existing institutions. The study has reviewed the international literature on cash transfers, the implementation performance of the social cash transfer scheme in Malawi and has assessed the multiple impacts on beneficiaries and the feasibility of scaling up.

The study was carried out in 4 districts namely, Chitipa, Salima, Machinga and Phalombe. Data in this study was collected using a household questionnaire administered to 802 beneficiary households and 400 comparison households, focus group discussions and key informant interviews. One major problem with this study for impact evaluation is the lack of baseline data to control for co-founding factors. The study used a comparison group that was selected by applying the targeting criteria on the basis of household recall about their household composition, number of meals and poverty self-assessment in 2008. There are difficulties with this approach as the targeting in SCT is community based and the proxies used for poverty vary from one community to another. In addition, it was difficult to find households that were both labour-constrained and food insecure or ultra-poor in the control areas that were randomly selected in non-treated areas.

7.1 Conclusions

The following conclusions emerge from the review of the international literature on social cash transfers and the performance and impact assessment of the social cash transfer scheme in Malawi.

7.1.1 Review of Literature on Cash Transfers

The literature on social cash transfers is vast and there are lots of opportunities to generate lessons for implementation of social cash transfers. The following issues emerge from the literature review:

- Social cash transfers have gained the momentum as one of the instruments to fight poverty and vulnerability in middle-income and low income countries. This revolution has been motivated by the impacts of carefully evaluated programmes in Latin America that have demonstrated that it is possible with cash transfers to improve the welfare of citizens.

- Large social cash transfers are mainly implemented in Latin America and Asia, reaching millions of poor households, but there are programmes in Africa that are being scaled up to cover more vulnerable households. In Africa, large programmes are being implemented in South Africa and Ethiopia, reaching more than 2.4 million and 1.5 million households, respectively.

- The types of cash transfers vary. The most common ones and mainly implemented in Latin America are conditional cash transfers where access depends on satisfying minimum contribution in cash or kind by the beneficiaries. The other type is unconditional cash transfers, mostly implemented in African countries. There is emerging evidence that conditions do not significantly alter the impacts of cash transfers.

- The review of the international literature on social cash transfers has provided compelling evidence that with careful implementation on a larger scale, they can be important instruments for reducing poverty and vulnerability in developing countries. The strongest evidence emerges from Latin American countries, where with rigorous impact evaluation, it has been demonstrated that social cash transfers have positive effects of schooling, health, food security and nutrition, reduction in poverty and severity of poverty. While results are more conclusive on the impacts on school enrolment and school attendance, whether conditional or unconditional, in some of the welfare indicators, the evidence is mixed. However, what is also emerging from the literature is the limited evidence on the impacts of the cash transfer on asset accumulation and investment in productive activities, pathways that can enable some households to graduate from social cash transfers.

7.1.2 Review of Design and Performance of the Malawi SCT Scheme

The Malawi SCT scheme was designed to alleviate poverty, reduce nutrition and improve school enrolment among the poorest households in Malawi. The review of the design and performance reveals the following:

- The SCT scheme targeted poorest of the poor, defined as ultra-poor households not able to meet basic needs while at the same time being labour-constrained with no able-bodied member in 19-64 year age group or where an able-bodied person is caring for more than 3 persons.

- The review shows that these criteria were implemented through a community based targeting system involving community level committees, responsible for identification of potential beneficiaries who were ranked and confirmed by the communities. However, it has been noted that the concept of ultra-poor and the variations in the proxies of poverty, varied considerably between communities. Such flexibility enabled some of the communities to place emphasis on households that were affected by HIV and AIDS and those with orphans, while in some other cases such flexibility also allowed inclusion of households that did not qualify in one of the criteria.

- There are difficulties in finding households that meet both criteria for the scheme to reach 10% of the households. The study finds that due to the limited indicators of vulnerability, there is strategic splitting of households to meet the labour-constraint condition. The listing exercise in comparison areas demonstrates how the labour-constraint condition is rarely satisfied in rural communities.

- The information based on recall of household composition prior to the cash transfer and the official records vary considerably, with the former indicating that a large proportion of beneficiaries may not have met the labour-constraint condition. Similarly, the current household composition also shows that a significant proportion of beneficiary households, 38.4% did not meet the labour-constraint criterion compared to 62.5% of comparison households. This finding of failure to meet the labour constraint condition is also supported by previous studies. One of the problems is that the two simple targeting criteria can easily be manipulated by households and communities to enable more people to access the cash transfer in the community.

- Given the targeting criteria, the community based targeting, though preferred for acceptability and transparency, is also prone to targeting errors and can be influenced by local level politics. There are widespread claims that the 10% cut off is too restrictive, but the study has shown that in most communities it may even be difficult to find more than 10% of households that satisfy the more objective labour-constraint criterion.

- The benefit levels to the beneficiaries have remained the same since 2008 when the pilot was extended to other districts. The study finds that by 2012, the benefit levels lost 34% of their value in 2008. In terms of maize purchasing power, benefits for a one member household could purchase the equivalent of 24 kilogrammes of maize in 2008 but this falls to 8 kilogrammes of maize in 2012/13 season. Hence, there has been significant erosion of benefits in the cash transfer scheme with implications on impacts of the programme.

- Notwithstanding the falling value of benefits, the study finds widespread complaints about delays in the payments of cash transfers to beneficiaries. These delays were mostly a result of the flow of funds from the Global Fund to NAC and NAC to District Council and less so due to capacity issues at the District Council. The proportion of beneficiaries experiencing delays in payment was 86% and on average cash transfers were delayed by 78 days (with 90 days being typical days). In addition, although the districts are able to implement many aspects of the programme, some of the delays in funding were partly due to failure to account for the funds in a timely manner. These delays may also have undermined the impacts of the scheme.

7.1.3 Impacts of the Malawi SCT Scheme

The assessment of the impact of the SCT scheme is based on a comparison between beneficiary households and comparison groups, with the latter selected *post-ante*, using the targeting criteria used for beneficiaries, save community based ranking and vetting of beneficiary households. This approach has obvious difficulties in isolating co-founding factors, and the results should be cautiously taken as providing the direction of change due to access to the social cash transfer. It cannot be claimed that the beneficiary households and comparison households had similar characteristics prior to the cash transfer. With this in mind, the study finds the following:

- With respect to the objective of reducing hunger and starvation among poor households, the indicators of food consumption and food security suggest minor differences between beneficiary and comparison households. The only statistically significant difference is that comparison group had better food consumption scores –

hence better food diversity than beneficiary groups. Although the beneficiaries spent most of their cash transfer of food particularly maize, the effects on food security are muted due to the high incidence of access to FISP among beneficiary (64%) and comparison (67%) households. In addition, overall, 73% of beneficiary households had benefited from other social protection programmes.

- With respect to the objective of poverty alleviation, results from income and expenditure patterns and qualitative indicators of wellbeing suggest mixed results. There are no differences in average cash incomes of beneficiary and comparison households, although there are significant differences in terms of main sources of income with *ganyu* wages and business income being statistically higher among comparison households. This suggests that the cash transfer has reduced the reliance of beneficiary households on *ganyu* wages as a source of livelihood. Similarly, there are no statistical differences in cash expenditures between beneficiary and comparison groups.

- In terms of assets and livestock, comparison households have higher levels of durable assets than beneficiary households, with the latter experiencing marginal gains in durable assets between 2008 and 2013. These results are consistent with the evidence that beneficiary households are not spending a significant proportion of the cash transfers on purchase of durable assets. Similar results are evident with respect to livestock, although the absolute change in number of goats was higher in beneficiary households than comparison households.

- With respect to household's own assessment of poverty and wellbeing, there is a major change in how beneficiary households perceive their poverty relative to others in the community compared to comparison households. In 2008, the study finds that 76% of beneficiary and 64% of comparison households were ultra-poor, but this reduced to 39% among beneficiaries and increased to 66% among comparison households in 2013. Beneficiary households are also feeling much better than they were four years before, and also more satisfied with life than comparison households. The multivariate analysis which controls for household characteristics also confirms the positive results on the perception of poverty. These results support the potential of the cash transfer to reduce the severity of poverty.

- Another objective of the cash transfer is to improve school enrolment and attendance and improve the health and nutrition. The study finds evidence of higher enrolment among beneficiary households than among comparison households, but no difference in school attendance. There is no difference in incidence of under-five year old illness. The analysis of use of cash transfers shows that beneficiary households are spending about 13% on education compared to 2% on health. The study also finds that there is higher burden of HIV and AIDS among beneficiary households than among comparison households in terms of number living with HIV and AIDS and those with orphans, suggesting that the cash transfer has relatively benefited people living and affected by HIV and AIDS.

7.1.4 Scalability and Sustainability

The analysis of impacts of cash transfers from the international literature and from the evaluation of the SCT scheme in Malawi suggests that cash transfers may be an important instrument for reducing poverty and improving the welfare of the poor both in the short-run and long-run. These positive results point to the need to scale up the pilot to benefit more poor households in Malawi. This leads to the following:

- There is scope for scalability of the cash transfer scheme in Malawi under the current benefit levels or adjusted benefit levels. Previous studies on this issue indicate that reaching the poorest 10% of households in Malawi entails a target of about 300,000 households with a programme outlay equivalent to 3.4% of the budget or 1.04% of gross domestic product. However, this study shows that if the labour constraint condition is to strictly be consistent in targeting, national household surveys and this study's household listing in comparison areas suggest a much lower target figure of possible cash transfer beneficiaries.

- Using data from the third Integrated Household Survey, it has been shown that only 1.64% of rural households would jointly be ultra-poor and labour-constraint. This is, however, more conservative as the calculations have not accounted for ability to work among the economic active age group.

- The financing and budgetary requirements for scaling up cash transfers to 300,000 households in Malawi are not overly burdensome, and it is reckoned that rationalisation of social protection programme can fund social cash transfers. The FISP, which is largely funded from domestic resources accounts for nearly 10% of the budget and reaches 1.5 million rural households, some of which are also recipients of cash transfers, can potentially be scaled down by putting 1.2 million households under FISP and the poorest 0.3 million households under the cash transfer programme, while eliminating double or multiple dipping. Such a structure will require maintenance of a social register.

7.2 Recommendations

The following main recommendations are made based on the results of the study:

- In order to improve evidence-based policy making, it is recommended that design of the scaling up of the cash transfer programme should include best practice impact evaluation approaches that establish a baseline or control groups prior to the implementation of the programme. This will improve the understanding of the impacts of the programme on beneficiary households.

- There is a need to improve the targeting process and targeting criteria in order to improve the targeting efficiency of the social cash transfer scheme. This can be improved in several ways:

- Prior to the implementation of the community based targeting processes, there is a need to collect programme neutral information on household characteristics through a census of all households in the targeted communities. This census should be short and focus on key variables linked to the targeting criteria. Such census information can be used by the District Social Cash Transfer Secretariat in evaluating the selection of target households by the Community Social Protection Committee.

- Improvements are needed in the proxies for ultra-poor and in bringing additional indicators that are difficult to manipulate by the beneficiaries and communities. Additional work needs to be done on poverty correlates in Malawi and appropriate weights need to be derived to develop a more objective targeting means testing index. For example, based on the analysis of the second Integrated Household Survey, Houssou and Zeller (2011), identify 10 indicators that can be used to rank households in rural areas: household size, ownership of wireless radio, smoothed cement floor of house, bicycle ownership, use of electricity for lighting, *panga* ownership, at least Junior Certificate of Education qualification, ownership of bed net, public heap as waste disposal facility and reading in Chichewa by household head.

- There is a need to incorporate the principles of graduation of households from cash transfers, not only through the education of children, but also through incorporating programmes that strengthen the capabilities of households to embark on sustainable livelihoods independent of social cash transfers. Such programmes may include training in management of business activities and linking beneficiaries to savings and credit institutions.

- There is also a need to maintain the real value of benefit levels in order to enhance the impacts of the cash transfer programmes and to promote graduation of some of the beneficiaries or some of the areas over time.

- The social cash transfer must be scaled up to reach at least 300,000 households across the country and there should be political commitment to fund the cash transfer from domestic resources as is the case with the FISP. Specifically, rationalisation of social protection programme domestic funding sources offers more opportunities for scaling up social cash transfers in Malawi. For example, reduction of the FISP by 15% and using the fiscal savings for the cash transfer can enable substantial scaling-up of the programme.

- More coordination of social protection programmes is required and there is a need to be maintaining an updated social register of the beneficiaries of social protection in order to minimise multiple dipping.

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