

REVIEW OF SOCIAL PROTECTION INSTRUMENTS IN MALAWI

A desk study for DFID Malawi

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CHAPTER 1. OVERVIEW

A striking feature of social protection in Malawi is how many different programmes and policies have been implemented in recent years, yet the evidence that vulnerability is rising rather than falling suggests that these interventions are not adding up.¹ The purpose of this desk review is to synthesise current thinking and available evidence on the relative effectiveness of various types of social protection interventions, and to examine the achievements of programmes actually implemented in Malawi. This paper combines a review of comparative international experiences and findings from evaluations in Malawi. The objective is to contribute to an informed debate on developing an optimal package of social protection measures for vulnerable Malawians.

1.1. SCOPE OF THIS REVIEW

Although the terms ‘safety nets’ and ‘social protection’ are often used interchangeably, social protection is broader than safety nets, and covers at least three broad areas of intervention. Several types of ‘productivity-enhancing safety nets’ and ‘direct welfare transfers’ are examined in the main chapters of this review. Annex 1 shows how these interventions address different types of vulnerability, such as idiosyncratic or covariate shocks, chronic poverty, and market failures.

- **Productivity-enhancing safety nets:**

These interventions are targeted at economically active people who face constrained access to assets, inputs and/or markets, due to poverty or market failures. Often these programmes have multiple objectives: to transfer resources to poor or vulnerable individuals or households (a welfarist objective), and simultaneously to build individual, household or community assets. In Malawi, examples include: *fertiliser subsidies*; *free inputs distribution* (fertiliser and seeds); *public works programmes* (food-, cash- or inputs-for-work), and *social funds* (MASAF).

- **Direct welfare transfers:**

Direct transfers of food or cash range from short-term relief to institutionalised social security systems. The main objective of humanitarian relief interventions is to smooth consumption after a large-scale livelihood shock (such as a drought) that threatens lives and exceeds the ability of affected households and communities to cope. Typically, as in Malawi in 2002/03, humanitarian assistance is dominated by emergency *food aid* – general food distribution, plus supplementary feeding and therapeutic feeding – followed by rehabilitation programmes. In non-emergency contexts, *school feeding programmes* are a form of project food aid that could also be described as ‘productivity-enhancing’, since they provide nutritional support to children but also promote access to education. Similarly, *conditional cash transfers* link the provision of resources to poor households with their utilisation of education and health services. Finally, *unconditional cash transfers* such as social pensions, disability grants, or orphan carer grants.

- **Market interventions:**

A third category of instruments that have social protection aims are open market operations, such as: *strategic grain reserve management* (buying grain after the harvest and releasing it onto the market, to dampen price rises before the next harvest); and *food price banding* (stabilising grain prices between a floor price for producers and a ceiling price for consumers). Both of these instruments have been important in Malawi in the past, but price banding was phased out in the 1990s and the Strategic Grain Reserve now fulfils only a nominal buffer stock role, following its catastrophic mismanagement during the 2001/02 food crisis. Market interventions might be an important tool in the package of social protection interventions in Malawi in the future, but these instruments are not examined in detail in this review.

¹ For a recent empirical analysis of different aspects of vulnerability in Malawi, see the report that accompanies this desk review: **Vulnerability to Chronic Poverty and Malnutrition in Malawi: A report for DFID Malawi**, by Stephen Devereux, Bob Baulch, Alexander Phiri and Rachel Sabates-Wheeler (DFID Malawi, February 2006).

1.2. ISSUES ARISING

There are a number of unresolved issues in the design and implementation of social protection programmes, most of which also preoccupy policy-makers in Malawi. Some of these issues are briefly discussed here.

- ***Poverty reduction or poverty alleviation?***

'Productivity-enhancing safety nets' aim to contribute to sustainable ***poverty reduction***, both directly through raising incomes but mainly indirectly, through generating income (or raising food production), or building productive assets that in turn will generate further income. Sometimes this impact is immediate and measurable, as with public works projects that build infrastructure (such as roads) that reduces transactions costs and integrates markets. At other times the 'productive' impact is very long-term and indirect, as with school feeding schemes that build on evidence of lifetime returns to education in terms of the learners' employment prospects and income-earning potential. Some programmes – e.g. the Productive Safety Net Programme (PSNP) in Ethiopia – combine two ambitious objectives: to provide income transfers to several million chronically food insecure Ethiopians in the short-term, and to reduce their dependence on social assistance (either food or cash transfers) in the long-term. After five years, PSNP beneficiaries are expected to 'graduate' out of poverty and dependence on external support, except during emergencies.

'Welfare assistance' and 'disaster management' focus more on ***poverty alleviation***, by bridging a consumption deficit with food or cash transfers. In the case of disasters, this is usually for a short period of time only (e.g. until the next harvest in drought-affected farming communities). Welfare assistance, however, is provided to some vulnerable groups for their entire lifetimes (e.g. people with severe disabilities), or for a life-cycle phase that can last for many years (e.g. social pensions which citizens are entitled to receive from their 60th birthday until their death). In most Western countries, social welfare systems provide institutionalised, regular support of various kinds to such vulnerable groups as a 'citizenship entitlement' – there is no expectation that this will reduce beneficiaries' poverty sustainably, avoid dependence, or contribute to economic growth.

- ***Multiple objectives = multiple success or multiple failure?***

Sometimes programmes that are initiated with one set of objectives become broadened or diverted to meet other objectives instead of (or as well as) the primary objective. In Malawi, for instance, emergency food aid programmes have been motivated as a response to HIV and AIDS. Starter Pack were initiated as a drought relief intervention, but continued in subsequent years on the basis that agricultural liberalisation had undermined farmers' access to farm inputs – so a disaster recovery programme became a productivity-enhancing intervention and a compensation for market failure. Public works programmes in Malawi aim to strengthen household food security, but also to build community assets and promote gender equity. The risk with multiple objectives in a single intervention is that they often contradict each other in practice, and it might be more advisable to focus on achieving one objective well, rather than partially achieving two or three.

- ***What's the driver: Instruments or objectives?***

Too much of the social protection debate at present is driven by interests representing available instruments, instead of being grounded in a rigorous, disaggregated, participatory assessment of problems faced by different categories of vulnerable people, and the design of appropriate interventions to address this range of needs. For instance, safety nets in Africa have been dominated for decades by the availability of American and European food aid. In the last few years the appropriateness of food aid in meeting (especially) non-emergency social protection needs has been questioned, and recently a bandwagon has been building around unconditional cash transfers, which is in direct conflict with the food aid lobby. This is unhelpful: a better way to design social protection programmes is to identify *who* needs *what* type of assistance, *when*, *where* and *why*, and then to address these needs with interventions tailored to these needs. In the late 1990s, UNDP developed a methodology for linking 'sustainable livelihoods' thinking to processes of decentralisation in Africa. this was called 'PAPSL' – Participatory Analysis and Planning for Sustainable Livelihoods' – and it was piloted in Malawi. This kind of approach, where

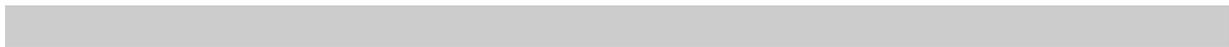
communities identify who needs external support and what type of support is most appropriate, could provide a model for assessing and prioritising social protection needs, by putting the objectives ahead of the available instruments.

- ***Projectised or institutionalised?***

A danger with many safety net interventions is that they are stand-alone ‘flagship’ projects, often designed and funded by bilateral or multilateral donors, and run by international NGOs, that create islands of social protection in oceans of vulnerability. Even if these projects are successful if evaluated on their own terms, they typically have limited impact beyond their defined target group of beneficiaries, and they are usually time-bound rather than permanent. Social protection must not be ‘projectised’, it must be institutionalised; it must not be donor-driven, it must be government-owned (though donor financing may be required in very poor countries like Malawi); and it must not be seen as ‘charity’ or ‘welfare’, but ultimately as a right of citizenship.

1.3. STRUCTURE OF THIS REVIEW

This desk review is organised around the two broad categories of social protection interventions identified above. Chapter 2 discusses instruments that aim simultaneously to protect and promote livelihoods, under the title ‘productivity-enhancing safety nets’. Chapter 3 discusses instruments that aim simply to protect lives and livelihoods, under the title ‘direct welfare transfers’. Chapter 4 concludes the paper by drawing lessons on alternative social protection instruments, from the experiences reviewed both in Malawi and internationally.



CHAPTER 2. PRODUCTIVITY-ENHANCING SAFETY NETS

This chapter reviews experiences with free inputs distribution, including Malawi's 'Starter Pack' programmes; fertiliser subsidies; public works programmes; and 'social funds', specifically the Malawi Social Action Fund (MASAF).

2.1. FREE INPUTS DISTRIBUTION

The distribution of fertiliser and seeds for free is, in effect, a 100% subsidy of agricultural inputs to economically active farmers, designed to enhance household food security through boosting food production. Fertiliser and seeds have been handed out for free to Malawian farmers almost every year since 1993. The first distribution followed the southern African drought of 1992, when the Drought Recovery Inputs Programme ('DRIP') provided inputs to farmers whose seeds had been lost or consumed during the previous year. This was followed in 1995/6 by the Supplementary Inputs Programme ('SIP'), which attempted to restore access to inputs for farmers who could not afford the high fertiliser prices that followed heavy devaluations of the Kwacha, and the removal of fertiliser subsidies (the Fertiliser Subsidy Removal Programme (FSRP) started in 1987 and was completed in 1995).

The 'Starter Pack' programme started in 1998, as a large-scale intervention that aimed to support both household and national food security, through subsidising maize production. The rationale was that it is more cost-effective to subsidise food production before the harvest, with free inputs distribution, than food consumption after the harvest, with free food distribution. The Starter Pack included enough fertiliser, maize seed and legume seeds for 0.1 hectares, and it was distributed to all smallholders in Malawi. Farmers were able to produce 100-150kg of additional maize per pack (Levy 2005a) – not enough for national self-sufficiency, but enough to close the food gap substantially. Malawi had an annual maize deficit of 500,000-600,000 tonnes in the early 2000s, and universal distribution of Starter Packs to 2.8 million beneficiaries produced 280,000-400,000 additional tonnes of maize each year (Levy 2005b).

Levy et al. (2004) argue that the key issue for food security in Malawi is not self-sufficiency, but the price of maize, which is a key determinant of access to food. Starter Packs not only increased maize production and market supplies, but also reduced the demand for maize from smallholders who are market-dependent for part of the year, and kept the price of maize relatively low in the hungry season. When the programme was scaled down after 2000, it contributed only 3-4% of total smallholder production, compared with 16% in 1999/2000. This decline, Levy (2005b) argues, contributed to the sharp rises in the price of maize, from MK 10/kg in October 2001 to MK 44/kg in March 2002, that precipitated a major food crisis.

After 2000, the Starter Pack programme was scaled down from an untargeted national food security programme to a poverty-targeted safety net, but the Targeted Inputs Programme (TIP) faced significant problems with beneficiary identification and selection. Community selection was the preferred targeting methodology, but Chinsinga *et al.* (2002) found that beneficiaries selected were spread across all wealth categories (measured by income and assets), with only a slight preference for the extremely food insecure. Communities proved to be very resistant to the idea of targeting, showing a reluctance to exclude any community members that has been reported from other African countries (Hoddinott 1999). In many communities, Starter Packs were evenly divided among all households, while in other cases 'elite capture' meant that most of these packs were diverted to the most powerful families.

Critics argue that Starter Packs achieved neither the objective of national food security nor more sustainable agriculture in Malawi. Barahona and Cromwell (2005) argue that the latter failure is due to: (1) funding being constantly renegotiated, leading to an inability to purchase quality seed in advance; (2) fertiliser and seed that are inappropriate to local cropping patterns; (3) the failure to reach a 'critical mass'; and (4) the short-term nature of the intervention. Garforth (2005) and Ashley *et al.* (2001) also highlight problems of implementation, particularly in communicating the

relevant agricultural extension messages. One further objection to Starter Packs is that they could crowd out private supplies of inputs and inhibited market development. For this reason, the World Bank and other agencies consistently resisted free inputs distribution in Malawi. Nyirongo (2005) argues that this is not the case for fertiliser, since similar proportions of Starter Pack beneficiaries and non-beneficiaries bought fertiliser in each year, and is only partially the case for seeds, which were purchased by 15% of beneficiaries but 24% of non-beneficiaries in 2003. Though farmers do recognise the need to address declining soil fertility (van Donge 2005), few households buy inputs because: (1) the end of subsidies raised the cost of fertiliser to 3 times that of neighbouring landlocked countries; (2) fertiliser is only available in 50kg bags, which are too large; (3) almost no smallholders have access to credit for inputs; and (4) seeds are often unavailable.

Nevertheless, Levy (2005c) argues that Starter Packs implemented on a universal scale (at an estimated fixed cost of US\$ 20m for 2.8 million households) can have a significant impact, and compares very favourably in terms of cost and macro-economic effects with other food security measures. 80% of the cost of (untargeted) Starter Packs goes to beneficiaries in the form of inputs. Equivalent imports would cost US\$ 70-100m per year and create inflationary pressure through exchange rate depreciation (which was 66% in the period between August 2001 and August 2003). Targeted food aid would cost US\$100m per year; general fertiliser subsidies would cost US\$ 20m but are not guaranteed to benefit the poorest; and safety nets providing MK 2,000 per month to 30% of households for 5 months would cost US\$ 107m. Levy concludes that the Starter Pack is both a lower risk and more cost-effective strategy.

There remains the problem, however, that without targeting, Starter Packs benefit only those with sufficient land and labour to maximise the potential of the pack. An evaluation of the 1998/99 (universal) scheme found that households that were wealthier, had more land and more members received more packs, and that these households tended to produce higher outputs and yields (Longley *et al.* 1999). The same evaluation concluded that for those households without sufficient land and labour, an “alternative form of safety net” was needed. Interestingly, only 20% of farmers interviewed reported that they would pay the actual cost (MK 450) for a Starter Pack (Longley *et al.* 1999). Moreover, when 1,000 ‘flexi-vouchers’ were offered that could be redeemed either for the Starter Pack or for goods worth MK 450 (the same cost as a Starter Pack), 56% of these vouchers were redeemed for goods. Both these findings suggest that Starter Packs did not address the priority needs of poor farmers in Malawi (Harnett and Cromwell 2000).

Seeds-and-tools programmes are less popular in Malawi than in other African countries. In 2003, however, Concern Worldwide ran a seed exchange programme, using a revolving credit system, in four districts of Malawi, and also established 4,000 village grain banks (Kambewa 2005). A summary of evaluations of seeds-and-tools programmes concluded that seed distribution projects “have fewer positive impacts than anticipated [and] can actually decrease seed system stability and varietal diversity, while bringing with them a set of unintended negative impacts on the social and political economy of recipient communities” (Longley and Sperling 2002). For example, a review of ‘seed aid’ programmes by Sperling *et al.* (2004) found evidence that repeated deliveries of free seeds in contexts of chronic stress distorts farmers’ own seed procurement strategies (including in the case of Malawi’s Starter Pack programme), undermines the functioning of local seed and grain markets (e.g. in Burundi) and compromises the development of commercial seed supply systems (e.g. in Zimbabwe). In contexts where maize is an important commercial crop and commercial maize is dominant in the seed market, as in Malawi, free seed systems inevitably interfere with commercial maize and seed markets.

Several studies reach similar conclusions: (1) that the free distribution of agricultural inputs – seeds, tools, fertiliser – share an assumption that these inputs are unavailable on local markets, which is often not true; (2) that local inputs markets should be supported, not undermined; (3) that seed vouchers and fairs may be more effective in stimulating local markets; (4) that if constrained access to inputs is caused by ‘unaffordability’ then the real problem is poverty, not unavailability of inputs, so poverty is the underlying problem that should be addressed (Sperling *et al.* 2004; Longley 2004). Vouchers or cash transfers could improve access to inputs and stimulate the market, which is preferable to undermining the private sector with free inputs distribution.

2.2. FERTILISER SUBSIDIES

The arguments for subsidising fertiliser are analogous to those for distributing fertilisers for free. Boosting production enhances household and national food security, in economies dominated by smallholder agriculture. Where markets are weak and poverty is widespread, subsidising inputs increases their uptake, raising yields and reducing the need for food aid. Under the Banda regime in Malawi, a general fertiliser subsidy was one component in a set of policies designed to ensure maize production self-sufficiency among the smallholder sub-sector, and to maximise foreign exchange earnings from cash crop exports by the estate sub-sector. In the 1980s, however, the fertiliser subsidy was declared fiscally unsustainable by the international financial institutions, and was phased out under structural adjustment conditionalities by the mid-1990s. Another argument against fertiliser subsidies in Malawi is that they are regressive, being captured disproportionately by wealthier farmers – even Starter Packs targeted at the poor were sold to the estates or across the border into Zambia, where prices are higher. This implies that removing fertiliser subsidies had relatively little impact on the poor, and the reality of Malawi's 'porous borders' means that the income transfer effects of any general price subsidy are unlikely to be retained within the country.

Crawford *et al.* (2005) identify three arguments in favour of fertiliser subsidies: (1) increased agricultural output and incomes; (2) economic benefits by kick-starting innovation or correcting for market failures; and (3) non-economic benefits such as food security, social protection, and the restoration of soil fertility. This last argument is endorsed by Sachs (2003), who argues that fertiliser subsidies are cheaper than food aid (though this assumes that subsidies are pro-poor). In the context of Malawi, the first and second arguments are disputed by Govindan and Babu (2001), whose modelling exercise finds that the removal of the 25% fertiliser price subsidy led to only a 1% reduction in aggregate maize output, and a 5% and 7% reduction in demand for labour and fertiliser respectively. Earlier, Sahn and Arulpragasam (1991) had found that implementation of the Fertiliser Subsidy Removal Programme (which commenced in 1987) was associated with increased fertiliser prices but also an increase in fertiliser uptake by smallholders, suggesting that the major constraint on fertiliser uptake in Malawi is not its price, but its availability on the market.

This evidence is disputed by other studies, and by agencies that believe the abolition of fertiliser subsidies and the collapse of smallholder agricultural credit schemes resulted in a decline in fertiliser utilisation, and hence in maize yields, in Malawi's smallholder sub-sector. Peters (1999) finds that fertiliser price increases resulted in smallholders applying less fertiliser than they used to (and would like to) apply. Together with several devaluations of the Malawi Kwacha – by 62% in 1998 alone – the average price of a bag of Urea increased by over 400%, from MK 400 to MK 1,700 per bag, between 1997 and 2003. In a PRA survey conducted in 12 villages across Malawi in 1998, constrained access to agricultural inputs, especially chemical fertilisers, was mentioned as one of the gravest problems faced by farmers (Devereux 1999). The Starter Pack was one response to this market failure, but free distribution of inputs was, as noted above, controversial and unpopular with many of the Government of Malawi's development partners.

Another non-market method of transferring agricultural inputs to poor farmers is inputs-for-work projects. Instead of distributing inputs for free, inputs-for-work makes access to fertiliser and seeds conditional on meeting a work requirement. In 2001, an NGO (Emmanuel International) implemented a pilot inputs-for-work project in two districts of Malawi. Rural access roads were constructed by a total of 20,000 participants, who were paid with inputs (50kg of urea and 10kg of hybrid maize seed) rather than cash wages or food rations. These inputs were enough to produce an extra 450kg of maize, or five months staple food consumption for an average family. Inputs were transferred either directly or in the form of vouchers redeemable at local stores. To minimise 'exclusion errors' due to the inability of labour-constrained individuals (such as the elderly or chronically ill) to provide heavy manual labour, up to 5% of beneficiaries in each community were 'seriously disadvantaged people', who were identified by community members to receive fertiliser and seed without having to work. According to one evaluation, payment with inputs was more popular with project participants than payment in food or cash. The total cost of the project was US\$ 744,900, while the estimated benefits for the 20,000 beneficiaries included the construction of 250km of roads, and production of 9,000 tonnes of maize, worth US\$ 1.8 million (Carr 2002).

2.3. PUBLIC WORKS PROGRAMMES

Public works programmes refer to “activities which entail the payment of a wage in return for the provision of labour, in order to (i) enhance employment and (ii) produce an asset, with the overall objective of promoting social protection” (SALDRU 2005). Public works are popular with policy-makers because they offer the potential of simultaneously creating useful assets and transferring food or income to the poor, while being self-targeting, avoiding dependency and minimising ‘leakages’ to the non-poor, because of the work requirement. In Malawi a wide range of public works programmes – food-for-work, cash-for-work, and inputs-for-work – have been implemented by the government, donors and NGOs since the early 1990s, with the objective of providing an employment-based safety net for households facing chronic or transitory food shortage. In terms of social protection objectives, well-timed public works employment can smooth incomes and consumption in contexts where seasonal under-employment is a severe constraint on livelihoods. Recent public works activities in Malawi include (Kambewa 2005):

- **Food-for-work:** Following the food crises of 2001-03, the Joint Emergency Food Assistance Programme II (JEFAP II) and the Consortium for Southern Africa Food Security Emergency Programme (C-SAFE) implemented road rehabilitation projects, cassava planting for hunger mitigation, reforestation, fishpond construction and manure production, with support from the World Food Programme (WFP) and USAID’s Food for Peace Programme.
- **Cash-for-work:** Under a European Union-funded Public Works Programme, the Government of Malawi implements labour-intensive food security projects, construction and rehabilitation of rural feeder roads and transport infrastructure, and planting of community woodlots. Under the Malawi Social Action Fund (MASAF) Public Works Programme, various cash-for-work projects are implemented through Local Authority Managed Projects (LAMPs), including: ‘Improvement of Livelihood through Public Works Programmes’ (funded by DFID), the ‘Emergency Drought Relief Programme’, and ‘Relief Cash for Works Programme’ (funded by the Government of Malawi). Most activities are in road rehabilitation (±80% of projects), followed by afforestation, water (flood control) and agriculture. In 2003/4, almost 95,000 workers – equal numbers of men and women – were employed on MASAF cash-for-work projects.
- **Inputs-for-work:** Small-scale activities have been initiated in Malawi, most recently a project called ‘Sustaining Productive Livelihoods Through Income for Assets’ (SUPLIFA), funded by DFID, on which workers received 50kg of urea and 10kg of maize seed after 20 days of work.

Public works often have gender equity objectives. MASAF public works projects operate in food deficit rural areas of Malawi, and target women and female-headed households, “since female-headed households make up a disproportionate share of the poorest” (MASAF 1996: 16). On its food-for-work projects WFP purposely selects projects that either attract a large proportion of women workers or create assets that benefit women directly – such as community woodlots and water-points that reduce women’s firewood and water collection time (Cammack 1996). Critics have questioned the implications for women’s workloads of requiring them to undertake heavy manual labour, and note that this also excludes several highly vulnerable groups – orphans, the elderly, PLWHA. Other forms of social protection are needed for the labour-constrained poor.

Expanded public works programmes were advocated by the World Bank – which led the design team – as the main platform of Malawi’s National Safety Net Programme (NSNP) in 1999: “some form of labour-intensive public works program is the most likely solution, perhaps supplemented by limited feeding or cash transfer schemes for those unable to work” (Smith 1999: 6). However, concerns were raised about whether public works could be scaled up to the extent envisaged, especially in terms of the administrative and management capacities required (Gsanger 2000).

Unfortunately, there is little cross-country evidence that public works projects can produce high quality, useful, pro-poor and durable assets that contribute to sustainable poverty reduction. Few evaluations have attempted to quantify the economic returns to assets created by public works, but McCord (2005) maintains that the value of public works assets intended to promote economic growth in Malawi “is less apparent” than the value of assets created in response to specific

environmental threats, as in Bangladesh. It is widely accepted that community involvement in project design is crucial to the identification of assets that are appropriate and need community priorities, but 'elite capture' is always a danger, while genuine participatory processes raise programme costs and timeframes in situations where time is often a constraint.

Moreover, McCord (2005) finds that in the Malawian context of chronic poverty and seasonal under-employment, public works programmes are "a serious mismatch between problem and policy response". In particular, setting public works wages below the minimum wage – or below the *ganyu* daily rate, in Malawi's case – to encourage self-targeting is unlikely to have a positive impact on poverty (McCord 2004). Because of the time commitment and heavy manual labour involved, public works employment has significant opportunity costs – Lipton (1988) estimates 20-30% in terms of lost income in South Asian programmes, and Maxwell (1993) estimates a direct participation cost of 1,000 calories per day. These costs reduce the net value of income earned on public works programmes. In Botswana, where workers on the rural labour-based roads programme earned just 50% of the minimum wage, this low payment "contributed to the marginalisation and social exclusion of those employed" (Mayer and Kayira 1997). In Malawi, the low wages paid on MASAF's public works caused workers to leave the project (MASAF 2004).

The level and mode of payment are problematic issues in the design of public works projects. While low payment levels are stigmatising and have limited impact on poverty and food insecurity, higher wages or rations reduce targeting accuracy by attracting the non-poor (Subbarao *et al.* 1996). Where a food surplus is available, payment in cash is preferable to food because it is cheaper to administer – 40% cheaper on public works in Ethiopia – and has multiplier effects on the local economy (Devereux 2002), but in areas of food shortage a combination may be optimal for social protection outcomes (SALDRU 2005). In Malawi, a survey of public works participants found that their payment preferences varied by season, gender, and location. Payment was preferred in cash around harvest time, in agricultural inputs (fertiliser and seeds) around planting time, and in maize during the hungry season (Zgova *et al.* 1998). Women and households living far from markets generally favoured food rations, while men and households near urban centres generally preferred cash wages.

In a comparison of the cost-effectiveness of alternative social protection interventions in Malawi, Smith (2001) calculated a unit cost of 13.9 Kwacha to transfer 1 Kwacha to the poorest through MASAF public works projects – significantly more than the 1.73 Kwacha required to transfer 1 Kwacha in the form of cash transfers. On the other hand, Haddad and Adato (2001) found that 4.31 Rands were required to transfer 1 Rand to the poor on public works projects in South Africa (including the indirect benefits of assets); compared to 6.58 Rand for untargeted cash transfers. Bloom *et al.* (2005) find that 48.6% of the US\$ 12.8m disbursed by MASAF between 1996 and 2001 went on unskilled wages. Subbarao *et al.* (1997) concur that a low proportion of public works budgets is typically spent on wages (30-60%), "with the rest being consumed in material and management costs," a consideration that leads the World Bank (2001) to conclude that "workfare programmes are not necessarily an inexpensive way of delivering benefits to poor people". SALDRU (2005) makes a similar point, emphasising the high cost of transferring income through public works (40-70%) relative to cash grants (10-40%), arguing that public works may be highly inefficient unless the assets created have a high socioeconomic value, and concluding that "there is not an evidence base in [southern Africa] which endorses public works as an effective social protection instrument."

2.4. SOCIAL FUNDS

Social Funds are agencies that finance small projects in several sectors, targeted to benefit a country's poor and vulnerable groups passed on a participatory manner of demand generated by local groups and screened against a set of eligibility criteria (Jorgensen and van Domelen 1999). Social Funds such as the Malawi Social Action Fund (MASAF) support the overarching goal of poverty reduction by implementing community projects in three areas: broad-based economic growth, investment in human capital, and social safety nets for vulnerable groups. Malawi's Social Action Fund (MASAF) was set up in July 1995, as one component of the then recently elected

UDF government's 'Poverty Alleviation Programme', with financing from the World Bank (US\$ 56 million in its first five-year phase). MASAF had four elements – public works projects, investment in village-level infrastructure, community empowerment, and poverty monitoring (MASAF 1996).

Although Social Funds are demand-led and participatory in theory, the evidence on this is mixed. Van Domelen (2002) concludes that in general the activities financed by Social Funds are usually among the community's top priorities, and the World Bank (2002a) finds that people are generally satisfied with projects. However, another review of the literature concluded that only a minority of Social Funds are demand-led in practice, that the technical requirements of a demand-driven process may create a bias against the most disadvantaged communities, and that intermediaries rarely act disinterestedly (de Haan *et al.* 2002). Bloom *et al.* (2005) note that traditional leaders play a very influential role in MASAF activities. Carvalho *et al.* (2002) point out that applications for project funding have to be made by educated persons of social standing in the community, which inevitably biases the selection of projects and who benefits within the community. White (2002) questions the extent of participation in Social Funds, noting that: "typically, almost everyone is involved in making a community contribution, but far fewer people are active in identification and fewer still in project management", and that some groups, particularly women, may be excluded.

Dulani (2003) finds evidence for these concerns in an assessment of three MASAF projects in Malawi, noting that communities played very limited roles in needs assessment, project selection, planning or monitoring and evaluation. Where community members were involved, local elites dominated who did not necessarily represent the interests or priorities of the majority. Community members were mostly involved in implementation, but in one case where the project addressed a non-priority need, "participation imposed a significant cost to the poorest of the poor." Bloom *et al.* (2005) reach similar conclusions in their broader assessment of MASAF, which reports that active and participatory community involvement in MASAF projects was limited.

Partly because of the risk of elite capture, Social Funds are often criticised for not targeting the poor. Van Domelen (2002) argues that criticism of Social Fund targeting is not supported by data, and presents evidence from Social Funds in six countries showing that they can reach the poor and do often reach the poorest. However, de Haan *et al.* (2002) points out that since targeting methods vary across Social Funds, so does their targeting accuracy. White (2002) finds that Type II (inclusion) targeting errors are large – ranging from 29-45% in poverty-oriented projects – but argues that this is inevitable (and not undesirable) for infrastructure projects such as school buildings that benefit entire communities. District targeting, however, may be more problematic. In the case of Malawi, Bloom *et al.* (2005) find little evidence of leakage to the better off, but equally little evidence of efforts to target the poorest and most vulnerable in MASAF projects.

The welfare impacts of Social Funds are unclear. While there have been successes in creating and using facilities, and there is some evidence of increased primary enrolment and immunisation coverage, and decreased mortality as a result of Social Funds, World Bank (2002a and 2002b) data show several cases of insignificant or even negative impact, leading White (2002) to suggest that complementarity programmes are essential. Tendler (2000) is more sceptical, arguing that Social Funds have negligible impact on poverty. Bloom *et al.* (2005) find evidence of direct and sustainable benefits of MASAF to the poor. MASAF public works projects reportedly improved the quality of life for 71% of their 721,155 workers, and MASAF funded the construction of a quarter of all classrooms in Malawi between 1994 and 2001, all of which remained in use by 2005.

Concerns are often raised about the maintenance and sustainability of assets and infrastructure created under Social Funds, especially where recurrent costs must be covered after the project is completed (White 2002). In Malawi, Bloom *et al.* (2005) report that, out of 200,000 boreholes constructed by MASAF, only half of those linked to schools and two-thirds of stand-alone boreholes still provide a good supply of drinking water. Finally, since Social Funds are usually institutionally separate from government, there are concerns that their parallel activities might undermine government institutions (de Haan *et al.* 2002). Tensions between MASAF and the Ministry of Health resulted in MASAF ceasing all funding of health projects (Bloom *et al.* 2005).

CHAPTER 3. DIRECT WELFARE TRANSFERS

Direct welfare transfers can take the form of food or cash transfers to poor and vulnerable people. This chapter considers two types of food transfers (food aid or supplementary feeding, and school feeding or food-for-education), and two types of cash transfers (conditional and unconditional).

3.1. FOOD AID

Food aid is most often thought of as a response to humanitarian emergencies, to alleviate hunger and prevent starvation. Apart from relief food aid, however, there is also programme food aid and project food aid (public works, school feeding, supplementary feeding), which have a role in social protection and, arguably, in poverty reduction. Since public works projects have been discussed elsewhere in this report, this section briefly reviews emergency relief and supplementary feeding programmes in Malawi, after a broader discussion of the case for and against food aid.

Several arguments are made in support of food aid. Apart from saving lives during emergencies, food aid can help to address vulnerability. Dercon and Krishnan (2000) and Quisumbing (2004) find that food aid is effective in reducing household vulnerability in Ethiopia, and Hoddinott *et al.* (2003) note the importance of food aid in smoothing consumption and protecting assets among households facing food stress. Recently, food transfers have been advocated as providing both economic and nutritional support to people living with HIV and AIDS (PLWHA) (WFP 2005). In the Malawi context, linking food aid to HIV/AIDS is motivated by three facts: that HIV is a fundamental cause of the Southern African food crisis, that malnutrition can increase susceptibility to HIV and AIDS, and that HIV and AIDS exacerbate food security and malnutrition (Kadiyala and Gillespie 2003; UN 2003). One more general point often made in favour of food aid is that it can achieve improved nutrition better than cash because more food is consumed for equivalent values of transfer (Edirisinghe 1998), which may partly be a consequence of women controlling food in the household (Haddad *et al.* 1997).

Critics of non-emergency food aid argue that it is unlikely to eliminate chronic food insecurity or to reduce poverty without complementary interventions, and that developmental food aid is less effective and less efficient than other transfers (Barrett and Maxwell 2005; ODI 2000; Clay *et al.* 1998a, 1998b; Holt 1998). One limitation of food transfers is their high transaction costs. Barrett and Maxwell (2005) estimate that more than half (53%) the value of US food aid in 2000 was spent on shipping and handling costs. Clay *et al.* (1998b) claim that whenever it is systematically analysed, financial aid is more cost-effective than food aid. Both reviews conclude that food is preferable to cash transfers only where local markets are functioning extremely poorly and inelastic food supply means that cash injections would merely inflate commodity prices and harm the poorest (Barrett and Maxwell 2005; Clay *et al.* 1998).

Interestingly, popular perceptions that food aid causes disincentives and dependency have been challenged by recent empirical studies. A regression analysis of food aid in Ethiopia finds that disincentive effects are insignificant among the poor but increase with household wealth, which suggests that most observed disincentives are the result of mis-targeting wealthier households (Dayton-Johnson and Hoddinott 2004). Barrett and Maxwell's (2005) review of food aid concludes that: (1) food aid rarely induces dependency because the amounts transferred are usually small; (2) the evidence of food crowding out other transfers is mixed; (3) well-targeted and well-timed food aid has minimal negative price effects in local markets, because it reaches households who are already priced out of the market; but (4) food aid can affect local production, labour markets and consumption patterns; so (5) food aid should be locally sourced wherever possible.

Food aid has a long history in Malawi, though until recently project food aid (mainly public works and supplementary feeding) was more common than emergency relief. An evaluation of food aid to Malawi in the 1990s concluded that supplementary feeding programmes implemented by WFP, UNICEF and NGOs had achieved little in over 20 years, either to reduce levels of undernutrition or to address the underlying causes of food insecurity (FSG 1994). Although their humanitarian

value was clear, widespread chronic and seasonal undernutrition persisted, and household food insecurity appeared to be worsening rather than improving from year to year. As a result of this finding, WFP decided to phase out its supplementary feeding in Malawi, and to restrict its food aid interventions to emergency and 'developmental' interventions. In 1996, however, supplementary feeding continued, reaching 150,000 beneficiaries (pregnant women, malnourished infants, street children, destitutes), through Nutrition Rehabilitation Units, Mother and Child Health Centres, and Community-Based Supplementary Feeding (Brown *et al.* 1996).

Following the 2001/02 food crisis, the Joint Emergency Food Aid Programme (JEFAP) distributed 240,00 MT of food to over three million Malawians between July 2002 and June 2003, in the form of general food distribution (2.9 million beneficiaries each month), therapeutic and supplementary feeding, and school feeding. Available evidence suggests that the general food distribution was weakly targeted on the poorest and most drought-affected households, but fairly well targeted by observable indicators of vulnerability such as households with orphans or chronically ill members and female-headed households (Sharma 2005b). Impacts of food distribution were limited by the low levels of participation (only 38% of rural households), infrequent rather than monthly receipt of food, and transfers of less than full rations. In terms of food consumption levels and adoption of coping strategies like selling assets, no statistically significant differences in outcomes were recorded between food aid beneficiaries and non-beneficiaries (Sharma 2005a).

In 2005/6, supplementary feeding programmes are as widespread in Malawi as ever. WFP is implementing a project entitled 'Support to HIV/AIDS Affected and Infected People', which aims to maintain minimum nutritional standards of 45,700 households living with HIV/AIDS (PLWHAs), with transfers of maize-meal, pulses, vegetable oil and corn-soy blend. Following the 2001/2 food crisis, several international NGOs, including GOAL and CRS, implemented 'Targeted Nutrition Programs' under the Joint Emergency Food Assistance Programme II (JEFAP). In non-crisis years, instead of a general food distribution food is distributed to households with chronically ill members, orphans, female-headed and elderly-headed households. In 2003/4 the Ministry of Health's supplementary and therapeutic feeding programme reached 38,000 beneficiaries – malnourished children, pregnant and lactating mothers, and orphan carers – with food provided by USAID's C-SAFE3 programme (Kambewa 2005).

3.2. SCHOOL FEEDING PROGRAMMES

School feeding programmes (SFP) provide meals to children at school, as distinct from 'food-for-education' (FFE), which gives children dry rations (e.g. a bag of wheat or rice) to take home for the family. The primary objective of school feeding is to increase enrolment and attendance rates, while food-for-education aims to enhance household food security. When school feeding was originally introduced, it had explicit nutritional objectives, but the World Food Programme (WFP) no longer argues for school feeding as a nutritional programme, but instead as an intervention to support education.

The reason for this shift in programme objectives is that the evidence for nutritional benefits of school is weak (Calde and Ahmed 2004). A comprehensive review of food aid by Clay (1997) found that food-based interventions in non-emergency contexts generally have little impact on nutritional status, morbidity, or mortality levels. Some empirical studies have found an increase in children's food intake through school feeding and food-for-education (Jacoby *et al.* 1997), either because a school meal is additional food and 'sticks' to the child – Jacoby (1997) labels this the "flypaper effect" – or because take-home rations effectively increase real household income (Babu and Hallam 1989). However, in many cases school meals simply substitute for meals at home, so there is no net increment in children's food consumption. Also, the nutritional impact of food-for-education on vulnerable family members is unclear, because the allocation of food rations is determined by intra-household decision-making power (Ahmed and del Ninno 2001).

Some studies conclude that the nutritional benefits of school feeding and food-for-education are greater during food crises or other episodes of vulnerability than in normal times. Grantham-McGregor *et al.* (1991) found that undernourished (stunted and wasted) children benefit more

than others from school meals. OVC and Education (2002) concludes that the income transfer effect of school feeding programmes can act as a substantial safety net for vulnerable groups, particularly during the 'hungry' season just prior to the harvest, when food insecurity in poor rural households is at its height.

Although the evidence for nutritional benefits of school feeding and food-for-education is limited and ambiguous, the evidence for positive educational impacts is strong. Among numerous examples of improved school enrolment and attendance are the following:

- increased attendance in schools in Jamaica (Powell and Grantham-McGregor 1983);
- reduced drop-out rates in Uttar Pradesh (Agarwal 1987);
- increased enrolment, more regular attendance, fewer repeaters and reduced drop-out rates in disadvantaged provinces of Burkina Faso (Moore and Kunze 1994).
- in Bangladesh, food-for-education reduced the gender gap in schools – female primary enrolment increased by 44% and male enrolment by 28% (Ahmed and del Ninno 2002);
- the impressive gender effects of school feeding in Côte d'Ivoire elicited government support to reduce early marriages and teenage pregnancies (Odaga and Heneveld 1995).

School feeding and food-for-education are often introduced with explicit gender equity objectives, such as narrowing the gender gap in schools, providing incentives for girls to pursue secondary education, or retaining girls in school during emergencies. Moussa (2002) presents evidence that gender incentives are very effective during emergencies: a WFP school feeding programme that targeted girls during a drought in Pakistan increased female attendance by 76%. Levinger (1986) argues that gender effects are strong in cultures where girls are fed least and last. Kadiyala and Gillespie (2003) argued that food-for-education for AIDS-affected families is an effective incentive to attract children to school rather than doing domestic chores or foraging. However, Bennett (2003) points out that there is often a plateau (usually of income) beyond which school feeding or food-for-education cannot be effective; UNICEF found this level to be 10% in Bangladesh.

Beyond increased enrolment and attendance, some studies find evidence for positive effects of school feeding on learners' performance and cognitive development. Hungry children are less able to concentrate in class, and perform less well in exams. Providing meals at school has been claimed to improve learning outcomes in controlled studies in Jamaica (Powell and Grantham-McGregor 1983; Chandler *et al.* 1995) and Peru (Jacoby *et al.* 1997), and non-controlled studies in Burkina Faso (Moore and Kunze 1994) and Benin (WFP 2001). However, Lopez *et al.* (1993) find no association between school feeding and learners' performance in Chile. Bennett (2003) concludes that the evidence on improved learning outcomes is generally weak, and that cheaper options for stimulating demand for education, such as waiving school fees, might be preferable, since school feeding programmes are "by far the most expensive nutrition interventions". In Malawi and Uganda, fee-free primary education has already been introduced, in both cases substantially boosting school enrolment (from 1.8 to 3.2 million children in the case of Malawi).

Malawi's experience with school feeding dates back to the early 1990s. In 1996, a pilot school feeding project in Malawi, implemented by WFP, led to 5% increases in enrolment and 36% increases in attendance (WFP 1996). Enrolment in one school rose by 26% in one month – from 1,293 in February to 1,631 in March – following the introduction of free school meals. Dil (1996) found that not all of this incremental enrolment was new students, but students 'migrating' from other schools where no school meals were provided: this migration "was significant and led to disorder and disruption of classes". Dil (1996) also concluded that the main problem with school feeding in Malawi was exclusion errors: the poorest families either do not send their children to school (because of the direct and indirect costs of education) or withdraw them during hard times (because they are needed to work for food), and many poor households do not have school-aged children (such as elderly widows without support). It is of course possible that school meals could induce some poor families to enrol their children and to retain them in school in difficult times, and this is in fact one of the strongest claims made by proponents of school feeding programmes.

3.3. UNCONDITIONAL CASH TRANSFERS

Unconditional cash transfers have been defined as “unconditional transfers of cash made by government or non-governmental organisations to individuals or households identified as highly vulnerable, with the objective of alleviating poverty, providing social protection, or reducing economic vulnerability” (Devereux *et al.* 2005). Included in this category are social pensions to the elderly, disability grants, child support grants, and a number of pilot cash transfer schemes – such as the Kalomo Pilot Social Cash Transfer project (2004) in Zambia – which are currently being considered for potential adoption in Malawi. Unconditional cash transfers are gaining in popularity, especially in Africa where social security systems are undeveloped. Cash transfers are seen as a preferable alternative to food aid, because they are cheaper to administer and avoid the risks associated with in-kind transfers (such as dependency and disincentives); they are less paternalistic because they enable individual choice; and they contribute to pro-poor growth by being invested as well as consumed, and generating multiplier effects (Schubert *et al.* 2005).

The poverty impact of unconditional cash transfers depends primarily on the size of the transfer. Generous transfers can reduce poverty significantly. In the case of social pensions for elderly South Africans, Case and Deaton (1998) find that the ‘dollar a day’ poverty headcount has been reduced by 12.5% by the social pension scheme, which transfers US\$3/day to men over 65 and women over 60. Samson *et al.* (2002) reports that although most of the poor in South Africa live in households that do not receive social welfare transfers, and most of those who do remain poor, social pensions and other unconditional cash transfers have reduced the average poverty gap by 23%. Barrientos and Lloyd-Sherlock (2002) report similar findings for Brazil and Argentina. In other African countries that have non-contributory social pension schemes – Botswana, Lesotho, Mauritius, Namibia – the poverty reduction effect is less because the value of the transfer is less.

Although it is often claimed that Malawi cannot afford a non-contributory social pension scheme, Lesotho’s decision to introduce a social pension in 2004 (with no donor support) proves that it is feasible even in very poor countries. The case for social pensions is based on evidence that poverty is disproportionately concentrated among the elderly (Barrientos and Lloyd-Sherlock 2002; Camarano 2002), but in recent years this has been strengthened by evidence that older people are assuming much of the burden of caring for orphans and vulnerable children (OVC), especially in countries like Malawi and Uganda, where the prevalence of HIV/AIDS is high and numbers of AIDS orphans and elderly-headed households are rising (Ntozi and Nakayiwa 1999).

Malawi’s experience with unconditional cash transfers to date is limited, mainly to a project called the Dedza Safety Net Pilot Project, implemented by Concern Universal in 2001/2. Three types of transfers were distributed to beneficiaries in 54 randomly selected villages: (1) Cash (MK550 per household per month); (2) Vouchers (to buy goods at selected retailers, worth MK550 per month); (3) Commodities (a package of goods – blankets, plates, a cooking pot, bucket, and soap – worth MK2,750, followed by maize-flour worth MK550 per month).

An evaluation found that the cash and commodity transfers were relatively simple and cheap to administer, with over 60% of the project budget being transferred directly to beneficiaries. The main concern with cash transfers was that their value in commodity terms varied from month to month as commodity prices rose and fell. The problem this introduces is that the purchasing power of cash is lowest when food prices are highest – between January and March each year – and hunger is at its worst. Also because of price seasonality, the amount of maize transferred in-kind was cut from 20kg to 15kg during the hungry season months, when maize prices peaked.

Vouchers proved more expensive and complex to administer, and were less effective. Higher overhead costs and commission payments to retailers reduced the proportion of project budget transferred to beneficiaries to 56%. Beneficiaries also complained that stores did not stock the commodities they wanted to purchase (e.g. orphans could not buy the school uniforms they needed), or that retailers abused the voucher scheme by inflating their prices. The evaluation team recommended avoiding vouchers, in favour of “a combination of in-kind transfers (maize flour only) and cash to provide other foods and basic needs” (Reading 2002: 63).

3.4. CONDITIONAL CASH TRANSFERS

Conditional cash transfers are very popular in Latin America, but are relatively untested in Africa. Nonetheless, they are worth considering as a potential social protection instrument for Malawi in the future. The thinking behind conditional cash transfers is that more than one objective can be achieved through a social protection programme that transfers resources to the poor and also provides an incentive to adjust the behaviour of beneficiaries, in a way that is believed to be in their own best interests as well as socially desirable (de Janvry and Sadoulet 2004). The most common form of conditionality is to require beneficiaries to send their children to school or a clinic, in an attempt to improve education and health outcomes in poor households. Together with the cash transfer itself, these interventions aim to achieve both immediate safety net priorities as well as long-term poverty reduction objectives.

The best-known conditional cash transfer programme is *Progresa* in Mexico, a model that has inspired a number of similar programmes elsewhere in Latin America, such as *Bolsa Escola* in Brazil. *Progresa* (now *Oportunidades*) aimed to prevent the inter-generational transfer of poverty, through changing incentives for schooling, healthcare, and attention to nutrition. Many conditional cash transfers – including *Progresa* and *Bolsa Escola* – have current as well as future poverty reduction as an objective. However, the effects of conditional cash transfers on poverty reduction are unclear. Nigenda and Gonzalez-Robledo (2005) find that *Oportunidades* had a significant poverty effect in Mexico, reducing the poverty gap for 30% of beneficiaries and reducing the severity of poverty by 45%, and that the Social Protection Network in Nicaragua supplemented per capita annual household expenditure by 18%. On the other hand, Bourguignon *et al.* (2003) estimate that although *Bolsa Escola* in Brazil is relatively well targeted, the small size of the transfer – at US\$15 per month for each child attending school – means that it will only reduce the incidence of poverty by just over 1%, and the Gini coefficient – a measure of income inequality – by just 0.5%. Britto (2005) concludes that the long-term impact of conditional cash transfers on poverty reduction is not proven, while the short-term impact varies by programme.

Positive impacts on education and health are much better documented than impacts on poverty. Coady and Parker (2001) estimate that demand-side interventions for schooling are 7.3 times more cost-effective than supply-side measures. Several evaluations find positive correlations between conditional cash transfers on the one hand and school enrolment, clinic attendance and nutrition outcomes on the other (Sedlacek *et al.*, 2000; Guerrero, 2001; Morley and Coady, 2003; Rawlings and Rubio, 2004). Coady (2003) found that *Progresa* increased school enrolments by 7-9%. Bourguignon *et al.* (2003) estimate that *Bolsa Escola* could lead to 40% of children aged 10-15 (and 60% among the poor) who are not in school to enrol, and that the proportion of children outside school would fall from 6% to 3.7%. Nigenda and Gonzalez-Robledo (2005) report that *Oportunidades* helped to reduce the number of rural and urban school dropouts in Mexico by 17% and 10% respectively since 1997.

De Janvry and Sadoulet (2004) argue, however, that closer calibration of *Progresa* would have led to significant efficiency gains, since primary enrolment was already 97%, but 36% of children who complete primary school fail to continue to secondary level. Sedlacek *et al.* (2005) argue that since there is a stronger negative correlation of child labour with progression through school, and quality of attainment through attendance than with enrolment, it is correct that conditional cash child labour and schooling is mixed, with indications that they are not mutually exclusive but may instead be complementary (Patrinos and Psacharopolous, 1997; Ravallion and Wodon, 2001). Bourguignon *et al.* (2003) estimate that one third of the extra children enrolling as a result of *Bolsa Escola* in Brazil would stay in work. Sadoulet *et al.* (2004) find, though, that *Progresa* compensates for the use of children as risk coping mechanisms, thereby having a positive impact on child labour.

Conditional cash transfers have also had positive impacts on health and nutrition (Coady 2003). Summarising several evaluations of *Oportunidades*, Nigenda and Gonzalez-Robledo (2005) report an increase in demand for health consultations, an 11% reduction in maternal mortality, and a 20% average reduction in the number of days that 16-49 year olds are ill, compared to a

control group of non-beneficiaries in the same communities. Other positive collateral effects of conditional cash transfers have been documented, including greater female participation in household decision-making where the transfers are given to women (Adato *et al.* 2000; Coady 2003), a multiplier effect on local economies, increased civil registration and access of the poor to financial services (Britto 2005), and increased investment (Coady 2004).

Some concerns about conditional cash transfers have been raised. Any cash transfer programme might lead to local price inflation, although Handa *et al.* (2001) found no evidence of this in the case of *Progresa*. In the Malawi context, much would depend on the scale of the programme, the size of individual transfers, and whether local markets are well functioning or not. It is also argued that public transfers might 'crowd out' private transfers, thus undermining informal social support systems (Coady 2004). Scott (1999) found that in *Progresa* there was a danger of abuse of power by *promotoras*, especially where they are also the service providers. Britto (2005) notes the difficulties of monitoring adherence to conditionalities, in cases where both the beneficiaries and the service providers have incentives to report compliance.

In the Latin American conditional cash transfer programmes, Bourguignon *et al.* (2002) caution that improved educational attainment might not necessarily translate into higher earnings in adult life, because this is mediated by various other factors, such as quality of schooling and conditions in the labour market. In the African context, Nigenda and Gonzalez-Robledo (2005) question the connection between health and education status and future employment potential. In this regard it must be emphasised that the adequate provision of good quality health and education services is a crucial complement to successful conditional cash transfers (Barrientos and de Jong 2004; Britto 2005). One reason why conditional cash transfers are less popular in Africa might be that the quality of education and health services is so poor that the benefits of requiring children to attend schools and clinics are limited at best, and negligible at worst. Those who argue that conditional cash transfers are paternalistic point out that there might be good reasons why parents choose not to make use of education and health services, even if they are provided free of charge.

Targeting conditional cash transfers also presents difficulties, with exclusion errors often being high because of the nature of their conditionalities. Britto (2005) notes that *Progresa* inadvertently excluded those communities without schools and clinics – which tend to be among the poorest communities in Mexico – and that *Bolsa Escola* excluded households in Brazil without school-age children, because eligibility for both these programmes require the use of education and health services.

In the case of Malawi, the problems with education and health services are more significant on the supply side – in terms of the numbers of schools and clinics in rural communities, as well as the quality of service provision (too few trained teachers, inadequate drugs, and so on) – than the demand side. The priority sequencing, therefore, should be to invest in improved service delivery, and only thereafter to boost demand for services through inducements such as conditional cash transfers. As an intermediate option, Devereux *et al.* (2005) recommend linking the delivery of cash transfers to the delivery of basic services – such as an immunisation drive, HIV and AIDS awareness, adult literacy or nutrition education – but on a voluntary rather than compulsory basis.

CHAPTER 4. SUMMARY AND CONCLUSIONS

Despite implementing an increasingly diverse range of safety net and social protection measures, levels of poverty and vulnerability in rural Malawi remain extremely high, and the risk of another humanitarian emergency on the scale of 2001/02 has scarcely receded, despite the efforts of the government, donors and NGOs. One reason for this is the uncoordinated and patchy nature of the social protection instruments in place in Malawi. The ideal of a comprehensive, effective and responsive social security system that protects vulnerable Malawians against livelihood shocks and life-cycle stages seems many decades away, and the patchwork of relief interventions, 'productivity-enhancing safety nets' and direct welfare transfers currently in place is inadequate to meet the full extent of Malawi's social protection needs. This paper has attempted to review the achievements and limitations of several of the main social protection instruments in Malawi, while also drawing on lessons from international experiences. This concluding chapter summarises the key findings.

4.1. PRODUCTIVITY-ENHANCING SAFETY NETS

Malawi's farmers face severely constrained access to agricultural inputs, especially fertilisers, both because of limited availability on the market and because of prices that are unaffordable for poor smallholders. Improving access to inputs has the potential to boost maize yields, narrow the food gap, stabilise food prices, and reduce the need for food imports and food aid distribution. So 'getting fertiliser to farmers' can be seen as a productivity-enhancing safety net, a pre-emptive measure that supports production in order to minimise the need for direct welfare transfers. The crux of the inputs debate is how best to improve access to inputs. Every conceivable approach has been tried in Malawi: from free handouts to fertiliser subsidies to subsidised input credit.

The economic rationale for both Starter Packs and subsidies is that subsidising food production in Malawi is up to five times more cost-effective than subsidising food consumption through food aid. This is demonstrably true, as is the substantial contribution that Starter Packs made to the national maize harvest: 16% at its peak in 1999/2000. Conversely, one of the most damaging consequences of scaling down the Starter Pack, from universal distribution to the Targeted Inputs Programme, was a rise in market dependence for food and a tenfold increase in maize prices.

The case against subsidised or free fertiliser and seeds is that this distorts markets, undermines the private sector, and is fiscally unsustainable. Given widespread rural poverty, erratic weather (which raises the risk of investing scarce household resources in farm inputs), the weakness of the Kwacha, and the consequent failure of the private sector to meet farmers' demand for inputs at affordable prices, these criticisms are questionable. Other concerns with free or subsidised inputs are: (1) universal subsidies are regressive and 'leak' to wealthier farmers, estates and neighbouring countries; (2) targeted inputs distribution is subject to targeting errors (inclusion and exclusion), politicisation and 'elite capture'; (3) a 'projectised' approach to inputs delivery is not an institutionalised solution. Nonetheless, unless and until effective ways can be found to support access to inputs through the market, there may be no alternative to subsidised access.

Public works programmes in Malawi have delivered food, income and agricultural inputs, as well as employment opportunities to under-employed households. Apart from transferring resources to the poor, public works projects also build or maintain assets such as physical infrastructure. On paper the achievements of public works in Malawi look impressive: hundreds of thousands of people have been employed, and numerous assets have been created (roads, water-points, woodlots, school buildings). Concerns about public works programmes relate to: (1) whether the assets created have economic value and are sustainable; (2) what level of payment is fair and poverty-reducing, while also self-targeting the poor; (3) whether workers should be paid with cash wages, food rations or agricultural inputs; (4) evidence suggesting that public works are not a cost-effective measure compared to other social protection instruments, such as unconditional cash transfers.

4.2. DIRECT WELFARE TRANSFERS

The case for food aid as an emergency response to humanitarian crises is less controversial than the use of food aid in non-emergency contexts, especially as a developmental tool. Malawi has less experience with relief food aid than famine-prone countries elsewhere in Africa. Evaluations of the humanitarian response to the crisis of 2001/02 suggest that food aid played a limited role in terms of either saving lives or protecting livelihoods. Food was delivered very late (after the crisis had peaked), coverage was incomplete (only 38% of rural households benefited from the general food distribution), and deliveries were erratic, with most beneficiaries receiving only a few rations, often less than their entitlement. Beneficiaries did not consume more food than non-beneficiaries, nor did they adopt fewer or less damaging coping strategies.

Non-emergency uses of food aid have increased in Malawi. This could be interpreted as a logical response to rising vulnerability and social protection needs; but the fact that vulnerability does not seem to be falling raises questions about the roles and objectives of project food aid. Despite an evaluation in 1994 concluding that supplementary feeding had failed to reduce food insecurity in Malawi, and WFP's resolution to phase out supplementary feeding in favour of 'developmental' uses of food aid, there are more supplementary feeding, therapeutic feeding and other targeted nutrition programmes than ever. Recently, food aid has been introduced as a social protection measure for people living with HIV and AIDS.

Concerns about food aid are wide-ranging. Food aid is more costly to deliver than cash transfers; transactions costs are high; imported food aid can undermine incentives for farmers and traders and distort markets. On the other hand, poorly targeted distribution of relatively small quantities of food aid has very little impact, either on household food security or on production and markets.

School feeding programmes are no longer advocated as a targeted nutrition intervention, but instead as a way of boosting school enrolment, attendance, and possibly learner performance, though the evidence for the latter is weak. Providing meals at school – or take-home rations in the case of food-for-education – can also retain children in school following livelihood shocks. School feeding in Malawi appears to have increased enrolment, though some of this increase may be due to learners switching to schools where meals are provided. However, it is debatable whether this is an appropriate and cost-effective way to promote education uptake in Malawi. The abolition of fees had a far bigger impact on enrolment; exclusion errors remain high; and concerns about the quality of education mean that attention to the supply-side may be more urgently needed.

Similar considerations might explain why conditional cash transfers, though popular throughout Latin America, are largely unknown in Africa. The principle behind conditional cash transfers is to link resource transfers to the poor with incentives to increase their utilisation of basic services, especially education and health. However, where the quality of these services is sub-standard and provision is inadequate, as in Malawi, the problems clearly lie more on the supply-side than the demand-side. Until these issues are addressed, the argument for introducing conditional cash transfers to Malawi will remain weak. As a compromise option, the delivery of unconditional cash transfers could be linked to the delivery of specific services: for instance, an immunisation drive might be held on the same day and in the same location as the delivery of a cash transfer.

Unconditional cash transfers have recently been advocated as a cost-effective mechanism for transferring resources to the poor in a way that avoids the problems associated with food aid, and supports markets and pro-poor growth through economic multiplier effects. The evidence base on impacts of cash transfer in Africa is limited but generally positive. While endorsing unconditional cash transfers as a social protection instrument for Malawi, three cautions should be mentioned: (1) the value of cash varies with commodity prices, so cash transfers protect the poor against food price seasonality less effectively than food transfers (or market-stabilising interventions); (2) experience from Malawi suggests that delivering cash transfers through a voucher mechanism are problematic; (3) institutionalisation is preferable to projectisation – government-administered child support grants, social pensions, and other formal programmes are more administratively and politically sustainable than donor-driven resource transfer projects implemented by NGOs.

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Annex 1. Vulnerabilities and Social Protection Responses

Direct welfare transfers

Sources of vulnerability	Affected groups	Social protection interventions	Objectives
Covariate livelihood shocks (e.g. drought or erratic rainfall) that cause transitory vulnerability by reducing access to food	<ul style="list-style-type: none"> • Small farming families with undiversified livelihoods • Rural service providers (e.g. barbers, small traders) whose livelihood depends on farmers 	Humanitarian relief: <ul style="list-style-type: none"> • General food distribution • Supplementary feeding • Emergency cash transfers • Public works projects 	Smooth consumption after a shock that threatens lives and exceeds the ability of affected households and communities to cope, by delivering free food, cash to buy food, or employment opportunities
Idiosyncratic livelihood shock (e.g. serious illness, or death of a breadwinner) or personal characteristic (e.g. severe disability) that causes chronic vulnerability by undermining household labour capacity	Chronically vulnerable people who are unable to work and who have inadequate family support, e.g.: <ul style="list-style-type: none"> • Older infirm people living alone • People with disabilities • Chronically ill people • Orphans 	Institutionalised social welfare or social assistance (unconditional transfers of cash, or other goods and services), including: <ul style="list-style-type: none"> • Social pensions • Disability grants • Orphan carer grants 	Provide adequate income, reliably and predictably, for a minimum subsistence to the labour-constrained poor and their dependents
Chronic or transitory poverty that results in adequate uptake of essential services, and/or child labour	Poor and vulnerable households who cannot afford to send their children to school or clinic, and/or withdraw children from school during crises, and/or send their children to work	<ul style="list-style-type: none"> • School feeding programmes • Conditional cash transfers • Fee waivers 	<ul style="list-style-type: none"> • Provide nutritional support to poor children and promote access to education • Provide income support to poor households and ensure their utilisation of education and health services • Offer free access to education and health services to all (e.g. Free Primary Education) or to targeted poor or marginalised groups

Productivity-enhancing safety nets

Sources of vulnerability	Affected groups	Social protection interventions	Objectives
Constrained access to agricultural inputs, due to poverty or market failures	Small farmers	<ul style="list-style-type: none"> Fertiliser subsidies Free inputs distribution ('Starter Packs') Inputs-for-work 	<ul style="list-style-type: none"> Transfer key productive inputs to asset-constrained farmers, either for free, at subsidised prices, or for work
Limited access to basic services (schools, clinics) and markets, due to inadequate transport and physical infrastructure	Remote rural communities (whose poverty and vulnerability are related to their isolation)	<ul style="list-style-type: none"> Public works programmes (food- or cash-for-work) Social funds (e.g. MASAF) 	<ul style="list-style-type: none"> Build roads and other physical assets that enhance individual and community access to services and markets

Market interventions

Sources of vulnerability	Affected groups	Social protection interventions	Objectives
Weak food markets: <ul style="list-style-type: none"> High food prices Seasonal food shortages Food supply shortages Food price volatility 	Poor market-dependent net food purchasers in rural and urban areas, including production-deficit farmers who are forced to sell their crops immediately after harvest at excessively low food prices and to buy food back at excessively high prices during the hungry season	<ul style="list-style-type: none"> Food price subsidies (universal or untargeted) Food vouchers (targeted) Grain reserve management Grain futures markets Food price banding Pan-seasonal pricing Pan-territorial pricing 	<ul style="list-style-type: none"> Enhance access to food by subsidising prices of staples Provide an entitlement to a basic food basket in the form of redeemable vouchers Stabilise food supplies by buying food after harvest and releasing it on the market in the hungry season Ensure access to adequate food imports at guaranteed prices by buying options or futures Control food price movements by setting a floor price for producers and a ceiling price for consumers, or by fixing prices across the year and in all parts of the country
Harvest failure due to erratic rainfall	<ul style="list-style-type: none"> Rainfed-dependent farmers 	<ul style="list-style-type: none"> Weather-based insurance 	Insure farmers against crop failure by compensating them if erratic rains reduce their harvests