



SOCIAL PROTECTION IN MALAWI

SUMMARY OF THE ASSESSMENT BASED NATIONAL DIALOGUE REPORT



KEY POINTS OF THE SOCIAL PROTECTION ASSESSMENT

- ⇒ Malawi has a fast growing and young population, high dependency ratios and widespread and deep poverty.
- ⇒ Unemployment stands at 21 percent and 27 percent of employees are underemployed.
- ⇒ With a GDP per capita of USD 274 in 2014, Malawi remains one of the poorest countries in the world.
- ⇒ Since 2013, economic growth has been volatile but prospects are rather favourable for the future.
- ⇒ Yet, the economy is highly vulnerable to exogenous factors, notably changes in terms of trade, weather conditions and volatile inflows of foreign aid.
- ⇒ For the medium to longer term, government is expected to continue to face a tight resource envelope.
- ⇒ While Malawi has experienced an expansion of many social protection programmes, coverage rates remain low.
- ⇒ Due to explosive population growth any modest reduction of the poverty headcount will be insufficient in reducing poverty levels. If current trends continue Malawi is expected to be home to 12 million poor people in 2030.
- ⇒ Programme design and limited coverage leave large groups of Malawians without adequate support social protection.
- ⇒ Social protection is often donor driven and government ownership is limited.
- ⇒ The social protection system falls short of the Social Protection Floor guarantees of health care access and income security over the life cycle.
- ⇒ The Social Cash Transfer (SCT) covers only a small part of households without labour capacity. The vast majority of (poor) children, disabled, chronically ill, and elderly live outside these households. Social protection provisions for working adults via Public Works Programmes are insufficient in terms of coverage, duration, and generosity.
- ⇒ High and stagnant poverty rates together with Malawi's demographic profile, in particular the high dependency ratios and the explosive population growth, call for an increased investment in social protection systems, which have internationally shown to be able to effectively address these challenges.
- ⇒ Closing these design and implementation gaps will require mobilizing additional fiscal space. It will also require a clear agenda of priorities and a rationalization of existing spending towards these priorities.

INTRODUCTION

In recent years, Malawi has pursued an ambitious agenda of economic and social development, and has taken steps to implement and extend social protection as one key element of this agenda through various schemes and programmes.

Malawi's Growth and Development Strategy II 2011-16 (MGDSII) highlights the ambition to reduce poverty, extreme poverty and food insecurity through a multidimensional strategy focussing on economic development, productivity enhancement, as well as providing a social safety net for its poor and vulnerable residents.

The MGDS II identifies six broad thematic areas namely (i) Sustainable Economic Growth, (ii) Social Development, (iii) Social Support and Disaster Risk Management, (iv) Infrastructure Development, (v) Improved Governance, and (vi) Cross-Cutting Issues. Social Support is explicitly mentioned as one of the broad thematic areas in the MGDS II.

The Government of Malawi is committed to implement and extend social protection as a key element of this development agenda through various schemes and programmes. The Malawi National Social Support Policy 2012-16 (NSSP) and Malawi National Social Support Programme (MNSSP) set the building blocks of the country's strategy in the field of social protection.

The MNSSP aims at bringing the multitude of social protection programmes under a common umbrella, based on a coherent framework and programmatic approach. The Government's objective of progressively building a national social protection floor as a fundamental element of a comprehensive social protection system is in line with the ILO Social Protection Floors Recommendation, 2012.

The Government of Malawi has acknowledged that, despite the positive evolution in recent years in developing new programmes and a new policy framework in the area of social protection, work is needed in the development of coherent institutional frameworks and financial management of social protection to allow the subsequent scaling-up of the programmes and to gradually create the conditions for the introduction of a rights-based framework.

The Government has requested technical advice from the ILO with regard to analysing the current social protection system in Malawi in terms of its sustainability, efficiency, and effectiveness. This brief summarizes the key findings of the ILO assessment.

MACROECONOMIC AND FISCAL ENVIRONMENT

With an estimated GDP per capita of USD 274 in 2014, Malawi to date remains one of the poorest countries in the world. Following a prolonged period of high economic growth, stemming from prudent financial and macroeconomic management, low inflation and low interest rates, Malawi's economy faced strong headwinds after 2010.

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Since 2013, economic growth has been volatile but prospects are rather favourable for the future. GDP growth is expected to further accelerate to levels exceeding 6 per cent in the short term. On the longer term expectations are that GDP growth will remain rather stable at this level. Nevertheless, the Malawian economy is highly vulnerable to exogenous factors, notably movements in terms of trade, weather conditions and volatile inflows of foreign aid. Related to these factors, there are serious downward risks in the outlook for the medium term.

The fragility of Malawi's fiscal situation is mostly due a high dependence on inflows from development partners. However, the government budget over the period 2005/06 - 2013/14 is characterised by a widening of the tax base and increases in government expenditure. For the medium to longer term, government is expected to continue to face a tight resource envelope.

The reduction in foreign aid inflows in the aftermath of the *Cashgate* scandal and the time it will take to restore confidence should restrain the inflow of foreign aid for some time to come and change the type of the aid Malawi will receive, with less and less direct budget support. Government, therefore, envisages to continue its path of fiscal consolidation for 2013/14 and onwards.

Public Finance Management (PFM) reform in Malawi has been stagnant. However, in response to the *Cashgate* scandal Government has set out to reinvigorate its PFM reform programme.

POPULATION, EMPLOYMENT AND POVERTY

Malawi is a country with a large young population, with 48 percent of Malawians being under the age of 15 in 2011. Similar to other developing countries, Malawi's population is characterized by high birth rates and comparatively low life expectancy. This lead to a rapidly growing population characterized by a large young population and high dependency ratios.

Dependency ratios indicate the proportion of the economically inactive (children as well the elderly and people living with disabilities) to the total working population, on which the former are dependent for support. Usually one distinguishes between old-age dependency, measuring the ratio of economically inactive retirees in respect to working-age adults, and child dependency, which denotes the proportion of children with respect to working-age adults.

FIGURE 1. DEPENDENCY RATIOS

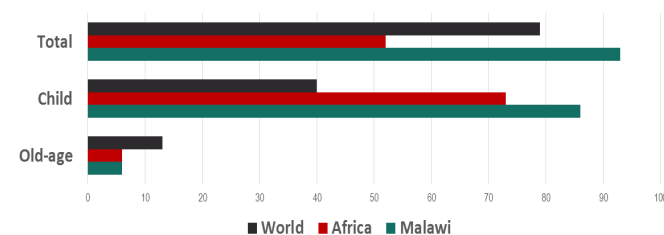
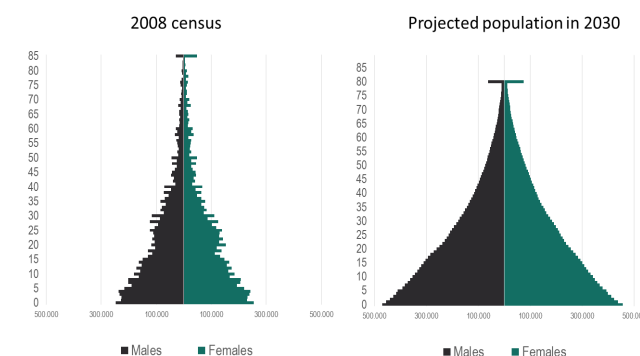


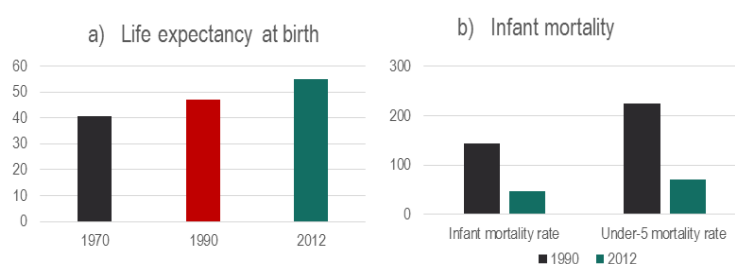
FIGURE 2. POPULATION GROWTH



While still dismally low, Malawian life expectancy at birth has increased significantly over the last decades. In 1970, a Malawian could statistically expect to reach the age of 40.6. Two decades later this number rose to 47.2 and in 2012 it reached 54.8. Despite these improvements life expectancy still significantly lags behind the eastern African average of 59 years.

Infant mortality, measured as the probability of dying between birth and one year of age expressed per 1,000 live births, has been rapidly declining in Malawi. In 1990, the figure stood at 143 infant deaths and has since come down to 46 in 2012. In comparison, in 2012 the global average stood at 41 infant deaths per 1,000 live births and the figure for East Africa is 60.

FIGURE 3. LIFE EXPECTANCY AND INFANT MORTALITY



Birth rates have been declining somewhat over the past four decades but nonetheless remain very high. In 1990, the country's crude birth rate, measured as births per 1,000 population, was 50.1. Over the following decade the rate fell to 40.1, which is more than twice the global average and surpasses the East African average of 38.

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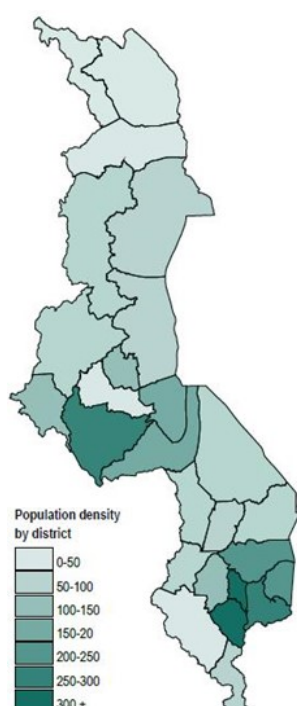
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A 2013 labour force survey found that 7 million people within the age group of 15-64 were in the labour force. Employment in 2012/13 stood at 5.5 million people, corresponding to an overall employment rate of 80 per cent – 86 percent for males and 74 percent for females.

Unemployment stood at 20 percent. The unemployment rate is higher among females, at 26 per cent, than among males, at 14 percent. Youth unemployment (15-34) was 23 percent. In addition, 27 percent of the employed population in Malawi was underemployed, females relatively more than males. This time related definition of underemployment describes a situation where persons are working fewer hours than they would like to.

The country's population overwhelmingly lives in rural areas (84.6 percent) and in 2011 only 15.4 percent of Malawians resided in cities or urban centres, making the country one of the least urbanized countries in Africa. In fact, Malawi ranks as the third most rural African country. At the same time Malawi is one of the fastest urbanizing countries on the continent.

FIGURE 4. POPULATION DENSITY BY DISTRICT



The rate of urbanization stands at 6.3 percent per annum, which is three times the global rate and nearly twice the Africa rate of 3.5 percent. The population in Lilongwe, the nation's capital, more than tripled between 1987 and 2008 and is expected to reach 2.2 million by 2030. The other major cities, especially Blantyre, are experiencing similar population growth.

The central and rural regions are the most densely populated areas in the country. Over 70 percent of the population lives in the rural south (37.6 %) and rural central (36.1%) regions. In contrast, only 11.2 percent of Malawians live in the rural north.

Malawi is one of the least developed countries in the world. In 2012, the United Nations' Human Development Index, taking into account life expectancy, standard of living, and education, ranked Malawi 174th out of 189 countries.

Poverty in Malawi is both widespread and deep. In 2011, over half of the country's population lived below the national poverty line.

The Malawi Poverty and Vulnerability Analysis finds that key determinants of household poverty are household size, education, access to non-farm employment, access to irrigation, proximity to markets and trading centres, and access to good roads. Due to a weak asset base, low technology adoption, limited land, and labour constraints, the majority of Malawians are vulnerable to shocks, whether idiosyncratic (such as death) or covariant (such as droughts). As a consequence of the lacking resilience, smallholder farmers, making up the majority of Malawians, have been unable to move out of poverty.

The National Social Support Policy (NSSP) defines poverty at the household level as the failure of a household to attain a minimum acceptable consumption level of food and basic needs as defined by the poverty line. Poverty lines are thresholds of welfare, which can be measured as income, expenditure or consumption. Individuals or households with welfare below the poverty line are considered poor.

BOX 1. MALAWIAN POVERTY LINES

The Malawian poverty line has a food and non-food component. The food poverty line represents the cost of a person's daily energy requirements of 2,400 kilocalories. The monetary value is calculated by multiplying the calorie requirement with the price per calorie estimated from Malawians living in the 5th and 6th consumption decile.

The non-food poverty line accounts for the cost of a bundle of basic non-food needs, estimated from the average non-food consumption of the population whose food consumption is close to the food poverty line. In order to be able to study poverty developments over time the poverty line remains constant and is merely inflated to current prices to account for inflation and higher cost of living.

A household in 2011 with lower food and non-food expenditure per person per year than the total poverty line of Malawi Kwacha (MK) 37,002 is considered "poor". Malawians with total expenditure lower than the food poverty line of MK 22,956 are considered "ultra-poor".

Poverty in Malawi is both widespread and deep as indicated by exceptionally high poverty rates and poverty gaps. While poverty and ultra-poverty are endemic throughout the country, there are regional disparities. The poorest districts have poverty levels almost twice as high as the wealthier ones. The poorest districts tend to be found in either the very north or south. As most Malawians live in southern districts, which are also the poorest, the majority of the poor population can be found in the country's south.

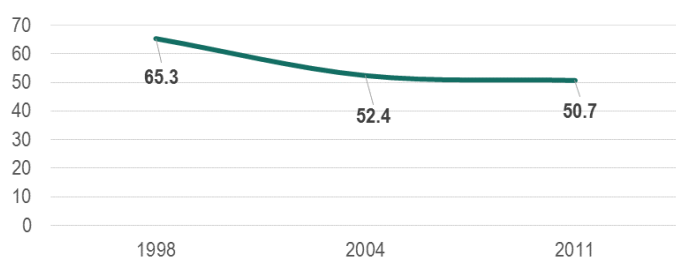
Malawi's poverty is predominantly a rural phenomenon. While a small percentage of people living in cities and

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towns are considered poor or ultra-poor, the overwhelming majority of rural Malawians live in poverty.

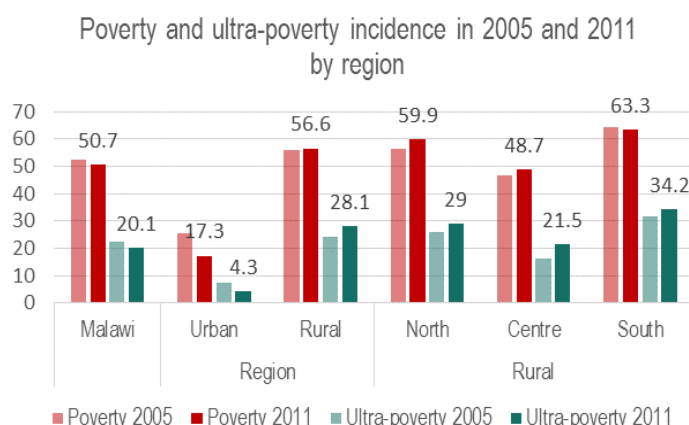
FIGURE 5. POVERTY DEVELOPMENT IN MALAWI (1998 – 2011)



In 2011, 50.7 percent of the country's population lived below the national poverty line of MK 37,003. The figure above shows the significant reduction in poverty between 1998 and 2004. In recent years poverty reduction has slowed down and in-between 2004 and 2011 a reduction of less than two percentage points has been achieved.

Figure 6. shows poverty and ultra-poverty rates over time and by region, focussing on rural areas. Interestingly, while the poverty and ultra-poverty incident on the national level remained almost unchanged, there has been a tremendous decline in both measures of poverty in urban areas.

FIGURE 6. HOUSEHOLD POVERTY AND ULTRA-POVERTY INCIDENCE IN 2005 AND 2011 BY REGION



However, the opposite can be observed in rural areas. With the exception of the rural south, by far the poorest region of the country, both poverty and ultra-poverty have increased in rural areas.

The national household ultra-poverty incidence of 20.1 percent (24.5 percent of the population) is considerably lower than the ultra-poverty rate for rural regions. In the rural south more than one third of households live in such dire poverty that they cannot even afford to fulfil their basic nutritional requirements (ultra-poverty). Using the

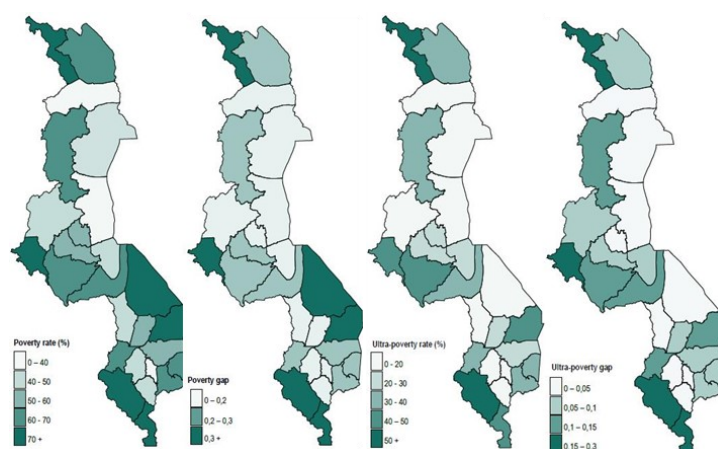
international poverty line of USD 2.00 a day, about 81 percent of the Malawian population can be considered poor.

Poverty rates only tell half of the story as they do not capture the “depth” of poverty. Simple measures of poverty fail to distinguish between people living close to the poverty line and others with greater poverty. Another measure, the poverty gap, reflects the poverty incident as well as the depth of poverty and is defined as the average shortfall from the poverty line, expressed as a percentage of the poverty line.

On the national level, the poverty gap increased slightly in-between 2005 and 2011, indicating that some people moved away from the poverty line and “deeper” into poverty. The same holds true for the ultra-poverty gap, which takes the ultra-poverty line as reference. Over the last decade not only did poverty increase in rural areas, rural poverty also got deeper, as indicated by increased poverty gaps.

The decline in urban poverty seems to be mirrored by a decline in the urban poverty gap, which indicates that the declining number of poor Malawians in urban areas are also relatively better off than their rural compatriots as they are much closer to the poverty line. The urban poor are comparatively less poor than the rural poor.

FIGURE 7. POVERTY RATE AND POVERTY GAP AND ULTRA-POVERTY RATE AND ULTRA-POVERTY GAP IN MALAWI IN 2011



While poverty is endemic throughout the country, poverty incidence and poverty gaps vary greatly in-between districts. Figure 7. indicates that the districts with the highest poverty incidence also have very high poverty gaps. Districts with the highest proportion of poor households also have the deepest poverty. Especially districts in the very north and south show poverty levels of more than 70 percent and at the same time have the highest poverty gaps.

The country's expenditure distribution is exceptionally flat and rises only very slowly in the first eight deciles. However, in the ninth decile, expenditure increases drastically. It is

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important to note that a flat expenditure distribution significantly complicates poverty targeting as a large portion of the population has very similar expenditure levels. Distinguishing degrees of poverty based on such a flat expenditure distribution requires very detailed information on the households and sophisticated (hence costly) targeting mechanisms.

Due to explosive population growth any modest reduction in the poverty headcount will be insufficient in reducing overall poverty levels. In fact, if the poverty reduction rate were to follow current trends Malawi would be home to about 12 million poor people in 2030. This simple forecast underscores the urgent need to considerably increase efforts to reduce poverty in Malawi as small improvements will be easily outpaced by population growth.

High and stagnant poverty rates together with Malawi's demographic profile, in particular the high dependency ratios and the population growth, call for an increased investment in social protection systems, which have internationally shown to contribute to poverty and inequality reduction while fostering more inclusive growth.

There is increasing evidence of the impact of social protection programmes implemented in Malawi (see for instance Abdoulayi et al, 2014). It is crucial that policymakers develop a comprehensive understanding of the effectiveness, efficiency, impacts, and challenges of the country's social protection programmes in order increase coverage and efficiency, thus providing the indispensable social support Malawians require.

SOCIAL PROTECTION PROGRAMMES IN MALAWI: DESIGN, COVERAGE AND IMPACTS

SOCIAL CASH TRANSFER PROGRAMME

OBJECTIVES, POLICY AND LEGAL FRAMEWORK

The Social Cash Transfer (SCT) is an unconditional cash transfer program targeted at households that are both ultra-poor and labour constrained. The transfer has the objective to reduce poverty and extreme hunger among the 10 percent ultra-poor and labour constrained households; to increase school enrolment of children in the beneficiary households; and to improve the nutrition, economic and general well-being of beneficiary households. The SCT transfers an monthly average of MK 4,500 to beneficiary households.

The program is implemented by the Ministry of Gender, Children, Disability, and Social Welfare (MoGCDSW) with

policy guidance provided by the Ministry of Finance, Economic Planning and Development (MoFEPD).

ELIGIBILITY CRITERIA, PROGRAMME DESIGN AND COVERAGE

It is the objective of the programme to transfer resources to households that are at the same time ultra-poor and lack the capacity to engage in income generating activities (labour constrained). Ultra-poverty is defined as having a total annual consumption lower than the food poverty line of MK 22,007. Labour constrained households are defined by the ratio of members that are 'not fit to work' to those 'fit to work'. 'Unfit' in this context means being outside of economically active ages (below 18 or above 64 years), having a chronic illness or disability or being otherwise unable to work. A household is considered labour constrained if it has no members that are 'fit to work' or if the ratio of 'unfit' to 'fit' is bigger than three (Abdoulayi et al, 2014).

The programme uses a combination of community based targeting (CBT) and proxy means testing (PMT). Communities select beneficiaries under the oversight of the local District Commissioner's (DCs) Office and the District Social Welfare Office (DSWO). Community members are appointed to the Community Social Support Committee (CSSC), which is responsible for identifying households that fulfil the eligibility criteria. The CSSCs nominate about 15 per cent of households per Village Cluster in order to achieve the transfer's target of a 10 percent coverage rate.

A PMT then verifies whether potential beneficiaries fulfil the programme's ultra-poverty criteria. A range of proxy indicators are used to determine ultra-poverty: members should only afford one meal a day, be unable to purchase essential non-food items (such as clothes, soap and school materials) and should have no reliable sources of income. Age and illness (such as HIV/AIDS) are used to determine the ability of individuals and household to support themselves by paid work.

In practice labour-constrained households have been operationalized as those whose breadwinners have died, which have no able-bodied person of working age, have old, very young, disabled or sick persons in the household, or have a dependency ratio bigger than three.



FIGURE 8. GEOGRAPHICAL COVERAGE

FINANCING AND EXPENDITURE

Funding for the original eight districts is provided by the German Government (through KfW) and Irish Aid. (Likoma, Chitipa, Mchinji, Machinga, Mangochi, Phalombe, Salima, Balaka). The GoM funds the programme in the district of Thyolo. In 2014, the German Government and the European Union increased their contribution to enable full coverage in the existing districts as well as to extend the programme to additional eight districts (Nsanje, Chikwawa, Mzimba North/South, Neno, Mwanza, Zomba, Mulanje). The World Bank funds the scale up to an additional two districts (Dedza, Nkhata Bay). Targeting for the additional eight districts started in February 2015 with the first payment transferred the following month.

Aside from the provision of salaries for national and district Government officers, there has been little financial commitment from the Government towards the SCT in the past (Kalebe-Nyamongo & Marguette, 2014). However, in recent years the Government has started embracing the programme. Between 2006 and 2010 the government was simply an implementing agent with all the resources coming from the donors but in 2010 the Government started to contribute to fund actual transfers and currently the pledges to provide at least 10 % of the funding (Jimu, 2015).

At current (November 2015) scale, the SCT reaches 159,857 beneficiary households with an estimated cost of 0.57 percent of GDP. Once the programme reaches its goal of 319,000 households, covering the 10 percent poorest labour-constraint households in each district, it is expected to cost about 1.1 percent of 2015/16 GDP (Author's own calculations).

PROGRAMME IMPACT

Two years into the pilot, the University of Boston conducted an impact evaluation in the Mchinji district and found that beneficiary households, compared to the control group, showed livelihoods improvements across a variety of indicators.

BOX 2. RANDOMIZED CONTROLLED TRIALS

This impact evaluation method compares developments in a randomly chosen treatment group to another group, the control group, which has very similar characteristics as the treatment group except it does not receive the transfer. This enables researchers to control for general trends in the region and with high certainty determine the effects of the transfer on targeted groups.

Beneficiary households increased their accumulation of assets such as livestock. Beneficiaries were eating more

nutritious meals, invested in the building of new houses and increased agricultural output through tilling and other productivity enhancing activities, such as the purchase of fertilizer. Researchers also observed a change in the well-being and general appearance of beneficiary households.

Subsequent evaluations of beneficiary well-being and expenditure have found improved health, higher healthcare expenditures and increased expenditures on children's education, higher enrolment and fewer absences, as well as greater accumulation of household assets, productive assets and livestock. In addition, researchers observed increased agricultural production through the purchase of fertilizer and farm labour, higher food expenditures, fewer missed meals, greater food diversity and improved housing quality (Abdoulayi et al, 2014).

In the first quarter of 2015, a mid-term evaluation of the SCT was conducted by UNICEF and the University of North Carolina in the districts of Mangochi and Salima to measure the impact the programme has had after 12 months and 6 transfers. The evaluation compared household characteristics to the baseline assessment undertaken in 2013 and analysed the impact of the SCT in the context of a randomized controlled trial (RCT).

Compared to the baseline evaluation conducted right after the harvest in 2013 per capita consumption declined by 25 per cent between baseline and follow-up, which is explained by the fact that the follow-up data was collected during the lean season where consumption in Malawi falls significantly.

The decline of household consumption of 15 per cent is consistent with the decline in consumption between August and December reported in IHS3 for households in the rural South and Central regions. It is important to note that the SCT was been able to reduce the negative impact of seasonality among eligible households evidenced by the fact that average consumption was clearly greater for beneficiary households over control households in many categories, including items targeted by the programme, such as food, clothing and education (Abdoulayi et al, 2014).

IMPLEMENTATION CHALLENGES

The implementation of the cash transfer is a complex undertaking with a multistage targeting procedure and a significant number of stakeholders involved. Targeting of the ultra-poor is very difficult in a country with high levels of poverty and little inequality amongst the poorest.

Evaluations of the SCT have found its targeting outcomes to be less than satisfactory and while the joint eligibility criteria are quite unambiguous they are still subject to interpretations, especially as several proxies of poverty are

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variedly applied in different contexts at community level (Matita & Chirwa, 2014).

According to a recent study of the SCT (Matita & Chirwa, 2014) a high proportion of beneficiary households do not fulfil the criteria prior to being selected into the programme. In fact, comparisons of dependency ratios and labour supply before and after selection suggests strategic restructuring of households to suit the criteria. In 2013, only 33 percent of beneficiary households had a dependency ratio higher than 3 prior to selection. This percentage rose to 61 percent during programme participation. Using a variety of poverty measures a study finds the inclusion error of the programme to vary between 37 and 68 percent (Miller et al, 2008). Other studies found that 24 percent of recipients were not eligible according to the criteria, indicating a high inclusion error. The high inclusion errors can be attributed to the lack of clarity of the targeting concepts and the use of poor proxies, favouritism and the influence of village level politics.

The complex targeting mechanism using a variety of poverty proxies raises general questions about poverty targeting in a country with a poverty headcount of around 80 percent in some districts and ultra-poverty rates as high as 50 percent in others. The combination of fixed 10 percent coverage rate regardless of the size of the eligible group, widespread and deep poverty as well as lack of easily understood eligibility and targeting criteria creates incentives for corruption among the CSPC and village leaders as well as jealousy within communities. Beneficiaries have described their joy of being able to provide for their family and invest in their future but have also bemoaned the jealousy and animosity they experienced in their communities (Miller et al, 2008).

Each district's coverage is targeted to be 10 percent of the population, as it was estimated in 2006 that 10 percent all households are labour constraint and ultra-poor. This percentage was then applied to all enrolled districts regardless of the actual proportion of the eligible population. Even in a country like Malawi that is, compared to its neighbours, less spatially diverse in terms of poverty, such policy leads to a serious distortions in allocations of funds amongst the districts. A geographically uniform cut-off point for eligible residents inevitably leads to significant inclusion and exclusion errors at the district level.

Currently payments are mostly delivered manually, which leads to a number of challenges. Millions of MK need to be withdrawn in cash and ferried to remote villages, demanding the presence of a number of district officers and police for security. Moreover, manual payments are difficult to monitor and little information in terms of savings ratio can be retrieved. The current form of payments also tasks beneficiaries with travelling long distances as there are only few payment points per village cluster. In order to address

these issues and to make the system more efficient e-payment pilots have been introduced in Balaka and Mchinji.

SCHOOL FEEDING PROGRAMMES

OBJECTIVES, POLICY AND LEGAL FRAMEWORK

Malnutrition is a significant problem in Malawi with a large percentage of children suffering from various forms of it. Over the last decade the prevalence of underweight children has declined somewhat from 21 percent in 2006 to 14 percent in 2010. Stunting rates, however, remain high with 48 percent of children under the age of five (CU5) being stunted, giving Malawi the highest stunting rates in SADC (SADC, 2013). Wasting is less common with only four percent of CU5s experiencing it. However, seasonal wasting in the lean season is significantly more common. In 2014, the World Food Programme (WFP) found that almost 40 percent of children aged 6-59 months are either moderately or severely anaemic (WFP, 2014).

A large amount of studies have shown the disastrous effects malnutrition has on the development of physical and mental capabilities of children, as hunger and micronutrient deficiencies can cause irreversible damage to their growing brains and bodies. Adequate feeding in the first years of a child's life plays a key role in determining whether or not the child will be able to fulfil its full potential.

In recognition of the need to improve school enrolment and ensure that children are nourished enough to pay attention in class, the provision of free school meals to Malawian students is a key part of the MNSSP. Free and daily school meals are provided by a number of stakeholders such as the Government, NGOs, and the WFP. The WFP and Mary's Meals, a Scottish NGO focusing on school feeding, are the biggest implementers of school feeding in Malawi. The overarching goal of all school feeding activities in Malawi is to improve child nutrition, increase children's ability to concentrate and learn in class, promote enrolment and regular attendance as well as to reduce drop-out rates.

Implementers stress the vital link between provision of food and attendance at school, and between good nutrition and educational performance. However, it is to be noted that current school feeding programmes primarily aim at improving enrolment and reducing drop-out rates and in order to avoid the most detrimental effects, under-nutrition has to be tackled during a child's infant years and before he or she enters the education system.

ELIGIBILITY CRITERIA, PROGRAMME DESIGN AND COVERAGE

Districts and schools are targeted based on a number of criteria that are meant to ensure that the most vulnerable

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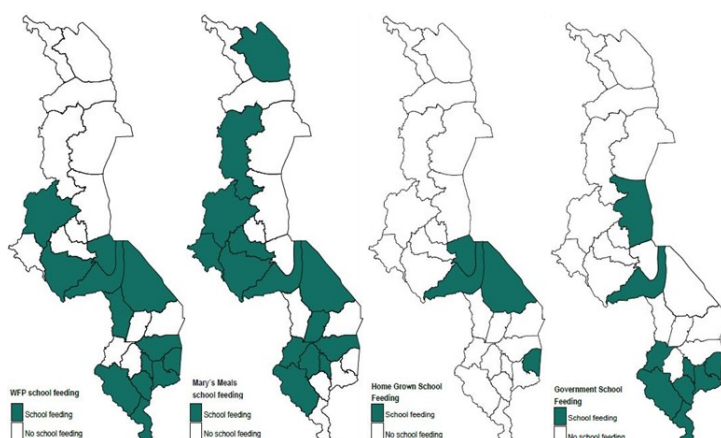
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children receive daily school feeding. The WFP and Mary's Meals target districts and schools based on indicators of food insecurity and childhood malnutrition. Schools are then selected based on indicators of food insecurity, poverty rates, gender disparities in schooling, education outcomes, and malnutrition. The Government targets districts and schools based on 1) food insecurity; 2) enrolment and attendance; 3) school performance in standardized tests; and 4) accessibility of the school. Once a school has been targeted all students receive a daily meal.

GEOGRAPHICAL COVERAGE

School feeding is not implemented nationwide and while there are districts, especially in the southern and central regions where more than one implementer operates, there are as many districts without any activities. It is to be kept in mind that the maps below merely show in which districts implementers run school feeding programmes and it is not implied that all schools in green districts are covered.

FIGURE 9. SCHOOL FEEDING IN MALAWI



In 2013, there were 5,561 primary and 1,190 secondary schools run either privately or by the Government. All school feeding implementers together reach a total of 1,336 primary schools, meaning that 24 percent of the 5,561 Malawian schools are covered by one of the school meal programmes (Author's calculation). According to the WFP approximately 25 percent of all primary school children in Malawi receive school meals.

FINANCING AND EXPENDITURE

School Meals, as most Malawian social protection programmes, are overwhelmingly donor financed. There is no common budgetary mechanism and each implementer funds its own activities. The WFP and Mary's Meals are the biggest implementers and therefore contribute most to school meals financing. It is noteworthy that the Government implements school feeding independently from the donor community in 80 schools and school feeding is the only prioritized programme in the MNSSP (except the SCT)

which the Malawian Government contributes meaningful funding to. In 2012, the Government contributed \$306,619 towards school feeding. The budgets for WFP (2012-16) and Mary's Meals (2010-2014) were \$19 million and \$28 million respectively. In total the cost of all school feeding programmes reaches an estimated 0.99 percent of GDP (Author's calculation).

PROGRAMME IMPACT

In 2007, 4,000 primary schools receiving WFP assistance in 32 countries in sub-Saharan Africa were surveyed and school feeding was found to have significant positive effects on school participation. After years of research there is now robust evidence that school feeding can support learning in the classroom by relieving short-term hunger and reducing micronutrient deficiencies (Bundy et al, 2009). Further, school feeding interventions are widely supported by research as mitigating drop-out rates, improving attendance, and diminishing gender disparity and are expected to contribute to reducing poverty and food insecurity (Adelman et al, 2009).

Malawi's rural population overwhelmingly works in the agricultural sector and therefore school participation rates tend to follow a seasonal pattern as rural school children often end up working in the field at harvest time or have to walk cattle to distant pastures in the dry season, rather than attend school. Studies indicate that erratic attendance patterns increase in Malawi during the harvest months of May, June, July and then again during the lean season (January and February). Children miss school in order to help their parents harvest and girls often stay at home to look after their younger siblings. Seasonal fluctuation in school participation illustrate both the impact of the agricultural cycle on school attendance and the effects of food insecurity. The most significant decline of attendance rates tend to be found in rural areas during the lean season (Burbano & Gelli, 2009)

A study on seasonality and school feeding shows that while the difference between high and low attendance months across primary grades was small (2-5 percent), the 'seasonality gap' was significantly smaller in schools with school feeding, particularly for girls in the higher grades. The biggest differences was found in higher grades, which indicates that take-home rations (which provided in higher grades) provide extra incentives to stay in school. Evidence thus suggests that school feeding is an effective tool to increase enrolment and discourage dropping-out in the Malawian context of food insecurity and seasonal agriculture.

Based on school visits the WFP found that the school meals attract children who are otherwise reluctant to attend, or whose parents may not value education. In addition, school

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officials state that because of the meal provided children are more energetic and attentive, healthier, and able to remain at school after classes for play and social interaction (WFP, 2015).

IMPLEMENTATION CHALLENGES

Providing school meals on a countrywide and near-universal level is a complex logistical undertaking and implementers experience a number of challenges. The biggest challenge in implementing school feeding according to the Government is the timely procurement and delivery of the foodstuffs. The corn-soy blend is purchased on the central level by the Ministry of Education, Science and Technology (MoEST) and then distributed to the districts. However, not all targeted schools receive the procured school meals.

While the MoEST has earmarked funding for 80 schools, it is unable to guarantee the delivery of foodstuffs to the targeted schools. A significant number of the 80 schools do not receive any support despite being targeted. The MoEST lacks monitoring and evaluation systems to adequately address the problem of unserved schools and is currently unable to verify the extent to which schools actually receive the promised support.

According to the WFP, the main implementation challenges with regards to school feeding in Malawi are: limited investment and low budgetary allocation by the Government and donors, weak coordination mechanisms, especially at district level, lack of M&E systems that are able to track key programme indicators, lack of complementary interventions (e.g. WASH facilities) in some schools, inadequate participation of community members in key activities such as kitchen construction, as well as frequent staff changes and transfers of teachers trained in school feeding activities.

PUBLIC WORKS PROGRAMMES

OBJECTIVES, POLICY AND LEGAL FRAMEWORK

Labour intensive public works programmes (PWP), are defined as programmes that involve the regular payment of money or in some cases in-kind benefits by government or non-governmental organisations to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty, providing social protection, addressing social risk or reducing economic vulnerability. PWP are often considered particularly appropriate for addressing transient poverty by employing workers whose employment or livelihoods are disrupted by a seasonal, climatic or economic shock or cyclical downturn. They can be designed to be 'productive' by creating valuable assets that further reduce

poverty or otherwise contribute to programmes' cost-effectiveness (Samson et al, 2011).

There are four main PWP in Malawi and while their implementation differs in detail they share common approaches in terms of targeting and objectives. Malawi's PWP aim at transferring income to the non-labour constrained poor by providing limited employment opportunities, often in remote areas.

In many cases, PWP operate on a seasonal basis as a safety net during non-farming season, where there are few income generating activities available for the large majority of Malawians working in small-scale agriculture. PWP tend to focus on construction activities that are considered to support economic growth, regional development, and increase resilience of local communities through for instance forestry and irrigation programmes.

Many regions in Malawi are difficult to access due to a lack of infrastructure and often the poorest districts, such as Chitipa and Nsanje, are the most remote. PWP therefore work to improve the access of remote communities to regional centres in order to facilitate trade and regional development.

Malawian PWP are implemented by the European Union (EU), the World Bank, through the Local Development Fund (LDF), and the WFP in cooperation with the Ministry of Local Government and Rural Development (MoLGRD).

The World Bank operates two PWP in Malawi. The Irrigation, Rural Livelihoods and Development Project's (IRLADP) objective is to increase community assets through demand-driven public works and focuses on irrigation systems, an important protection against vulnerability in the rain-fed agriculture sector. The second World Bank PWP is implemented by the Local Development Fund (LDF) and the Malawi Social Action Fund (MASAF). The project supports the creation of community assets and aims at mitigating deforestation by planting trees and other weather shock resilience enhancing activities.

The EU's Rural Infrastructure Development Programme (RIDP) focusses on the construction of roads and bridges as well as strengthening environmental resilience through forestry and irrigation activities. RIDP ends at the end of 2015 and will be replaced by a successor project, which will work towards increasing market access.

The fourth PWP programme is implemented by the WFP (Food-for-Assets) and provides food as well as inputs as an incentive to work on community assets with the goal of improving the capacity of food-insecure households to increase their food production and resilience.

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ELIGIBILITY CRITERIA, BENEFICIARIES AND COVERAGE

In order to minimize inclusion errors, PWP often use self-targeting mechanisms. Wages are set to be equal or below market wages for unskilled labour to ensure that projects only attract labourers with few other income generating opportunities. In addition, some PWP employ a Proxy Means Test (PMT) to verify the poverty status of applicants.

In 2014/15, the number of direct and indirect beneficiaries of all programme range from 13,750, (FFA) to 521,000 (LDF) and 677,502 (IRLADP). In total around 1.2 million Malawians work in one of the PWP for at least some days. District coverage varies. The LDF and IRLADP programmes are both implemented nationwide and the RIDP reaches a total of 17 districts. The majority of districts, however, benefit from the implementation of at least three programmes. The multiplication of PWP is the strongest in the Zomba district, which receives assistance from all four PWP.

FINANCING AND EXPENDITURE

The country's PWP are next to the Farm Input Subsidy Programme (FISP) the most expensive social protection programmes implemented in Malawi, which is a result of both the large number of beneficiaries and the complexities involved in implementing PWP.

Comparative research has shown that PWP are often expensive and difficult to administer, taxing government capacity (Samson et al, 2011). The LDF PWP for instance has a wage to other-costs ratio of 60:40 at a wage rate of MK 485 per day. The 40 percent representing non-wage costs can be further broken down to 30 percent for works/tools and 10 percent for administration.

In total, all Malawian PWP cost an estimated 0.9 percent of GDP (Author's own calculation).

Financing of Malawian public works programmes

Contributor	Programme	Time-frame	Budget
EU	RIDP	2011-15	\$ 45.6 mil.
World Bank	IRLADP	2006-14	\$ 115.2 mil
World Bank	LDF	2014-18	\$ 107 mil.
WFP	FFA	2014-17	\$ 3.96 mil.

PROGRAMME IMPACT

Despite the pervasiveness of PWP in low-income countries as well as the extensive theoretical literature on them, there is very little evidence from rigorous empirical studies on their impact. Impact assessment have been complicated by unobserved heterogeneity at the village level due to the

geographical targeting and at the individual level due to the self-targeting feature (Beegley et al., 2014).

However, in 2012/13 an impact evaluation of the LDF PWP was conducted on the basis of randomly selected communities and households. The evaluation examined impact across the following dimensions: labour allocation, food security, agricultural inputs, and participation in other programs.

Contrary to other settings where PWP sometimes displace casual labour, the impact evaluation does not find evidence of displacement as a result of the public works offer. The lack of displacement effect of the PWP even during the planting season, at a time when hours in farming peak during the year, suggests that there is significant slack in the labour markets. Further, the evaluation found no evidence that involvement in the PWP affects participation in other social protection programmes. As a result of the programme's interlinkage with the FISP, participants were found to be more likely to receive fertilizer coupons and hence pay less for the fertilizer they use. However, the authors did not find evidence that beneficiaries used more fertilizer.

As improved food security is thought to be achieved mainly through increased access to farm inputs at the time of the planting period, the finding that participants are more likely to use fertilizer but tend not to use more fertilizer may explain the programme's apparent failure to improve their food security. The evaluation concludes that programme participation does not have a measurable short-term effect on lean season food security for treated households. The authors speculate that households may spread the new income over a large number of different expenses, making it difficult to observe increases in any individual category (Beegley et al., 2014).

Equally concerning, the authors observed negative spillover effects on food security among non-treated households within treated communities. Food security for untreated households in participating villages is not only lower than for treated households but also lower than food security in control villages.

This runs counter to what has been observed in other evaluations of social protection schemes, which often generate positive effects on treated households and positive externalities to non-beneficiary households. These effects often operate through risk sharing and ineligible households being able to consume more through an increase in transfers and loans from family and friends in the community. The evaluation has been unable to explain this surprisingly negative effect and further research into this perplexing outcome is needed.

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IMPLEMENTATION CHALLENGES

Implementation challenges of PWP often emerge where programme design fails to adequately account for characteristics of the local economy. McCord (2005) finds the provision of PWP in the Malawian context of chronic poverty and seasonal under-employment to be a serious mismatch between problem and policy response. In particular, setting public works wage below the minimum wage or *ganyu* (*casual labour*) daily rate to encourage self-targeting is unlikely to have a positive impact on poverty.

Low wages in combination with the significant opportunity cost of PWP employment further reduces the net value of income earned on PWP. Studies have estimated that due to the time commitment and heavy manual labour involved participation in PWP has a direct cost of 1,000 calories per day. In the past there have been cases where workers left the LDF PWP due to low wages paid (Devereux & Macauslan, 2006).

Finding the right level of payment is a problematic issue in the design of PWP. The difficulty is that 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). A 2006 evaluation (Devereux & Macauslan, 2006) of the LDF PWP found no significant impact on food security, which may be due to the limited number of working days (48 days, split in two cycles of 24 days) and low wage rate. Increasing the wage rate, however, may further increase the programme's targeting errors. In 2007, the GoM found that there are substantial targeting errors, with one third of the beneficiaries originating from non-poor households (Beegle et al, 2012).

Comparing relative cost-effectiveness of alternative social protection interventions in Malawi, Smith (2011) calculated a unit cost of 13.9 Kwacha to transfer 1 Kwacha to the poorest through LDF public works projects – significantly more than the 1.73 Kwacha required to transfer 1 Kwacha in the form of cash transfers. Over the period of 1996-2001 only 48% of the LDF PWP's expenses have gone towards workers' wages (Bloom et al., 2005).

PWP typically spend a relatively low proportion (30-60%) of their budget on wages, with the rest being consumed in material and management costs (Subbarao et al., 1997). Devereux and MacAuslan (2006) likewise emphasises the high cost of transferring income through public works (40-70 percent) relative to cash grants (10-40 percent), arguing that PWP may be highly inefficient unless the assets created have a high socioeconomic value. The comparatively low cost-effectiveness of PWP poses a challenge to a social protection system that relies heavily on such programmes and aims at high levels of coverage.

Additional challenges for the LDF PWP arose from delayed counterpart funding, lack of resources for social infrastructure and community demand driven interventions, questions around the applicability of repeat targeting of current beneficiaries as well as difficulties of communities to contribute sufficient amounts of quality building materials.

VILLAGE SAVINGS AND LOANS PROGRAMMES

PROGRAMME OBJECTIVES, POLICY AND LEGAL FRAMEWORK

In Malawi poverty is more widespread in rural areas. Such rural economies are characterized by long time spans between input and output of the agricultural production, uncertainty and weather dependency, making the ability to smooth consumption, to access credit, and to employ risk coping strategies very important. Over the last few decades there has been a significant increase in access to financial services through the growth of the microfinance industry. However, these institutions often underserve rural communities (Ksoll et al, 2013).

These gaps tend to be filled by community level arrangements, such as Village Savings and Loans Associations (VSL), which are groups of people who pool their savings in order to have a source of lending funds. VSL groups combine a variety of services normally provided by the formal financial market, including savings accounts, access to loans, and insurance. In order to provide credit and insurance to its members, VSLAs need to raise sufficient amounts of savings, which is guaranteed through compulsory weekly minimum contributions.

ELIGIBILITY CRITERIA AND DIRECT BENEFICIARIES

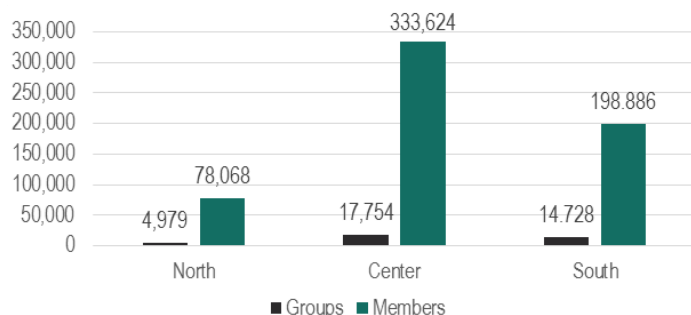
In Malawi there are a number of organizations implementing and supporting VSL schemes. The two largest programmes using the VSL methodology are the World Bank's Community Savings and Investment Promotion (COMSIP) programme and the Enhancing Community Resilience Programme (ECRP), which is jointly implemented by six NGOs. Most programmes employ voluntary self-selection as their targeting mechanisms and are in principle open to all rural Malawians.

A 2015 mapping exercise conducted by the MoFEPD and Care Malawi found 67 organizations implementing VSL programmes in Malawi with a total of 37,461 savings groups and 610,596 members.

The World Bank's COMSIP programme implements VSL schemes in all 28 Malawian districts. The ECRP only works in select districts. In each district, programmes often focus on a number of traditional authorities (TA) and usually don't cover the entire district.

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FIGURE 10. GEOGRAPHICAL COVERAGE OF VSL

PROGRAMME IMPACT

In recent years there has been an increased understanding on the necessity to improve financial infrastructure and access to financial services for the world's poor. Various form of microfinance have become increasingly popular with donors as well as governments. Several randomized impact studies have assessed different types of microfinance and often found rather disappointingly low effects (Stewart et al., 2010; Copestake et al., 2011). With regards to VLS, however, few rigorous impact evaluations that address program placement and selection bias have been conducted.

One of the few rigorous impact assessments on VSL schemes analysed the impact of the methodology on household outcomes in villages in northern Malawi. Out of 64 villages, 23 were randomly chose to participate in a VSL project and the remaining villages served as a control group by delaying entry to the programme by two years (2009-2011). A survey of 1,775 households was conducted before and after programme implementation. The impact of the introduction of the VSL association was assessed by analysing developments in food security, income-generating activities and household income (Ksoll et al, 2013).

The study found that food security, as measured by number of meals per day, significantly improved in treatment villages. There is also evidence of improved income generating activities as households held significantly larger savings in VSL, although there are weak indications that the total number of income generating activities decreased. The number of rooms per dwelling increased by 0.16.

The authors found only four out of ten of the selected indicators to be statistically significant. Nonetheless, they are certain of the positive impact of the VSL approach as the estimated impacts have only had a two-year time horizon to materialize and the impact estimates are averages across both participating and nonparticipating households at village level (Ksoll et al, 2013).

Literature on VSL suggests a number of ways though which improved financial access and participation in savings associations can impact household poverty. Most importantly, savings associations enable households and especially farmers to smooth consumption over the agricultural season. This can either be done via savings or access to credit.

In addition, such groups often provide simple insurance products. While the specific type of the insurance product varies from group to group, it almost always involves insurance against illness and death of household members. These types of insurances are an explicit risk coping device, which can encourage households to discard inefficient ex-ante and ex-post coping strategies.

IMPLEMENTATION CHALLENGES

The 2015 mapping of VSL in Malawi has observed the following implementation challenges.

- ⇒ Poor coordination and lack of collaboration of VSL stakeholders at district level, which leads to overlaps, competition, and dual memberships.
- ⇒ Implementing agencies use different approaches and implementation models, which sometimes confuse the community.
- ⇒ Limited collaboration between VSL implementation organizations and community development offices at district level.
- ⇒ Lack of regulatory framework on VSL implementation in Malawi, which is problematic, especially when conflicts between members arise.
- ⇒ Some micro-finance institutions (MFI) are reported to exploit VSL members, especially after projects that facilitated VSL formation have ended.
- ⇒ Low literacy levels of VSL members are affecting the quality of the program through poor record keeping and limited understanding the methodology.
- ⇒ Organizations are implementing VSLs on demand even though they sometimes do not have adequate capacity. There is a significant demand for VSL services in the communities and the capacity of implementing organizations to meet such a demand is often limited.
- ⇒ Lack of business skills amongst VSL members sometimes leads to defaults and late loan repayments.

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MICROFINANCE

PROGRAMME OBJECTIVES, POLICY AND LEGAL FRAMEWORK

Financial sector development and financial inclusion is considered an important tool for economic development and poverty reduction by the Government. Access of financial services to low income households such as savings, insurance, loans, and remittances enables them to benefit from economic opportunities to build up income and assets to lift them out of poverty. Financial inclusion describes the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups and the Government considers it to be an essential instrument for increasing agricultural productivity and production, expanding micro and small enterprises, creating employment, increasing household income and smooth consumption (Mandiwa, 2014).

Demand for loans in Malawi is highly seasonal and mostly depended on agriculture, which is why October to January is the peak lending season with loans becoming due between April and September. Microfinance supply in Malawi is a mixture of agricultural credit and business finance carried out in rural and urban areas by a variety of public and private sector institutions. Agriculture-related credit is dominant and frequently takes the form of in-kind inputs of fertilizer and seed.

Recognizing the importance of an inclusive financial system to the development of the economy, the Government as well as a number of NGOs and international organization support efforts to improve the level of financial inclusion in Malawi. Microfinance has been included in the MNSSP for its potentially significant role in poverty reduction by increasing access to finance, thereby enabling the expansion of income earning opportunities.

Under this thematic area, the MNSSP focusses on improving the outreach capacity of poverty-focused MFI and the strengthening of their operations and management capacity of to improve efficiency of microfinance services. However, despite these efforts, a significant proportion of the population currently has only very limited access to financial services.

The MNSSP focuses mainly on strengthening the capacity of MFI, which has been recognized as a key constraint in extending coverage. However, to the authors' knowledge few of these activities have been implemented and the Government's policy guidance on microfinance for social protection has not been substantive, exemplified by the fact the MNSSP technical working group on microfinance does not regularly meet.

MFI and financial cooperatives are regulated and supervised by the Microfinance and Capital Markets Supervision Department of the Reserve Bank of Malawi (RBM). The Financial Services Act, 2010, and the Microfinance Act, 2010, are legal frameworks that regulate the microfinance sector.

MICROFINANCE INSTITUTIONS IN MALAWI

Loan market share by MFI category (2009-2010)

Category	2010	2009	% +/- in loan share
Moneylenders	21%	33%	-36%
State-owned programmes	30%	29%	+3%
NGO-MFIs	11%	8%	+38%
Banks	18%	14%	+29%
Cooperatives	20%	16%	+25%

The microfinance sector in Malawi is primarily made up of NGOs, Savings and Credit Cooperatives (SACCOs), and money lending companies.

Most Malawian MFI are members of the Malawi Microfinance Network (MAMN), which currently has 26 members. The Malawi Union of Savings and Credit Cooperatives (MUSCCO) is a national, democratically-controlled apex organization of Savings and Credit Cooperatives (SACCOs). The core objective of MUSCCO is to provide savings and credit services to members and to audit the SACCOs on behalf of the Government. In 2010, there were 58 SACCOs affiliated with MUSCCO and total membership in these SACCOS was above 100,000.

Whereas commercial moneylenders and banks predominately service urban Malawians, NGO-MFI often target the rural poor and provide loans using a combination of methodologies including group lending, individual lending, village banking, and self-help groups. The Reserve Bank of Malawi (RBM) finds that NGO-MFI operations continue to rely largely on donor support in form of soft loans and grants. However, most NGO-MFI compliment donor support with loans from commercial banks.

In 2010, private payroll-based moneylenders, state-owned MFI programmes, and commercial banks had the biggest market share amongst MFI in Malawi. NGO-MFI only made up 11 percent of the total market share in that year. NGO-MFI, commercial banks, and cooperatives significantly increased their market share in between 2009 and 2010, whereas moneylenders' market share was reduced from 33 to 21 percent (Reserve Bank of Malawi, 2010).

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According to the RBM, total assets for MFI grew by 7.4 percent from MK 10.8 billion in December 2012 to MK 11.6 billion in December 2013.

In 2010, NGO-MFI reported an average net profit of MK 12.5 million. However, adjusting profits to cost of funds and inflation significantly reduces the profit. This MFI category also reported a non-performing loans amounting to MK 63.2 million, translating into 4.7 percent of outstanding loans.

PROGRAMME IMPACT

Microcredit is one of the most visible innovations in anti-poverty policy and over the last three decades the population with access to microcredit has grown dramatically. With currently more than 200 million borrowers, microcredit has undoubtedly been successful in bringing formal financial services to the poor. Between 1997 and in 2010 the total number of very poor households with a microloan has grown more than 18-fold from 7.6 million in 1997 to 137.5 million (Banerjee et al., 2015)

Proponents of microfinance believe that by putting money into the hands of poor households (and often women) microfinance has the potential to increase investments in health and education and empower women. Sceptics, however, see microcredit organizations as extremely similar to old-fashioned moneylenders, making their profits based on the inability of the poor to resist the temptation of a new loan. Opponents further tend to point to the large number of very small businesses created, with few maturing into larger businesses. However, until recently few rigorous evaluations have been conducted, which could reconcile the ongoing argument.

Over the last years this has changed and microcredit schemes have been evaluated through randomized evaluations in different countries and contexts (Augsburg et al., 2013; Banerjee et al., 2013; Angelucci et al., 2013). To the authors' knowledge no such impact evaluation on microfinance has been conducted in Malawi.

IMPLEMENTATION CHALLENGES

Malawi's 2009 Financial Demand-Side Report states that 55% of Malawians are financially excluded, using neither formal financial institutions nor informal mechanisms. The study identified key barriers to financial access, which are: limited accessibility of financial service points (branches and outlets); high transaction costs; institutional capacity constraints; crowding-out effect of the private sector, and; the lack of market coordination and harmonization between public and private initiatives seeking to promote better access to financial services (Mandiwa, 2014).

The Malawian MFI sector has few institutions that can underwrite portfolios, manage price and production risks for agricultural markets, or provide micro insurance for clients. This severely limits the capacity of the sector to meet demand for microfinance. Further hindering the provision of microfinance services to large portions of Malawians is the fact that many Malawian MFI work in rural areas, where low population density and weak infrastructure result in high operating costs.

Poor infrastructure is one major challenges facing the financial services industry in Malawi. Persistent power outages, poor road and communication networks all increase operational costs of MFI. In order to maximise profits, most MFI have resorted to operating within urban areas thereby limiting rural Malawians' access to financial services. This response to poor infrastructure and the resulting high transaction costs have restrained expansion and outreach strategies (Mandiwa, 2014).

Capacity building and education is another challenge. While several MFI implement trainings for their staff, many do not have appropriate and efficient loan tracking systems. In addition, many microcredit providers have high covariant risks due to high dependence on crop finance and lack the financial management capacity to manage risk in a macro-environment of declining currency value and inflation (Luboyeski, 2004).

Malawi currently lacks a National Identification (ID) system. This poses a challenge to the extension of financial services as financial institutions have difficulties identifying their customers. The rural poor in particular tend to lack alternative means of identification, such as passports or driver's licenses (Mandiwa, 2014).

The RBM's 2013 Supervision of Financial Institutions Report states that between 2012 and 2013 MFI continue to focus on payroll-based lending, mostly to civil servants, and that lending to entrepreneurs remains low due to challenges of loan collection. From a poverty reduction and inclusive growth perspective it is concerning that MFI in Malawi currently service predominantly civil servants and focus on payroll-based lending.

FARM INPUT SUBSIDY PROGRAMME

OBJECTIVES, POLICY AND LEGAL FRAMEWORK

The Farm Input Subsidy Programme (FISP) has been implemented since 2005/6 and serves to main objectives, which are reducing poverty and ensuring the country's food security by fostering an increase in agricultural productivity levels.

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Due to the twofold nature of the FISP's objective, there is a recurrent debate about whether the programme is primarily designed to address the welfare needs of the rural poor or whether it seeks to lay the foundation for a transformation of agriculture in Malawi.

A second point of contention revolves around the question whether the FISP is the best instrument to respond to recurrent national and household food security challenges.

Depending on which of the two objectives (agricultural development or social welfare) is prioritized the implementation of the FISP should differ. The programme cannot be designed to effectively address both objectives without significant trade-offs in the effectiveness. A political decision is needed to clearly prioritize one of the two objectives.

The implementation of the FISP is a complex undertaking with significant logistical and organisational tasks and critical deadlines within the farming season. Every year 1.5 million beneficiary households, representing about 34 percent of rural farming families, have to be selected. Six million vouchers need to be distributed and, in time for the growing season, more than three million bags of fertilizer and three million bags of seeds need to be distributed throughout Malawi.

Selected farming households in all 28 districts receive a number of vouchers once a year prior to the farming season. Two vouchers are exchangeable for fertilizer (base fertiliser and urea to be used as top dressing) and can be redeemed with a cash contribution of MK 500 in 2013.

The same households are also given a maize and legume seed voucher. In 2013, the redemption value of the maize seed voucher was set to be \$10.50 paid in MK, which is about MK 4,700. The legume seed voucher could be exchanged for a pack of either beans, cow peas, pigeon peas, groundnuts or soya (3kg for soya and 2kgs for all other legumes). The redemption value of the legume voucher was to be \$5.70 again paid in MK (around MK 2,553).

As the FISP aims at increasing the agricultural efficiency of smallholder farmers, agricultural extension workers of the Ministry of Agriculture, Irrigation and Water Development (MoAIWD) are sent out to educate recipients about productivity enhancing farming techniques. A recent study on Malawi's agricultural extension sector found 37 main extension organisations. Twenty-three organizations were NGOs, 7 were farmer-based organizations (FBOs), 3 were private sector, 3 were Government organizations, 1 was a multilateral organization. Government organizations were the Farm Income Diversification Programme and the

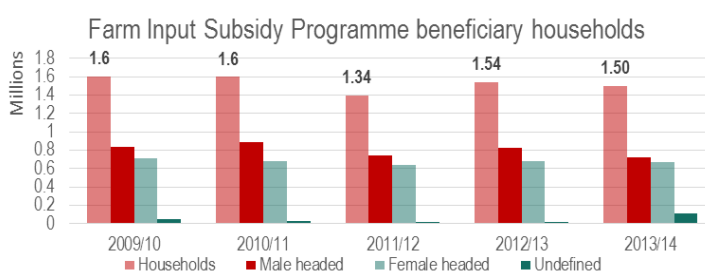
Department of Agricultural Extension Services (DAES) in the MoAIWD.

ELIGIBILITY CRITERIA AND BENEFICIARIES

The FISP targets resource poor farmers in rural Malawi, with special attention to vulnerable groups. In detail, the eligibility criteria are: 1) Malawians who own a piece of land that has been cultivated during the relevant season; 2) farmers that are bona fide residents of their villages; 3) only one beneficiary per household; 4) priority is to be given to vulnerable groups, which include households that are either child- or female-headed.

Once the allocation of funding per district is established, selection of beneficiaries is being done based on the yearly updated Farm Family Register. The register is issued to each District Agricultural Development Officer (DADO), who in cooperation with community leaders, selects the beneficiaries. In 2015, FISP coupons have been distributed on the basis of a lottery amongst smallholder farmers.

FIGURE 11. FARM INPUT SUBSIDY PROGRAMME BENEFICIARY HOUSEHOLDS



FINANCING AND EXPENDITURE

The 2013/14 implementation had an estimated total cost of just over US\$144 million or MK 52.8 billion, which amounts to roughly 60 percent of the MoAIWD budget and 11 percent of the national budget. This figure includes all major costs but the exact programme cost is difficult to estimate due to lack of documentation of costs borne by the MoAIWD and other institutions implementing the programme. The figure of MK 52.8 billion is exclusive of all Government operational costs, including MoAIWD, Police, and Anti-Corruption Bureau (ACB) costs. Other unknowns are the full costs involved in voucher production. The total estimated cost of the FISP in 2013/14 was 4.66 percent of GDP.

Donor contribution to the FISP comes typically in terms of support for seed acquisition, voucher printing, and logistics, amounting to about 10 to 15 percent of the total annual programme costs (Dorward & Chirwa, 2010). In 2012/13, DfID, the Norwegian Government, and Irish Aid together contributed US \$17.9 million, which corresponds to about 12 percent of total identified costs. In addition, development

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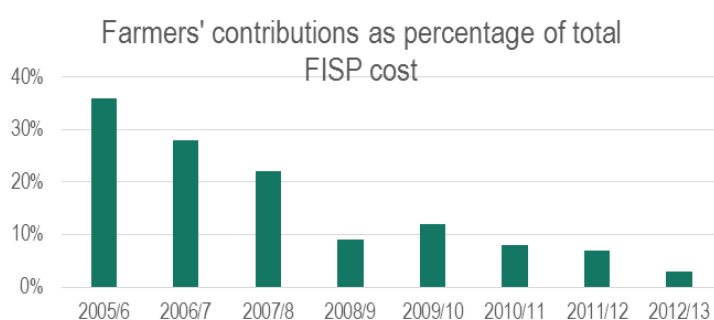
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partners until recently contributed indirectly through general budget support.

The costs of the FISP have increased substantially over the last years. This is especially remarkable as the number of recipient households has been kept fairly constant and even decreased from 1.6 million in 2010/11 to 1.5 million in 2013/14. While expenditures related to seed procurement have risen by 275 percent from 2009/10 to 2013/14, it is fertilizer costs that have primarily driven the increase.

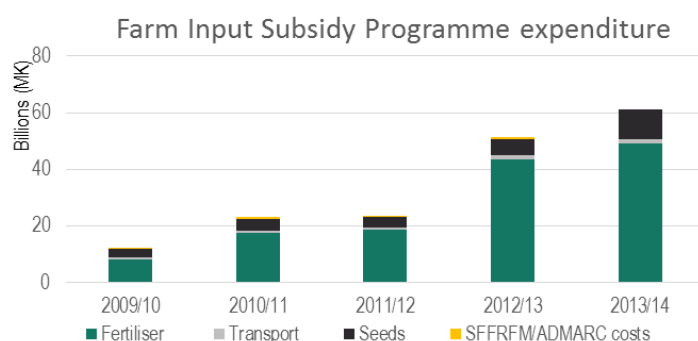
Over the time-span of the programme, fertilizer expenditure has grown by more than 500 percent. Fertilizer procurement made up 77 percent of total FISP cost in 2012/13 and 80 percent in 2013/14. Fertilizer procurement costs could have been lower with increases in farmers' redemption payments, which have fallen from MK 950 to MK 500 over the lifetime of the programme despite increases in the commercial price of fertilizers (Chirwa & Dorward, 2014). In 2015/16, in an effort to reduce programme cost, farmers' contributions were raised to MK 8,500 per bag of fertilizer.

FIGURE 12. FARMERS' CONTRIBUTIONS AS PERCENTAGE OF TOTAL FISP COST



Rising international fertilizer prices, the falling value of the Malawi Kwacha, declining farmer's contributions, higher transport costs, and growing subsidy volumes have all contributed to the significant increase in costs over the last years (Chirwa & Dorward, 2014; Mazunda, 2013).

FIGURE 13. FARM INPUT SUBSIDY PROGRAMME EXPENDITURE



PROGRAMME IMPACT

The FISP is by far Malawi's most expensive social protection programme, consuming about 4.6% of GDP or 11.5% of total government expenditure in 2013/14. Given the high expenditure of the FISP relative to other interventions it is important to assess whether the benefits outweigh the costs.

FIGURE 14. NATIONAL MAIZE PRODUCTION IN METRIC TONS

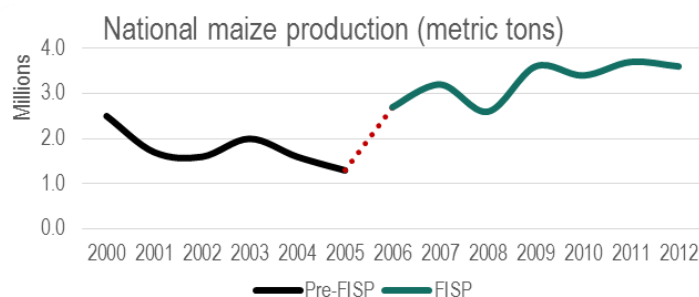
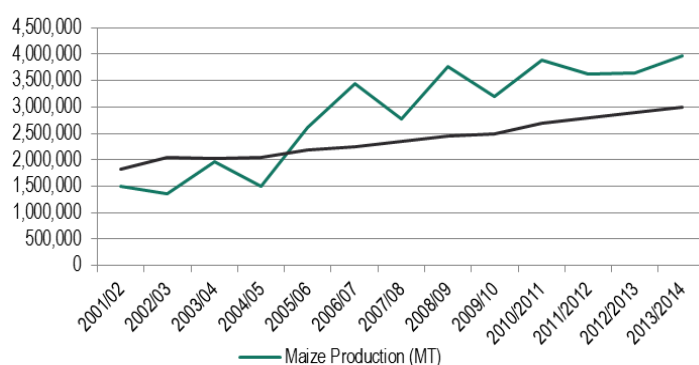


FIGURE 15. NATIONAL MAIZE PRODUCTION AND NATIONAL REQUIREMENT



2005/6, the initial year of implementation, was the first year in two decades that Malawi was able to produce enough maize to satisfy the national food requirements. Some argue that the success of FISP in its early years greatly contributed to Malawi's economic growth between 2004 and 2009 (Dorward & Chirwa, 2011).

The initial success of the FISP is often credited to its solution to what experts call the *low maize productivity trap*. Highly volatile maize prices reduce the incentives of farmers to produce a surplus but at the same time increase the necessity of deficit farmers to grow as much maize as they can on their land even though they cannot afford improved seed and fertilizer. Higher maize prices would, accordingly, incentivize higher productivity and output. However, in the Malawian context where 60 percent of smallholder farmers are net buyers of maize, higher prices would also hurt the majority of Malawians relying on the maize markets.

The FISP is designed to address these challenges by reducing input prices and improving the profitability and

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affordability of maize among net producers and net buyers respectively. It is hoped that eventually some farmers would be enabled to exit from low productivity maize cultivation and diversify their livelihood portfolios beyond agriculture (Chinsinga, 2014).

A number of studies have attributed various positive impacts of the FISP: economic growth, low inflation, growth in exports, a higher degree of food self-sufficiency among deficit producers, and a reduction in household food insecurity. The FISP is also considered to contribute towards controlling the level of inflation since food constitutes about 58 percent of the Consumer Price Index (CPI) basket. Further, more marketed maize is expected to result in downward pressure on maize prices to the benefit of food purchasers. Higher wages from farm and non-farm employment, an increased use of improved maize seed by smallholder farmers, growth of the seed market and agro-dealers in rural areas are also attributed to the FISP (Chinsinga, 2012).

It should be kept in mind that the above presented benefits are largely estimates. The lacking counter-factual means that one cannot know how the agricultural productivity after 2004/5 would have developed without the FISP. Some go as far as to argue that the favourable weather and climatic patterns since the 2005/06 growing season have greatly contributed to increases in maize output. Evidence from neighbouring Zambia suggest that favourable weather patterns can contribute heavily to the bumper harvests, as in the 2009/10 growing season (Chinsinga, 2012).

Comparisons of impact assessments indicate that the scale of the analysis is critical to determining the ratio of benefit-cost ratio of the program. Estimations of the direct effect of the FISP tend to be less positive than those that take into account indirect spill-overs and second-round effects. For years researchers have found the cost-benefit ratio of the FISP to be relatively low and fluctuating (FISP symposium, 2014).

While direct estimations of the benefits relative to the programme's costs are mixed at best, analyses with a broader scope tend to yield more consistently positive findings. A recent study has attempted to quantify the impact of the FISP on food prices, rural wages, and production spill-over effects and found that an economy-wide benefit-cost ratio could be up to 60 percent higher than a benefit-cost ratio that considers the direct production effects of the program only.

According to this study, improved maize production increases the incomes of beneficiaries despite a reduction in the market prices of maize, which in turn is beneficial for Malawians relying on maize purchases. Despite these

promising signs there is no evidence that the wider benefits of the FISP have extended to improving the nutritional status of beneficiaries (FISP symposium, 2014).

It is important to note that there is no way of establishing whether the funds spend on the FISP represent the most efficient investment of limited resources. Alternatives, such as low cost financial services, improved research, increased extension services, and risk management mechanisms may yield better results and there is a concern that public expenditure on these alternatives is being crowded out by the FISP.

IMPLEMENTATION CHALLENGES

As stated earlier, implementing the FISP is a complex and year-long undertaking involving the procurement of huge amounts of fertilizer, the targeting of around 35 percent of Malawian farm households, the distribution of 6 million vouchers and the same amount of fertilizer and seed bags across the country. Understandably, a logistical exercise on this scale experiences a number of challenges.

One of the main challenges is the timely and cost-effective procurement of inputs, especially fertilizer. In 2012/13, late tendering and awarding of bids resulted in a portion of the fertilizer being bought at very high prices. Late procurement also results in late delivery to inputs markets, which is problematic due to critical farming deadlines. In order to guarantee timely and cost-effective delivery of inputs, the Government would need to release the funds before the start of the fiscal year, which tends to be complicated. Some observers have therefore called for the Government to shift its fiscal year to either follow the calendar year or run from the 1st April to 31st March.

Another critically important challenge is the monitoring of transportation of fertilizers to the markets in a context of a large increase in the number of contracted transporters and frequent reports of theft.

Aside from logistical issues there are a number of implementation challenges that relate more to programme design. Selected households receive a total of four vouchers, two for fertilizer, and two for seeds. In order to significantly boost farm productivity it is critical that farmers are able to combine all inputs. However, in reality households rarely receive all vouchers they are entitled to. A 2013/13 study found that on the national level about 40 percent of the rural population did not receive any vouchers, 41 percent received just one, and only 18 percent received at least two vouchers.

Another worrying issue is that while all households are likely to receive coupons, poor and vulnerable households, young households, and female headed households tend to receive

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fewer coupons, as redistribution occurs more frequently among poorer households, while better off households tend to keep most of their coupons. Likewise, male and female headed households are equally likely to receive coupons, but female headed households tend to receive fewer coupons (Chirwa & Dorward, 2014).

The problem with sharing coupons is that few households utilize enough of the subsidised inputs for there to be a compounding effect that significantly raises productivity and output. Regardless of whether the FISP is defined in terms of social support or agricultural productivity, these findings indicate that targeting is not working well. Small amounts of inputs neither fundamentally change agricultural productivity nor are they an effective and cost-efficient way to transfer resource to the poor.

In order to ensure increased agricultural productivity and the adequate use of inputs the FISP complements subsidies with an agricultural extension workers system. Despite the importance of improving agricultural techniques, in 2012/13 only 11 percent of beneficiaries received advice from extension workers. In 2006/7 this percentage stood at 22 percent and in 2008/9 at 14 percent. Low and deteriorating access to technical advice poses a serious challenge to the programme's effectiveness and demands a serious review of the future of the demand-driven extension system.

From the beginning of the programme there have been concerns about lacking transparency with regards to beneficiary selection. In order to increase community participation in beneficiary selection open meetings were introduced in villages. However, surveys indicate that such meetings do little to empower communities to make decisions in coupon allocation and distribution. Instead such meetings are widely used to inform the communities of allocation decisions already made by village heads. Beneficiary lists are available for review at the village head's house but according to one survey only 30 percent of respondents were aware of this and only 10 percent have actually seen the list (Chirwa & Dorward, 2014).

Beneficiaries claiming the fertilizer and to a lesser extend the seed bags face a number of challenges. The most common complaints regarding vouchers redemption at ADMARC or SFFRFM outlets are long lines (reported by 47 percent of respondents), queue jumping (40 percent), long-distance travel, input shortages, and slow service (all 30 percent). In addition, some beneficiaries have complained about vendor's demands for 'tips', abusive language, and gender-based violence. Generally speaking, problems are reported to be more widespread at ADMARC/SFFRFM outlets than private retailers (Chirwa & Dorward, 2014).

Another challenge to the FISP's effectiveness is the apparently high level of political interference. On the district level, the share of beneficiary households ranges from 33 to 49 percent. However, no clear information has been provided by the MoAIWD as to how these variations come about except general statements about population size, maize area, and soil quality (Holden and Tostensen, 2011). Political motives in allocating FISP funding are considered by some stakeholders to reduce the impact of the FISP as they divert vouchers based on politics rather than need and impact (Chinsinga, 2012).

A 2011 World Bank review of procurement and transport records has revealed significant irregularities, which have greatly undermined the programme's overall efficiency and effectiveness. During the programme's lifetime, the initial budget has been overspend by between 41 and 105 percent (Dorward & Chirwa, 2011). According to the World Bank rising fertilizer prices only partially account for this increase. The World Bank report claims that the cost of the FISP has been inflated by as much as 50 percent due to favouring of certain contractors rather than applying competitive pricing (World Bank et al, 2011).

SOCIAL PROTECTION PROGRAMMES IN MALAWI: A SOCIAL PROTECTION FLOORS PERSPECTIVE

There is a growing consensus amongst policy makers and development practitioners about the importance of considering social protection needs throughout all stages of the life-cycle, from birth to death. All people - rich or poor – face contingencies ("risks") and vulnerabilities during their life-time, which have financial consequences for them, their families and dependants. Situations such as maternity, sickness, lack of employment, work injury, and old age reduce or eliminate their ability to maintain income security and a life in dignity and wellbeing.

The ILO's Social Protection Floors Recommendation 202 recognizes the need for social protection systems to provide adequate coverage in all stages of a persons' life. It calls on member states to progressively extend social protection provisions for children, adults in working ages, and older persons. It recommends the implementation of nationally defined basic social security guarantees to ensure that all in need have access to essential health care and income security.

This section examines in how far Malawi's social protection programmes, as prioritized in the MNSSP, provide adequate social protection support over the life-cycle and in how far the system covers all relevant contingencies.

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The country's social protection system in its current form falls short of Recommendation 202 ambitious targets and there is significant room for improvement:

- ⇒ There is an extensive network of **health care** facilities nationwide and 85 percent of the population lives within 10 kilometres from a facility. In addition, over the past half-decade real expenditure has increased most in public health and preventive care. However, access to affordable health care is not safeguarded due to the prevalence of out-of-pocket payments in a number of facilities.
- ⇒ The main social protection intervention with an explicit focus on **children** is the school feeding programme. It reaches approximately 25 percent of children attending primary school and does not have nationwide coverage. There is no specific intervention targeting children between the ages of 0-5, which is the most critical age for physical and cognitive development. A small group of children benefit indirectly from the SCT, leaving the vast majority of vulnerable children unprotected. The total amount of spending on social protection for children (and the elderly) is low compared to spending on programmes for the working ages. Children constitute more than half of the population, but receive less than 25 per cent of social protection resources compared to working age adults.
- ⇒ Non-contributory social protection programmes for Malawians in their **working age** cover only a small part of the population. There has been a rapid increase in allocations towards working age related social protection programmes (primarily PWP and FISP) but several concerns have been raised in relation to the cost-effectiveness and impact of these interventions.
- ⇒ Only a small proportion of the **elderly** receive a pension as currently there is no pension system outside of the civil service and parts of the small formal economy. Some level of support to the elderly living in labour constrained households is provided via the SCT, which excludes the majority of the elderly living in poverty.

From a system point of view, there is a considerable extent of off-budget financing of social protection programmes and this renders social protection provisions volatile and hampers coordination.

The Government has committed to fund 10 percent of MNSSP programmes but reportedly failed to reach that target in 2014/15. Government financial contribution ranges from negligible in PWP to about 85-90 percent of total costs with respect to the FISP. For School Meals and the SCT, Government contribution is estimated to be slightly below the committed 10 percent. Microfinance and VSL are both

entirely donor funded and expenditure towards VSL mainly consists of trainings provided by various NGOs.

Closing the social protection design and implementation gaps regarding the Social Protection Floor guarantees will require mobilizing additional fiscal space. However, it will also require a clear agenda of priorities and a rationalization of existing spending towards these priorities.

Financing of social protection in Malawi (2014/15)

Programme	Cost as % of GDP	Estimated % of Gov. funding
SCT (Nov. 2015)	1.1	≈ 10
School Meals	0.9	≈ 10
Public Works	0.9	0
FISP	4.6	≈ 85-90

CONCLUSION: KEY CHALLENGES OF THE SOCIAL PROTECTION SECTOR IN MALAWI

This section briefly outlines a number of key challenges of the social protection sector in Malawi.

WEAK INSTITUTIONAL FRAMEWORK

- ⇒ **Malawi's social protection system is overly fragmented.** It is made up of a wide range of social protection schemes and programmes, with different objectives, implementation mechanisms, coverage, degree of national ownership and time-frames. These programmes include, and are complemented by, programmes with a wider objective that also have a social protection dimension – for example, farm input subsidies or active labour market programmes. While some of these programmes are embedded in long-term strategic plans, implemented nationwide, and financed through the central government's consolidated budget, none are anchored in law, and quite a few are of a short-term nature, limited in geographical and personal coverage, and based on a volatile and insecure resource base. The various programmes use different mechanisms to deliver the income transfer or service to different population groups.
- ⇒ **Social protection is often donor-driven and consists primarily of programmes implemented on an ad-hoc basis.** As a result there are currently few entitlements to social protection in Malawi. The low level of country ownership is exemplified by the failure of the Government to fund the agreed upon 10 percent contribution to the MNSSP and by the high level of programme funding that depends on donors. In addition, the lack of unified management and information system (MIS) makes it

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difficult for the Government to adequately fulfil its supervision role as it has to rely on reports and updates from implementers.

LOW COVERAGE

- ⇒ **Despite the impressive progress that Malawi has made with regard to the extension of social protection over the last years, significant coverage gaps remain.** This holds true both in terms of districts covered and percentages of target groups included in programmes and applies to all age categories and all programmes. The existing programmes provide insufficient protection to ultra-poor and vulnerable individuals and households.
- ⇒ **Coverage of social protection programmes varies significantly amongst age-groups.** Due to coverage gaps and, more importantly, the design and objectives of implemented programmes, school-age children and working-age adults are currently better covered than infants, pre-school children, and the elderly.
- ⇒ **Sometimes these coverage gaps are results of policy design.** For instance, in the case of the SCT, the strict 10 percent threshold leads to high 'exclusion errors' due to regional disparities in the poverty headcount. In other cases, such as School Meals, implementers focus on the most vulnerable districts due to resource constraints. While it is understandable to prioritize on the most vulnerable given limited funding, this approach leads to a fragmented system and limited coverage.
- ⇒ **The limited coverage reduces the effectiveness of interventions.** Limited coverage in terms of districts and beneficiaries means that even though individual programmes are consistently found to have positive impacts on livelihoods little progress has been made in reducing the country's extremely high levels of poverty.

INSUFFICIENT IMPACT

- ⇒ **Transfers are often quite low and infrequently adjusted which has the potential to reduce their impacts.** Transfer levels are not frequently revised in line with inflation. Inflation in Malawi over the last years has been consistently in the range of 20 percent. Nonetheless, transfers levels of the SCT and PWP are not automatically or frequently adjusted, reducing the real value of the transfer over time. International evidence indicates that for transfers to have measurable impacts their value should be at least 20 percent of pre-transfer income. In May 2015, the transfer levels were raised and now represent about 23 percent of pre-programme income, up from 18 percent under the old transfer levels.

⇒ **Impact evaluations on MNSSP programmes have been mostly positive.** Numerous impact evaluations have been conducted on MNSSP programmes and most testify to their positive impacts, which, however, vary significantly. The SCT has been implemented in Malawi since 2006 and a number of impact evaluations have found evidence of positive impacts of the programme on beneficiary livelihoods, poverty, and economic activities. Likewise, there is growing evidence of the positive impacts of School Meals and the VSL approach. Microfinance in Malawi has not been thoroughly evaluated.

- ⇒ **Few rigorous evaluations have been conducted on PWP in Malawi and the existing evidence is cause for concern.** The LDF PWP was found to have little impact on food security, probably as short-term employment at/or below the market wage rate for unskilled labour does not appropriately address chronic poverty and the causes of food insecurity.

- ⇒ **There is evidence of FISP effect on increased farm incomes and higher farm wages despite lowered maize prices, yet the FISP's objectives remain unclear.** While causality is difficult to establish, Malawi has had national maize surpluses since the introduction of the FISP. The FISP is frequently criticised for its ambiguity on whether its main aim is to increase agricultural productivity, and should therefore target farmers with productive capacity, or social support, therefore targeting the rural poor. There is a consensus that clarifying the FISP's objective is a prerequisite towards improving its effectiveness.

INEFFICIENCY IN PROGRAMME DELIVERY

- ⇒ **Targeting is not always effective.** Community targeting combined with complex targeting criteria, widespread and deep poverty as well as the prevalence of local politics often leads to inefficient targeting outcomes and high inclusion and exclusion errors. Reforms of the targeting procedures could involve simplified criteria that are easier to understand for local communities and thus increase transparency in beneficiary selection or the increased use of outside targeting staff, for instance through local NGOs, to reduce village politics in beneficiary selection.
- ⇒ **Administrative costs of Malawi's social protection programmes are high.** Especially the country's PWP and the FISP have relatively high administrative overhead, which reduces cost-efficiency. The FISP also puts significant pressure on the Malawi's foreign exchange reserves and budget.
- ⇒ **Lack of integration of social protection programmes and the limited exploitation of linkages.** A key obstacle towards better coordination and harmonization is the lack

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of integrated MIS and M&E systems. Developing such systems would allow stakeholders and in particular the Government to better assess the performance of the system and monitor implementation. Currently, lack of integrated systems significantly reduces the Government's ability to coordinate, monitor and evaluate the country's social protection system and provide policy guidance. See box below.

BOX 3. LINKAGES BETWEEN SOCIAL PROTECTION PROGRAMMES

Poverty is multidimensional and reducing it requires mutually reinforcing interventions addressing various forms of deprivation and allowing graduation. Interventions need to be harmonized and linkages to be exploited to enable beneficiaries to benefit from complementary programmes and services.

A recent FAO study (Gavrilovic et al., 2015) finds evidence of many potentially mutually reinforcing interactions between social protection and agriculture interventions in Malawi, including several examples of deliberate and existing linkages between programmes. Yet, coordination and synergies between programmes seem to be undermined in reality due to a high degree of institutional fragmentation between Government departments running these programs.

The 'silo approach' is exacerbated by the lack of strategic and operational guidance – in terms of how to strengthen coherence in practice, through a specific mix of instruments, targeting mechanisms, and institutional structures and processes.

By strengthening coherence between interventions, which may involve better strategic planning, harmonized targeting, more effective timing and coordination of interventions, there is a significant potential to sustainably improve livelihoods and food security among the poor and vulnerable households.

For instance, transfers from the SCT or PWP could be used to ease liquidity constraints in purchasing agriculture inputs provided through FISP. Combining cash transfers with interventions to enhance productivity in agriculture can increase the income-generation capacity and asset base of the poor, improving resilience and allowing eventual graduation.

Further, by linking such transfers to savings schemes (VSL) beneficiaries could gradually build savings and assets that would allow them to invest in income generating activities and diversify their farming activities or eventually move away from low-return agriculture.

RECOMMENDATIONS TOWARDS IMPROVING SOCIAL PROTECTION IN MALAWI

Based on the assessment a number of recommendations towards improving the coverage, effectiveness and coherence of the social protection system of Malawi are outlined below:

SYSTEM LEVEL RECOMMENDATIONS

- ⇒ Government capacity to oversee, monitor and coordinate social protection is currently limited. Efforts should be undertaken to support Government's capacity and ownership over social protection in Malawi. This should include an analysis of fiscal space and financing modalities to increase Government's contribution to social protection expenditure.
- ⇒ Malawi's social protection system currently lacks integrated MIS and M&E systems. Developing such systems would be an important step towards improving the coordination and harmonization of the country's social protection system.
- ⇒ Currently there is little exploitation of linkages between programmes and between programmes and complementary services, such as agriculture, health, and education. It would be important to develop a detailed strategy on linkages to ensure that vulnerable Malawians who are enrolled in programmes also benefit from other important services or received additional support. Linkages to other programmes can provide important support for households to graduate out of poverty.
- ⇒ Currently the country's social protection programme (MNSSP) is not well aligned with the broader system of social protection, namely the MVAC humanitarian response. It is recommended that stakeholders identify ways to improve the harmonization of the 'regular' social protection interventions with the MVAC to improve impacts and exploit synergies.
- ⇒ Complex targeting criteria, the prevalence of community targeting, widespread and deep poverty with a very flat income distribution, and strict cut-off points all contribute to inefficient poverty targeting outcomes, as observed in a number of evaluations. It is recommended to re-visit the targeting approaches of MNSSP programmes, as well as the FISP. In the long-term, Malawi may consider more categorical transfers that could be better suited to the country's widespread and mostly uniform poverty.
- ⇒ The current transfer share of the SCT relative to pre-transfer incomes is 23 percent, which is slightly above the crucial threshold of 20 percent that transfers need to be effective. For all programmes there is a strong need to

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remain attentive to the real value of the transfers over time in order to safeguard programmes' effectiveness.

PROGRAMME LEVEL RECOMMENDATIONS

- ⇒ Malawi has invested considerably in establishing and fine-tuning the implementation system of the **Social Cash Transfer** and coverage has increased significantly in 2015. Given the positive impact evaluations, the need for a predictable and continued support programme amongst the county's most vulnerable, as well as the well-established implementation system, it is a key recommendation of the assessment to extend the coverage of the SCT. In a first phase this should entail the expansion to districts currently not covered. The 10% threshold should also be removed as it excludes a large numbers of ultra-poor and labour constraint households in the poorest districts. In a second phase the Government could consider relaxing the poverty targeting criteria to include a larger number of labour constrained households living in poverty or at risk of poverty.
- ⇒ **School Meals** can play an important role in increasing enrolment, reducing drop-out rates, and improving the nutritional wellbeing of school children. Especially in Malawi's context of lean seasons and high drop-out rates, School Meals are a key tool of social protection and should be extended beyond the currently targeted districts and schools.
- ⇒ A greater focus should be placed on providing social protection for children aged 0-5 to increase impact on nutrition and early child development. This age group currently receives only limited support through the SCT. In the short and medium term, existing programmes should be adjusted to include a greater focus on infants and young children. In the longer term, Malawi should consider implementing tailored social protection interventions for children aged 0-5.
- ⇒ **Village Savings and Loans** groups are very popular in Malawi but nonetheless there remains a significant unmet need for such groups. Evaluations found positive impacts the VSL approach. However, there are concerns about sometimes inadequate training of beneficiaries and 'poaching' of VSL members from microfinance providers. It is therefore important for the Government to work closely with VSL associations to improve the literacy and business skills training of beneficiaries as well as to improve the regulation oversight of the VSL and microfinance sectors.
- ⇒ **Public Works Programmes** are one the largest social protection programmes in Malawi. While such programmes are appropriate to support the poor with labour capacity over short periods, they have shown to have little impact on the food security and chronic poverty. Low wages, which are a result of the self-selection targeting mechanisms, together with a limited number of working days, lead to small and infrequent transfers. Implementers may consider looking into ways to adjust current programmes strengthen the 'social protection' function of PWP. This could be realized by increasing the number of working days and transfer levels, thus allowing beneficiaries to have higher and predictable incomes, linking transfer levels to household composition, and allowing beneficiaries to transfer from the PWP to the SCT under certain circumstances (e.g. injury or pregnancy) like in the case of the Productive Safety Net Programme in Ethiopia.
- ⇒ The **Farm Input Subsidy Programme** is by far the most expensive and largest social protection programme in Malawi. There is an emerging consensus that the programme's objectives need to be clarified. It is important to have a political decision on the objectives and then reform the FISP based on more clearly defined objectives. A more narrowly targeted FISP could free up much-needed resources for other social protection programmes, in particular the SCT.

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BUILDING NATIONAL FLOORS OF SOCIAL PROTECTION IN SOUTHERN AFRICA - AN ILO AND IRISH AID PROJECT

Over the two last decades, Zambia, Mozambique and Malawi have registered unprecedented fast economic growth. However, this has not translated into equal progress in poverty reduction and human development.

There is a large consensus that social protection is not only a human right recognized by the Universal Declaration of Human Rights (1948) but it also contributes to sustainable economic growth by raising labour productivity, empowering people to find decent jobs, stabilizing aggregate demand, and stimulating local economies.

Irish Aid and ILO share this vision and agreed on a collaboration on implementing the project Building National Floors of Social Protection in Southern Africa. This joint initiative is a 3 years project (2014-2016) which aims to implement basic social protection guarantees in the three pilot countries: Zambia, Malawi and Mozambique.

Grounded in a regional peer learning process, the project strategy focuses on learning and building on the successes of different approaches towards the establishment of social protection systems in the region. Identifying an important gap in terms of knowledge development and capacity building tools, the development of a innovative training package based on country demand and their similar challenges - is one the key milestone of the project.

The project pursues these objectives notably by providing: practical assistance with specific economic feasibility studies; legal expertise; support to national dialogue processes; and advises on governance and administrative aspects of implementing social protection and Social Protection Floors.

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