TOWARDS A MALAWIAN SOCIAL PROTECTION FLOOR:

ASSESSMENT OF SOCIAL PROTECTION PROGRAMMES IN MALAWI

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List of abbreviations

ACB	Anti-Corruption Bureau
ADMARC	Agricultural Development and Marketing Corporation
AEW	Agricultural Extension Worker
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
CBCC	Community Based Child Centre
COMSIP	Community Savings and Investment Promotion
CUMO	Concern Universal Microfinance Limited
CHAM	Christian Health Association of Malawi
CHAI	Clinton Health Access Initiative
CSSC	Community Social Support Committee
CTM	Common Targeting Mechanism
DADO	District Agricultural Development Officer
DB	Defined Benefit Pension System
DC	District Commissioner
DC	Defined Contribution Pension System
DFID	Department for International Development
DSWO	District Social Welfare Office
ECDC	Early Childhood Development Centre
ECD	Early Childhood Development
ECRP	Enhancing Community Resilience Programme
EHP	Malawi Essential Health Care Package
EU	European Union
FAO	Food and Agricultural Organization
FBO	Farmer-Based Organization
FCUBE	Free, Compulsory, Universal Basic Education
FFA	Food-for-Assets
FINCA	Foundation for International Community Assistance
FISP	Farm Input Subsidy Programme
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoM	Government of Malawi
HGSF	Home Grown School Feeding
HIV	Human Immunodeficiency Virus
HIPC	Highly Indebted Poor Countries
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFMIS	Integrated Financial Management Information System
IHS	Integrated Household Survey
ILO	International Labour Organization
IRLADP	Irrigation, Rural Livelihoods and Development Project
KfW	Kreditanstalt für Wiederaufbau
LDF	Local Development Fund
LIPW	Labour Intensive Public Works
LLIN	Lasting Insecticide Treated Net
MASAF	Malawi Social Action Fund
MDAs	Ministries, Departments and Agencies
MDRI	Multilateral Debt Relief Initiative
M&E	Monitoring and Evaluation
MFI	Microfinance Institutions
MGDS	Malawi Growth and Development Strategy
MICS	Multi Indicator Cluster Survey
MIS	Management and Information Systems
MK	Malawi Kwacha

MLFS	Malawi Labour Force Survey
MoAIWD	Ministry of Agriculture Irrigation and Water Development
MoEPD	Ministry of Economic Planning and Development (before June 2014)
MoEST	Ministry of Education, Science and Technology
MoFEPD	Ministry of Finance and Economic Planning and Development
MoGCDSW	Ministry of Gender, Children Disability and Social Welfare
MNSSP	Malawi National Social Support Programme
MoH	Ministry of Health
MoLMD	Ministry of Labour and Manpower Development (before September 2015)
MoLYMD	Ministry of Labour, Youth and Manpower Development
MoLGRD	Ministry of Local Government and Rural Development
MSP	Malaria National Strategic Plan
MTEF	Medium-Term Expenditure Framework
MUSCCO	Malawi Union of Savings and Credit Cooperatives
MVAC	Malawi Vulnerability Assessment Committee
NAC	National Aids Council
NAPE	Nutrition and Access to Primary Education
NBS	National Pension Scheme
NELP	National Employment Policy
NGO	Non-Governmental Organization
NHA	National Health Accounts
NSSP	National Social Support Policy
NSO	National Statistical Office
OPC	Office of the President and Cabinet
OIBM	Opportunity International Bank of Malawi
OOP	Out-of Pocket Payments
OVC	Orphan and Vulnerable Children
PEFA	Public Expenditure and Financial Accountability
PMT	Proxy Means Test
PWP	Public Works Programme
RBM	Reserve Bank of Malawi
RCT	Randomized Controlled Trials
ROSCA	Rotating Savings and Credit Association
RIDP	Rural Infrastructure Development Programme
SACCO	Savings and Credit Cooperative
SADC	South African Development Community
SCT	Social Cash Transfer
SFFRFM	Smallholders Farmers Fertilizer Revolving Fund
SHNHA	School Health, Nutrition, HIV and AIDS
SMEs	Small and Medium Enterprises
SM	School Meals
SPF	Social Protection Floor
SWAp	Sector Wide Approach
TA	Traditional Authority
THR	Take Home Rations
THE	Total Health Expenditure
TIP	Targeted Input Program
USAID	United States Agency for International Development
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNC	University of North Carolina
VSL	Village Savings and Loans
WFP	World Food Programme

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Executive Summary

Introduction

The Government of Malawi is committed to implement and extend social protection as one key element of this agenda through various schemes and programmes. The Malawi Social Support Policy 2012-16 and National Social Support Programme (2012) set the building blocks of the country's strategy in the field of social protection. The Government's National Social Support Policy 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 building progressively a national social protection floor as a fundamental element of comprehensive social protection system, is in line with the ILO Social Protection Floors Recommendation, 2012 (No. 202).

In this context, the Government of Malawi has requested technical advice from the ILO with regard to analysing the current social protection expenditure in Malawi in terms of its sustainability, robustness, efficiency and effectiveness in preventing or reducing poverty and social exclusion.

Embedded in the Project Building National Floors of Social Protection in Southern Africa, funded by Irish Aid, the ILO has embarked on a process of technical assistance to Malawi in the area of social protection. In line with these objectives, the project aims at analysing the social protection expenditure in Malawi. This includes an analysis of the current structure of social expenditure and the development of recommendations on how to redirect its resources to the most effective areas and reducing expenditure on less effective activities. This should allow increased coverage of the poor and vulnerable despite current fiscal constraints. Moreover there is the need to carefully look at existing programs in terms of their impact, cost effectiveness, sustainability and complementarities. This should help establish a credible and effective monitoring and evaluation instruments.

In this respect, the project intends to support the Government of Malawi in setting priorities for the review and implementation of the MNSSP, as foreseen in 2016, based on a consultation process.

Developing a coherent social protection framework requires the cooperation of various ministries and other stakeholders at the national and sub-national level. The Government of Malawi charged the Ministry of Finance, Economic Planning and Development (MoFEPD) with leading this study, considering its interest in rationalizing social protection spending as part of its mandate to ensure the efficient allocation of public expenditure and the generation of the necessary revenues. Other line ministries involved in this project are the Ministry of Gender, Children Disability and Social Welfare (MoGCDSW) on Social Cash Transfers; Ministry of Local Government and Rural Development (MoLGRD) on Public Works Programmes; Ministry of Education, Science and Technology (MoEST) on School Meals Programmes; Ministry of Finance, Economic Planning and Development (MoFEPD) on Microfinance; Ministry of Trade and Industry on Village Savings and Loans; Ministry of Agriculture Irrigation and Water Development (MoAIWD) on Farm Input Subsidy; and Ministry of Labour and Manpower Development (MoLMD) on social security for the formal sector.

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.

A 2013 labour force survey shows that 7 million people within the age group 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 21 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.

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

The expenditure distribution is extremely flat and rises only very slowly in the first four quintiles. However, in the fifth quintile, expenditure suddenly increases drastically. It is important to note that a flat expenditure distribution on the lower end of the ranking significantly complicates poverty targeting as a large portion of the country shows very similar expenditure levels. Distinguishing degrees of poverty based on such as flat expenditure distribution requires very detailed information on the households and extensive 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 explosive population growth, call for an increased investment in social protection systems, which have internationally shown to be able to effectively address these challenges.

In addition to international evidence on the effectiveness of social protection in reducing poverty and marginalization, there is increasing evidence of the impact of social protection programmes implemented in Malawi. 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.

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. 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 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 received, 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 'cash gate scandal' government has set out to reinvigorate its PFM Reform programme.

Social protection programmes 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 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 perquisite towards improving its effectiveness.

Inefficieny 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 communicates 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 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.

Conclusions and recommenations

System level

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

Programme level

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

Chapter 1. Introduction

1.1. Social protection in Malawi

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 (MGDS II) 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 (Government of Malawi 2012, p. xi).

The Malawi Social Support Policy 2012-16 and National Social Support Programme (2012) set the building blocks of the country's strategy in the field of social protection. Despite positive developments, the social support interventions in Malawi still provide limited coverage comparing with the existing needs. However, plans are in place to expand the existing programmes, particularly for the Social Cash transfer Pilot Scheme, to more districts.

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 operationalization of the National Social Support Policy into the National Social Support Programme 2012 – 2016 (MNSSP), is meant to significantly improve coordination and reduce the fragmentation of social support programmes across national counterparts as well as to optimize the allocations for social protection interventions from donors with a view to move away from providing short-term spending on benefits towards system development, including longer-term sustainability. It should provide an improved framework for resource mobilization for social protection as well as for its monitoring and evaluation through stronger national and sub-national statistical capacities.

The Government of Malawi has been implementing social support programmes in the country since 2006. This demonstrated commitment has attracted substantial resources from Development Partners, who have been supporting over 90 per cent of the total cost of these programmes.

In the context of the recent financial crisis and the more recent 'cash gate' crisis of misuse of public funds, the protection and good governance of social protection expenditures was felt by the various stakeholders as extremely important. Furthermore, there is an agreement on the need to progressively ensure more transparency to budgeting and oversight processes of national budgets to social protection.

On a more systemic basis, Malawi is a country where humanitarian aid and food security emergency support is high (MVAC 2013), and there is a willingness from the international community and from the Government of Malawi to see such support be progressively transferred to more rights-based systems of social protection support to vulnerable populations that are effective through recurrent public budget approvals.

The Constitution includes provisions that all Malawians have a right to economic, social, cultural and political development and women, children and the disabled in particular shall be given special consideration in the effectuation of this right. To this end, in the Constitution it is written that the State shall take all necessary measures for the realization of the right to development which shall include, amongst other things, equality of opportunity for all in their access to basic resources, education, health services, food, shelter, employment and infrastructure.

In this regard, while Malawi has a policy and a number of programmes on social protection, these have not been harmonised and coordination under a comprehensive guiding vision was not fully achieved. Lack of a comprehensive vision of social development and weak institutional capacities have led to gaps in the delivery of social services and entitlements. The National Social Support Policy therefore emphasises the need to “provide a holistic framework for designing, implementing, coordinating, monitoring and evaluating Social Support interventions” (National Social Support Policy, 2012, p. v). In line with this, crucial measures to be implemented to ensure social protection and inclusion would include:

– prepare a comprehensive national social protection framework

– strengthen coordination of social sector policies and programmes across sectors;

– provide adequate resources or social protection

– extend social protection coverage to a large number of beneficiaries

– improve targeting of existing social protection programmes;

– mainstream social protection into sector and district planning; and

– strengthen monitoring of social protection programmes.

The Government’s National Social Support Policy aims at bringing the multitude of social protection programmes under a common umbrella, based on a coherent framework and programmatic approach. This includes using the available resources in the most effective and efficient way, that would avoid gaps and the duplication of efforts and striving towards closing social protection coverage gaps. This, more or less, states the objective of building progressively a national social protection floor as a fundamental element of comprehensive social protection system, in line with the ILO Social Protection Floors Recommendation, 2012 (No. 202).

In this context, the Government of Malawi has requested technical advice from the ILO with regard to analysing the current social protection expenditure in Malawi in terms of its sustainability, robustness, efficiency and effectiveness in preventing or reducing poverty and social exclusion.

Various social protection schemes and programmes exist in Malawi, using a range of different mechanisms. These 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, or 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. The following categories may be distinguished:

– cash transfer programs directed to households or individuals

– in kind transfers to households or individuals aiming at facilitating access to health and education

– active labour market programmes

– subsidies – either to producers or consumers of certain goods or services

The Government’s Social Support framework (outlined in the MNSSP) aims at consolidating this multitude of social protection programmes into an integrated, coherent and sustainable social protection framework that would avoid gaps and duplication of social protection provisions. The MNSSP (p. 11) states:

> “... the instruments used in Malawi need to be improved in terms of their precision in poverty targeting, and their scope scaled up to reach more poor people”

Hence, emphasizing the need to ensure a social protection floor and building a coherent social protection system would place Malawi in line with the ILO's strategy for the extension of social security (ILO, 2012) and the ILO Social Protection Floors Recommendation, 2012 (No. 202).[1] According to this Recommendation, national social protection floors are nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating, ill health, poverty and vulnerability and social exclusion. These guarantees should ensure that, over the life cycle, all in need have access to at least essential health care and basic income security. These together ensure effective access to essential goods and services defined as necessary at the national level. Recommendation 202 recognizes that not all the countries are in position to immediately implement a Social Protection Floor and recommends a progressive realization, including by setting targets and timeframes, coherent with social, economic and employment policies.

Closing the social protection coverage gaps in Malawi through social protection floor guarantees, requires a solid financial basis. First and foremost, best use should be made of available resources by using the most effective and efficient combination of instruments within a well-coordinated policy framework. In addition, additional fiscal space may have to be mobilized in order to achieve the objectives that the Government of Malawi has set for itself.

Both the observation that a more coherent and integrated social protection framework is needed, as well as the perceived need to improve the poverty reducing/preventing impact for some of the current programmes, constitute the main drivers for this project Social Protection Floor Financial Assessment.

1.2. Objective of the assignment

Embedded in the Project Building National Floors of Social Protection in Southern Africa, funded by Irish Aid, the ILO has embarked on a process of technical assistance to Malawi in the area of Social Protection. Grounded in a regional peer learning process, the project comprises practical assistance with specific economic feasibility studies, legal expertise, support to national dialogue processes and advice on the governance and administrative aspects of implementing national social protection floors. In the case of Malawi the technical assistance will be done in strict articulation with other UN Agencies – particularly UNICEF – and other development partners like Irish Aid and GIZ. This Irish Aid/ILO project envisions to continue strengthening the capacity of the Ministries in charge of social protection to plan and budget social protection programs, and to assist with the analysis of potential domestic funding options to reinforce the sustainability of social protection in the country.

The ILO consultation in the form of two technical reports and several workshops aims to strengthen the capacity of different Ministries in charge of social protection to plan and budget social protection programmes, by assisting with the development of a mapping and measurement of SP needs, a gap analysis (in relation to national social protection objectives and the Recommendation 202 framework – based on a set of alternative definitions for a Social Protection Floor (SPF) in Malawi following national dialogue, and a costing of alternative options), recommending financial management, audit, and monitoring processes and training a group of national experts and officials on such processes and tools.

In line with these objectives, the project aims at analysing the social protection expenditure in Malawi This includes an analysis of the current structure of social expenditure and the development of recommendations on how to redirect its resources to the most effective areas and reducing expenditure on less effective activities. This should allow increased coverage of the poor and vulnerable despite current fiscal constraints. Moreover there is the need to carefully look at existing

[1] As member State of the ILO, Malawi, represented by its tripartite delegation of government, employer and worker representatives, actively contributed to the elaboration and adoption of the ILO social security strategy and the ILO Social Protection Floors Recommendation, 2012 (No. 202) during the 100th and 101st Sessions of the International Labour Conference in 2011 and 2012.

programs in terms of their impact, cost effectiveness, sustainability and complementarities. This will help establish a credible and effective monitoring and evaluation instruments.

The project intends to support the government of Malawi in setting priorities for the review and implementation of the MNSSP, as foreseen in 2016, based on a consultation process. A broad national dialogue, which includes social partners and other stakeholders, is essential in ensuring that the policy meets the needs of the population and builds on a broad national consensus. Accordingly, the study has been developed in an iterative process. An initial launching workshop served to fine-tune the scope of the report, in particular with regard to identifying those programmes which should constitute its main focus. A second national workshop aimed at validating the first part of the report which focuses on the assessment of the status quo) and at agreeing on policy options that are to be further assessed in the second part) of the report. A third national workshop will discuss the assessment of these policy options, their cost and potential impact on the reduction of poverty. On this basis, the ILO offers recommendations that can guide the Government of Malawi in extending social protection coverage, rationalizing social protection expenditure, including through enhanced effectiveness and coordination of the social protection system, based on a coherent and comprehensive approach.

Developing a coherent social protection framework requires the cooperation of various ministries and other stakeholders at the national and sub-national level. The Government of Malawi charged the Ministry of Finance, Economic Planning and Development (MoFEPD) with leading this study, considering its interest in rationalizing social protection spending as part of its mandate to ensure the efficient allocation of public expenditure and the generation of the necessary revenues. The MoFEPD does not administer any social protection programmes. Other line ministries involved in this project are the Ministry of Gender, Children Disability and Social Welfare (MoGCDSW) on Social Cash Transfers; Ministry of Local Government and Rural Development (MoLGRD) on Public Works Programmes; Ministry of Education, Science and Technology (MoEST) on School Meals Programmes; Ministry of Finance, Economic Planning and Development (MoFEPD) on Microfinance; Ministry of Trade and Industry on Village Savings and Loans; Ministry of Agriculture Irrigation and Water Development (MoAIWD) on Farm Input Subsidy; and Ministry of Labour and Manpower Development (MoLMD) on social security for the formal sector.

The preparation of this study has been entrusted to the ILO as the specialized UN agency with the mandate to set international labour standards, including on social protection, and as a tripartite organisation with a unique rights-based and participatory approach. The ILO has long-standing technical experience in supporting its member Governments in reforming their social security systems. Based on its mandate to promote social justice, the ILO's approach is based on the premise that equitable and sustainable social protection policies need to ensure the adequacy of benefits, efficient administration and sound financial management, and the fairness and sustainability of the social protection system. Through its international social security standards, laid down in several Conventions and Recommendations, the ILO is uniquely positioned to provide advice to countries on the basis of internationally adopted standards and recommendations.

The Social Protection Department of the ILO has a long history of technical cooperation with governments in sub-Saharan Africa that is particularly relevant for this study – a very recent example is a Social Protection Floor Assessment Report for Namibia that was published a few months ago (ILO/OPM 2014).

1.3. Conceptual framework

It is important at the outset to define the scope of social protection expenditure. The National Social Support Policy suggests to use a rather general concept of social protection as a 'working definition' referring to "provide and promote productivity-enhancing interventions and welfare support for the poor and vulnerable, thereby facilitating movement of people out of poverty and reducing the vulnerability of those at risk of falling into poverty." (NSSP 2012, p. 8). The ILO definition provides further detail regarding the risks and adversities that are to be remedied by social protection stating that social protection comprises 'all measures providing benefits whether in cash or in kind to secure protection, inter alia from (i) lack of work related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, (ii) lack of access or unaffordable access to health care, and (iii) insufficient family support, particularly for children and adult dependants (iv) general poverty and social exclusion' (ILO 2010). While both definitions include both contributory (social insurance) and non-contributory elements of the social protection system, this study is going to focus on non-contributory schemes and programmes including health care where services are accessed through subsidized contributions.

These definitions help to distinguish social protection programmes from other programmes.

Second, the notion of "rationalizing" social expenditure which has been coined in section 1.2 requires further clarification. The working definition used throughout this assignment is as follows: rationalizing social protection expenditure means making current social protection spending more *effective*, *efficient* and *sustainable*, both at the *system level* and the *level of individual programmes*, and both with respect to the programme impact and costs, including administration costs; all this, in accordance with the objectives stated in the MNSSP.

Efforts to rationalize social protection expenditure address the extent to which social protection programmes are reaching the poor and vulnerable. Reducing and preventing poverty and social exclusion are important objectives for all programmes. Some programmes use targeting mechanisms to achieve these objectives, yet targeting will not in all cases be the most efficient mechanism for delivering programmes. In general, the motivation for targeting derives from the following three elements: the objective to maximize the impact on the poor (and vulnerable), the circumstance that the available budget is limited, and that, within this budget constraint, there is a trade-off between the number of beneficiaries and the level and quality of the benefit (World Bank 2012). In addition, there are costs involved in targeting as well. The main items are transaction costs – for the administration as well as for the receiving beneficiaries, and incentive costs – arising from changes in the economic behaviour of the beneficiaries to become (or remain) eligible for the programme. Other possible costs associated with targeting are social costs – the programme might stigmatize its beneficiaries, and political costs - there tends to be less support for programmes that cater for a limited number of constituents (World Bank 2010).

In addition, implementing narrowly targeted Social Protection programmes in a country with a very flat income distribution at the bottom and a large number of people living in transient poverty may be expensive and requiring high degrees of administrative capacity as well as potentially leading to significant exclusion errors. The analysis therefore needs to go beyond targeting efficiency in a narrow sense and consider also how poverty, ill health and vulnerability can be effectively prevented. This requires an adequate, accessible, affordable, effective, efficient, sustainable and equitable social protection system and coherent economic, employment and social policies. While the Social Protection Floor Recommendation (R202) holds that "in providing the basic social security guarantees, Members should consider different approaches with a view to implementing the most effective and efficient combination of benefits and schemes in the national context", which can include a range of targeted and universal schemes, it also affirms that the system should ensure that at a minimum "over the life cycle, all in need have access to essential health care and to basic income security" (ILO, 2012). This implies that particular social protection programmes do not necessarily have to be universal but the social protection system as a whole should be universal in the sense that it provides sufficient protection to all residents.

Furthermore, most programmes, appear to have more than one objective. Other objectives beyond income security include for example facilitating universal access to services, supplementing existing programmes, promoting local economic activities, and improving governance at the district and local level. This has implications for our assessment of the efficiency, effectiveness and impact of the programmes. Some programs may be very effective on their other (core) objectives but not have a strong performance regarding their impact on providing social protection.

Finally, a key concept to clarify is that of what exactly constitutes coverage. The ILO emphasizes the importance of achieving effective coverage which goes beyond the legal coverage or affiliation with a scheme. Coverage means that all conditions are fulfilled for a person to effectively access the benefits and services to which he or she is entitled to. In addition to a rights-based approach, the ILO definition of coverage therefore includes that benefits and services must be available, accessible, adequate, guarantee financial protection, affordable and acceptable.

1.4. Methods, data and structure of the report

Methods and procedure of the analysis

The ILO's technical advice to the Government of Malawi is captured in two coherent reports. The first report (Status Quo Report) includes a brief discussion of Malawi's socio-economic indicators and the country's macroeconomic environment as well as a status quo analysis of implemented social protection. (Chapters 4, 5). The analysis will provide an overview of the existing social protection provisions, their performance in terms of providing income security and access to essential services throughout the life cycle or gaps in protection. This also includes an analysis of existing public social protection expenditure and the overall government budget.

Following the Status Quo Report, a second report will present an estimate of the costs of different policy scenarios, their implication for the government budget, as well their potential impact on poverty reduction (Costing of Policy Scenarios Report). The scenarios for the costing exercise presented in the second report are based on the analysis presented of the Status Quo Report as well as reform scenarios and priority actions, which have been identified during a stakeholder workshop in November 2014. The second report will also deal with the important topic of governance.

Table 1.1 provides an overview of these steps.

Table 1.1. Process to be followed to produce the report

Process to be followed to produce the report

Phase	Activities	Outputs
1. Mapping of existing programs	• Launching seminar • Inventory of existing programs • Establishing Assessment Matrix	• Inception report (including Chapters 1-3) • Detailed inventory of existing programs
2. Assessing the performance and expenditure of the existing programs	• Establishing a social expenditure and revenue accounting frame • Cost/benefit review of existing programs • Assessing impact of the existing programs on the poor and vulnerable • Identification of social protection gaps and duplications	• Status Quo Report (Report I)
3. Identification of policy alternatives with a view to the Social Protection Floor	• Stakeholder consultations about policy scenarios and validation of status quo analysis • Constructing medium-term projections • Modelling the cost/benefits, fiscal space, impacts and remaining gaps of these policy scenarios	• Costing of Policy Scenarios Report (Report II)
4. Recommendations and dissemination	• Stakeholder consultations for validation of policy scenarios report • Conclusions and recommendations for rationalizing social protection programs • Dissemination (transfer) of skills and tools	• Validated Report I and II + costing model

Mapping of existing programmes

As outlined in the table above, the first step in the analysis consists in the mapping of existing programmes which included also selecting programmes to be discussed in greater detail in this report, as the required information to do so will not be available for all identified programmes. The study takes as a basis the programmes that were included in the MNSSP and the definition included in the strategy discussed in the section above on the conceptual framework. In addition, the selection of programmes is shaped by the Social Protection Floor Recommendation's four basic guarantees of income security and access to services. Therefore the scope of the analysis goes beyond the MNSSP and also examines other programmes and social services that answer to the

Recommendation's objectives; for example, health care and old age provisions. The assessment further focuses on programmes that already have a certainly degree of scale, enjoy government support and therefore have the potential for further up-scaling.

From the definition, the following criteria can be identified as relevant for the classification of programmes as "social protection programmes": social protection programmes are programmes that have as a primary objective to

a. help to confront risks and adversities and/or ensure a minimum standard of dignity and well-being (with a direct impact on poverty / well-being)

b. assist individuals or households (i.e. the impact must be measureable at household or individual level)

For the purpose of this study, the focus will be on public social programmes so that the third criteria will be to analyse programmes that

c. are mandatory or publicly financed or publicly regulated, and of sufficient scale to warrant discussion.

Applying these criteria to the programmes in the MNSSP and focussing on the primary objective of programmes, reveal that many of the programmes in the study can be more suitably classified as education or employment programmes, but do not constitute social protection programmes in a strict sense. In fact, this is also reflected accordingly in the MGDS II that distinguishes between policy interventions in the areas of health, education, productivity and employment and social support.

Table 1.2 lists the programmes in the MNSSP and further programmes that have been identified by their primary objective. This study applies the same logic in distinguishing between social protection and other human development interventions. Programmes that are discussed in this report are marked in bold. Some of the programmes discussed in this report would normally not be classified as social protection programmes, but were included because of their size and importance, while others could not be included due to data limitations. The coordination of social protection programmes with other human development programmes, employment programmes and poverty reduction programmes is important to explore synergies and measures to reduce costs at the level of administration and implementation of these programmes.

Table 1.2. Overview of programmes in the MNSSP categorized by primary objective

Overview of programmes in the MNSSP categorized by primary objective	
Primary objective	**Scheme or programme**
Social protection programmes	**Social Cash Transfer (SCT)** Elimination of the worst forms of child labour
Education programmes	**Malawi School feeding programme** Functional Adult Literacy Programme (in all districts in Malawi, with 8,000 classes of 30 learners each, target group are school dropouts from the age of 15, funded by government but NGOs like NASFAM and Total Land Care (TLC) have their own classes. School fees/Bursaries programme with MoGCDSW
Employment programmes and other programmes focussing also on income protection	**Labour Intensive Public Works Programme (PWP)**
Public health programmes	Safe Drinking Water for the poor Environmental Health and Sanitation Malaria Control programme Expanded programme on immunization HIV/AIDS programme (NACC) Prevention of mother to child transmission of HIV/AIDS Breast Cancer Awareness
Security and safety programmes	Domestic Violence and Victims Support Unit Anti-Human Trafficking Unit Community Policing Food and Drug Board National Disaster and Conflict Management
Private risk management	**Village Savings and Loans Microfinance**
Informal/traditional forms of social protection	Cultural Practices in Child Rights Protection
Subsidies	**Farm Input Subsidies (FISP)** Rural Electrification

Source: Own compilation based on MNSSP (MoFEPD) 2012).

Information and data inputs

The major limitation for this project is the availability of information. This assignment was commissioned to be carried out on the basis of existing data. However, not all necessary information is available. For most schemes and programmes, no detailed information (or information at all) was available regarding annual resources and expenditure, the number and demographic characteristics of beneficiaries (disaggregated by sex, age etc.) over time, the administrative structures or the impact of the programmes on the reduction of poverty and the improvement of the living standards of the population. The report will be based on the following sources of information:

1. Administrative data and qualitative information with respect to the various programmes. At the start of the project, a questionnaire has been distributed among the organizations administering the selected programs. Most organizations have responded to this, albeit often with data gaps.

2. Official government records and statistics – such as the annual budget of the Government and various reports from the National Statistical Office (NSO). This includes, amongst other sources, the statistics from its latest Population Census (2008) made available by the NSO.

3. International data sources, including from the IMF, ILO, UNDP, UNICEF and World Bank.

4. Micro-data, as far as available, which – as far as possible – can be used for a static micro-simulation of the potential impact of the programmes on poverty reduction and an identification of the remaining social protection gaps, which will be effectuated in Part II of the report. With regard to micro-data, the last Integrated Household Survey (2010/11), and the Labour Force Survey (2012/13) have been used.

5. Relevant academic studies.

6. Insights from interviews with stakeholders and other experts and from undertaking field visits to observe how some of the programmes are implemented on the ground.

7. Insights and data collected during the inception workshop in July and the scenario workshop in November as well as various smaller validation meeting with relevant stakeholders.

The annexes provide a detailed list of information collected at this stage.

These limitations should be kept in mind when considering the recommendations of this report. The first recommendation however, would be to ensure in the future adequate data collection for each scheme that will produce a sound evidence base to guide future policy decisions (Chapter 9 provides further recommendations on developing a related M&E framework).

Structure of the report

The Status Quo Report will be structured as follows: Chapter 2 summarizes the demographic and social context for this report, focusing on key population, social and labour force indicators. Chapter 3 provides a snapshot of the most important economic and fiscal developments. With a view to providing a thorough assessment of the current social protection landscape in Malawi, Chapter 4 describes the programmes selected for consideration in this report regarding their legal and policy framework, eligibility criteria benefit entitlements, expenditure and financing, coverage, benefit levels and adequacy, administrative efficiency, impact and challenges regarding their implementation. In order to make recommendations regarding maximizing the impact of social protection expenditure, Chapter 5 assesses the effectiveness and efficiency of these programmes in providing a Social Protection Floor for Malawi in the sense of guaranteeing access to essential health care, including maternal care and prevention, and income security for children, people in working age and the elderly, and addresses the available resources and expenditure for non-contributory social protection programmes in the government budget.

Table 1.3. Overview of social protection programmes discussed in detail in the report

		General programmes	Social Protection Floor Basic Guarantees			
			Health	Children	Working age	Elderly
Programme Categories	Cash transfers	- SCT				
	Non-cash transfers	- Village Savings and Loans - Microcredits		- School feeding		
	Subsidies				- FISP	
	Active Labour Market Programmes				- LIPW	

Source: Own compilation based on MNSSP and other information on existing programmes.

Table 1.3 gives an overview of the programmes discussed in this report. The presentation of programmes in Chapter 4 is structured according to the vertical axis of the table, presenting grouping the programmes by their intervention mechanism (cash or non-cash programmes, subsidies and active labour market programmes). Chapter 5 discusses social protection coverage from a systemic perspective following a social protection floor logic reflected in the horizontal axis of the table (access to health care, income security for children, active age and older people).

Chapter 2.
Population, employment and poverty.

2.1. Population structure and trend

2.1.1. Population composition

The country's population has an average age of 21 and a median age of just 16. Almost half (49 percent) of the population was below the age of 15 in 2011, and a further 17.8 percent between the ages 15 and 24. In contrast, the proportion of Malawians aged 65 and older in the total population stood at 4.6 percent in 2011 (National Statistical Office, 2012).

Table 2.1. Percentage of population by five-year age groups by sex of person and place of residence

Percentage of population by five-year age groups by sex of person and place of residence

Age group	**Sex**		**Place of Residence**					
	Male	Female	Urban	Rural	Rural North	Rural Central	Rural South	Total
Malawi	48.8	51.2	15.2	84.8	11.2	36.1	37.6	100
0-4	17.0	15.8	14.7	16.7	16.2	16.6	17.0	16.4
5-9	16.8	16.9	14.8	17.2	17.1	17.3	17.1	16.8
10-14	14.2	13.5	12.2	14.1	14.0	14.3	13.9	13.8
15-19	10.1	10.0	10.8	9.9	9.6	10.4	9.5	10.0
20-24	7.6	8.9	9.9	8.0	8.0	8.0	7.9	8.3
25-29	7.4	8.3	10.8	7.3	6.9	7.4	7.4	7.9
30-34	6.4	6.3	8.8	5.9	5.9	5.8	6.1	6.3
35-39	5.3	4.7	5.4	4.9	4.7	4.9	4.9	5.0
40-44	3.6	3.2	3.8	3.3	3.7	3.4	3.1	3.4
45-49	3.1	2.8	3.0	2.9	3.4	2.9	2.8	2.9
50-54	2.2	2.0	1.4	2.2	2.6	2.1	2.2	2.1
55-59	1.6	1.7	1.5	1.7	1.9	1.6	1.8	1.7
60-64	1.5	1.8	1.1	1.8	1.6	1.6	2.0	1.7
65-69	1.2	1.2	0.7	1.3	1.7	1.2	1.2	1.2
70-74	0.8	1.0	0.5	1.0	1.2	0.9	1.1	0.9
75-79	0.6	0.8	0.3	0.8	0.9	0.8	0.8	0.7
80+	0.7	1.1	0.3	1.0	0.7	1.0	1.2	0.9

Source: National Statistical Office, 2012

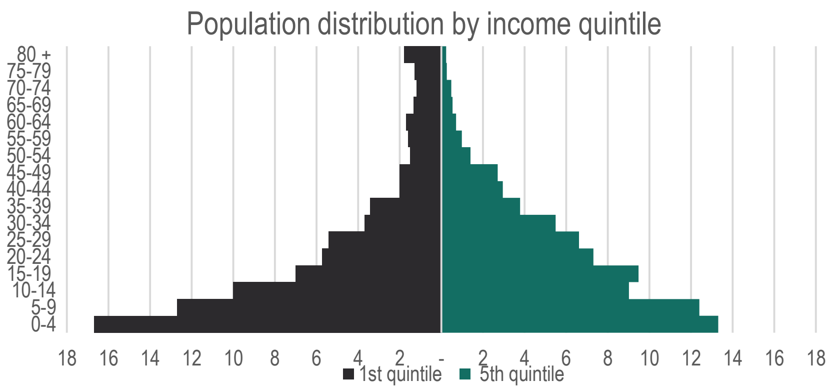
Table 2.2. Population by five-year age groups by sex of person (2012)

Population by five-year age groups by sex of person			
Age group	Total	Male	Female
0 – 4	2,765,931	1,396,390	1,369,541
5 – 9	2,220,964	1,098,137	1,122,827
10 – 14	1,895,208	930,834	964,374
15 – 19	1,569,546	765,760	803,786
20 – 24	1,327,772	643,859	683,913
25 – 29	1,118,117	537,283	580,834
30 – 34	916,902	442,248	474,654
35 – 39	733,156	357,414	375,742
40 – 44	577,718	281,689	296,029
45 – 49	426,024	208,709	217,315
50 – 54	333,411	161,516	171,895
55 – 59	258,652	122,052	136,600
60 – 64	204,429	94,876	109,553
65 – 69	160,445	73,339	87,106
70 – 74	122,440	54,625	67,815
75 – 79	90,592	38,586	52,006
80 +	123,515	54,182	69,333

Source: National Statistical Office, 2012

Examining the country's population pyramid by income quintile, differences between the age structures of the poor and the wealthy become visible. Wealthy households in the 5th income quintile seem to have significantly fewer children than poorer households (1st quintile). In total, 48.5 percent of the poor are under 15, whereas amongst the wealthy only 46.2 percent fall into this age group. In younger age groups this effect is even more pronounced. In 2011, amongst the 0-5 year olds 20.14 percent belong to the poorest quintile but only 16.71 to the richest income quintile (National Statistical Office, 2012)

Figure 2.1. Population distribution by income quintile

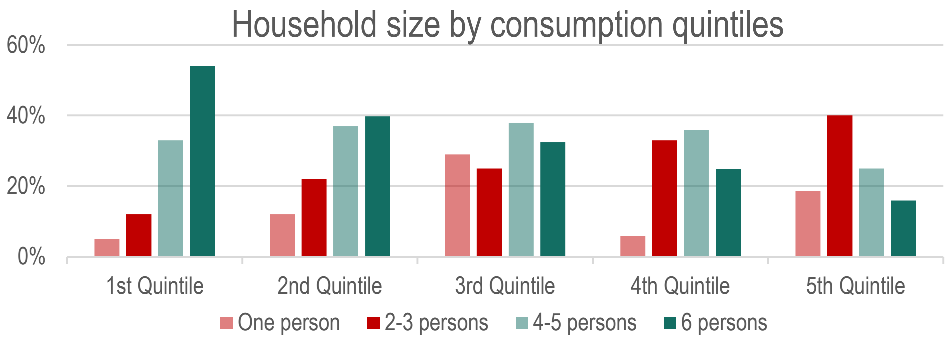


Source: National Statistical Office, 2012

Malawi has a slightly higher female than male population, with 48.8 percent of Malawians being male and 51.2 percent female. The higher prevalence of female Malawians gets more pronounced the older the population gets. 72 percent of all 80 year old Malawians are female.

Household sizes vary considerably but the majority of Malawian households (64 percent) have between three and seven members. An average household has 4.6 members and there is very little variation regarding whether the household lives in urban or rural areas of the country. Poorer household tend to be larger and wealthier household smaller (National Statistical Office, 2012).

Figure 2.2. Household size by consumption quintile



Source: National Statistical Office, 2012

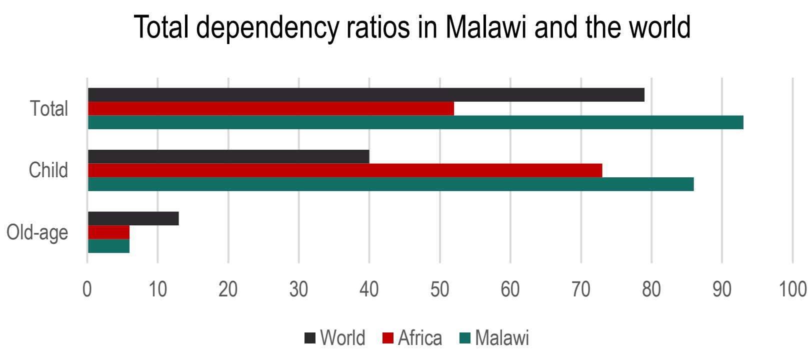
Households in Malawi are primarily male-headed with only 23.8 percent of all households having a female head. About five percent of Malawians are female household heads. Child-age household heads are quite rare and only make up 0.06 percent of all household heads. Just above one percent of all Malawians live in households without any adults (National Statistical Office, 2012). There is no information available on the total number of child headed household but in April 2015 the Social Cash Transfer reached 755 child headed households in the targeted 11 districts. Given Malawi's 28 districts and the fact that not all targeted districts were running on full scale at that time as well as the fact that not all child headed households may be reached the total number of children serving as household heads is likely to be significantly higher.

The number of adults per household ranges from zero to eleven. However, 84 percent of Malawians live in households with one to four adults. Most common are households with two adults, with 58 percent of the population living in such families. Single headed households are relatively common and about 10 percent of households have only one adult member. Single-headed households are somewhat more likely to be female-headed than male-headed (ibid.).

Dependency ratios indicate the proportion of the economically inactive (children as well the elderly and handicapped) 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 work-age adults, and child dependency, which denotes the proportion of children with respect to working-age adults. Demographics determine the magnitude of these dependencies. Many African countries, with high fertility and low life expectancy tend to have higher child dependency ratios and lower old-age dependency rations than more developed countries (UNICEF, 2014).

Malawi, having one of the fastest growing populations in Africa, has a very high child-dependency ratio and a comparatively low old-age dependency ratio. On the African continent, Malawi has the 9th highest total dependency ratio, which combines both child and old-age dependency (ibid.).

Figure 2.3. Total dependency ratios in Malawi and the world



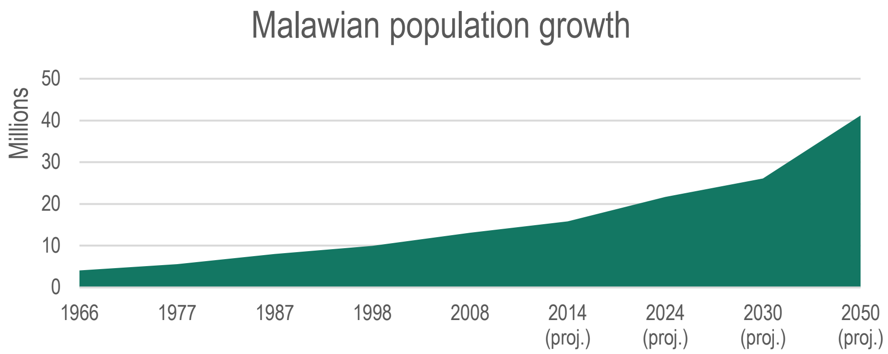
Source: UNICEF, 2014; World Bank, n.d.

Figure 2.3 shows that in Malawi's case there are 86 dependent children (14 and younger) per 100 adults of working age (15–64), which is significantly above the global and African average. However, the old-age dependency ratio in Malawi is considerably lower with only 6 dependent persons over the age of 65 per 100 working age adults (UNICEF, 2014). This means that on average 100 economically active persons only have to support 6 seniors but a much large number of 86 children (ibid.).

2.1.2. Population trends

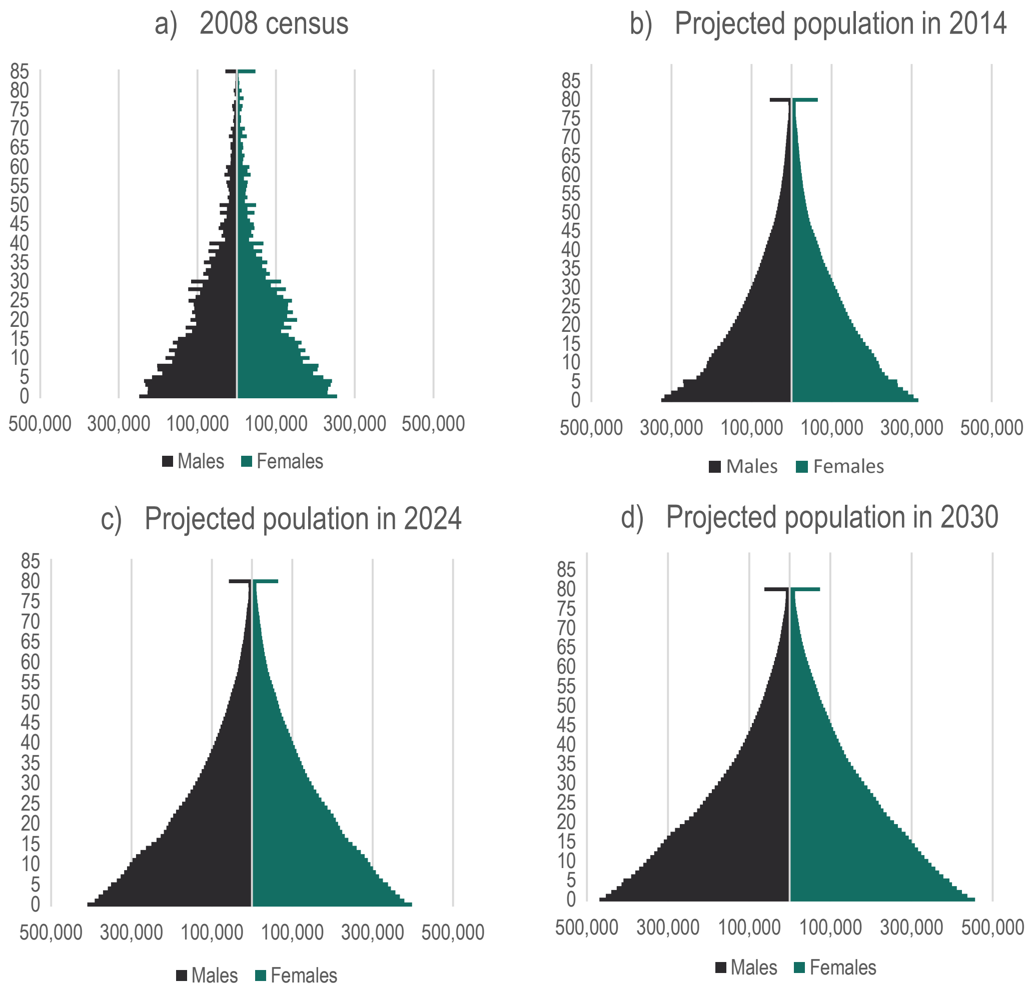
Similar to other developing countries, Malawi's population is characterized by high birth rates and comparatively low life expectancy. This leads to a rapidly growing population characterized by a large young population, as can be seen in the following figures (Figure 2.4 and 2.5).

Figure 2.4. Projected Malawian population growth



Source: National Statistical Office, 2014; UNICEF, n.d.

Figure 2.5. Projected Malawian population distribution



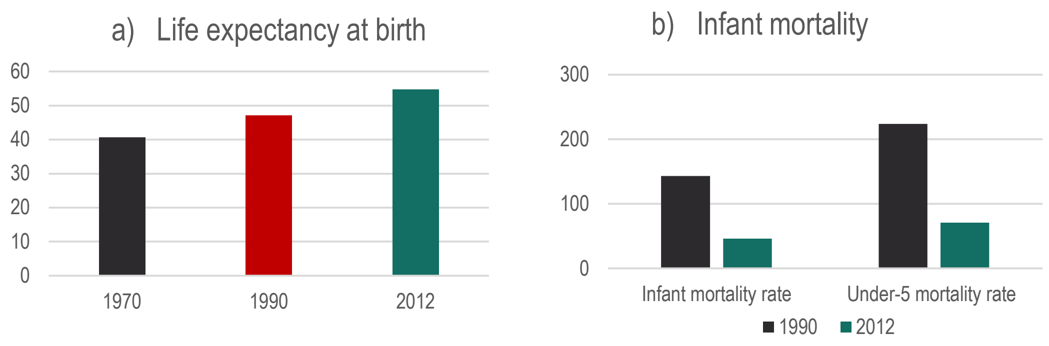
Source: National Statistical Office, 2014; UNICEF, n.d.

Over the last two decades Malawi has experienced a rapid population growth with an average annual growth of 2.4 percent between 1990 and 2012 (UNICEF, n.d.). The Malawian population growth rate for 2013 of 2.9 is exactly the same as the eastern African average (Population Reference Bureau, 2014). It is projected that the annual growth rate is over the period of 2012-2030 and will reach an average of 2.7 per annum (UNICEF, n.d.).

In 2014, Malawian population is projected to reach 15.8 million and it is expected that the size of the country's population will stand at 26 million in 2030 (National statistical office, 2014), which would mean a 65 percent increase from 2014. The significant growth of the country's population is driven by increased life expectancy, lowered infant mortality and continuing high birth rates.

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 decade later this number rose to 47.2 and in 2012 it reached 54.8 (UNICEF, n.d.). Despite these improvements life expectancy still significantly lags behind the eastern African average of 59 years. (Population Reference Bureau, 2014).

Figure 2.6. Life expectancy and infant mortality in Malawi



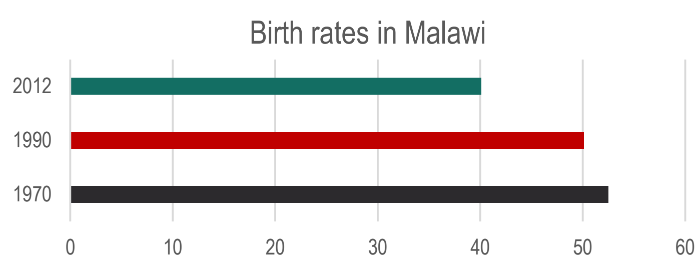
Source: UNICEF, n.d.; Population Reference Bureau, 2014

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 death and has since come down to 46 in 2012 (UNICEF, n.d.). In comparison, in 2012 the global average stood at 41 infant deaths per 1,000 live births and the figure for eastern Africa is 60. (Population Reference Bureau, 2014)

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 (UNICEF, n.d.), which is more than twice the global average and surpasses the east African average of 38 (Population Reference Bureau, 2014). The following graph shows this relative decline in Malawian fertility.

In 2009, the National Statistical Office counted 589,819 births and in 2014 the number of life birth is expected to stand at 641,871 (National Statistical Office, 2009; National Statistical Office, 2014).

Figure 2.7. Birth rates in Malawi



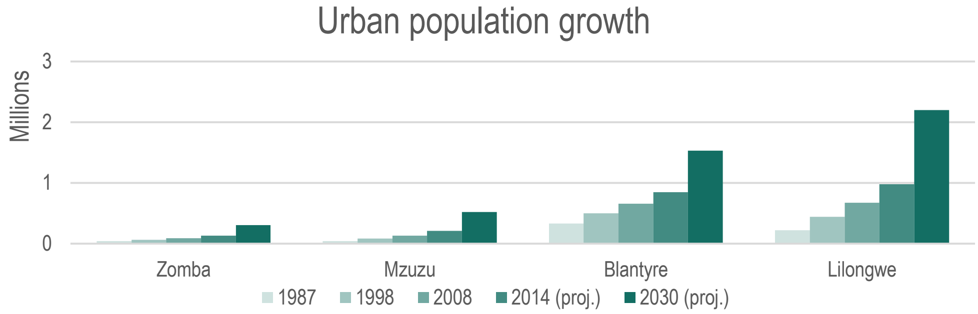
Source: UNICEF, n.d

Malawi has the 5th highest adolescent's fertility rate in Africa and in 2012 of 1,000 Malawian girls aged 15-19 145 became pregnant (UNCEF, 2014).

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 (National Statistical Office, 2012), making the country "one of the least urbanized countries in Africa" (UN Malawi, n.d.). In fact, Malawi ranks as the third most rural African country (UNICEF, 2014). At the same time Malawi is considered one of the fastest urbanizing countries on the continent. 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" (ibid.).

The following graph shows the considerable population increase of the four biggest cities in Malawi. 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 main cities, especially Blantyre, are experiencing similar population growth.

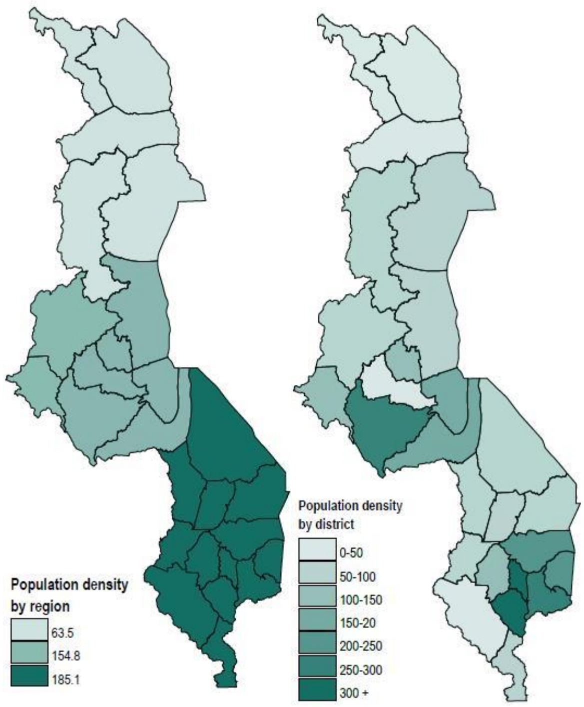
Figure 2.8. Projected urban population growth



Source: National Statistical Office, 2014

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 (National Statistical Office, 2012).

Figure 2.9. Malawian population distribution



Source: National Statistical Office, 2011

2.2. Employment and the labour market

2.2.1. Size and composition of the Malawian labour force

Labour force. Recently, the Malawian National Statistical Office, in collaboration with the Ministries of Labour and Trade and Industries, has published the results from the first Labour Force Survey (MLFS 2013), that describes the labour market situation at the end of 2012, early 2013. The 2013 MLFS data indicate that, end 2012, 7 million people within the age group 15-64 were in the labour force, 3.3 million males and 3.7 million females. The results further show that out of the total labour force 87 per cent is resident in the rural areas, 64 per cent has no education, and almost half (48 per cent) is below the age 30. Labour force participation rates for both males and females are high, ranging from 70 percent in the age group 15-19 to 97 percent in age groups 30-34 and 40-44 (MLFS 2013).

Table 2.3. Labour force participation in Malawi in 2013

Labour force participation in Malawi in 2013

	LFP			LFP rates		
Age group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
15-19 Years	494.685	581.931	1.076.616	69,7	69,4	69,6
20-24 Years	554.242	583.539	1.137.781	90,1	91,4	90,8
25-29 Years	548.510	610.424	1.158.934	95,1	95,0	95,1
30-34 Years	466.675	551.330	1.018.005	96,9	97,3	97,1
35-39 Years	383.240	403.228	786.468	95,3	95,9	95,6
40-44 Years	293.548	297.812	591.360	96,7	97,6	97,2
45-49 Years	181.443	193.473	374.916	96,2	96,5	96,3
50-54 Years	160.342	198.748	359.090	96,2	91,6	93,6
55-59 Years	102.434	111.157	213.591	93,7	89,5	91,5
60-64 Years	125.756	126.165	251.921	90,8	83,0	86,8
Over 65 Years	174.892	176.972	351.864	64,5	63,9	64,2
Total (15-64)	**3.310.875**	**3.657.807**	**6.968.682**	**89,7**	**89,1**	**89,4**

Source: MLFS, NSO, August 2014

2.2.2. Employment and the labour market

Government policy. The Government of Malawi acknowledges that employment and labour are critical for the country's economic progress and eradication of poverty. In this regard, the Government and the social partners have formulated the National Employment and Labour Policy (NELP). The NELP is a five year's strategic document (2014-2019) that provides a framework and provides guidance to the country's efforts towards promoting productive and decent employment and enterprise development, compliance with labour standards by employers, investors and workers, social protection and social dialogue. The policy has identified the following key priority areas: Economic Growth and Employment, Labour Market Information, Skills Development and Labour Productivity, Private Sector Development and Job Creation, Micro, Small and Medium Enterprise Development, Labour Administration and Labour Standards, Employment of Women and People with Disabilities, Youth Employment, Labour Emigration and Immigration, and Agricultural Sector and Employment.

The policy has been developed in the context of the Malawi Decent Work Country Programme 2011-2016, the Malawi Growth and Development Strategy (MGDS) II 2011-2016 and Vision 2020.

Employment. Employment in 2012/13 stood at 5.5 million people, corresponding to an overall employment rate of 80 per cent. The employment rate for males is higher than for females, at 86 percent and 74 percent respectively. There are little differences in employment rates among employed persons with secondary education or less.

The 2013 MLFS data further indicate that the main occupations are skilled agricultural, forestry and fishery (45 percent), elementary occupations (22 percent) and service and sales workers (19 percent). Only 4 percent of employed persons are in managerial, professional technicians and associated professional occupations. A majority of employed persons are active in agriculture, forestry and fishing (64 percent) and wholesale, retail and repair of motor vehicles (16 percent)

Table 2.4. Employment in Malawi in 2013

Employment in Malawi in 2013

	Employed			Employment/Population ratios		
Age group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
15-19 Years	340.635	418.563	759.198	48,0	49,9	49,0
20-24 Years	405.034	441.182	846.216	65,8	69,1	67,5
25-29 Years	447.560	494.174	941.734	77,6	76,9	77,2
30-34 Years	401.626	434.002	835.628	83,4	76,6	79,7
35-39 Years	333.403	346.720	680.123	82,9	82,5	82,7
40-44 Years	253.186	251.712	504.898	83,4	82,5	83,0
45-49 Years	157.000	167.565	324.565	83,3	83,6	83,4
50-54 Years	135.302	159.872	295.174	81,1	73,7	76,9
55-59 Years	81.805	88.630	170.435	74,8	71,4	73,0
60-64 Years	100.749	91.500	192.249	72,8	60,2	66,2
Over 65 Years	137.560	140.212	277.772	50,7	50,6	50,7
Total (15-64)	**2.656.300**	**2.893.920**	**5.550.220**	**72,0**	**70,5**	**71,2**

Source: MLFS, NSO, August 2014

Status in employment. Nearly 30 per cent of employed persons work as employees. The majority work as own account workers, constituting 54 per cent of all persons in employment. Own account workers, together with contributing family workers, are considered as precarious workers and these two categories make out 61 per cent of all persons in employment.

The share of precarious workers is higher among females than males, and is higher in rural areas than urban areas. Moreover, persons with a higher degree of education are less likely to work as precarious workers.

Self-employment. When growth in paid employment in an economy does not match the increase in the labour force, self-employment becomes an alternative to a majority of job seekers as a source of livelihood (MLFS 2013). Self-employment comprises own account workers and employers. Overall, 55 per cent of persons in employment are self-employed. The prevalence rate of self-employment is higher among females than males, higher in rural areas than urban areas and higher among persons with less education than among persons with more education.

Informal employment. The 2013 MLFS data indicate that employed persons in Malawi are predominantly engaged in informal employment. Overall, 89 percent of working persons are in informal employment setups (MLFS 2013). Women are more likely to be employed in informal employment than males. There are marked differences in involvement in informal employment between rural and urban areas. In rural areas, the percentage of employed persons in informal employment is 91 percent compared to 69 percent in urban areas. Men and women in urban areas are less likely to be engaged in informal employment than their counterparts in the rural areas.

Share of women in wage employment. Gender disparities exist in salaried (wage) employment in the non-agriculture sector. Women constitute 30 per cent of total salaried employment in non-agriculture in Malawi. The percentage share of women in salaried employment in non-agriculture in rural areas is higher than in the urban areas. The 2013 MLFS indicates that the female share of employment in senior and middle management is very low at 0.07 per cent for females, against 0.32 per cent for males, which also is low. The proportions of females and males in senior and middle management positions are higher in urban areas than in rural areas. The representation of males and females in high status occupation is positively related to one's level of education.

Earnings. Disparities in earnings in Malawi are huge. The average monthly mean and the median gross incomes are MK 41,643 and MK 13,600. People with a high level of education have high earnings as against those with a lower level of education. On average, males have higher earnings than females and people in urban areas have higher earnings than their counterparts in rural areas.

The 2013 MLFS also indicates that 61 per cent of paid employees have earnings which are equal to less than two thirds of the median earnings. The share of women receiving low pay rates is higher than males. Workers in rural areas are more likely to receive earning less than two thirds of the median earnings than their counterparts in urban areas. The low pay rate in rural areas is 64 per cent compared to a low pay rate of 43 percent in urban areas (MLFS 2013).

Hours of work. The average usual working hours is 40 hours per week, which is less than the statutory usual working hours per week of 48 hours. The mean actual number of hours of work is 35 hours per week (MLFS 2013). There are disparities in the actual hours of work by respondents' background characteristics. The survey results show that 17 percent of all employed persons had excess hours of work. Males are more likely than females to have worked excess hours. Employed persons with secondary education or higher are more likely to have excess hours of work than their counterparts with primary education or less (MLFS 2013).

2.2.3. The structure of unemployment in Malawi

Unemployment. The 2013 MLFS indicates that unemployment rate among all economically active population Malawi, based on the ILO's broad definition where people are without work and available for work, is at 21 per cent. The unemployment rate is higher among females, at 26 per cent, than among males, at 14 per cent. In urban areas, the unemployment rate is 28 per cent and the corresponding rate is 19 per cent in rural areas. There are little differences in unemployment rates by level of education except for those with tertiary education. Among the youth, aged 15-34, the unemployment rate is at 23 per cent according to the broad ILO definition. The unemployment rate is slightly higher among the youngest, aged 15-24 years.

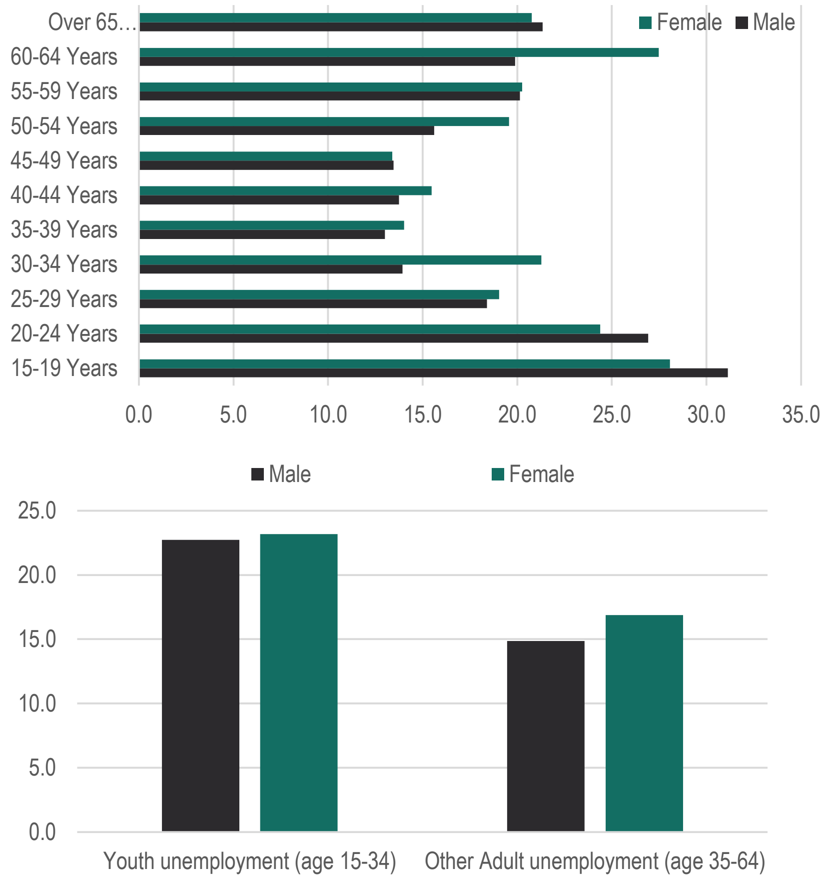
Table 2.5. Unemployment rates in Malawi in 2013

Unemployment rates in Malawi in 2013

Age group	Male	Female	Total
15-19 Years	31,1	28,1	29,5
20-24 Years	26,9	24,4	25,6
25-29 Years	18,4	19,0	18,7
30-34 Years	13,9	21,3	17,9
35-39 Years	13,0	14,0	13,5
40-44 Years	13,7	15,5	14,6
45-49 Years	13,5	13,4	13,4
50-54 Years	15,6	19,6	17,8
55-59 Years	20,1	20,3	20,2
60-64 Years	19,9	27,5	23,7
Over 65 Years	21,3	20,8	21,1
Youth unemployment (age 15-34)	22,7	23,2	
Other Adult unemployment (age 35-64)	14,9	16,9	
Youth/adult ratio	**1,53**	**1,37**	

Source: MLFS, NSO, August 2014

Figure 2.10. The gender/age structure of unemployment, Malawi, 2013



Source: calculated from MLFS data.

According to the strict ILO definition, where in addition to being without work and available, the person is also reported as seeking work, the unemployment rate in Malawi is much lower: 5 per cent (MLFS, 2013). This report further applies the broad definition as this reflects the needs better. People may be discouraged from actively seeking work but might report back again when their labour market prospects would improve.

Underemployment. There are two forms of underemployment. One is time related underemployment, which is a situation where persons are working for less hours than they would like to work. The other is an earnings and skill mismatch where there is a mismatch between their earnings and productive capacities and their actual occupation.

The 2013 MLFS shows that 27 per cent of the employed population in Malawi is underemployed. Females are more likely to be underemployed than males. Underemployment is most prevalent in rural areas compared to urban areas.

It is important to note that employment, even a full-time a job, does not necessarily guarantee sufficient income to cover all household needs. In the absence of well-functioning social protection systems people are often required working very long hours for very little reward and are thus unable to adequately provide for themselves and their dependants.

2.3. Household income, poverty and vulnerability

2.3.1. Household income

More than two-thirds of the Malawian population is engaged in some form of income generating activities. Male Malawians are somewhat more likely to do so with 74 percent being economically active compared to 65 percent of female Malawians (National Statistical Office, 2012). This is also reflected in the much higher incidence of domestic work for woman (82 percent) compared to men

(18 percent). Close to half of the total population performs either domestic labour or engages in agricultural or fishing activities (ibid.).

Education seems to significantly influence the type of activities Malawians engage in as 65 percent of Malawians with tertiary education earn a regular salary as opposed to 8 percent with no formal education. Men are almost four times more likely to work in salaried employment than woman of which only 3.6 percent receive a regular wage. Generally speaking, Malawians in the lower income quintiles and those having completed little formal education are more likely to work in casual (*ganyu*) labour, more likely to work in the household, agriculture and fishery and less likely to work in salaried employment (ibid.).

2.3.2. Poverty and vulnerability

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 2012, 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" (Malawi Poverty and Vulnerability Assessment, 2006). 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) (UNDP, 2013). 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 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" (National Social Support Policy, 2012). 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.

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 37,002 Malawi Kwacha is considered "poor". Household members with total expenditure lower than the food poverty line of 22,956 Malawi Kwacha are considered "ultra-poor" (National Statistical Offices, 2012).

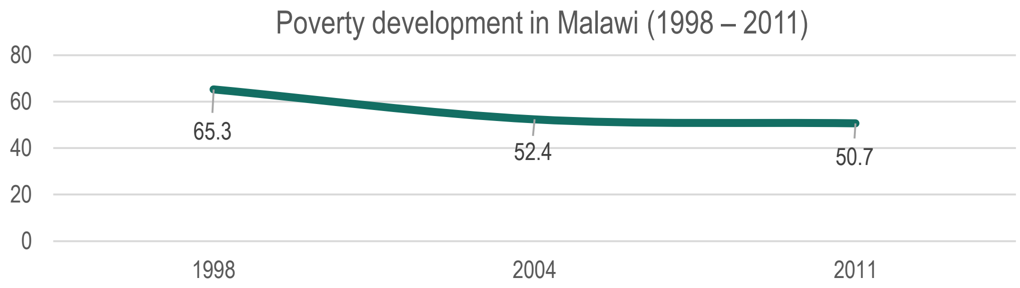
Table 2.6. Poverty lines in Malawi Kwacha (MK) and USD per person per year, month and day

Poverty lines in Malawi Kwacha (MK) and USD[2] per person per year, month and day				
	2004	**2011 (year)**	**2011 (month)**	**2011 (day)**
Food (MK)	10,029	22,956	1,913	63
USD	*92.8*	*147,2*	*12,26*	*0,4*
Non-food (MK)	6,1316	14,045	1,170	38
USD	*56.8*	*90,0*	*7,50*	*0,24*
Total (MK)	16,165	37,002	3,084	101
USD	*149.6*	*237,2*	*19,8*	*0,6*

Source: National Statistical Office, 2012

In 2011, 50.7 percent of the country's population lived below the national poverty line of 37,003 Malawi Kwacha. The figure below 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 percent has been achieved.

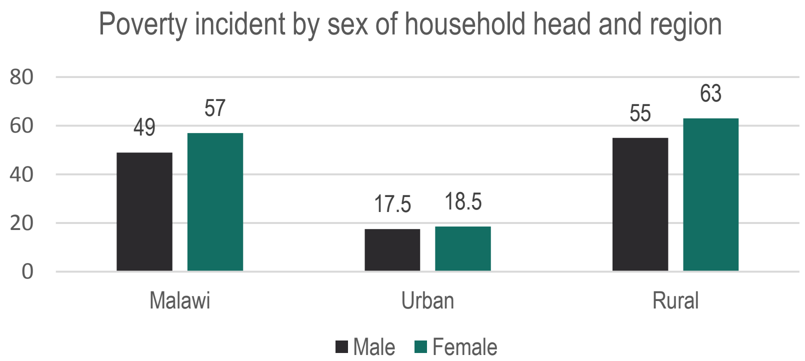
Figure 2.11. Poverty development in Malawi (1998 – 2011)



Source: World Bank, n.d.

Poverty rates differ significantly by background characteristics and region. Poverty is far more widespread in rural regions. The urban poverty rate lies at 17 percent, which is considerably below the rural one of 57 percent (National Statistical Office, 2012). Female headed households are more likely to live in poverty, especially in rural regions.

Figure 2.12. Poverty incident by sex of household head and region.

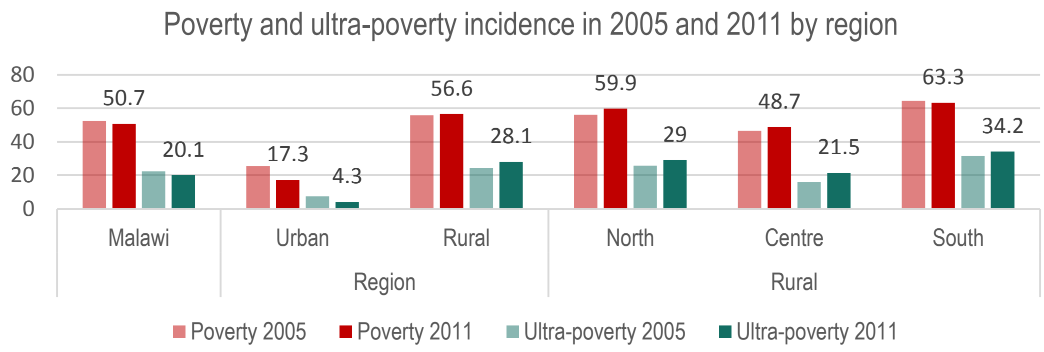


Source: National Statistical Office, 2012

The graph below (Figure 2.13) 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.

[2] The transformation from MK to USD is based on the average exchange rate of 2011: USD 1 = MK 156. It is important to note that in mid-2012 the MK has been devaluated by about 50 percent and since then has steadily depreciated. In comparison, in May 2015 USD 1 = MK 437. The average USD/MK exchange rate in 2004 was 1:108

Figure 2.13. Household poverty and ultra-poverty incidence in 2005 and 2012 by region



Source: National Statistical Office, 2012

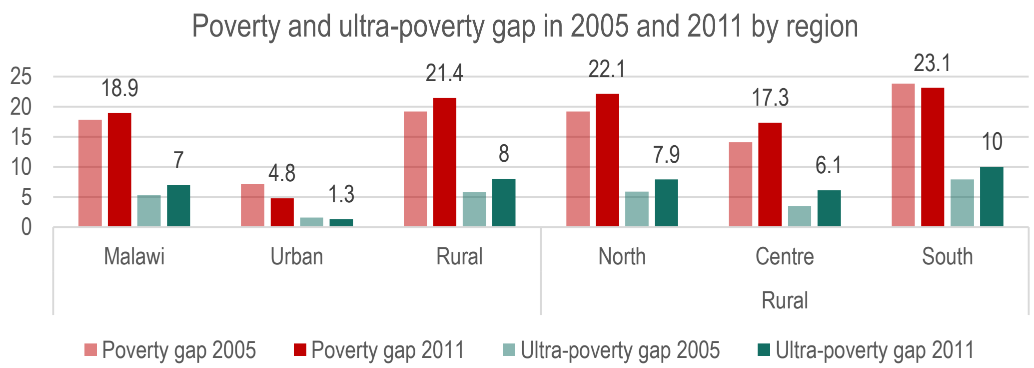
However, the opposite can be observed in rural areas. With the exception of the rural south, by far the poorest region of the country, both poverty and ultra-poverty have increased in rural areas. The national household ultra-poverty incidence of 20.1 percent (24.5 percent of the population) is considerably 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).

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 more severe, 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 2.14. Household poverty and ultra-poverty gap in 2005 and 2011 by region

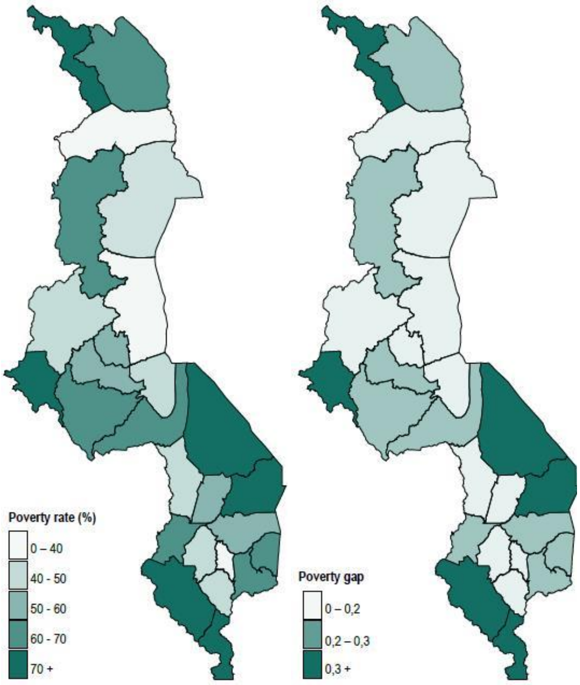


Source: National Statistical Office, 2012

While poverty is endemic throughout the country, poverty incidence and poverty gaps vary greatly in-between districts. The following maps (Figures 2.15) indicate that the districts with the highest poverty incident 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 the highest poverty gaps. The overlap between the districts with the highest poverty incident and the highest poverty gap is particularly striking as the ranking in both domains is very similar.

For instance in Nsanje 81 percent of all households live below the poverty line and the district has a poverty gap of 40 percent. This means that 81 percent of all residents consume on average only 60 percent (22,201 MK) of the annual per capita poverty line of 37,002 MK (National Statistical Office, 2011)

Figure 2.15. Poverty rate and poverty gap in Malawi in 2011



Source: National Statistical Office, 2011

Table 2.7. Poverty and ultra-poverty rate and gap by district

Poverty and ultra-poverty by district							
Poverty rate and gap				**Ultra-poverty rate and gap**			
District	**Rate**	**District**	**Gap**	**District**	**Rate**	**District**	**Gap**
Nsanje	81%	Nsjanje	40%	Chikwawa	59%	Nsjanje	21%
Chikwawa	81%	Chikwawa	40%	Nsanje	56%	Chikwawa	21%
Machinga	75%	Chitipa	31%	Mangochi	44%	Chitipa	13%
Chitipa	75%	Mangochi	30%	Chitipa	43%	Mangochi	11%
Mangochi	73%	Machinga	29%	Mangochi	39%	Machinga	10%

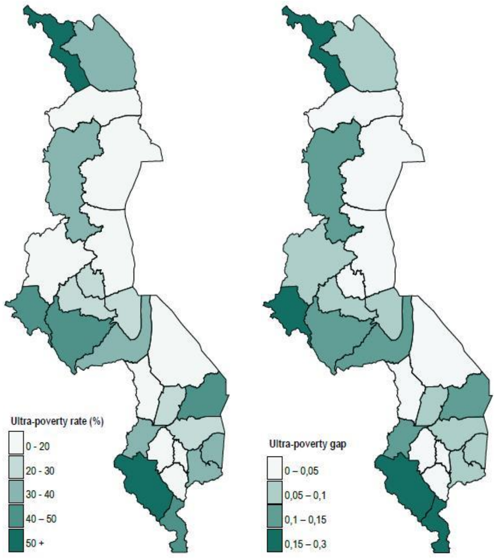
Source: National Statistical Office, 2011

The southern districts are the most populous districts and have the highest poverty incidence. This means that the southern region is where the majority of Malawi's poor households are located. In fact, 47 percent of poor Malawians live in the rural south (National Statistical Office, 2011). The rural south has the highest ultra-poverty rate (34 percent), followed by the rural north (29 percent) and the rural central region (22 percent) (ibid.).

Districts with the highest poverty rate and gap also show the highest ultra-poverty rate and gap. Interestingly, ultra-poverty seems to follow a pattern similar to the one of poverty incidence and poverty gap. High incidence of ultra-poverty tends to coincide with elevated ultra-poverty gaps, which indicates that districts such as Chickwawa (ultra-poverty rate of 59 percent and ultra-poverty gap of 22 percent) have at the same time a large ultra-poor population and a dramatic depth of poverty.

In Chiwawa ultra-poverty is so widespread that almost 60 percent of the population is unable to afford even the most basic nutritional requirements. Even more worryingly, those households fall short of the ultra-poverty line by on average of 21 percent. This means that the 59 percent of Chiwawa households, which are classified as ultra-poor, consume on average only 79 percent (18,364 MK) of the 22,956 MK food poverty line (National Statistical Office, 2011).

Figure 2.16. Ultra-poverty rate and ultra-poverty gap in Malawi in 2012

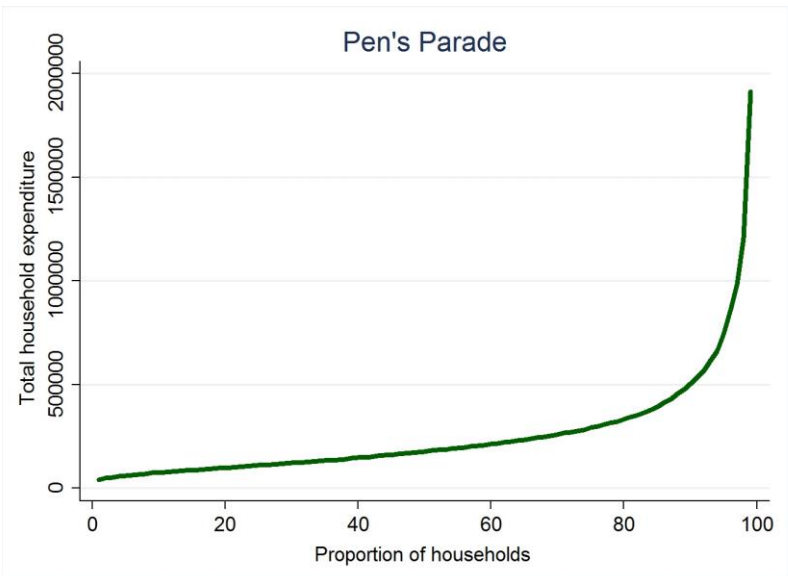


Source: National Statistical Office, 2011

2.3.2. Expenditure distribution and inequality

The following section briefly discusses Malawi's expenditure distribution[3] and key indicators of economic inequality. Inequality is a "broader concept than poverty in that it is defined over the entire population, not just for the portion of the population below a certain poverty line" (Haughton & Khandker, 2009) and measures how a society's wealth, income or factors such as access to health and education are distributed amongst its members.

Figure 2.17. Expenditure distribution in Malawi (Pen's Parade)



Source: National Statistical Office, 2011

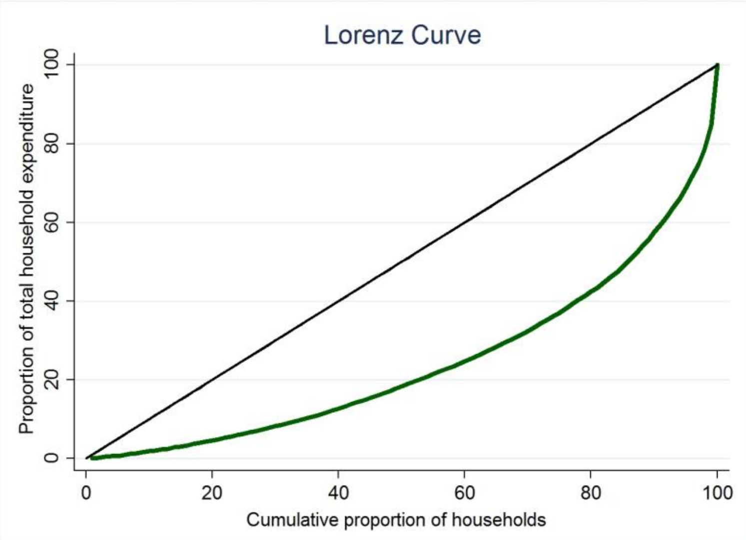
[3] Most commonly discussions on inequality focus on income or wealth distribution. Replicating this discussion in Malawi is difficult as the most recent household survey does not collect information on income or wealth but on consumption and expenditure. Figures 2.15 and 2.16 therefore depict inequality in terms of household expenditure.

One of the most useful graphs is in analysing expenditure distribution is a Pen's Parade (Figure 2.17). On the horizontal axis, every household is lined up from poorest to richest, while the vertical axis shows the corresponding level of expenditure (or income) of household in that income group.

Another simple way to measure inequality is to dive the population into fifths (quintiles) from poorest to richest and report the proportions of income (or expenditure) that accrue at each level. A graphical representation of this is the Lorenz Curve. To construct the Lorenz Curve, one graphs the cumulative percentage of households (from poor to rich) on the horizontal axis and the cumulative percentage of expenditure (or income) earned by this quintile on the vertical axis (Haughton & Khandker, 2009).

Figure 2.18 shows the Lorenz Curve for Malawi, which indicates the total household expenditure according to expenditure quintiles. The Lorenz Curve shows that a fifth of all Malawian (0-20 on the x-axis) households only account for about 5 percent of total household expenditure. In contrast, the top fifth quintile (80-100 on the x-axis) spends about 60 percent of the country's total expenditure (National Statistical Office, 2011).

Figure 2.18. Expenditure distribution in Malawi (Lorenz Curve)

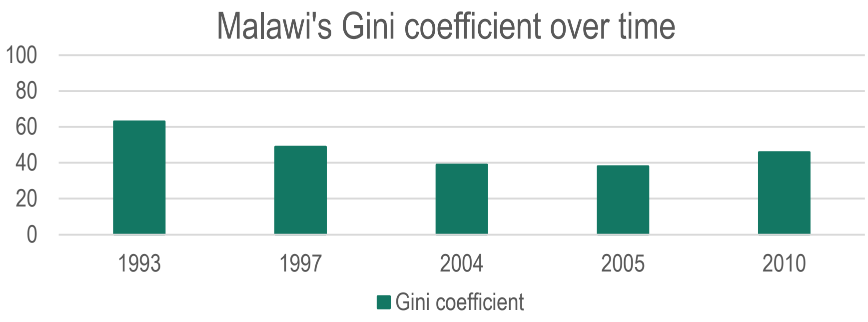


Source: National Statistical Office, 2011

The most common indicator of inequality is the Gini coefficient, which is based on the Lorenz curve and the 45 degree *line of equality,* which denotes perfect equality (for instance if a cumulative 40 percent of a country would own exactly 40 percent of its total income). The Gini coefficient is calculated as the ratio of the area between the line of equality and the Lorenz Curve over the total area under the line of equality (Haughton & Khandker, 2009). The smaller the area between the two lines, the higher is a country Gini coefficient and the lower its inequality. Oftentimes the resulting ratio is then multiplied by a 100.

Malawi's economic inequality as measured by an expenditure based Gini coefficient had declined considerably over the last two decades. However, in the period between 2005 and 2010 the coefficient has slightly increased, indicating a rise in expenditure inequality (World Bank, n.d.). Globally, the coefficient ranges from countries will relatively little inequality such as Slovenia (Gini of 25 in 2010) to countries where wealth, income or consumption is less equally distributed as for instance South Africa (Gini of 65 in 2011).

Figure 2.19. Malawi's Gini coefficient over time



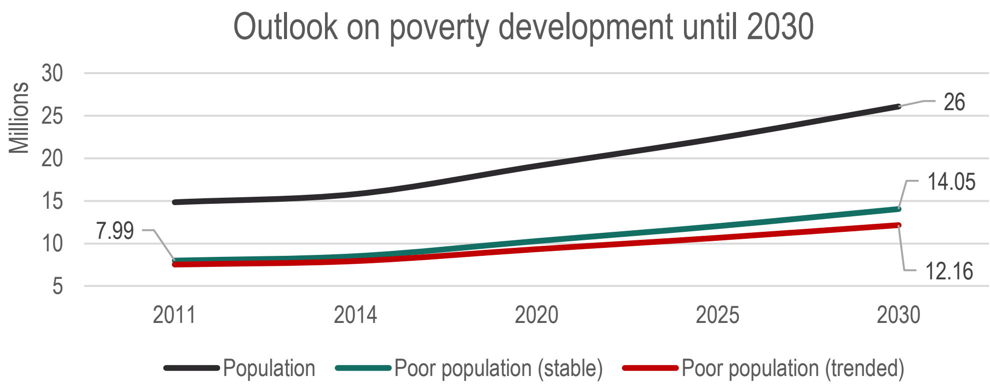
Source: World Bank, n.d.

2.4. Outlook 2014 – 2030

Forecasts are extremely difficult and more often than not events differ significantly from what has been predicted. Nonetheless, they can provide useful information on future developments based on a number of assumptions. The following section attempts to forecast a number of demographic and poverty characteristics.

The graph below (Figure 2.20) shows two scenarios of poverty development in Malawi based on different assumptions made by the authors of this report. The green line represents a scenario in which the national poverty incidence remains unchanged from 2012 onwards. In 2012, the poverty rate was 50.7 percent and this ratio was kept constant until 2030. Stable poverty levels combined with Malawi's rapid population growth would lead to a doubling of the poor population by 2030 (14.05 million).

Figure 2.20. Outlook on poverty development until 2030



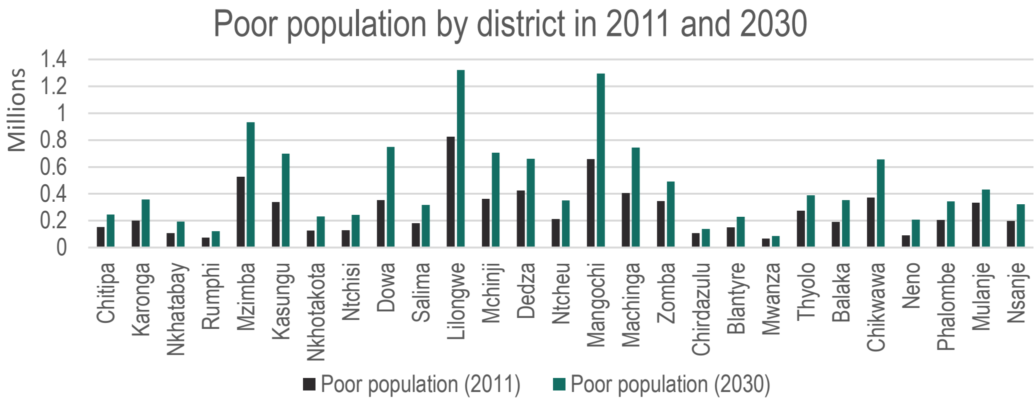
Source: National Statistical Office, 2011; National Statistical Office, 2014

The second scenario (red line) assumes that the rate of poverty reduction between 2004 and 2011 continues at the same pace until 2030. In between 2004 and 2011 the national poverty rate has declined by 3.3 percent and assuming an evenly distributed progress poverty has been reduced by less than half a percentage point (-0,46) per annum. The scenario forecasts poverty developments based on an annual 0.46 decline in poverty headcount over the next two decades. Despite a significantly reduced poverty headcount in 2030 of 46 percent, any progress in reducing poverty levels will be rendered meaningless by the explosive growth of the population. Nonetheless, a continuation of 2004-2011 levels of poverty reduction would reduce the predicted number of poor people in 2030 by almost two million.

On the national level the population growth rate between 2012 and 2030 stands at 75 percent. Assuming constant or slowly decreasing levels of poverty over time should therefore lead to substantial increases in absolute levels of poverty. This means that barring a drastic acceleration in poverty reduction millions more Malawians will live in poverty over the next two hand a half decades.

Figure 2.20 takes into account growth rates at district level and keeps the districts' respective poverty levels constant until 2030. Not only does the graph indicate the significant increase of poverty due to population growth but it also becomes evident how unevenly spread the increase in the poor population will be. The combination of district specific poverty levels and growth rates yields a picture of Malawian poverty, which shows that districts with an already large population of poor people in 2011 will have to accommodate around twice as many poor Malawians in 2030. On the other hand, districts, such as Rumphi and Chiradzulu, will have a proportionally smaller increase in poor population relative to 2011 levels.

Figure 2.20. Poor population by district in 2011 and 2030

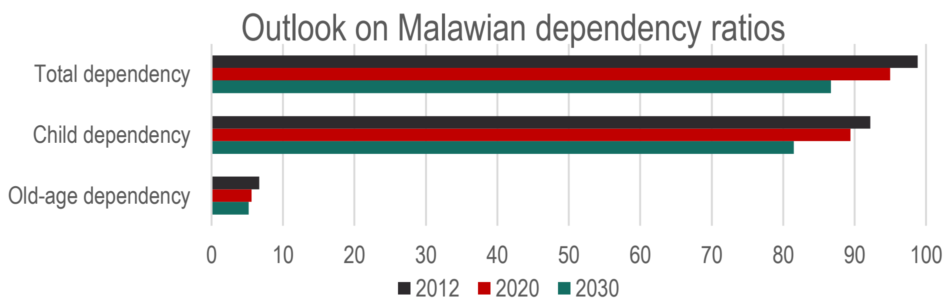


Source: National Statistical Office, 2011; National Statistical Office, 2014

Dependency ratios are an important and simple tool to assess the sustainability of social protection expenditure and represent the burden the economically active segments of society face in supporting the economically inactive young and old. Malawi with its young population has a comparatively high child dependency ratio and a fairly low old-age dependency ratio.

Based on population projections the graph below forecasts the development of dependency ratios until 2030. Interestingly and despite significant population growth the child dependency ratio is declining by almost 12 percent between 2012 and 2030. This may be due to slightly declining birth rates and a substantial growth in the proportion Malawians in the economically active ages (15-64) as life expectancy increases and the large 'base' of the age distribution gets older. It is important to keep in mind that the absolute number of 'dependent' children increases until 2030 and the ratio only declines because the proportion of 15-64 year old growth faster.

Figure 2.21. Outlook on Malawian dependency ratios



Source: National Statistical Office, 2011; National Statistical Office, 2014

2.5. Key messages

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 leads to a rapidly growing population characterized by a large young population.

The 2013 MLFS shows that, end 2012, 7 million people within the age group 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 per cent for males and 74 per cent for females.

Unemployment stood at 21 per cent. The unemployment rate is higher among females, at 26 per cent, than among males, at 14 per cent. Youth unemployment (15-34) was 23 per cent. In addition, 27 per cent of the employed population in Malawi was underemployed, females relatively more than males.

Poverty in Malawi is both widespread and deep as indicated by extremely high poverty rates and 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 others. The poorest districts tend 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 south.

Poverty in Malawi is also a predominantly rural phenomenon. A small percentage of urbanites are deemed poor or ultra-poor but the overwhelming majority of rural Malawians live in poverty.

In the brief discussion on expenditure distributions and inequality in Malawi we have seen that by far the biggest contribution to inequality are the high expenditure households in the fifth quintile (see figure 2.16.) The expenditure (substituting for income due to limited information) distribution is extremely flat and rises only very slowly in the first four quintiles. However, in the fifth quintile expenditure suddenly increases drastically. It is important to note that a flat expenditure distribution on the lower end of the ranking significantly complicates poverty targeting as a large portion of the country shows very similar expenditure levels. Distinguishing various degrees of poverty based on such as flat expenditure distribution requires very detailed information on the households and extensive targeting mechanisms.

Due to explosive population growth any modest reduction of the poverty headcount will be insufficient in reducing poverty levels. In fact, if the poverty reduction rate were to follow current trends, Malawi would be home to about 12 million people below the poverty line in 2030. This simple forecast underscores the urgent need to drastically 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 explosive population growth, call for an increased investment in social protection systems, which have internationally shown to be able to effectively address these challenges.

Chapter 3.
Overview of the macroeconomic and fiscal environment, and fiscal operations

With a 6.3 per cent average annual rate of economic growth (in real terms) in 2006 – 2013, not much below the averages of its neighbouring countries[4], Malawi at first glance has experienced a rather favourable economic development. However, with an estimated GDP per capita of USD 274 in 2014, Malawi remains to date one of the poorest countries in the World.

Malawi's fiscal situation is fragile. High dependence on inflows from international development partners (and these have proven to be very volatile over the period 2006 – 2013), a widening of the tax base and increases in government expenditure characterize the government budget over the period. Recently, the government's fiscal position deteriorated due to less than expected tax revenues, expenditure overruns, and a shortfall in inflows from international development partners in the aftermath of the 'cash gate' scandal, reinvigorating the need for further PFM reforms.

The following sections will briefly summarize the main developments and trends with regard to the macroeconomic and fiscal landscape in Malawi, which will serve as a background for this report.

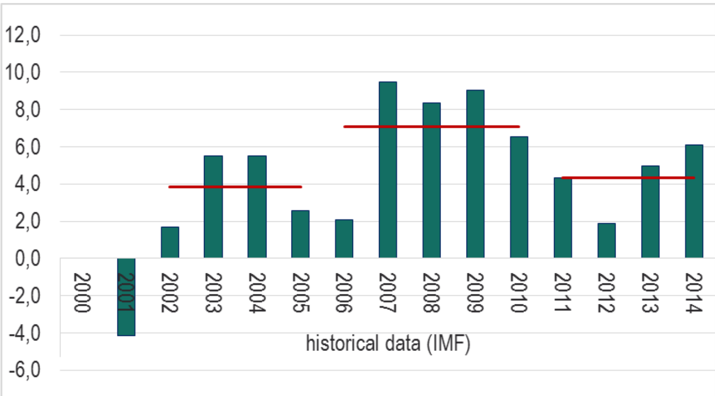
3.1. Malawi's macroeconomic environment

3.1.1. Economic growth 2000 – 2013

Malawi's GDP growth has been volatile ever since independence, with wide fluctuations in the growth rate in particular in the 1980s and 1990s (Deraniyagala and Kaluwa, 2011). Economic growth accelerated in 2006 – 2009 when Malawi benefited from a prolonged period of prudent financial and macroeconomic management[5], with low inflation (at an annual average of 7.8 percent in 2006-2010), low interest rates and favourable opportunities for business credit as a consequence (AfDB, 2008). The introduction of the Farm Input Subsidy Programme (FSIP) in 2006 together with some consistent rainfall across most of Malawi lead to a record breaking harvest in maize, the most important staple crop. Other sectors also saw high growth with a 17.3 per cent growth in transport and communications in 2007 as the outlier.

Figure 3.1 gives GDP growth in constant prices in the period 2000 – 2014.

Figure 3.1. Real GDP growth in Malawi: 2000-2014



Source: calculated from IMF World Economic Outlook, April 2014, data

[4] In the same period (2006-2013), Mozambique recorded an average annual real economic growth rate of 7.0 per cent, Tanzania 6.9 per cent, and Zambia 6.6 per cent – source: IMF World Economic Outlook data, April 2014.

[5] Part of the growth dividend has also been ascribed to Malawi's signing up to the Highly Indebted Poor Countries/Multilateral Debt Relief Initiative (HIPC/MDRI) in 2006 (AfDB 2013)

Overall, it appears that the Malawian economy is highly vulnerable to exogenous factors, notably movements in terms of trade, weather conditions and 'changing fortunes' in inflows of foreign aid (Mwanakatwe, 2014).

Table 3.1. Real (per capita) GDP growth and inflation, Malawi: 2000-2013

Real (per capita) GDP growth and inflation, Malawi: 2000-2013

(in per cent)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP growth	2.8	2.1	9.5	8.3	8.9	6.7	3.8	1.9	5.5	6.1
Real per capita GDP growth	0.8	-0.8	6.5	5.4	..	3.4	0.6	-1.2	2.2	2.8
Inflation	11.0	27.3	10.0	8.7	8.5	7.2	12.2	9.4	10.4	7.5

Source: MoFEPD, September 2014, and ILO calculations

Recent developments. Real GDP growth has rebounded from a low level (1.9 per cent) in 2012 to 5.0 per cent in 2013. This has been ascribed to a good tobacco season and the recovering manufacturing and construction industries and the wholesale and retail sectors (Mwanakatwe, 2014).

Much of the favourable conditions for Malawian agriculture and manufactured products have been derived from the, mid-2012, near to 50 per cent devaluation of the Malawian kwacha (MK) against other currencies.[6] This, on the downside, has led to an increase in inflation, as table 3.1 illustrates. Inflation rates are expected to come down again to single digit figures as the Malawi Central Bank will continue to pursue a tight monetary policy (Mwanakatwe, 2014). The prime interest rate has been adjusted upwards from 16 per cent mid-2012 to 25 per cent end of 2012, and has been maintained at that level throughout since. Commercial banks' lending rates are even far higher (over 33 per cent end of 2013), also due to the large proportion of government domestic borrowing to meet its financing needs (Mwanakatwe, 2014). The most likely result will be a crowding out of private investment.

3.1.2. Structure of the economy

The share of agriculture in Malawian GDP has decreased from over 50 per cent in the 1980s to just above 30 per cent at present. Output growth in the agricultural sector has improved after 2006 resulting in a stabilization of its GDP share since. Manufacture sector growth rates have also improved after 2006, reflecting the increase in output in agro-processing.

Maize is Malawi's staple crop. The introduction of the Farm Input Subsidy Programme (FISP) in 2006 and favourable weather conditions on the national level have generated surplus maize production since 2006 (Deraniyagala and Kaluwa, 2011). However, smallholder subsistence farming accounts for 80 per cent of the cultivation of maize. It is estimated that not more than 10 to 15 per cent of the total harvest is sold. This means that maize production is only to a limited extent driving economic growth (Deraniyagala and Kaluwa, 2011). Compounding this is the low yield per hectare, a result of insufficient irrigation and poor farmer's skills and use of technologies.[7] This also applies to other crops such as soya and groundnuts.

Tobacco on the other hand, is the main cash crop. More in general, the export basket of Malawi is concentrated in a small number of products. Just four crops (tobacco, tea, sugar and cotton) account for 75 per cent of export volume. Measured in terms of the Herfindahl-Hirshmann concentration index the figure for Malawi is 0.625 (the closer to 1 the higher the concentration rate), against for example, an index 0.322 for Mozambique. This leaves Malawi vulnerable to demand changes and terms of trade shocks (Deraniyagala and Kaluwa, 2011).

[6] Afterwards the MK has floated. Just before devaluation the exchange rate recorded 167 MK/USD, at the time of writing this report (May 2014) this is around 440 MK/USD

[7] Yields average around 1.5 tons/hectare, whereas potential yields range up to 8 tons. (Deraniyagala and Kaluwa, 2011)

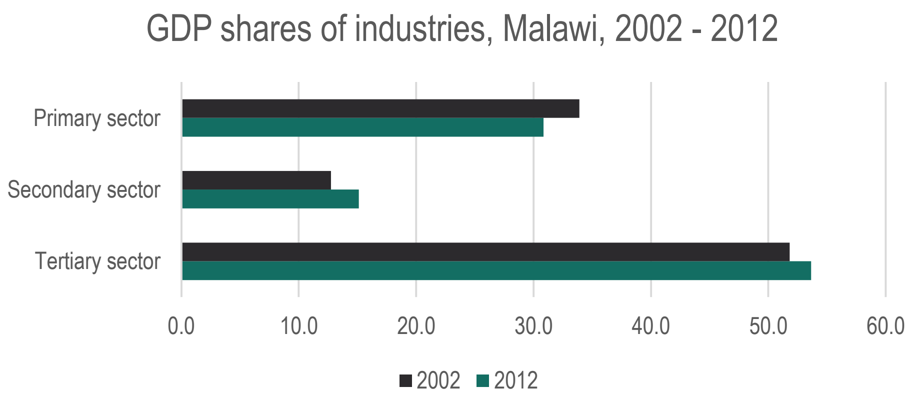
Malawi is also highly import dependent, with imports of consumer goods, food and fuel representing a large share of the import volume.

Hence, basic commodities dominate Malawi's export basket, whereas in the international markets, opportunities for economic growth are shifting more to processed products with a higher added value. Malawi to date has not found a substantial inroad to these premium global value chains, given its low-skilled, low-productive labour force, poor infrastructure and weak business climate (Mwanakatwe, 2014).

The strong performance over 2013 of tobacco, which accounts for 60 per cent of Malawi's foreign exchange inflows, has boosted overall agricultural sector growth to 5.7 per cent, from a -2.3 per cent contraction in 2012. Likewise, manufacturing output growth accelerated from -1.3 per cent in 2012 to 6.2 per cent in 2013. The growth in agriculture has further helped to revive manufacturing output via its impact on agro-processing activities (Mwanakatwe, 2014). Given the high shares of the agriculture (30.7 per cent) and manufacturing (9.9 per cent) sectors in GDP, these strong performances have contributed to a great extent to the overall favourable growth performance in 2013.

Since 2010, mining has emerged as an important sector in Malawi. Its GDP share has increased from less than 1 per cent in 2008 to 5.3 per cent in 2012. Despite that most of the profits from the mining activities accrues overseas (to Australia), this has led to a relative decrease in the GDP shares of most other sectors, including agriculture and manufacturing, with the exception of finance, real estate and business services and other services – this is reflected in figure 3.2.

Figure 3.2. Sector composition of GDP, Malawi: 2002 and 2012



Source: calculated from MoFEPD, September 2014, data

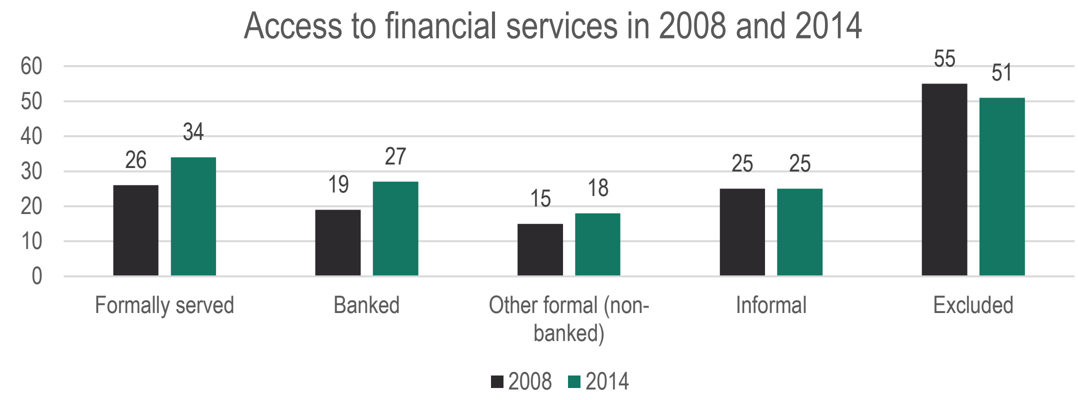
High interest rates and infrastructure deficiencies will slow down manufacturing sector growth in the medium term (Mwanakatwe, 2014). Moreover, Malawi's climate for doing business has not developed in the right direction. Malawi's ranking for doing business in the World Bank's Development Indicators has deteriorated from rank 127 in 2008 to 171 in 2013 – out of 189 countries (World Bank 2014). The average for sub-Saharan Africa stands at 142, so Malawi is not a good performer in this respect and although government is in the process of taking measures to improve the business climate, this will not change the situation overnight.

For SMEs, access to credit is a major challenge, in particular access to long-term finance (Mwanakatwe, 2014)[8]. This is another hurdle for Malawi to overcome in its efforts to shift economic growth in a higher gear. Despite making significant improvements in "areas related to profitability and competitiveness, commercial banks in Malawi have not been able to reach and bring vast segment of the population, especially the underprivileged sections of the society into the basic banking services". (Mandiwa, 2014). Nonetheless, Figure 3.3 shows that there has been some progress towards

[8] Deraniyagala and Kaluwa, 2011 report real lender's interest rates around 15 per cent – this is higher than most other countries in sub-Saharan Africa. The figure dates from 2002, a more up to date estimate was not available.

providing access to financial services for Malawians. The good result is that microcredit and savings institutions, often operating on a not-for-profit basis, are emerging to step into some of the gaps the banks leave open

Figure 3.3. Access to financial services in 2008 and 2014



Source: Mandiwa, 2014

Infrastructure in Malawi is underdeveloped. This leads to high costs of transportation. For example, transport costs as a share in total value of exports exceed 50 per cent, against less than 20 per cent in Zambia (Deraniyagala and Kaluwa, 2011). This in particular pertains to the feeder roads which the farmers use to take their crops to local markets. The poor condition of the network often compels them to sell their products at a sub market price to traders. Malawi also underperforms in terms of power outages. More than 10 per cent of sales turnover is estimated to be lost due to power outages, against less than 2 per cent in Zambia (Deraniyagala and Kaluwa, 2011).

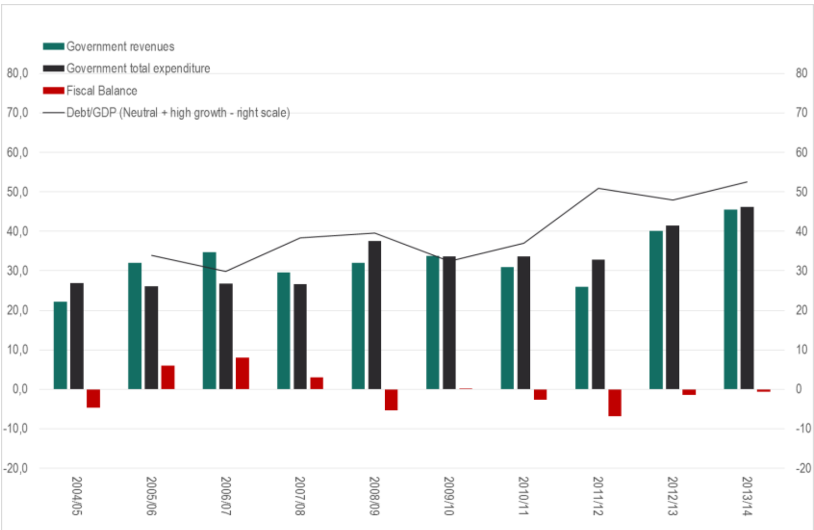
Hence, the Malawian economy is characterized by serious structural weaknesses and a high vulnerability to external shocks (economic and climate). For the short run agriculture will remain the main GDP growth driver with mining and services emerging as strongholds. The diversification of the productive base, and in particular, the growth in the manufacturing and service sectors should contribute to create job opportunities for the growing Malawian work force.

3.2. The fiscal environment

3.2.1. Malawi's fiscal environment 2004/05 – 2013/14

Figure 3.3 gives an overview of GDP shares of government revenue, expenditure, the fiscal balance and gross debt in the period 2004/05 – 2013/14.

Figure 3.4. Public Finances, Malawi: 2004/05-2013/14



Source: MoFEPD, September 2014

Since 2006, tax revenues have increased, due to the introduction of incentive based collection schemes and a widening of the tax base. The widening of the VAT tax base to include manufacturing, wholesale and retail, in 2004, has been important in this respect. Moreover, the Malawi Revenue Authority has been effective in enforcing compliance. Both direct and indirect taxes equally account for around 45 per cent of tax revenues. Inflows from international development partners at the same time increased to a high of 16.3 per cent of GDP in 2007/08 (AfDB 2008). These increased inflows have contributed much to maintain the fiscal deficit low, while at the same time enabling government to prioritize pro-poor spending (Deraniyagala and Kaluwa, 2011).

Since Malawi reached its Highly Indebted Poor Countries (HIPC) completion point and became eligible for Multilateral Debt Relief Initiative (MDRI) in 2006, until recently, the level of debt (external and domestic) has been in the range of 30 to 40 per cent of GDP. External debt came down from 160 per cent of GDP to 20 percent of GDP at the end of 2006 as a result of HIPC/MDRI debt relief (World Bank 2013). The level of domestic debt also decreased from a high of 24 per cent of GDP in 2004 to 14 per cent in 2010 helping to reduce the burden of high interest costs in the government's budget (World Bank 2013). Macroeconomic shocks and a series of political missteps led to a withdrawal of donor support with foreign aid inflows falling from 10.3 per cent of GDP in 2009/10 to 4.4 per cent in 2010/11 (World Bank 2013). Budget support even reduced to zero. This has sparked a renewed shift in the balance from foreign to domestic borrowing to cover shortfalls in budget support. Net domestic financing of the budget went from a net surplus in 2009/10 to net borrowing of 6.8 per cent in 2011/12 (World Bank 2013).

Meanwhile, the share of recurrent expenditure in total government spending has increased from 58.6 per cent in 2006/07 to 74.0 percent in 2009/10, with a lower share of capital (development) expenditure as a consequence. Increases in salaries, in particular in health and education sectors acted as the main driver (Deraniyagala and Kaluwa, 2011).

One of the problems of public expenditure in Malawi is the small proportion of public spending that is discretionary – only 28 percent of total expenditures is controllable in the short term, limiting available government's fiscal adjustment strategies (World Bank 2013).

Recent developments. Malawi's fiscal position in 2012 deteriorated due to an expansionist fiscal policy and a shortfall in donor financing and tax revenues, as described above. External grants and tax revenues fell while expenditure could not be reversed and the result was a rise in the fiscal deficit, as table 3.3 illustrates. The aim for the 2012/13 budget was to restore fiscal discipline through spending cuts while stepping up revenues and shielding (even increasing) pro-poor expenditure (Mwanakatwe, 2014). However, macroeconomic events challenged these intentions, in particular the sharp depreciation of the MK, accelerating inflation and high interest rates to curb the latter. This, in turn, has led to an increase in the cost of goods and services and civil servants' salaries and the accumulation of arrears. The latter amounted to 7 per cent of GDP in mid-2012, approximately half incurred by government MDAs and the other half by parastatals (World Bank, 2013). In 2013/14 the share of recurrent expenditure in total spending further increased to 79.3 percent, reflecting recent rises, in particular in the economic categories: civil servants' salaries (from MK 70 million in 2011/12 to MK 139 billion in 2013/14) and in government spending on goods and services (from MK 95 billion in 2011/12 to MK 149 million in 2013/14). Despite this, the fiscal deficit initially improved in FY 2012/13 to -1.3 per cent of GDP as illustrated in table 3.3. This was related to the restoration of trust following a series of economic reform measures the then new (Banda) administration took from mid-2012 onwards (World Bank 2013). This trust is reflected in a sizable share of grants in the 2012/13 budget, grants represent 16 per cent of GDP. Notwithstanding, during FY 2013/14 expenditure overruns and the renewed withdrawal of budget support from the international development partners in the aftermath of the financial scandal have again led to an increase in the fiscal deficit. For 2014/15 a further rise in the fiscal deficit is anticipated due to increases in pro-poor spending (Mwanakatwe, 2014).

Government debt as a percentage of GDP increased sharply in 2012. Domestic debt stood at MK 165 billion, 17 per cent of GDP, at the end of 2013. Despite longstanding plans to restructure domestic debt in favour of long-term debt instruments (AfDB 2008), debt continues to be issued mainly in short-term paper (treasury bills) – this renders it expensive to service and this poses another challenge for the government's fiscal stance

Table 3.2. Government Finances of Malawi: 2004/05-2012/

(in MK billions)	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13 Budget
TOTAL REVENUE (tax and nontax)	**56,8**	**67,3**	**84,3**	**104,9**	**134,3**	**179,1**	**207,6**	**207,5**	**276,4**
Tax Revenue	49,8	59,9	77,3	96,3	119,0	141,8	175,7	180,9	243,8
Taxes on income and profits	21,8	26,0	33,7	39,8	50,5	66,4	81,1	89,9	114,1
Taxes on goods and services	21,9	28,0	36,2	46,9	57,8	64,5	79,4	79,8	105,1
Taxes on international trade	6,9	7,8	9,4	11,9	13,6	15,0	17,5	17,6	30,4
Other	(0,8)	(1,8)	(1,9)	(2,3)	(2,9)	(4,1)	(2,3)	(6,4)	(5,8)
Tax refunds					(4,2)	(5,7)	(4,5)	(8,2)	(8,6)
Other taxes					1,2	1,6	2,2	1,8	2,9
Nontax revenue	7,0	7,4	7,0	8,6	15,3	37,3	31,9	26,6	32,7
	-	-	-	-	-	-	-	-	-
Grants	11,0	25,1	39,4	39,4	76,0	78,4	64,3	52,7	181,1
Budget support		14,0	9,1	15,2	19,9	34,0	14,9	0,4	78,7
Project	11,0	11,1	30,4	24,2	24,3	25,8	18,9	17,2	35,3
Dedicated grants		20,2	19,8	20,3	31,8	18,6	30,5	35,1	67,1
o/w:									
DFID/EU (Maize, ferilizer, seeds)					2,8	3,6	2,7	7,1	13,6
National Aids Commission (NAC)					12,0	6,7	9,6	8,6	12,7
Health Sector-wide approach (SWAp)					14,4	8,3	11,0	10,4	12,0
Education SWAp									24,6
Road Sector Support									4,2
Other					2,6	0,0	7,2	9,0	28,8
HIPC +MDRI IMF debt relief		7,6	18,8						
Total Revenue (excl. Grants)/GDP	18,6%	17,9%	18,0%	18,9%	20,5%	23,5%	23,6%	20,7%	24,2%
Total Revenue (incl. Grants)/GDP	22,2%	24,6%	26,5%	26,0%	32,1%	33,8%	30,9%	26,0%	40,1%
Tax Revenue/GDP	16,3%	16,0%	16,5%	17,3%	18,2%	18,6%	20,0%	18,1%	21,3%
EXPENDITURE	**82,2**	**97,9**	**124,9**	**148,2**	**245,8**	**255,9**	**295,2**	**328,1**	**473,9**
Current expenditure	56,6	71,6	70,8	84,4	199,1	195,9	230,2	250,7	379,4
Interest payments	19,6	18,2	16,4	12,3	17,9	21,5	22,8	20,2	32,8
Compensation of employees	17,1	20,2	23,8	30,0	37,6	44,8	58,1	69,9	92,0
Pensions and gratuities	-	-	-	-	5,1	6,4	12,0	11,9	15,7
Subsidies and transfers	-	-	-	-	53,7	39,1	42,2	45,8	84,5
Fertilizer and seed subsidy	-	-	-	-	37,8	21,9	22,4	24,6	55,0
Purchase of goods and services	20,0	33,2	30,6	42,0	84,5	84,1	95,1	102,9	142,4
o/w:	-	-	-	-	-	-	-	-	-
Health SWAp	-	-	-	-	12,5	19,9	19,0	15,5	24,3
Education SWAp	-	-	-	-	-	-	9,8	10,9	24,6
National AIDS Commission	-	-	-	-	9,6	7,9	12,4	4,7	12,7
Maize purchases	-	-	-	-	2,0	2,3	1,9	1,2	4,7
Generic goods and services	-	-	-	-	43,9	44,3	40,8	60,3	59,6
Arrears payments	-	-	-	-	0,4	-	-	-	12,0
	-	-	-	-	-	-	-	-	-
Development expenditure	25,0	26,3	53,7	63,8	46,7	60,1	65,0	77,4	94,5
Domestically financed	-	-	-	-	14,6	25,8	33,3	42,0	35,3
Foreign financed	-	-	-	-	32,2	34,3	31,7	35,5	59,2
Expenditure/GDP	26,9%	26,1%	26,7%	26,7%	37,5%	33,6%	33,6%	32,8%	41,5%
FISCAL BALANCE	**(14,4)**	**(5,5)**	**(1,2)**	**(3,9)**	**(35,6)**	**1,6**	**(23,3)**	**(67,9)**	**(16,3)**
Primary Fiscal Balance/GDP	1,7%	3,4%	3,3%	1,5%	-2,7%	3,0%	-0,1%	-4,8%	1,4%
Fiscal Balance/GDP	-4,7%	-1,5%	-0,3%	-0,7%	-5,4%	0,2%	-2,6%	-6,8%	-1,4%

Source: MoFEPD, September 2014, and ILO calculations

Fiscal operations and management[9]

In the late 1990s Malawi introduced a Medium-Term Expenditure Framework (MTEF). Later the focus broadened to include the strengthening of budget execution, commitment control and accounting, and the development of an integrated financial management information system (IFMIS). Recently, the World Bank has classified Malawi's MTEF as level 2 – this means that it has developed from a Medium-Term Fiscal Framework into a Medium-Term Budget Framework. Further advance (level 3) would mean the development of a Medium-Term Performance Framework.

Several (independent) Public Expenditure (PEFA) reports have been published, including in 2008 and 2011 (PEFA 2011). Where the thrust of the 2008 report was towards improvement across the board, the 2011 PEFA reported stagnation – with improvements recorded on 6 indicators and deterioration on 8 indicators (PEFA 2011).

Government has been successful in rendering the budget more transparent. Malawi ranks high among Southern African Countries on this indicator. Budget documents submitted to parliament comprise: (1) the Minister's budget statement, (2) the economic report, (3) the financial statement containing the consolidated budget (on an aggregate level), (4) the detailed budget estimates from the various MDAs, broken down to cost center and programme, sub-programme and sub-sub-programme, and (5) output based estimated of each of the MDAs, broken down by programme and sub-programme. In addition to this, MoFEPD prepares the public sector investment plans, which are also submitted to parliament.

Progress has been less favourable in the level of political commitment to the budget. In particular after 2008 political commitment slipped and this might explain the deterioration across the board recorded in the 2011 PEFA report, as against the earlier report.

Areas where further progress could be achieved are (i) the development of more robust macroeconomic and fiscal forecasts and extending the time horizon of these, (ii) reducing the incremental ('bottom-up') nature of the current budget preparation process and turning it into a more strategic venture, (iii) integrating budget preparation and economic planning[10], (iv) strategic planning documents (for example MGDS II) should be prioritised against a resource constraint rather than presented on a needs basis, this would render them more realistic rather than aspirational, (v) moreover, these documents tend to focus on new policies with disregard to the reforms that could generate a more efficient use of existing resources, (vi) a substantial share of inflows from foreign development partners remain off the budget – these inflows are presented in a separate annex and not with projections for FY+1 and FY+2, (vii) a significant share of these external inflows are also not represented in the public sector investment plan, which renders the latter incomplete, (viii) there is no unified framework for recurrent and capital expenditure – the capital (development expenditure) budget is prepared parallel to the recurrent expenditure budget and the two are not integrated at a later stage, despite the fact that there are 'hidden' recurrent costs in capital expenditure (ix) a more strategic role for cabinet and an earlier submission of the budget to parliament to allow for more commitment from the side of politics, and (x) a re-implementation of IFMIS, closing the loopholes in the previous version and making it comprehensive (for example, spending on the National Aids Committee is not included in the current version).

In response to the 'cash gate scandal' government has set out to reinvigorate its Public Finance Management (PFM) Reform programme. Measures that have been taken or will be taken include tightening of budget controls, improving the IFMIS, procurement, and strengthening legislative oversight more in general (Mwanakatwe, 2014). At this stage it is too early to say anything about the success of these measures.

[9] This Section summarizes the Chapter on PFM in the World Bank's 2013 Public Expenditure Review – at least in as far as relevant for our purposes. We will remain close to the wording in the original document, but we will refrain from making explicit references each time.

[10] With the recent integration of the Ministries of Finance and Economic Planning and Development, prospects should be favourable in this respect.

3.3. Outlook 2014 – 2025

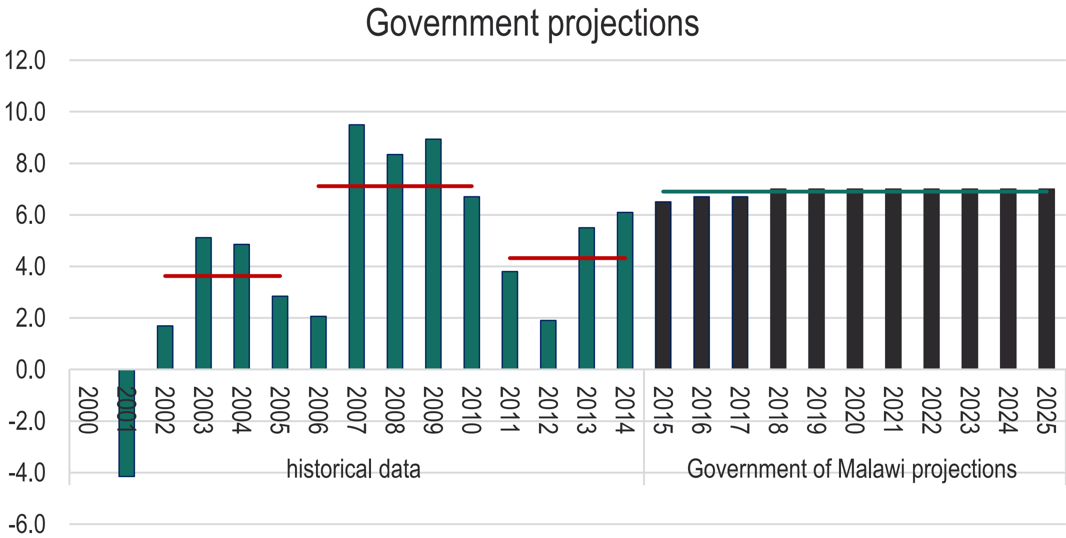
Economic outlook: 2014 – 2019. GDP growth is expected to further accelerate to 6.1 per cent in 2014 and 6.5 per cent in 2015 (Mwanakatwe, 2014). On the longer-term expectations are that GDP growth will remain rather stable at this level (IMF, 2014).

However, there are some serious downward risks in the outlook for the medium term, as available growth projections rest on rather optimistic assumptions with respect to favourable weather conditions, rapid improvements in the business climate, and continued high market prices for Malawian products in regional and World markets.

The Government of Malawi has provided its projections for the entire period up to 2025. Figure 3.4 shows the outlook for GDP for this period.

The figure shows that the official Government projections are rather optimistic. The average GDP growth over the entire projection period is 6.9 per cent. This corresponds more or less with average economic growth in the period 2006-2010. The average real GDP growth after this period, however, has been significantly lower.

Figure 3.5. GDP outlook (in 2013 prices), Malawi: 2014-2025 (with 2000-2014 as reference)



Source: ILO calculations based on MoFEPD, September 2014, data

Fiscal outlook: 2013/14 – 2018/19. Government is expected to continue to face a tight resource envelope over the medium term. The reduction in foreign aid inflows in the aftermath of the 'cash gate scandal' and the time it takes to restore confidence will restrain the inflow of foreign aid for some time to come and to change the type of the aid too, with less and less budget support. Government envisages to continue its path of fiscal consolidation for 2013/14 and onwards. The medium-term macro fiscal framework aims both at improving revenue mobilization and curtailing the increase in public spending (World Bank 2013). Throughout the period 2011/12 – 2013/14 when government finances were under pressure, government maintained its stance on pro-poor spending. This outlook presupposes that government will further continue to prioritize pro-poor expenditure categories despite its commitment to fiscal austerity, where social protection expenditure is expected to fall under. Table 3.3 gives the main fiscal indicators for the period up to 2018/19 and figure 3.5 shows expenditure, revenues, the fiscal balance and the evolution of public debt for the same period.

In order to achieve a sustainable fiscal situation, a 3.5 per cent reduction in total government expenditure would be required over the period up to 2017/18 or 2018/19 (World Bank, 2013). Given a projected decline in interest expenditure of 1.4 percentage point, the target would be a 2.1 percentage points decrease in non-interest spending. This poses a huge challenge. Some space needs to be sought in reducing economic categories, such as salaries, travel costs and transfers to parastatals (World Bank 2013). There have been large increases in real terms in salaries. Total employment in the civil service has increased from 124,707 persons end of 2007 to 155,424 end of 2012. The average monthly salary for civil servants has risen from MK 14,835 end of 2007 to MK

25,525 end of 2012 (in 2007 prices), which corresponds to a 11.5 percent annual real wage increase. The wage bill has increased from 5.4 per cent of GDP in 2005/06 to 7.2 per cent in 2011/12 (World Bank, 2013) and this trend needs to be curbed. Moreover, civil servants earn around 60 per cent higher salaries than comparable positions in the private sector (World Bank 2013), this should give some support to measures to curtail the public sector wage bill over the medium term.

Travel costs are high, accounting for more than 4 per cent of GDP and half of total expenditure on goods and services. Given that travel costs in the budget in, for example, Tanzania represent 1.6 percent of GDP, travel costs are also high in international perspective (World Bank 2013). Apart from high fuel costs, subsistence allowances in Malawi are a substantial part of travel expenses and amount to 22 per cent of salaries. There is a practice of abuse, which could be as high as 30 to 40 percent of total claimed reimbursements (World Bank, 2013). The reforms in the IFMIS should tackle this leakage, but the culture change that is also needed will take some time to materialize.

The most important item in transfers and subsidies is the FISP. There are no transfers budgeted for state owned enterprises, although their operational losses and accumulated arrears do pose a fiscal risk (World Bank, 2013).

Other savings would accrue from PFM reforms, tightening control on expenditure and addressing the chronic recurrence of arrears (among other through strengthening oversight on procurement and the operations of parastatals), although such measures still need to materialize.

The Government of Malawi has provided its projections for the entire period up to 2024/25. Table 3.3 and Figure 3.5 show these projections.

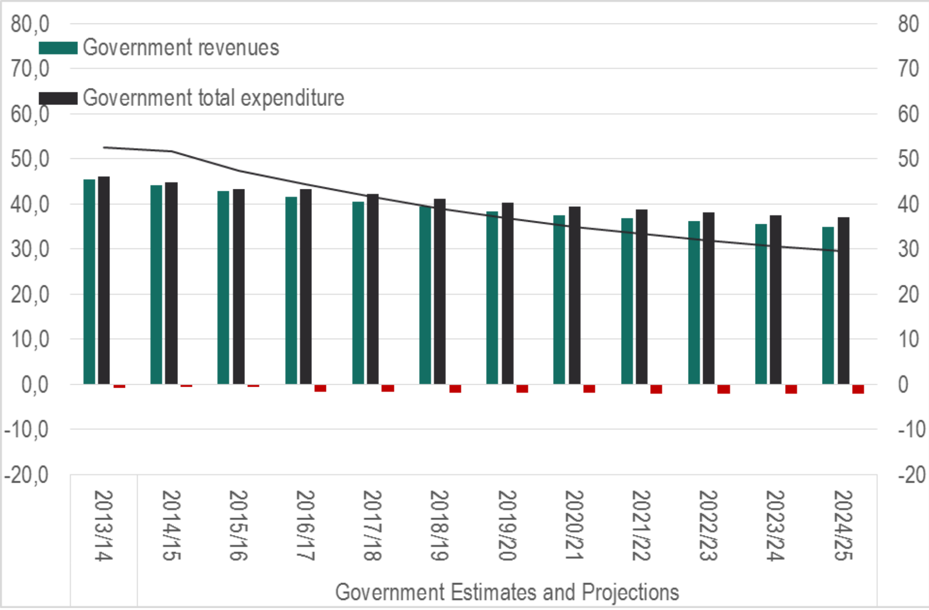
Table 3.3 Government Finances Projections, Malawi: 2013/14-2024/25

Government Finances Projections, Malawi: 2013/14-2024/25

(in MK billions)	2013/14 Projections	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2024/25
TOTAL REVENUE (tax and nontax)	**327**	**371**	**416**	**469**	**531**	**603**	**684**	**1.290**
Tax Revenue	292	334	376	426	484	552	629	1.211
Taxes on income and profits	133	152	171	194	221	251	286	548
Taxes on goods and services	122	142	160	181	206	235	268	513
Taxes on international trade	43	48	53	60	68	78	89	175
Other	(7)	(8)	(8)	(9)	(11)	(12)	(13)	(25)
Tax refunds	(10)	(11)	(13)	(14)	(16)	(18)	(20)	(37)
Other taxes	3	4	4	5	5	6	7	12
Nontax revenue	35	37	40	43	47	51	55	79
Grants	271	286	296	307	319	331	344	413
Budget support	102	108	112	116	120	125	130	156
Project	57	60	63	65	67	70	73	87
Dedicated grants	112	118	122	126	131	136	141	170
o/w:								
DFID/EU (Maize, ferilizer, seeds)	24	25	26	27	28	29	30	36
National Aids Commission (NAC)	19	20	21	22	22	23	24	29
Health Sector-wide approach (SWAp)	31	33	34	35	37	38	40	48
Education SWAp								
Other	37	39	41	42	44	46	47	57
HIPC +MDRI IMF debt relief								
Total Revenue (excl. Grants)/GDP	24,8%	25,0%	25,1%	25,2%	25,3%	25,5%	25,6%	26,5%
Total Revenue (incl. Grants)/GDP	45,5%	44,2%	42,9%	41,7%	40,5%	39,5%	38,5%	35,0%
Tax Revenue/GDP	22,2%	22,5%	22,6%	22,8%	23,1%	23,3%	23,6%	24,9%
EXPENDITURE	**607**	**664**	**720**	**807**	**885**	**975**	**1.078**	**1.806**
Current expenditure	484	532	577	651	716	789	875	1.479
Interest payments	36	26	25	26	28	30	32	50
Compensation of employees	108	117	127	138	148	160	172	251
Pensions and gratuities	17	19	21	23	25	28	31	49
Subsidies and transfers	107	111	116	121	129	137	146	201
Fertilizer and seed subsidy	74	77	79	82	87	93	98	133
Purchase of goods and services	204	247	276	343	386	435	493	928
o/w:								
Health SWAp	27	29	32	35	38	41	45	68
Education SWAp	27	30	32	35	38	41	45	69
National AIDS Commission	14	15	17	18	20	22	23	36
Maize purchases	7	7	7	8	8	9	9	13
Generic goods and services	98	144	165	221	252	274	334	677
Arrears payments	13	12	12					
	-	-	-	-	-	-	-	-
Development expenditure	123	133	143	156	170	185	203	327
Domestically financed	44	50	56	63	71	80	90	167
Foreign financed	78	83	88	93	99	105	113	160
Expenditure/GDP	46,1%	44,7%	43,3%	43,3%	42,2%	41,2%	40,4%	37,1%
FISCAL BALANCE	(9)	(7)	(7)	(30)	(35)	(41)	(50)	(103)
Primary Fiscal Balance/GDP	2,0%	1,3%	1,1%	-0,2%	-0,4%	-0,5%	-0,7%	-1,1%
Fiscal Balance/GDP	-0,7%	-0,5%	-0,4%	-1,6%	-1,7%	-1,7%	-1,9%	-2,1%

Source: MoFEPD, September 2014, and ILO calculations

Figure 3.6. Public Finances Projections, Malawi: 2013/14-2024/25



Source: constructed from MoFEPD, September 2014, data

3.4. Key messages

With an estimated GDP per capita of USD 274 in 2014, Malawi to date remains one of the poorest countries in the World.

The Malawian economy is highly vulnerable to exogenous factors, notably movements in terms of trade, weather conditions and volatile inflows of foreign aid. For some time to come agriculture will remain the main GDP growth driver, but productivity is low.

Malawi's fiscal situation is fragile mostly due a high dependence on inflows from international 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.

One of the problems of public expenditure in Malawi is the small proportion of public spending that is discretionary – only 28 percent of total expenditures is controllable in the short term, limiting available government's fiscal adjustment strategies

The latest Public Expenditure (PEFA) report has concluded that there has been significant stagnation in PFM reform in Malawi.

Chapter 4.
Social protection programmes in Malawi – design, coverage and impact

4.1. Social protection programmes in Malawi – design, coverage and impact

The following section will provide an overview of the social protection programmes prioritized by the GoM in the MNSSP as well as the FISP. The various programmes use different mechanisms to deliver benefits to individuals or households including cash transfer programs, in kind benefits related to health and education, active labour market policies and subsidies for certain goods or services. This chapter describes these programmes in detail, including their objectives, coverage and impact.

4.1.1. The life-cycle approach of social protection

There is a growing consensus amongst policy makers and development partners that views the provision of Social Protection as a requirement throughout all stages of a person's life-cycle, from birth to death. All people - rich or poor – face contingencies ("risks") and vulnerabilities during their life-cycle, which have financial consequences for them, their families and dependants. Throughout their lives people experience situations, such as maternity, sickness, unemployment, work injury and retirement that reduce or eliminate their ability to maintain income security and a life in dignity and wellbeing. As a response to these risk, Social Protection is provided to members of a society against the economic and social distress caused by such contingencies or events.

Figure 4.1. The social protection life cycle

Source: International Labour Organization

The ILO's Social Protection Floors Recommendations (202) recognizes the need for social protection systems to provide adequate coverage in all stages of a persons' life. It therefore calls on member states to aim at providing sufficient social protection coverage for children, adults in working ages and older persons.

There a numerous ways social protection programmes can address these risks people face and different countries' systems offer varying degrees of protection for each contingency and over the life-cycle in general. Vulnerabilities, such as invalidity or the dead of the breadwinner, can be addressed through different programmes and in a way that reflect a country's social context, its priorities and financial capacity. While the type of programmes addressing these risks may vary it is imperative that they provide adequate financial support as well as facilitate access to relevant social services.

Various MNSSP programmes aim at addressing one or more of the above mentioned contingencies and aim at providing support for beneficiaries during different stages in their life-cycle. The following chapters examines in how far Malawi's social protection programmes as prioritized in the MNSSP provide sufficient social protection support over a person's life-cycle and in how far the system covers all relevant contingencies. Is there adequate support for children? What is the coverage situation for people in working-ages? Are there programmes in place that ensure adequate income security for older Malawians?

4.2. Social cash transfer programme

Objectives, policy and legal framework

In 2005/6 when the cash transfer was first piloted, estimates put ultra-poverty in Malawi at approximately 500.000 households. The survey (IHS2) found a strong correlation between poverty and households with few or no able-bodied adult members, which consequently may lack income generating opportunities. About four percent of Malawians are disabled and face significant struggles to survive due to lack of income and exclusion from mainstream society and essential services. The GoM's Social Cash Transfer Program (SCT) sets out to address these pressing issues and aims at breaking the inter-generational cycle of poverty (Ministry of Gender, Children and Social Welfare (n.d.).

The 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 (ibid.). The program is administered 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 their ratio of members that are 'not fit to work' to those 'fit to work'. 'Unfit' in this context means being outside of economically actives 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 SCT pilot in 2006 was initially funded by the National Aids Commission (NAC) and the Global Fund. This has influenced programme design to be HIV focused, with a particular focus on orphans and vulnerable children (OVC). Another dimension of the initial focus on HIV/AIDS affected households is that female-, child- and elderly-headed households who are mostly ultra-poor and highly vulnerable make up the majority of SCT beneficiaries (Jimu, 2015).

The programme uses a combination of community based targeting 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 (ibid.). A PMT then verifies whether potential beneficiaries fulfil the programme's criteria. A range of proxy indicators are used to determine ultra-poverty: members should only afford one meal a day, unable to purchase essential non-food items (such as clothes, soap and school materials) and should have no reliable sources of income (Jimu, 2015). 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 over three (ibid, 2015).

The SCT targeting process combines a community based approach and proxy means testing (PMT) in a multi-stage process comprising the following steps[11]:

1. **Sensitizations with stakeholders –** This is an entry point given that stakeholders at district level are sensitized about the program and its activities.

2. **Training of District Training Team (DTT) –** A total of 14 District officers are identified as trainers to facilitate the process. A team of National Trainers who are from different relevant Ministries at central level, trains the DTT in the targeting process so that the DTT can take over to roll out the process in the entire district while being supervised by the central level.

3. **First community meeting –** At community level the district conducts first community meeting with the aim of informing the communities and their leaders about the programme, its methodologies of implementation and to get their cooperation. All chiefs and community members are required to attend the meeting. The first community meeting is used to identify members of the community who could form the Community Social Support Committee (CSSC)

4. **Training of CSSCs –** The CSSC and extension workers are trained on data collection.

5. **Data collection and quality check –** This step includes the collection of household data through a specifically designed form. The form has two parts to assess the household profile and the vulnerability of households in terms of assets.

6. **Data entry and ranking –** Data collected from households is entered into the management information system (MIS). The households are then ranked according to their vulnerability status in order to categorise them as pre-ineligible and pre-eligible.

7. **Second community meeting –** The ranked list of households is presented back to the community to validate the identified households, their composition and their ranked position by the communities and community leaders. During this step, inclusions and exclusion errors can be reported.

8. **Data entry (appeals) and re-ranking –** the information from the appealing households is entered into the MIS and the ranking is adjusted.

9. **Final approval of ranked households –**The final lists of households is approved in the DSSC meeting to select the 10% cut off point

10. **Third community meeting –** This is stage of presenting the final results (selected households and transfer amounts) to the communities and the beneficiary households are officially enrolled.

The transfer amount varies by household size as well as the number of children in primary and secondary school. The transfer includes an education bonus to encourage school enrolment and

[11] The following points are directly taken from: Jimu, Ignasio (2015). Review of the targeting process of Social Cash Transfer Programme. Study commissioned by Irish Aid Malawi (draft)

attendance and discourage child-labour (Abdoulayi et al, 2014). The benefit formula is based on the average market price of a bag of maize and is occasionally adjusted in consultation amongst the GoM, the implementers and civil society (Social protection working group, 2014).

The programme is growing considerable both in terms of coverage in current implementing districts as well as expanding into new districts (Abdoulayi et al, 2014). As of July 2015, the SCTP runs in 18 out of the 28 districts of Malawi but only operates full scale in Mchinji, Chitipa and Likoma. The programme currently (July 2015) supports 151,317 households and a total of 670,482 individuals (Ministry of Gender, Children and Social Welfare, 2014). The total estimated target group once the programme runs full-scale and nationwide is 319,000 households and over 1.5 million individuals (ibid.).

Table 4.1. Transfer amount by household size and number of children in school

<table>
<tr><th colspan="5">Transfer amounts by household size and number of children in school</th></tr>
<tr><th>Household size</th><th>Monthly cash benefit (pre-May 2015)</th><th>Revised monthly benefit (May 2015)</th><th>Primary school</th><th>Secondary school</th></tr>
<tr><td>1 member</td><td>MK 1,000</td><td>MK 1700</td><td rowspan="4">Number of children x MK 300 (2015: MK 500)</td><td rowspan="4">Number of children x MK 600 (2015: MK 1000)</td></tr>
<tr><td>2 members</td><td>MK 1,500</td><td>MK 2200</td></tr>
<tr><td>3 members</td><td>MK 1,950</td><td>MK 2900</td></tr>
<tr><td>≥ 4 members</td><td>MK 2,400</td><td>MK 3700</td></tr>
<tr><td>Ø household benefit:</td><td>MK 2,700</td><td>-</td><td></td><td></td></tr>
</table>

Source: Abdoulayi et al, 2014; Ministry of Finance Economic Planning and Development,

Table 4.2. Transfer share of size of baseline consumption

Transfer share of size of baseline consumption		
Mean share	0.18	0.28
Median share	0.15	0.23
Proportion below 20%	0.70	0.40

Source: Abdoulayi et al, 2015

A key "requirement for a cash transfer programme such as the SCTP to generate impacts is for the value of the transfer to be sufficiently large enough as a share of the target population's consumption" (Abdoulayi et al, 2015). The 2015 SCT evaluation conducted by UNICEF, the University of Malawi and the University of North Carolina simulated the "the amount of transfer each household in the evaluation sample is likely to receive and computed its value as a proportion of total consumption of the household" (ibid.).

The authors of the evaluation cite evidence of SCT programmes from around the world including several major African cash transfer programmes and state that as 'rule of thumb' "the transfer should deliver at least 20 per cent of pre-programme consumption in order to generate widespread impacts" (ibid.). Table 4.2. shows that during the period of the mid-term evaluation, the "average transfer share was 18 per cent of pre-programme consumption, 70 per cent of beneficiaries had a transfer share that was below this threshold (20 per cent), and half of beneficiaries had a transfer share that was below 15 per cent".

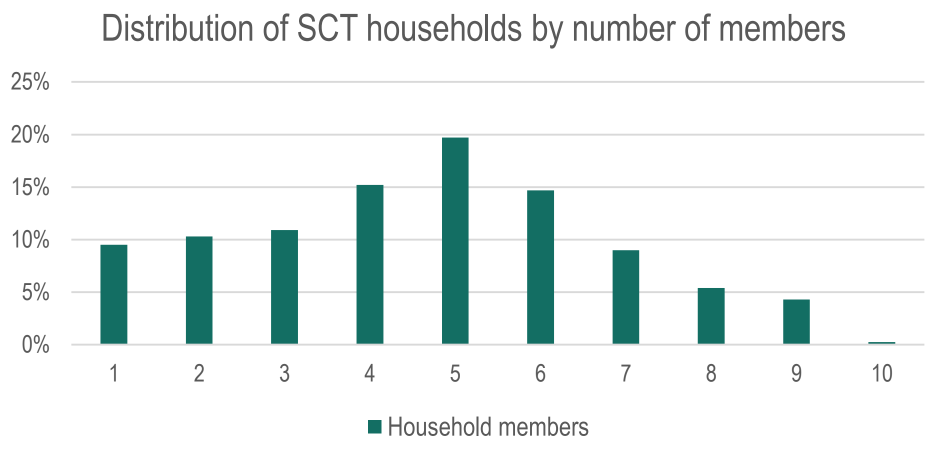
However, with the implementation of the new transfer size from May 2015 onwards "only 40 per cent of recipients will have a transfer that is below 20 per cent of their original consumption level and the median share will be 23 per cent" (ibid.)

Table 4.3. Social cash transfer household heads and beneficiaries by gender (July 2015)

Social cash transfer household and beneficiary characteristics				
	Beneficiaries	Percentage	Household head	Percentage
Male	295,730	44.1	40,259	26.6
Female	374,752	55.9	111,057	73.4

Source: Ministry of Gender, Children, Disability and Social Welfare, 2015

Figure 4.2. Distribution of households by number of members (May 2015)



Source: Ministry of Finance, Economic Planning and Development, 2015

Table 4.4. SCT household head characteristics (July 2015)

Social cash transfer household and beneficiary characteristics

	Number
Child headed households	1,371
Elderly headed households	76,343
Household head with disability	42,564
Household head with chronic illness	88,459

Source: Ministry of Gender, Children, Disability and Social Welfare, 2015

Table 4.5. Age of SCT beneficiaries in selected districts

Age of SCT beneficiaries in selected districts

Age	Balaka	Chitipa	Salima	Total	Percentage
0-20	2	1	1	4	1.9
21-30	19	5	9	33	9.6
31-40	22	8	10	40	11.9
41-50	16	11	12	39	11.6
51-60	20	12	19	51	15.2
>60	46	55	46	147	43.9
Total	**126**	**105**	**104**	**335**	**99.7**

Source: Jimu, 2015

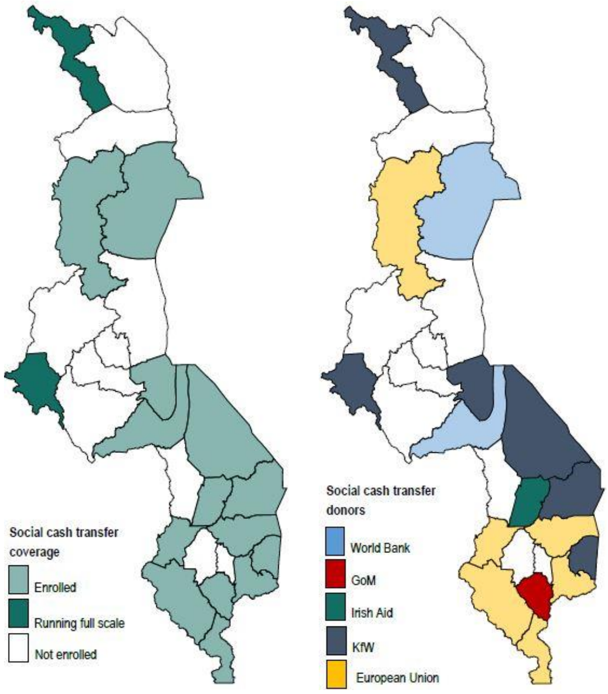
Geographical coverage

Table 4.6. Social cash transfer programme coverage, donor and status of scale-up (July 2015)

Social cash transfer programme coverage, donor and status of scale-up					
District	**Donor**	**Status**	**No. of TA**	**Household heads**	**Members**
Likoma	KfW	Full scale	1	224	1,161
Chitipa	KfW	Full scale	5	3,758	15,629
Mchinji	KfW	Full scale	9	10,389	45,242
Machinga	KfW	Running	15	14,035	75,551
Mangochi	KfW	Running	9	18,298	91,173
Phalombe	KfW	Running	6	7,641	34,012
Salima	KfW	Running	10	8,822	43,197
Balaka	Irish Aid	Running	7	8,517	38,507
Thyolo	GoM	Running	7	9,629	38,606
Dedza	World Bank	Running	2	3,388	13,391
Nkhata Bay	World Bank	Running	9	3,929	18,975
Nsanje	EU	Running	9	5,569	22,460
Chikwawa	EU	Running	11	10,151	39,939
Mzimba North	EU	Running	4	5,477	21,400
Mzimba South	EU	Running	7	8,864	30,751
Neno	EU	Running	4	2,015	7,785
Mwanza	EU	Running	3	1,946	7,165
Zomba	EU	Running	10	15,458	67,935
Mulanje	EU	Running	6	13,210	57,585
Current total				**151,317**[12]	**670,473**

Source: Social cash transfer database (n.d.), Abdoulayi et al (2014), implementers;

Figure 4.3. Social Cash Transfer coverage (May 2015)



Source: Ministry of Finance, Economic Planning and Development, 2015

[12] The target for Chikwawa and Nsanje is 65,566 households and for Dedza and Nkhata Bay: 21,000

Financing and expenditure

Funding for the original eight districts is provided by the German Government (through KfW) and Irish Aid. 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 seven districts as well as to extend the programme to additional districts. The World Bank funds the scale up to an additional two districts. (Abdoulayi, 2014). Targeting is for the new districts started in February 2015 with the first payment transferred the following month (Ministry of Finance, Economic Planning and Development, 2015).

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 slowly started embracing the programme. Between "2006 and 2010 the government was simply an implementing agent with all the resources coming from the donors" (Jimu, 2015) but in 2010 the Government started to contribute in money for actual transfers and currently the government pledges to provide at least 10 % of the funding (Jimu, 2015).

Programme impact

In 2006, the average monthly transfer amount was decided to be MK 1,700. This amount was chosen because it would be sufficient to fill the average ultra-poverty gap for an average sized household. The transfer would therefore be enough to lift an average household, both in terms of size and poverty gap, above the ultra-poverty line (Schubert & Huijbregts, 2006).

Two years in to the pilot, the University of Boston conducted an impact evaluation in the Mchinji district and found that beneficiaries, compared to control groups, showed a variety of improvements in their livelihoods. Beneficiary households increased their accumulation of assets such as livestock and other basic necessities. Beneficiaries were eating more nutritious meals, invested in the building of new houses and increased agricultural output through tilling and other productivity enhancing activities. Researchers also observed a change in the well-being and general appearance of beneficiary households (Abdoulayi et al, 2014).

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, basic necessities, 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 (ibid.)

Table 4.7. Impact of the social cash transfer programme in Mchinji (2008)

Impact of the social cash transfer programme in Mchinji (2008)
Improved health with fewer sicknesses among adults and children
Greater demand for healthcare for children and adults and higher healthcare expenditures
Greater demand and increased expenditures on schooling and children's education, resulting in higher enrolment and fewer absences
Significant accumulation of household assets and basic necessities
Accumulation of productive assets and livestock
Increased agricultural production, with greater food stores, through the purchase of fertilizers and/or farm labour
Improved food security, including higher food expenditures, fewer missed meals, fewer days without adequate food, and greater food diversity
Improved housing quality and ability to handle household shocks

Source: Abdoulayi et al, 2014

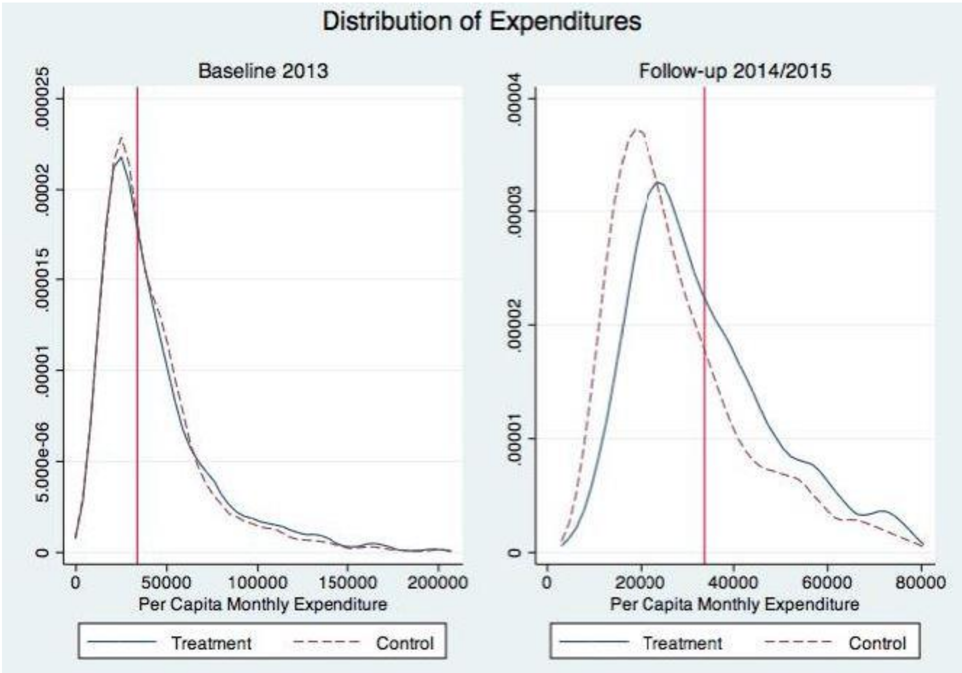
In the first quarter of 2015, a mid-term evaluation of the SCT was conducted by UNICEF and the University of North Carolina (UNC) in the districts of Mangochi and Salima to measure the impact the programme has had after 12 months and 6 transfers. The evaluation compared household characteristics to the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

Compared to the baseline evaluation conducted right after the harvest in 2013 "per capita consumption has declined by 25 per cent between baseline and follow-up" (Abdoulayi et al, 2015), 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" (ibid.). It is important to note that:

> *"the SCTP has been able to reduce the negative impact of seasonality among eligible households evidenced by the fact that average consumption is clearly greater for beneficiary households over control households in many categories, including items targeted by the programme, such as food, clothing and education" (ibid).*

Figure 4.5 compares the per capita consumption distribution at baseline survey and mid-term evaluation, with the inflation adjusted ultra-poverty line (vertical line). This graphs show how the SCT has "produced a positive right shift in per capita consumption for treatment households in comparison to control households" (ibid.). While the treatment effect is clearly visible in the graphs, the evaluators note that effects on total per capita and food consumption were not found to be statistically significant. However, the SCT seems to have "significant impacts on certain sub-components of overall consumption, notably clothing, furnishings, education, and miscellaneous goods and services" (ibid.)

Figure 4.4. Impact evaluation: distribution of expenditure



Source: Abdoulayi et al, 2015

In terms of sub-component of household expenditure, the "two largest areas of programme impacts are for clothing (MK 622) and furnishings (MK 536), which includes interior furnishings, tools, and home maintenance expenditures" (ibid). In addition, the evaluation found an "education impact of MWK 201, and [found] that the average education expenditures for treated households are one of the only categories that is higher at Midline compared to Baseline" (ibid.). These results "suggest that households are using the cash to improve material well-being and invest in their children's education" (ibid.).

Table 4.8. Impact of the SCT on poverty indicators

Impact of the SCT on poverty indicators				
Dependent variable	Programme impact (1)	Baseline treated mean (2)	Midline treated mean (3)	Midline control mean (4)
Poor (%)	-0,05**	0,83	0,94	0.96
	(-3.51)			
Ultra-poor (%)	-0.15**	0.57	0.70	0.82
	(-4.67)			
Poverty gap poor	-8.72*	48.16	50.21	57.94
	(-1,94)			
Poverty gap ultra-poor	-8.45	35.87	34.17	41.63
	(-1.94)			
Squared poverty gap (severity poor)	-9.02*	27.87	28.78	37.02
	(-2,60)			
Squared ultra-poverty gap (severity poor)	-6.76*	17.10	14.88	21.08
	(-2.14)			
No. of observations	3,813	788	889	1,251

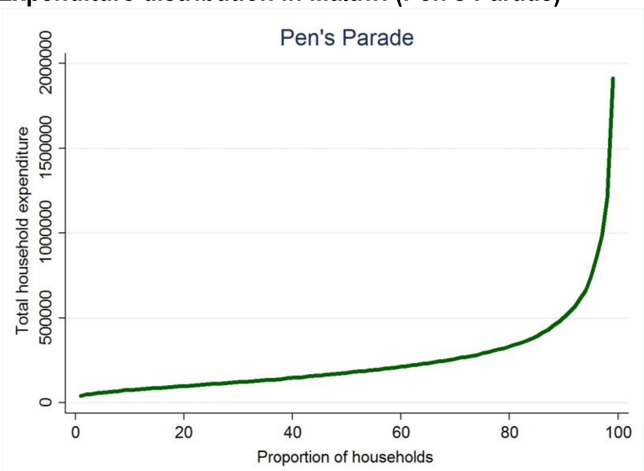
Source: Abdoulayi et al, 2015

The table above (Table 4.8) shows the SCT's impact on a number of poverty indicators. It indicates that the SCT has significant large positive effects on the poverty gap of treated households and even stronger on the squared poverty gap, that measures the severity of poverty. Given that the mid-term evaluation assessed the programme after only 6 transfer and 12 moths it would have been unreasonable to except people to have moved above the poverty line. However, what the SCT clearly does it to reduce the depth of poverty (poverty gap) and the poverty severity (squared poverty-gap) for beneficiaries.

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 (see Figure 4.5.). Evaluations of the SCT have found its targeting outcomes to be less than satisfactory (Matita & Chirwa, 2014) and while the joint eligibility criteria are quite unambiguous they are still subject to interpretations, especially as "several proxies of poverty are variedly applied in different contexts at community level" (ibid.).

Figure 4.5. Expenditure distribution in Malawi (Pen's Parade)



Source: National Statistical Office, 2011

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" (ibid.). 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 (ibid). Using a variety of poverty measures studies find 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 are attributed to the "lack of clarity of the targeting concepts and the use of poor proxies, favouritism and the influence of village level politics" (ibid.). It has been observed that members of the CSSC and extension workers often face pressure to target relatives of local leaders (ibid.).

The complex targeting mechanism using a variety of poverty proxies raises general questions about poverty targeting in a country with a poverty headcount of over 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).

In 2008, the psychological impacts of the SCT on recipients were assessed and found that, in comparison to the control group, households were considerably more hopeful about their future and satisfied with their lives. However, beneficiaries were also more likely to experience "jealousy from other households in their communities and, on average, community members were less likely to help them since receiving the cash transfer" (ibid.). Moreover, twenty-two percent of beneficiary households reported to have experienced more conflict in the community since receiving the transfer (ibid.).

Despite evidence of social tensions in communities served by the SCT, recent evaluations assessing the level of satisfaction towards the targeting process for the SCT, the FISP and the MVAC show greater satisfaction for SCT than for MVAC and FISP (Jimu, 2015). For the SCT, dissatisfaction of community member's primarily arose from high exclusion levels (ibid, 2015).

Table 4.9. Community satisfaction towards the targeting process of the FISP, SCT and MVAC

Community satisfaction towards the targeting process of the FISP, SCT and MVAC

Program	Very satisfied	Satisfied	Not satisfied
FISP	26.03	36.99	36.99
SCT	55.36	24.29	20.36
MVAC	55.00	15.00	30.00

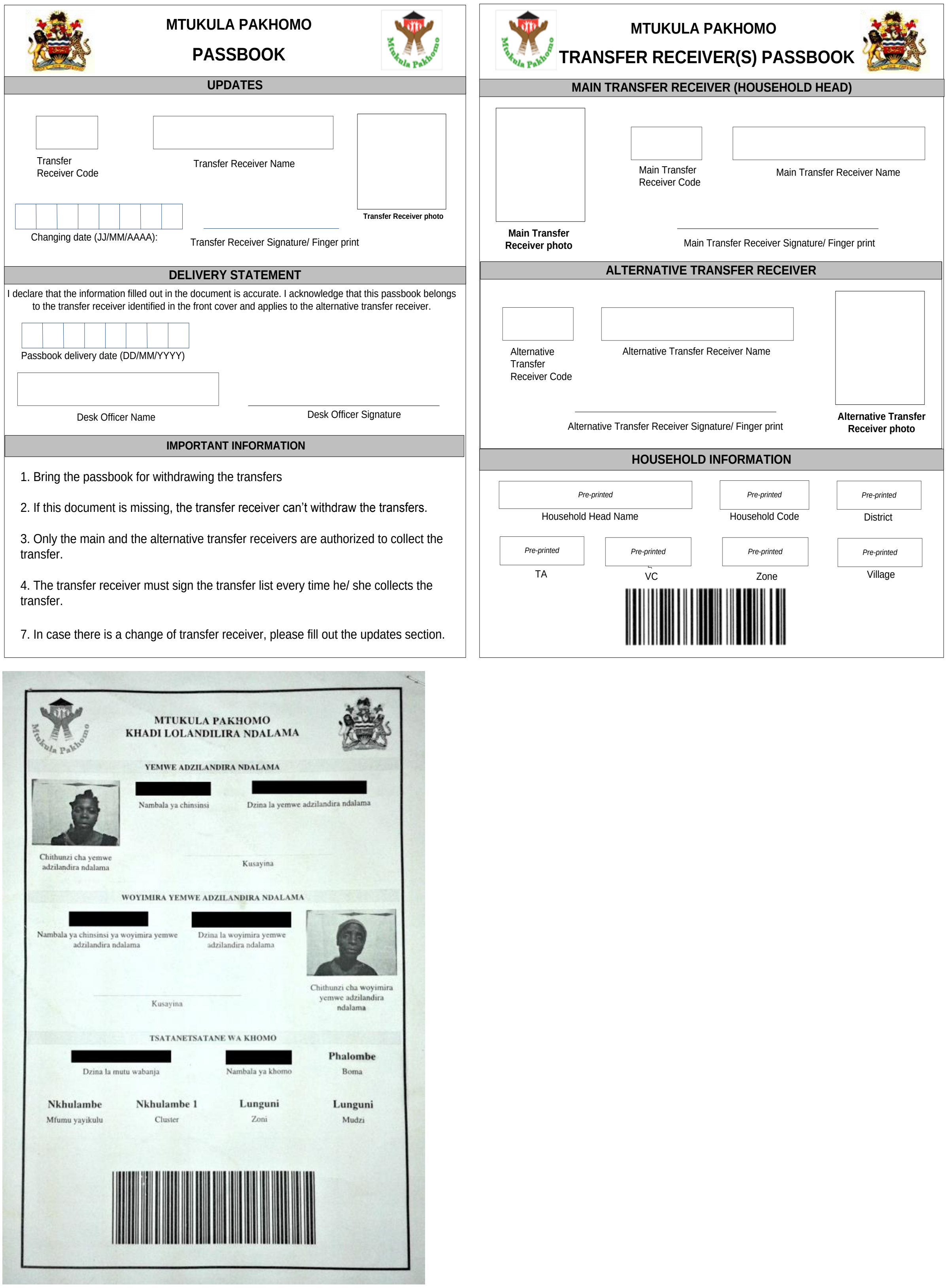
Source: Jimu, 2015

Despite recipient household showing signs of increased productivity enhancing activities as well as improved ownership of productive assets and livestock it remains unclear whether these households have gained the ability to avoid and withstand future shocks were the transfer to be removed in a retargeting effort. The authors of the 2008 impact evaluation "fully expect that ultra-poor and labour constrained households that are removed from the [cash transfer] will revert back to the same socio-economic position they were in prior" to selection (Miller et al, 2008).

It has been stated that each district's coverage is targeted to be 10 percent of the population. In 2006 it was found that countrywide 10 percent of the population corresponds to both SCT eligibility criteria. 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 spatial diverse in terms of poverty, such policy leads to a serious misallocation of funds amongst the districts. A geographically uniform cut-off point for eligible residents inevitable leads to significant inclusion and exclusion errors on the district level (ibid.).

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 multiple pay-points per village cluster are not provided. In order to address these issues and to make the pay-out system more efficient e-payment pilots have been introduced in Balaka in Mchinji.

Figure 4.6. Social Cash Transfer handbook used to identify beneficiaries



MTUKULA PAKHOMO

PASSBOOK

UPDATES

Transfer Receiver Code

Transfer Receiver Name

Transfer Receiver photo

Changing date (JJ/MM/AAAA):

Transfer Receiver Signature/ Finger print

DELIVERY STATEMENT

I declare that the information filled out in the document is accurate. I acknowledge that this passbook belongs to the transfer receiver identified in the front cover and applies to the alternative transfer receiver.

Passbook delivery date (DD/MM/YYYY)

Desk Officer Name

Desk Officer Signature

IMPORTANT INFORMATION

1. Bring the passbook for withdrawing the transfers

2. If this document is missing, the transfer receiver can't withdraw the transfers.

3. Only the main and the alternative transfer receivers are authorized to collect the transfer.

4. The transfer receiver must sign the transfer list every time he/ she collects the transfer.

7. In case there is a change of transfer receiver, please fill out the updates section.

MTUKULA PAKHOMO

TRANSFER RECEIVER(S) PASSBOOK

MAIN TRANSFER RECEIVER (HOUSEHOLD HEAD)

Main Transfer Receiver photo

Main Transfer Receiver Code

Main Transfer Receiver Name

Main Transfer Receiver Signature/ Finger print

ALTERNATIVE TRANSFER RECEIVER

Alternative Transfer Receiver Code

Alternative Transfer Receiver Name

Alternative Transfer Receiver Signature/ Finger print

Alternative Transfer Receiver photo

HOUSEHOLD INFORMATION

Pre-printed	Pre-printed	Pre-printed
Household Head Name	Household Code	District

Pre-printed	Pre-printed	Pre-printed	Pre-printed
TA	VC	Zone	Village

MTUKULA PAKHOMO

KHADI LOLANDILIRA NDALAMA

YEMWE ADZILANDIRA NDALAMA

Chithunzi cha yemwe adzilandira ndalama

[redacted] Nambala ya chinsinsi

[redacted] Dzina la yemwe adzilandira ndalama

Kusayina

WOYIMIRA YEMWE ADZILANDIRA NDALAMA

[redacted] Nambala ya chinsinsi ya woyimira yemwe adzilandira ndalama

[redacted] Dzina la woyimira yemwe adzilandira ndalama

Chithunzi cha woyimira yemwe adzilandira ndalama

Kusayina

TSATANETSATANE WA KHOMO

[redacted] Dzina la mutu wabanja

[redacted] Nambala ya khomo

Phalombe Boma

Nkhulambe	Nkhulambe 1	Lunguni	Lunguni
Mfumu yayikulu	Cluster	Zoni	Mudzi

Source: Ministry of Finance, Economic Planning and Development, 2015

4.3. Benefits in kind

Government provided in kind benefits targeting the poor aim at enabling access to education and health care and ensuring investments in children. Evidence shows that household income plays a decisive role in determining school enrolment, confirming the need for action to improve access for the poor and ensure more equitable outcomes. A mix of cash and in kind benefits is a key element to empower poor households through improved human capital and consumption levels to benefit equally from public services with other income groups.

The following sections discus health policies as well as the school feeding programme. These policies have been selected as they represent a reduction of costs of accessing services and thus contribute to household budget. They specifically aim at improving services access for poor households. The more general and also very important question of adequate levels of public spending for quality education and health services in addition to these programs is not addressed here.

4.3.1. In kind benefits related to health

4.3.1.1. Free government provision of basic healthcare

Financing and expenditure

From 2009/10 onwards Malawi's total health care spending increased by around 68 percent and stood at MK127.3 billion (US$ 624.8 million) in 2011/12, consuming 9 percent of GDP (Ministry of Health, 2014 a). On average in between 2009/10 and 2011/12 Malawi spend US$ 37.8 per capita per annum on health (ibid.). This amount is considered insufficient by the World Health Organization, which estimates that a "basic package of cost-effective interventions in low-income countries, which includes the cost of antiretroviral drugs, NCDs and health systems strengthening, could cost US$54 per capita per annum (ibid.).

Government per capita health spending over that period has been even lower, averaging US$ 7.6 per capita per annum (ibid.). The free government provision of the Malawi Essential Health Care Package (EHP) in contrast cost US$ 44.4 per capita per annum in 2011 (ibid.). This figures show that Malawi's health system continues to be "challenged by absolute inadequate financial resources" (ibid.). The National Health Accounts (NHA) for the period of 2009/10 – 2011/12 finds that the country "continues to underinvest in health at a level not comparable to that of any country in the SADC Region" (ibid.). The degree of underinvestment is becomes evident in the following comparisons:

Table 4.10. Health spending in Malawi and the SADC region in US dollars (2012)

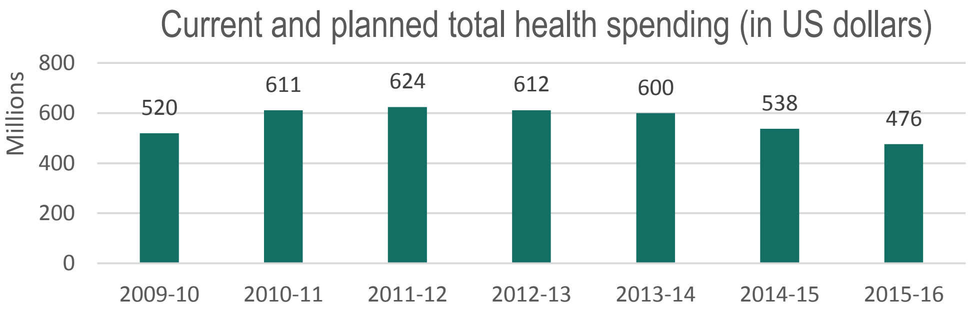
Health spending in Malawi and the SADC region in US dollars (2012)

	THE per capita per annum	Government spending on health per capita per annum	Government spending on health as % of total Government expenditure
Malawi	39.3	6.3	6.2%
SADC	147	141	11.0%

Source: Ministry of Health, 2014 a

The Malawian healthcare system, like other areas of social protection, relies heavily on donor funding. In 2013/14 (FY), donors contributed around 89 percent of the country's health finance (Ministry of Health, 2014). USAID, DFID and the Global Fund alone provide roughly 40 percent of Malawi's health budget (ibid.). The high percentage of donor funding makes Malawi one of the most "donor-dependent [countries] in the world, signifying that it is highly unsustainable in the event of a sudden withdrawal of or unpredicted shift in donor funding" (Ministry of Health, 2014 a).

Figure 4.7. Current and planned total health spending (in US dollars)



Source: Ministry of Health, 2014

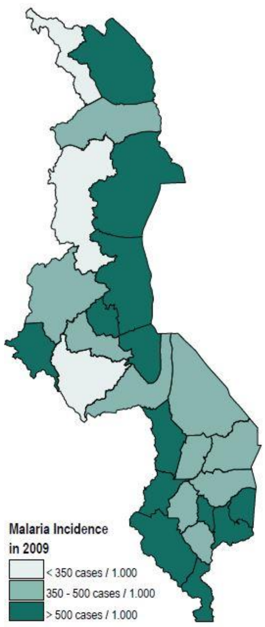
An example of the volatility of the Malawian health budget to changes in donor support is the significant decline in total health spending in 2014-15, which can partially be attributed to the expiration of the Global Fund's grant for HIV (Ministry of Health, 2014).

In the three year period analysed by the NHA the share of total heath expenditure borne by the government was just over 20 percent (Ministry of Health, 2014 a). What is remarkable given the system of free health care is that households contributed 10 percent towards total health spending in Malawi. 70 percent of household expenditure on health is out-of-pocket expenditure, which is very high (ibid.). Government health spending averaged 6.5 percent in the observed period, which is a considerable shortfall from the Abuja Declaration target of 15 percent (ibid.) Employers and corporations contribute only around 3 percent (ibid.).

4.3.1.2. Malaria control

Malaria is endemic in all parts of Malawi, with the entire population at risk. Malaria is the "leading cause of morbidity and mortality in children under the age 5 and among pregnant women" (Ministry of Health, 2014). Malaria prevalence in 2013 stood at 24 percent of the population with 3,662,808 cases of Malaria reported (ibid.). 85 percent of all Malaria cases are reported in rural areas and only 15 percent in urban areas. This, however, reflects primary the fact that most of the population lives in the countryside. Relative to other diseases, the malaria incidence is higher in the cities, where malaria makes up 52 percent of all illnesses. In the rural regions malaria makes up a slightly lower share of total diseases (45 percent), which is mostly due to the high prevalence of other diseases (ibid.). Malaria prevalence is slightly higher in districts close to the lake but there is little variance between urban (15 percent) and rural (12 percent) incidence rates (National Statistical Office, 2011).

Figure 4.8. Malaria incidence in 2009



Source: Ministry of Health, 2014

Generally speaking, malaria "transmission is mainly determined by climatic factors: temperature, humidity, and rainfall" and the "extent and distribution of these factors influence malaria prevalence", which is highest in areas of high temperatures and frequent rainfall from. In Malawi, most malaria cases are observed from October through April (Ministry of Health, 2014).

Efforts to control malaria are being scaled-up through coordination of Roll Back Malaria (RBM) partners and malaria is one of the main public health priorities within the Essential Health Package (EHP). Together with development partners, the GoM has instituted the Malaria National Strategic Plan (MSP), which is running from 2011 – 2015 and being extended to 2016. The MSP is implemented through the National Malaria Control Programme (NMCP) with the mission to "reduce the burden of malaria to a level of no public health significance in Malawi" (Ministry of Health, 2014). This is to be achieved through "improved diagnosis; appropriate treatment, integrated vector management; supply chain management; behaviour change, communication, and advocacy; and a robust monitoring and surveillance system" (ibid.).

The prevention element of Malawi's strategy to reduce malaria incidence includes the routine and emergency (usually after floods) distribution of long lasting insecticide treated nets (LLIN), provision of preventative drugs, indoor spraying of insecticide and larvaciding, the chemical killing of mosquito larvae in water sources. Case management includes the procurement of various drugs treatment on severe malaria as well a training for health workers. Additionally, the strategy includes elements of advocacy and behavioural change communication, provisions to strengthen surveillance, monitoring and evaluation as well as operational research and policy planning (Ministry of Health, n.d.).

From a strategic perspective malawi is currently still in a control rather than elimination phase, as malaria incidence is still comparatively high and evenly distributed throughout the country. Therefore the current overarching aim of malaria control in Malawi is to scale up universal coverage on all key interventions. Currently key priorities for Malawi are the provision of drugs and distributions of LLINs (Ministry of Health, n.d.).

Significant progress was made under the previous two Strategic Plans. According to the Malawi Malaria Indicator Survey in 2010, the number of households owning at least one Insecticide-treated bed net (ITN) increased from 38% in 2006 to 58% in 2010. The percentage of children under five years old who slept under an ITN grew from 25% in 2006 to 55% in 2010, and the percentage of pregnant women who slept under an ITN improved from 26% in 2006 to 49% (Ministry of Health, 2010). The percentage of under-5 children with access to anti-malarials within 24 hours of onset of symptoms has improved but remains unacceptably low at 21.9% (ibdid.).

In terms of expenditure, the MSP's total needs including areas not yet funded is estimated to be $235 million from 2014 to the end of 2017. A large fraction of this sum (around $50 million) is dedicated to the 2015 mass distribution campaign (MDC), which is undertaken every three years and aims at distributing 1 mosquito net per 1.8 people in Malawi (approximately 9 million nets). Funding is provided primarily by international donors such as The Global Fund to Fight AIDS, Tuberculosis and Malaria (Clinton Health Access Initiative, 2014).

4.2.2. In kind transfers to facilitate access to education

Since the early 1990s, Malawi has made impressive gains in net enrolment, especially at the primary school level. The 2014 primary school net attendance ratio[13] stands at a respectable 93 percent. Secondary school enrolment, however, is considerably lower, with a net attendance ratio[14] of 15 percent (MICS, 2014). Despite Malawi having achieved near universal access to primary education, educational attainment and quality remains very low (World Food Programme, 2014). Two-thirds of male and female Malawians have enjoyed some primary education but "less than 10 percent have completed Standard 8, and only about six percent have completed secondary school" (ibid.). Of those entering the first grade of primary school only about half are expected to reach the last grade (ibid.). However, over the last few years completion rates have improved significantly. In the timespan between 2006 and 2012, the "primary completion rate climbed from 58 percent to 71 percent" (ibid.).

Disparities between the poor and the non-poor remain persistent. Nationally, 18 percent of Malawians have not enjoyed any formal schooling. For family members with a household income belonging to the first (lowest) decile schooling is even rarer. Of Malawians in this income segment 37 percent have never attended school at all. The most frequent reason (33 percent) not to attend school were prohibitively high costs of school uniforms and school fees (National Statistical Office, 2011).

Regional disparities also remain high. Malawians in rural areas are considerably more likely to never have benefited from any form of schooling than the urban population. The percentage of the rural population never having attended school stands at 21 percent compared to 8 percent of people living in cities and towns (National statistical office, 2011). Comparisons between poverty rates and lack of

[13] Percentage of children of primary school age currently attending primary or secondary school
[14] Percentage of children of secondary school age currently attending secondary school or higher

schooling at the district level reveal that the poorest districts are also those with the highest percentage of Malawians that never attended school.

Table 4.11. Poverty and lack of schooling by district

Poverty and lack of schooling by district

District	Poverty rate	District	Population without schooling
Nsanje	81%	Mangochi	45%
Chikwawa	81%	Chikwawa	37%
Machinga	75%	Nsjanje	38%
Chitipa	75%	Machinga	35%
Mangochi	73%	Dedza	30%

Source: National Statistical Office, 2011

Even when education is free, the cost of schooling (including costs for parent/teacher associations, uniforms, school supplies, transport, food) constitute obstacles for enrolling children in school and that lowering these costs, especially for poor households, could help increase enrolment rates further (World Bank 2012). In Ghana for example, school uniforms were found to be the most important expenditure of total education expenditure, especially for poor households, representing 11 per cent of total spending on education for the poorest quintile (ibid.).

4.3.2.1. 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 malnourishment. 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 highly elevated 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 wasting. However, seasonal wasting in the lean season is more common. The World Food Programme finds that almost "40 percent of children aged 6-59 months are either moderately or severely anaemic" (World Food Programme, 2014).

Malnutrition in Malawi is caused by a large number of factors including "health issues, such as TB, HIV/AIDS, diarrhoea, and respiratory infections, lack of knowledge about child care, poor diet, poor socio-economic status, and poor nutritional conditions of mothers" (ibid.). Undernourished children "at an early age predisposes children to higher morbidity and mortality risks" (World Food Programme, 2015)

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 (WFP, n.d.). 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. The World Food Programme's recent The Cost of Hunger in Malawi (2015) report finds that:

> *"Undernourished children are more likely to require medical care as a result of under nutrition-related diseases and deficiencies. This increases the burden on public social services and health costs incurred by the government and the affected families. Without proper care, underweight and wasting in children results in higher risk of mortality. During schooling years, stunted children are more likely to repeat grades and drop out of school, thus reducing their income-earning capability later in life. Furthermore, adults who were stunted as children are less likely to achieve their expected physical and cognitive development, thereby impacting on their productivity" (World Food Programme, 2015).*

Under-nutrition not only places sever costs on the individual but also the economy has a whole through lowered productivity and schooling of adults that experienced stunting in their childhoods. The abovementioned WFP study (2015) estimates that "almost 60 percent of the current working age population in Malawi suffered from stunting when they were children" (World Food Programme, 2015). On average, this population has received 1.5 years less schooling than those who did not experience growth retardation (ibid). Current levels of malnourishment will have strong negative consequences for future growth. As the "country continues to urbanize, and an increasing number of people enter skilled labour, this loss in human capital will be reflected in reduced productive capacities of the population" (ibid.) Overall, the "total loss in productivity for 2012 represents 9.3 percent of Malawi's GDP, largely due to reduced productivity associated with under nutrition related mortality" (ibid.).

Undernourished children often struggle to pay attention in class, further increasing the likelihood of a life in poverty. Education is key in reducing poverty and studies estimate that an extra year of schooling increases per capita income by 30% and individual earnings by 6 to 14% (Slaus & Jacobs, 2011). In addition to improving the health of children, a free and nutritious school meal acts as a magnet to get children into the classroom and improving children's education by increasing school enrolment and attendance and decreasing drop-out rates (World Food Programme, 2014 a).

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 but mainly by either the GoM, NGOs or the World Food Programme (ibid.). The WFP and Mary's Meals, a Scottish charity 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 childhood nutrition, increase children's ability to concentrate and learn in class, promote enrolment and regular attendance as well as to reduce drop-out rates.

The WFP is currently running a pilot in two districts called Home Grown School Feeding (HGSF), which links school feeding with local agricultural markets, providing a local and reliable outlet for smallholder farmers (World Food Programme, n.d. a). In addition, the WFP and the German financed Nutrition and Access to Primary Education (NAPE) programme aim to improve the Ministry of Education, Science and Technology's (MoEST) capacity to target the most vulnerable schools and implement school feeding in an adequate and efficient manner. Both the WFP and Mary's Meals provide daily meals to all children in a targeted primary schools and in Early Childhood Development (ECD) centres. During the lean season (October to January) the WFP provides girls and orphan boys in upper primary grades (standards 5-8) with a take home ration of 10 kg maize to disincentivize doping-out. Moreover, schools are assisted with infrastructure support as well as the supply of utensils and stoves.

Implementers stress the "vital link between provision of food and attendance at school, and between good nutrition and educational performance" (Mary's Meals, n.d.). However, it is to be noted that current school feeding programmes primarily aim to improve enrolment and reduce drop-out rates and that under-nutrition has to be addressed during a child' infant years and before it enters the education system. The WFP states that the "first two years of life are a critical 'window of opportunity'. In this period it is possible to prevent the largely irreversible damage that follows early childhood under nutrition (World Food Programme, 2015 b). Harper et al (2003) also note that the effects of malnutrition in impairing cognitive development in the short window of early childhood are irreversible, and repercussions life-long (Harper et al, 2003).

While supporting school enrolment may be the primary objective of Mary's Meals' and the WFP's school feeding activities, both also provide nutritional assistance to pre-primary children. The WFP supported 93 Community Based Childcare Centres (CBCC) in 2014 and plans to progressively scale-up the programme to reach the 169 CBCCs by 2016 (World Food Programme, 2015 c). In addition, Mary's Meals supports 45 so-called Under Six Centres countrywide, reaching 6,569 children in June 2014 (Mary's Meals, n.d.).

A WFP supported school kitchen in Dedza

Table 4.12. Malawi school feeding programmes

Malawian school feeding programmes

	Mary's Meals	World Food Programme	Home Grown School Feeding	Government of Malawi	NAPE
Time-frame	2010 - 2014	2012 - 2016	2012 - 2016	2014	20012 -2015
Funding	$ 28 mil.	$ 38.4 mil.	-	$ 306,619	$ 2.7 mil.
No. of districts	17	13	2 (soon 4)	10	23 (educational districts)
No. of schools	516	690	10 (soon 89)	80	40
No. of students	692,656	797,295	10,200	71,356	52,000 +

Source: Implementers

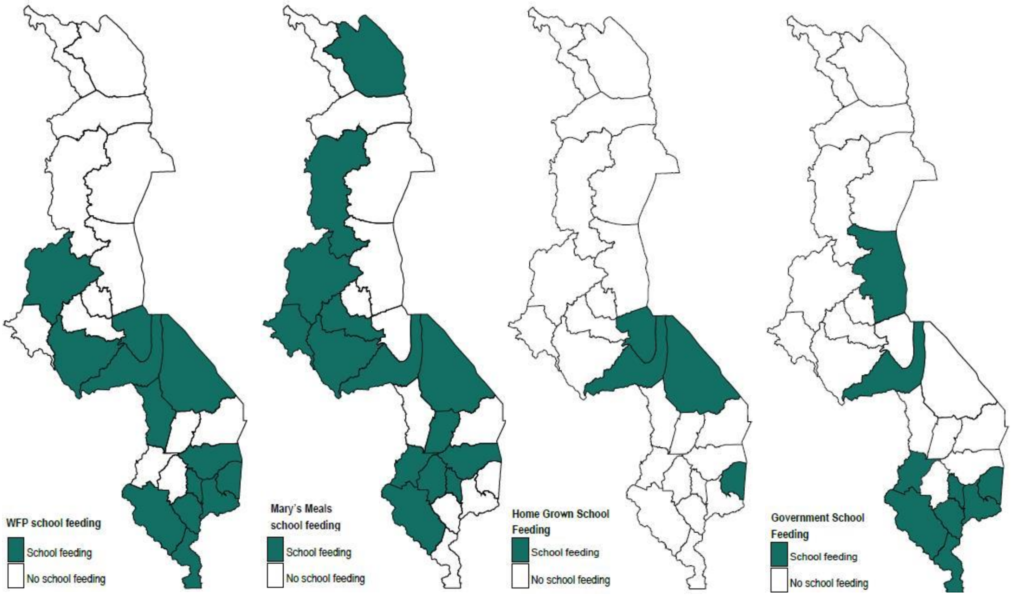
Eligibility criteria, programme design and coverage

School feeding like most other social protection interventions in Malawi is not implemented centrally by the Government but rather consists of a number of programmes implemented by NGOs and development partners. This fragmented approach leads to a lack of harmonization in the implementation and delivery mechanisms, which could potentially reduce the efficiency of school meal provision. For instance, meals provided vary from one implementer to another. Mary's Meals provides Likuni Phala, a nutritious maize and peanut flower porridge (Mary' Meals, n.d.). In schools assisted by the WFP students receive 100 grams of 'supercereal', which is a fortified corn soya blend porridge (World Food Programme, 2014 a). Students in schools linked to local agricultural markets (HGSF) receive regionally available and nutritious food such as sweet potatoes, goat meat and mangoes (ibid.).

Districts and schools are target based on a number of criteria ensuring that the most vulnerable children receive daily school feeding. The WFP and Mary's Meals target districts and schools based on food insecurity, indicators of childhood malnutrition and data from Malawi's Vulnerability Assessment Committee (MVAC). Vulnerabilities are determined by measures such as food insecurity, poverty rates, gender disparities in schooling, education outcomes and under-nutrition (World Food Programme, 2014 a). The GoM 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 benefit from a daily meals.

Geographical coverage

Figure 4.9. Malawian school feeding programmes



Source: Implementers

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 above (Figure 4.9.) merely show in which districts the implementers run school feeding programmes and it is not implied that all schools in green districts are covered.

In 2013, there were 5,561 primary and 1,190 secondary schools operated either privately or by the GoM (Ministry of Education, Science and Technology, 2013). All implementers together reach a total of 1,336 schools, meaning that 24 % percent of the 5,561 Malawian schools are covered by one of the school meal programmes. According to the WFP approximately 25 percent of all primary schoolchildren in Malawi receive school meals (World Food Programme, 2014).

Financing and expenditure

School feeding, as most Malawian social protection, is overwhelmingly donor financed. There is no common budgetary mechanism and each implementer fund their 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 GoM implements school feeding independently from the donor community in 80 schools and school feeding is the only prioritized programme in the MNSSP, which the Malawian government contributes substantial funding to.

The 2013 budget contribution to SHNHA (School Health, Nutrition, HIV and AIDS) was MK 200 million. Out of this, at least 60% (MK 120 million) was mandated to go to the school meals programme and both towards monitoring and the actual purchase of foodstuffs (Ministry of Education, Science and Technology, 2014).

Table 4.13. Financing of the Malawian school feeding programme

Financing of the Malawian school feeding programme

Contributor	Time-frame	Budget
GoM	2012	$ 306,619
WFP	2012-16	$ 19 mil.
Mary's Meals	2010-14	$ 28 mil.
NAPE	2012-15	$ 2.7 mil.
Millennium Village	2008-15	$ 250,000

Source: implementers

Mary's Meals, citing a number of studies[15] argues that there are well-established links between school feeding and pupil attendance. The NGO's school feeding programme is based on the recognition that the "most fundamental barrier to overcome in childhood education is the barrier which prevents enrolment or initial attendance" (Mary's Meals, n.d.). School feeding therefore claimed to be "probably the single most effective tool to draw poor children to school and keep them there" (ibid.). Studies show that the main obstacles to girls' education are most effectively overcome by enabling families' to meet their immediate needs (Miller & Del Rosso, 1999). Providing school meals is an in-kind benefit that lowers a family's food expenditure, makes it easier to fulfil its immediate needs and thus facilitates school enrolment. School feeding programmes "transfer resources implicitly or explicitly to poor households of the value of the food provided, therefore offsetting the costs of sending the child to school" (Burbano & Gelli, 2009)

A Peruvian study (Cueto et al, 2000) found that school meals have a variety of beneficial impacts, such as "positive effects […] on haemoglobin, drop-out rates and attendance" (Mary's Meals, n.d.). Moock et al (1986) argue the following:

> *"If the economic benefits of improving nutritional status can be legitimately calculated to include the higher productivity of a more educated adult population […] as well as the treatment savings from a better nourished, less disease-prone child population, it may turn out that an investment in child nutrition is one of the best investments a developing country can make" (Moock et al, 1986).*

In 2007, 4,000 primary schools receiving WFP assistance in 32 sub-Saharan Africa countries were surveyed and school feeding was found to have significant positive effects on school participation (Mary's Meals, n.d.). 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). Interventions such as school feeding 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).

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

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

The WFP finds based on selected school visits that the "school meal attracts children who are otherwise reluctant to attend, or whose parents may not value education" (World Food Programme 2015 b). In addition, "school officials state that because of the meal provided children are more

[15] Cueto, 2000; Gulliford, 2002; Kent et al, 1997; Miller Del Rosso, 1999; Rogers et al, 2002

energetic and attentive, healthier, and able to remain at school after classes for play and social interaction" (ibid.).

Implementation challenges

Providing school meals on a countrywide and near-universal level is a complex logistical undertaking and all implementers experience a number of challenges. The biggest challenge in implementing school feeding according to the GoM is the timely procurement and delivery of the foodstuffs. The corn-soy blend is purchased on the central level by the 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 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. Recognizing this, the MoEST considers the introduction of an effective monitoring and evaluation system to address the lack of oversight to be of critical importance (Office of President and Cabinet, 2014).

The ongoing implementation difficulties have serious consequences for the sustainability of Malawian school feeding. Over the last years the MoEST has, reportedly due to procurement problems, repeatedly underspend their school feeding budget and as a consequence funding to the programme has subsequently decreased considerably. In 2012, school feeding got MK 500 million allocated. This decreased further to MK 200 million the following year and in 2014 the budget allocation is expected to be even smaller (ibid.).

The WFP also faces challenges implementing school feeding, mostly with respect to meeting beneficiaries and tonnage targets. While in 2012 and 2013, beneficiary targets were exceeded, tonnage target were not met in either year. This was primarily due to "problems with transporters, shipment delays, and limited funding" (World Food Programme, 2014). Resource shortfalls likewise caused the Take Home Rations (THR) component and feeding in Early Childhood Development Centres (ECD) to miss 2012 and 2013 beneficiary targets. The Home Grown School Meals (HGSM) pilot also reached fewer schools than planned and "schools experienced delays receiving funds due government bureaucratic delays" (ibid.)

Table 4.14. Implementation challenges of school feeding in Malawi

Implementation challenges of school feeding in Malawi
Limited investment and low budgetary allocation by government and donors
Weak coordination mechanisms especially at district level
Standard M&E system not yet able to track key programme indicators
Some schools lack other complementary interventions e.g. WASH facilities
Inadequate participation of community members in key activities e.g. construction
Staff changes and movements affecting quality of the programme e.g. transfer of teachers trained to handle school feeding activities

Source: World Food Programme (2014 a)

The Home Grown School Feeding (HGSF) programme is designed to create local markets for school meals by serving local farm produce to school children and theoretically should "inject a significant amount of resources into the economy" (Burbano & Gelli, 2009). However, seasonality and local availability of the required quality and quantity of foodstuffs pose substantial challenges to the programme (ibid). During the lean season when food is scares large purchase of food may increase market prices further with potentially negative effects on local communities. Also, harvest failures may affect the "stability of the food supply to the schools leaving thousands of children without morning meals" (ibid.). Strategies need to be developed to combine regional and international purchases to guarantee stable food supply and avoid adverse effects on the local food market (ibid.).

Administrative efficiency

The MoEST seems to have little capacity in implementing the school feeding programme as indicated by the fact that it is currently unable to guarantee the targeted schools actually receive the foodstuffs procured on the central level. Neither is the Ministry currently able to monitor school feeding acidities on a countrywide scale. Capacity building measures are urgently needed before the GoM can fully or partially take over implementation from the WFP and Mary's Meals (Office of President and Cabinet, 2014).

4.4. Public works programs

In this section this report will discuss Labour Intensive Public Works (LIPWP) programmes, which 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" (Samson et al, 2011). 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" (ibid.). They can be designed to be 'productive' by creating "valuable assets that further reduce poverty or otherwise contribute to programme cost-effectiveness" (ibid).

Objectives, policy and legal framework

There are four main PWP in Malawi and while their implementation differs in detail they share common approaches in terms of targeting and objectives. PWP aim at transferring income to the non-labour constraint poor by providing limited employment opportunities, often in remote areas where there are few jobs. In many cases, public works programme 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 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 EU, the World Bank 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 though 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 operated by the Local Development Fund (LDF) and the Malawi Social Action Fund (MASAF). The project supports the creation of community assets as well as aims at mitigating deforestation by planting trees. 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. The RIDP will come to an end in mid-2015 and will be replace by a successor project, the Rural Road Rehabilitation Project, which will work towards increasing market access and will be implemented together with the EU and the World Bank. 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 own food production.

The RIDP pays workers a daily wage of MK 551 for a six hour workday and the LDF PWP pays MK 490 for a four hour workday. The Food-for-Assets programme is designed for local communities to volunteers some of their labour and with inputs and food provided by the WFP. The IRLADP programme pay its workers in inputs such as fertilizer and seeds.

Pay sheet of a LDF PWP in Mchinji

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 minimum wages to ensure that projects only attract labourers with few other income generating opportunities. In addition, some PWP employ a PMT to verify the poverty status of applicants.

The number of direct and indirect beneficiaries of all programme range from 13,750, (WFP) to 521,000 (LDF) and 677,502 (IRLADP). In total around 1.2 million Malawians work in one of the PWP. District coverage varies. The LDF and IRLADP programmes are both implemented nationwide and the RIDP reaches a total of 17 districts. As the map below indicates, in all districts at least two PWP are currently being implemented by the World Bank.

The majority of districts, however, benefit from the implementation of at least three programmes by the World Bank and the EU or the WFP. The multiplication of PWP is the strongest in the Zomba district, which receives assistance from all four PWP.

Figure 4.10. Public works programmes in Malawi

Source: Implementers

Table 4.15. Public works programmes in Malawi

Public works programmes in Malawi

	RIDP	**LDF**	**IRLADP**	**FFA**
Implementer	EU	World Bank	World Bank	WFP
Time-frame	2011-15	2014-17	2006-15	2014-17
Funding	$ 45.6 mil.	$ 115.2 mil	$ 107 mil.	$ 3.96 mil.
Districts	17	28	28	2 (soon 4)
Targeting	Self-targeting	Geographic, self- and community targeting	Self-targeting	Self-targeting
Beneficiaries	26,201 households	521,000 individuals	677,502 households	85,000 individuals, 15,500 households
Benefit	MWK 551 per day, 6 hours per day	490 MK per day, 4 hours per day, 48 days per year	Paid in inputs (fertilizer, etc.)	Inputs provided to build community assets

Source: Implementers

The LDF PWP is currently undergoing a change of policy, which will reduce the number of beneficiaries from the current 521,000 to around 136,000. From July 2015 onwards the PWP will no longer provide a few weeks of work to a very large number of individuals but will instead focusses on a smaller group, which will be enrolled for 2/3 years and will benefit from more extensive capacity building measures.

Financing and expenditure

The country's PWP are next to the 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 such programmes. 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 employs a wage to other-costs ratio of 60:40 at a wage 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 (Local Development Fund, 2015).

Table 4.16. Financing and expenditure of Malawian public works programmes

Financing and expenditure of the Malawian school feeding programme

Contributor	**Programme**	**Time-frame**	**Budget**	**Expenditure 2014**
EU	RIDP	2011-15	$ 45.6 mil.	$ 11,838,163
World Bank	IRLADP	2006-14	$ 115.2 mil	$ 7,390,089
World Bank	LDF	2014-18	$ 107 mil.	
WFP	FFA	2014-17	$ 3.96 mil.	

Source: Implementers

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" (Beegley et al., 2014). 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" (ibid.). 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 (ibid.).

Contrary to other settings where PWP sometimes displace casual labour, the impact evaluation does not find "evidence of displacement of casual labour as a result of public works offer" (ibid.). The lack of displacement effect of the PWP "during the planting season, at a time when hours in farming peak during the year, suggests that our setting exhibits significant slack in labour markets" (ibid.). The evaluation finds no evidence that involvement in the PWP affects participation in other social protection programmes (ibid.). 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, but we do not find evidence that they apply more fertilizer" (ibid.). As improved food security is thought to be achieved "mainly through increased access to farm inputs at the time of the planting period" (ibid.), 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. In fact, the evaluation concludes that the "that the program does not result in improved food security for treated households during the lean season" (ibid.). 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 (ibid.).

Equally concerning, the authors observed "negative spillover effects on food security among non-treated households" within treated communities (ibid.). 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 (ibid.). This runs counter to what has been observed in other evaluations of social protection schemes, which have "generated positive effects on treated households and positive externalities to non-beneficiary households" (ibid.). 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" (ibid.). The evaluation has been unable to explain this surprisingly negative effect and further research into this worrying outcome is clearly needed.

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" (Devereux & Macauslan, 2006) to be a "serious mismatch between problem and policy response" (McCord, 2005). In particular, setting public works wage below the minimum wage or *ganyu* daily rate to encourage self-targeting is "unlikely to have a positive impact on poverty (McCord, 2004). Low wages in combination with the significant opportunity cost of PWP employment reduces the "net value of income earned on public works programmes" (Devereux & Macauslan, 2006). 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 (Maxwell, 1993). In the past there have been cases were 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 recent evaluation (Devereux & Macauslan, 2006) of the LDF PWP has 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 reduce 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).

Different social protection interventions are mainly distinguished by their method of benefit delivery, each with different costs associated. Comparing relative cost-effectives of alternative social protection interventions in Malawi, Smith (2001) "calculated a unit cost of 13.9 Kwacha to transfer 1 Kwacha to the poorest through MASAF [LDF] public works projects – significantly more than the 1.73 Kwacha required to transfer 1 Kwacha in the form of cash transfers" (Smith, 2001). 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 budged on wages, "with the rest being consumed in material and management costs" (Subbarao et al., 1997). The South African Labour and Development Research Unit likewise emphasises the high cost of transferring income through public works (40-70 per cent) relative to cash grants (10-40 per cent), arguing that PWP may be "highly inefficient unless the assets created have a high socioeconomic value" (Devereux & Macauslan, 2006). The relatively 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 (Ministry of Finance, 2013)

4.5. Subsidies

The general idea behind subsidizing basic necessities is that the poor will benefit disproportionately as basic necessities represent a larger share of their consumption basket and that costly targeting mechanisms can be avoided. Subsidies in place in Malawi include Rural Electrification Programme aiming to expand the connection to the grid in rural areas and fertilizer and farm seed subsidies.

4.5.1. Farm input subsidy programme

Objectives, policy and legal framework

The Farm Input Subsidy Programme (FISP) has been implemented since 2005/6 and serves multiple objectives, which are reducing poverty, ensuring the country's food security by enhancing farmer productivity and income and increasing crop yields (IFPRI, 2013). Malawi has a long history of agricultural subsidy programmes and over the last two decades a number of interventions have aimed at increasing agriculture productivity and food security. In fact, since the mid-1970s the country's agricultural sector has been relying on some form of input support (Chinsinga, 2012).

Table 4.17. FISP purpose, objective and goals

FISP purpose, objective and goals	
Purpose.	To increase resource poor smallholder farmers' access to improved agricultural farm inputs – fertilizers, improved seeds and storage pesticides
Objective	To achieve food self-sufficiency and increased income of resource poor households through increased maize and legume production.
Goal	To attain food security at household and national levels

Source: Ministry of Agriculture Irrigation and Water Development, 2015

The early 1990s saw the introduction of the Drought Recovery Inputs Project, followed by the Starter Pack Programme a few years later. The Starter Pack was universally targeted to all 2.8 farm households and provided free seed and fertilizer. The programme was scaled back in 2000 due to growing concern about the cost as well as donor pressure. The programme was replaced by the Targeted Input Program (TIP) in 2000/01 and 2001/02, which provided similar benefits but reached only half of the Starter Pack beneficiaries. As the downscaling of the Starter Pack was by many blamed to have contributed to the severe food crisis in 2001/12, the Targeted Input Programme was again expanded to reach all 2.8 million farming households. The following years saw a back-and-forth of up-scaling and downscaling of the input subsidy until in 2005/06 the Agricultural Input Subsidy Program, later renamed the Farm Input Subsidy Program (FISP), was introduced. The programmes has been implemented every year since 2005/06 and has stayed fairly consistent in its design and implementation (Chinsinga, 2012).

Due to the twofold nature of the FISP's objective, there is a recurrent debate about whether the programme is "primarily designed to provide for the welfare needs of the rural poor |…] or is it a program that 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 for government to use to respond to […] national and household food security challenges" (FISP symposium brief, 2014). Depending on which of the two objectives (agricultural development and social welfare) is prioritized the implementation of the FISP will differ. The "programme cannot be designed to effectively address both […] objectives without significant trade-offs in the effectiveness" of the program in meeting those objectives. Amongst researchers there is a broad "consensus that the FISP would be a more effective program if it could be designed for a specific single primary objective". A political decision is needed to clearly prioritize one of the two objectives (ibid.).

2014/15 FISP coupons

The implementation of the FISP is a complex undertaking with “significant logistical and organisational tasks with 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, including remote areas of Malawi (Chirwa & Dorward, 2014).

Selected farming households in all 28 districts receive a number of vouchers once a year prior to 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 (2013). The same farmers 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) (Logistics Unit, 2013).

Table 4.18. Farm input subsidy programme benefits

Farm input subsidy programme benefits			
Selected farming households receive			
Voucher	Input	Kilogram (kg)	Redemption value
1	Base fertilizer (NPK)	50 kg	500 MK
1	Urea fertilizer (top dressing)	50 kg	500 MK
1	Maize seeds (hybrid or OPV)	Hybrid (5kg), OPV (8kg)	$10.50 paid in MK
1	Legume seeds (beans, cow peas, pigeon peas, groundnuts or soya	Soya (3kg), others (2kg)	1250 MK

Source: Logistics Unit, 2013

As the FISP aims at increasing the agricultural efficiency of smallholder farmers, Agricultural Extension Workers (AEW) of the MoAIWD are send out to educate recipients about productivity enhancing farming techniques. At the national level, Malawi public extension comprises 2,175 staff, 92 of which are field level extension workers (Nnoung et al, n.d.).

A recent study (Masangano & Mthinda. 2011) 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, 2 were government organizations, 1 was a multilateral organization, and 1 was a semi-governmental extension organization (ibid). The government organizations were the Farm Income Diversification Programme and the Department of Agricultural Extension Services (DAES) in the MoAIWD. The Government was the main extension service provider from the "colonial period to the late 1980s and mid-1990s, when some NGOs started providing extension services" (ibid).

Eligibility criteria and beneficiaries

The FISP targets resource poor farmers in rural Malawi, with special attention to vulnerable groups (SOAS, 2014). 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, which in turn will be confirmed by the districts. The register is then issued to each District Agricultural Development Officer (DADO), who in cooperation with community leaders select the beneficiaries.

For a number of years, beneficiary selection has followed the pattern outlined[16] below:

1) In the first quarter of the New Year, Logistics Unit provided each District Agricultural Officer (DADO) with an electronic copy of the previous year's farm family register with a request to have it updated and returned to Logistics Unit as soon as possible.

2) On this being returned, the Logistics Unit recorded the changes and produced a register (beneficiary selection register) in a user friendly form to facilitate the selection of beneficiaries. This was issued to each district in both hard copy and electronic fashion.

3) Meanwhile MoAWID HQ advised each DADO of the total beneficiary number allocated to the district.

4) Armed with the beneficiary selection register and the allocated numbers, districts then selected the beneficiaries and returned the selection in electronic form to the Logistics Unit.

5) On receipt of this information, Logistics Unit then prepared a beneficiary data base from which a beneficiary register was produced giving each beneficiary a unique number that could be linked to the voucher when distributed.

6) Hard copies of this register were printed in quadruplicate for each district. One was to be retained by the DADO, one was to be used for voucher distribution and beneficiary signature, one was to be left in the village for general information and one was to be used in the markets for beneficiary identification.

[16] FISP Implementation Unit (2015) Final Report on the Implementation of the Agricultural Inputs Subsidy Programme (2014-15)

FISP Farm Family Register

Farm Family Register

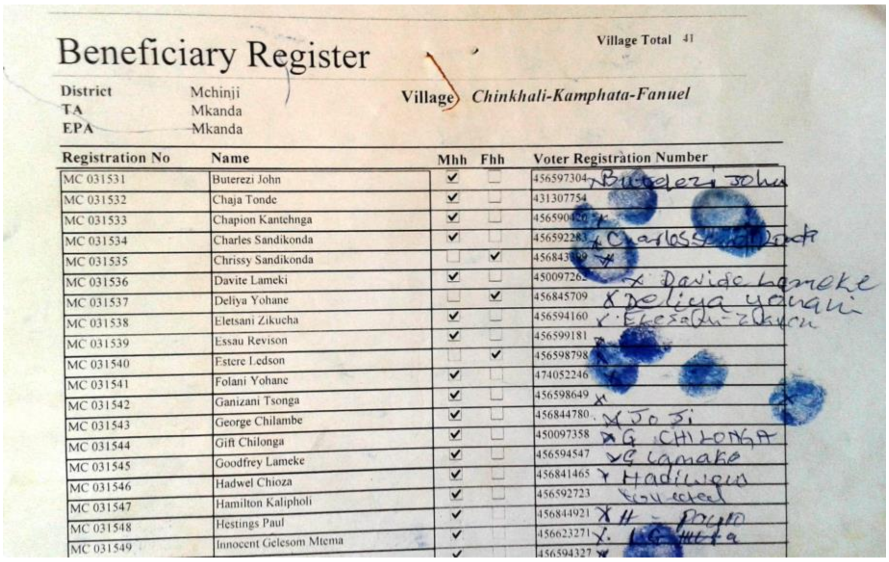
Village Total 43

District Mchinji
TA Mduwa
EPA Mikundi

Village *Kam'biile-Mzama-Mzama*

Registration No	Name	Mhh	Fhh
MC 064287	Alick Julius	✓	
MC 064288	Asha Zinyama	✓	
MC 064289	Bijeyi Sigaleta	✓	
MC 064290	Bitiwaya Tsamba		✓
MC 064291	Boniface Kosamu	✓	
MC 064292	Choseni Chingagwe	✓	
MC 064293	Christopher Njango	✓	
MC 064294	Devisoni Saineti	✓	
MC 064295	Enock Mwale	✓	
MC 064296	Gama Dyton	✓	
MC 064297	Geleshani Mwale	✓	
MC 064298	Joice Waindani		✓
MC 064299	Julius Tsamba	✓	
MC 064300	Kaliza Kantodo	✓	
MC 064301	Keneth Levison	✓	
MC 064302	Kosamu Levison	✓	
MC 064303	Labisoni Levison	✓	
MC 064304	Lekisoni Joviyala	✓	

FISP Beneficiary Registry



Beneficiary Register

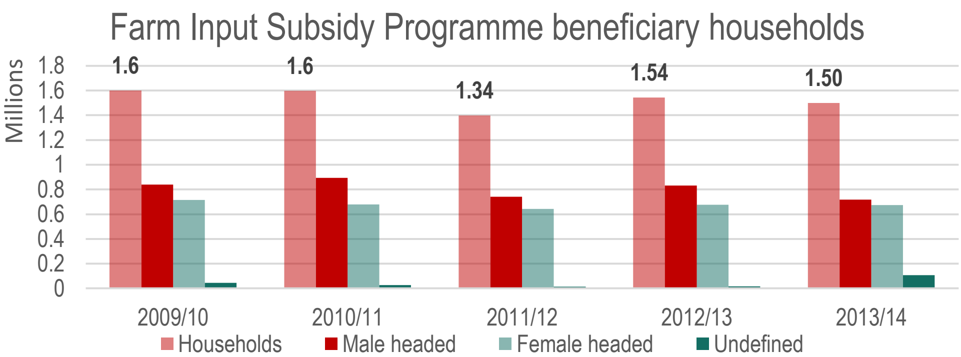
Village Total 41

District Mchinji
TA Mkanda
EPA Mkanda

Village *Chinkhali-Kamphata-Fanuel*

Registration No	Name	Mhh	Fhh	Voter Registration Number
MC 031531	Buterezi John	✓		456597304
MC 031532	Chaja Tonde	✓		431307754
MC 031533	Chapion Kantehnga	✓		456590[illegible]
MC 031534	Charles Sandikonda	✓		456592283
MC 031535	Chrissy Sandikonda		✓	456843[illegible]
MC 031536	Davite Lameki	✓		45009726[illegible]
MC 031537	Deliya Yohane		✓	456845709
MC 031538	Eletsani Zikucha	✓		456594160
MC 031539	Essau Revison	✓		456599181
MC 031540	Estere Ledson		✓	456598798
MC 031541	Folani Yohane	✓		474052246
MC 031542	Ganizani Tsonga	✓		456598649
MC 031543	George Chilambe	✓		456844780
MC 031544	Gift Chilonga	✓		450097358
MC 031545	Goodfrey Lameke	✓		456594547
MC 031546	Hadwel Chioza	✓		456841465
MC 031547	Hamilton Kalipholi	✓		456592723
MC 031548	Hestings Paul	✓		456844921
MC 031549	Innocent Gelesom Mtema	✓		456623271
		✓		456594327

Figure 4.11. Farm Input Subsidy Programme beneficiary households



Source: Logistics Unit, 2010; Logistics Unit, 2011; Logistics Unit, 2012; Logistics Unit, 2013; Logistics Unit, 2014

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 Ministry of Agriculture Irrigation and Water Development's (MoAIWD) budget and 10 percent of the national budget (SOAS, 2014). This figure includes all major costs but the exact programme costs are "difficult to estimate due to lack of documentation of costs borne by the MoAIWD and other organisations implementing the programme". The figure of MK 52.8 billion is exclusive of all "Government operational including MoAIWD, Police and Anti-Corruption Bureau (ACB) costs". Other "unknowns are the full costs involved in voucher production" (Logistics Unit, 2013).

Table 4.19. Donor financial contribution to the Farm Input Subsidy Programme

Donor financial contribution to the Farm Input Subsidy Programme		
Item	**Donor**	**2012/13 and 2013/14**
Total donor contribution		$ 17.930.186
Seed	DFID, Norway, Irish Aid	$ 16.780.970
Voucher production	DFID	$ 100.539
Seed Services Unit	Irish Aid	$ 160.958
Publicity items	DFID	$ 10.030
Logistics Unit	Norway	$ 322.839
Anti-Corruption Bureau and police support	DFID	$ 454.311
Independent monitoring	DFID	$ 100.539

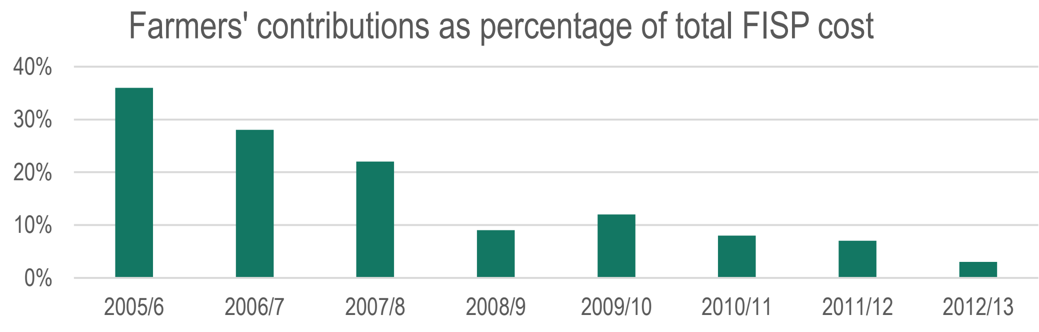
Source: Logistics Unit (2012), Logistics Unit (2013)

Donor contribution to the FISP has typically been in terms of support for "seed acquisition, voucher printing, and logistics, amounting to 10 to 15 percent of the program's total annual costs" (Dorward and Chirwa 2010). In 2012/13, DfID, the Norwegian Government and Irish Aid have together contributed US$ 17.9 million, which is about 12.4 percent of total identified costs. In addition, development partners until recently contributed indirectly though budget support (Chirwa & Dorward, 2014).

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 in costs. Over the time-span of the programme, fertilizer expenditure has grown more than 500 percent. Fertilizer procurement made up 77 percent of total FISP cost (ibid.) in 2012/13 and 80 percent in 2013/14 (Logistics Unit, 2013). Fertilizer procurement costs could have been lower with increases in farmer's 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).

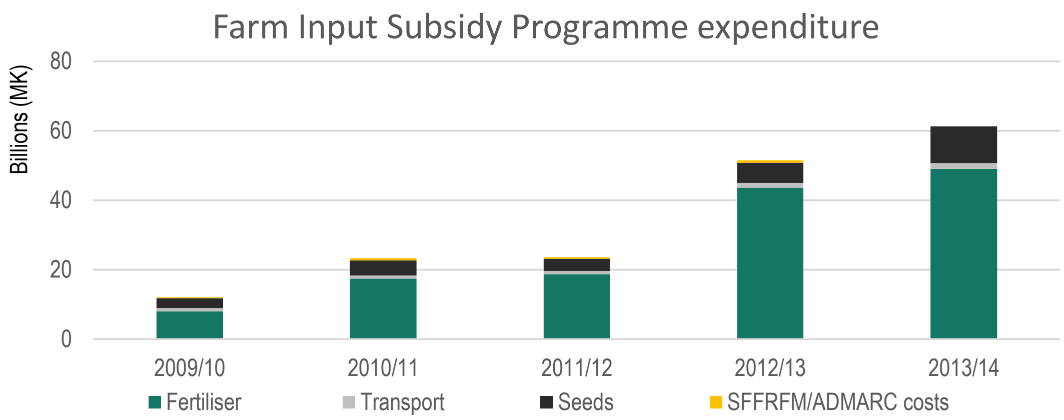
Figure 4.12. Farmers' contributions as percentage of total FISP cost



Source: Chirwa & Dorward, 2014

Rising international fertilizer prices, the falling value of the 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 4.13. Farm Input Subsidy Programme expenditure

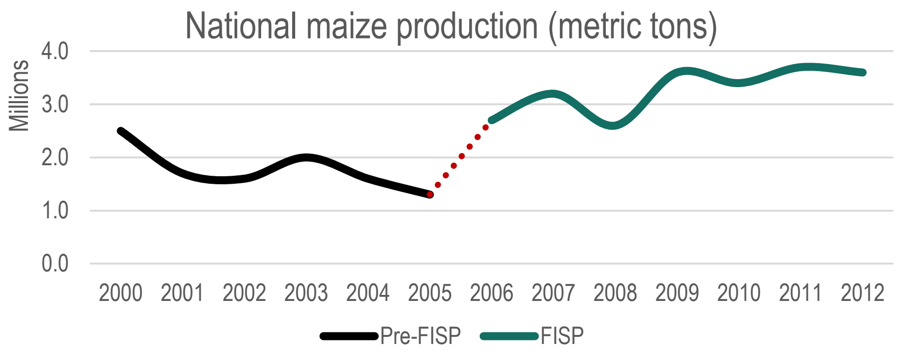


Source: Logistics Unit, 2010; Logistics Unit, 2011; Logistics Unit, 2012; Logistics Unit, 2013; Logistics Unit, 2014

Programme impact

The FISP is by far Malawi's most expensive social protection programme, consuming 4.6% of GDP or 11.5% of total government expenditure in 2012/13. By comparison, all other social protection interventions make up only 1.1% of GDP in the same year (World Bank, 2013). Given the high expenditure of the programme relative to other (social protection) programmes it is important to assess whether the benefits outweigh the costs.

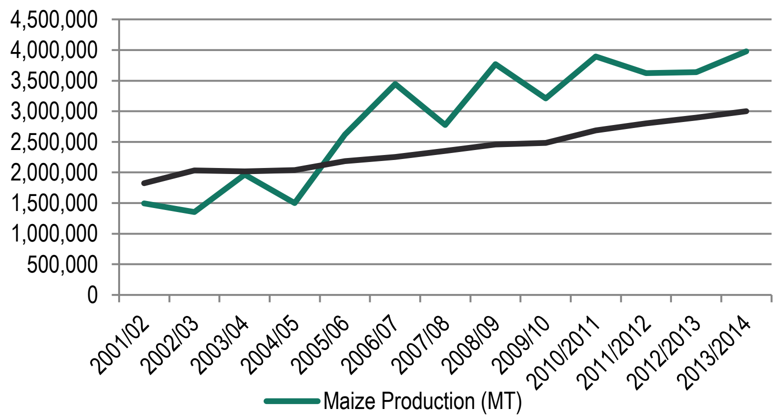
Figure 4.14. National maize production in metric tons



Source: Mazunda, 2013

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" (Chinsinga, 2012). 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).

Figure 4.15. National maize production and national requirement



Source: Ministry of Agriculture Irrigation and Water Development, 2015

The initial success of the FISP is often credited to its solution to what scholars refer to as a *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" (Dorward & Chirwa, 2011). Higher maize prizes 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 hurt the majority relying on maize markets. The FISP addresses this challenge by reducing input prices as to address both "the problems of profitability and affordability of maize among net produces and net buyers respectively" (Chinsinga, 2012). It is hoped that eventually some farmers would be enabled to "exit from low maize productivity cultivation and eventually diversify their livelihood portfolios beyond agriculture" (ibid.), breaking the low maize productivity trap, in which Malawi has been locked in for years.

A number of studies have attributed various positive impacts of the FISP, which are summarized in the table below.

Table 4.20. Benefits attributed to the implementation of the FISP

Benefits attributed to the implementation of the FISP
Economic growth, low inflation and growth in exports. The FISP has greatly contributed to controlling the level of inflation since food constitutes about 58 percent of the Consumer Price Index basket.
Higher degree of food self-sufficiency among deficit producers and a reduction in household food insecurity
More marketed maize resulting in downward pressure on maize prices to the benefit of food purchasers.
Higher wages and farm and non-farm employment.
Increased use of improved maize seed by smallholder farmers.
Growth of the seed market as well as the growth of agro-dealers in rural areas.

Source: Chinsinga, 2012

It should be kept in mind that the above presented benefits are largely estimates. A lacking counter-factual means that one cannot know how the agricultural productivity after 2004/5 would have developed without the FISP intervention. Some go as far as to argue that the "favourable weather and climatic patterns since the 2005/06 growing season have also greatly contributed" to increases in maize output (Dorward et al., 2007). Evidence from neighbouring Zambia suggest that "favourable weather patterns contributed heavily to the record bumper harvest in the 2009/10 growing season" (Chinsinga, 2012).

Comparisons of impact assessments have shown that the scale of the analysis is "critical to determining the ratio of benefit to costs estimated for the program". Estimations of the *direct effect* of the FISP tend to be less positive than those that take into account *indirect spill-over and second-round effects.* For years researchers have found the cost-benefit ratio to be relatively low and variable. Low cost-benefit ratios and yearly fluctuations raise questions on "whether other interventions with similar objectives might provide better value for money, as significant funds and staff time required to implement the program" (FISP symposium brief, 2014).

While direct estimations of the benefits relative to the programme's costs are mixed at best, analysis with a broader scope yield more consistently positive findings. Recent studies have attempted to quantify the impact of the program 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" (ibid.). According to these studies, 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. There is even some evidence of increased wages of *ganyu* (casual) labourers. Despite these promising signs there is no "evidence that the wider benefits of the FISP have extended to improving the nutritional status of children and women" (FISP symposium brief, 2014).

Despite these positive results there is no way of establishing whether the money spend on the FISP represents the most efficient investment of limited resources. Alternatives, such as "low cost financial services, improved research and extension and new risk management mechanisms" (World Bank,

2005) may yield better results and here is concern that public expenditure on these alternatives are 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 and distributing 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. Late tendering and awarding of bids resulted in 2012/13 in a portion of the fertilizer being bought at very high prices. Late procurement also means 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 GoM has to release the funds before the start of the fiscal year, which tends to be complicated. Some observes, have therefore called for the GoM to shift its fiscal year to either follow the calendar year or run from the 1st April to 31st March (Chirwa & Dorward, 2014). Anther critically important challenge is the monitoring of transportation of fertilizers to the markets with "with a large increase in the number of contracted transporters and reports of input theft" (ibid.).

Aside from logistical issues there are a number of implementation challenges that relate more the programme design. Selected households receive a total of four vouchers, two for fertilizer and 2 for seeds. It 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 does not received any vouchers, 41 percent received just one and only 18 percent actually gotten 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 less as redistribution of coupons occurs among poorer households, while better off beneficiary households tend to keep their two coupons". Likewise, male and female headed households are "equally likely to receive coupons, but female headed household recipients tend to receive fewer coupons" (ibid.).

The problem with sharing coupons is that very few households utilize enough of the subsidised inputs for there to be a compounded 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. Neither do small amounts of inputs fundamentally change agricultural techniques nor are they an effective and cost-efficient way to transfer resource, especially as many beneficiaries are non-poor (ibid.).

In a 2014 symposium on the future of the FISP there was a "general consensus that the FISP [should] target the productive poor farmers with capacity to produce" and provide "support interventions such as the cash transfer to those with little capacity to produce such as the elderly and the landless" (ibid.).

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 field assistants. 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 sustainability and requires "serious review of the suitability of the demand-driven extension system in the smallholder farmer agricultural system" (ibid.).

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 not empower communities to make decisions in coupon allocation and distribution: open meetings are widely used to inform the communities of coupon allocation decisions already made by village heads or traditional authorities". Beneficiary lists are available for review on the village head's house but only 30 percent of respondents in one survey are aware of this and only 10 percent have actually seen it (ibid.).

Similar to the SCT the FISP seems to have adverse effects on community relationships. One study found worsened community relationships and that the FISP "contributed to breaking up of the social fabric, for instance, through favouritism by chiefs in targeting the FISP within the community" (FISP symposium report, 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 have complained about vendor's "demands for 'tips', abusive language, and gender-based violence" (Chirwa & Dorward, 2014). Generally, problems were more widespread at state-run ADMARC/SFFRFM outlets than private retailers (ibid.).

Another challenge to the FISP effeteness 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 researchers and stakeholders to reduce the impact of the FISP as they divert vouchers based on party loyalty and rather than need and impact (Chinsinga, 2012)

Chinsinga (2012) argues based on a number of key stakeholder interviews that technical improvement in the programmes may not be desired by all and claims that the FISP is used for political goals. According to the researcher, technical improvements would reduce the scope of politicians to distribute vouchers, which they often personally distribute. Likewise, some consider the vague targeting criteria a deliberate measure to ensure maximum flexibility and political direction (ibid.). What lends credibility to this claim is the "apparent failure by the MoAIWD and the National Statistical Office (NSO) to agree on the exact size of the rural household population in Malawi" (Chinsinga, 2012). This is striking as this number is critically important in estimating the size of the targeted share and assessing the efficiency of targeting. The NSO and the MoAIWD "project the numbers of rural farm families at 2.52 and 3.3 million respectively but of particular concern is that there is no political will to reconcile the disparity" (ibid.).

A 2011 World Bank review of procurement and transport records has "revealed enormous 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 and Chirwa, 2010). According to the World Bank, rising fertilizer prices only partially account for this increase. The report argues 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).

4.5.1.1. Government efforts to reform the FISP

The MoAIWD and other national stakeholders recognize a number of design and implementation challenges of the FISP and are currently debating options that would reduce malpractices associated with input marketing, farmer contributions, inefficient procurement, beneficiary targeting, inefficient fertilizer retailing and the uncertainty on the availability of funds (Ministry of Agriculture, Irrigation and Water Development, 2015).

Reduced farmers' contributions

As discussed earlier, farmer's contribution to the FISP have been reduced significantly since the start of the programme in 2005/6. In 2005/06 a farmer's contribution was MK 950 per bag of fertilizer relative to the commercial price of MK 2,100 (45%). Currently, beneficiaries pay MK 500 per bag compared to the commercial price of around MK 16,000 (3%) (ibid, 2015).

The MoAIWD calculates that if farmers contributed 50 per cent of the commercial price of fertilizer (MK 8000), Government would only contribute MK 24 billion against the current MK 46 billion (Table 4.21) and could use the resulting savings in other developmental programmes or increase the programme size. In addition, it expects that the contribution increase would ensure that farmers make best use of the subsidized inputs, thus reducing the re-selling of the inputs and instances of corruption (ibid, 2015).

Table 4.21. Reform scenarios related to farmers' contributions

Reform scenarios related to farmers' contributions (in MK)

Number of beneficiaries	1,500,000	1,500,000	1,500,000	1,500,000
Cost of fertilizer	48,375,000,000	48,375,000,000	48,375,000,000	48,375,000,000
Farmer contribution for 2x50Kg bags	1,000 (K500/bag)	2,000 (K1,000/bag)	10,000 (K5,000/bag)	16000 (K8,000/bag)
Total Farmer Contribution	1,500,000,000.00	3,000,000,000.00	15,000,000,000.00	24,000,000,000.00
Government Contribution	46,875,000,000	45,375,000,000	33,375,000,000	24,375,000,000

Source: Ministry of Agriculture, Irrigation and Water Development, 2015

Untimely procurement of fertilizer

One of the key challenges of the FISP derives from the fact that the National Budget is passed in July, which delays the procurement process of the inputs, as the programme size is only determined after the budget has passed. The resulting delay of the procurement process leads to untimely input acquisition by beneficiaries which unfortunately coincides with the rains making other areas inaccessible thereby restricting beneficiaries in hard-to-reach areas from accessing the inputs. As a result inadequate fertilizers being uplifted to the unit markets and also mismatches between the basal and top dressing fertilizers develop.

To better align the approval of the annual budget with agricultural requirements the MoAIWD proposes that to either change the National Budget Session to March or April or create legislation for the FISP budget alone to be approved in March (ibid, 2015).

Inefficient fertilizer retailing

Currently, FISP coupons redemption is restricted to the ADMARC and SFFRFM retailers, where a lot of inefficiencies and malpractices such as demanding top-ups from beneficiaries have been observed. A wider choice of retailers where beneficiaries could redeem their vouchers would help address the current practices of over-charging and the non-availability of inputs

The MoAIWD therefore argues that the private sector should be given a chance to distribute and retail fertilizer as it is currently already done with regards to seeds. The seeds component is retailed by the private sector and is considered by the Government as very efficient. The reform would entail the private sector selling their own inputs and being paid by the Government upon successful redemption by the beneficiary. In addition to greater efficiency, the Ministry expects that this arrangement will significantly reduce the cases of theft and diversion.

Poor beneficiary targeting

Currently FISP often targets resource-poor subsistent farmers with little access to land. The MoAIWD argues that the FISP is therefore primarily viewed as a social protection programme and only to a lesser extend an economic programme that aims to improve agricultural productivity (ibid, 2015).

The MoAWID suggests the following reforms:

Proposed reforms of the FIP

- FISP should target the same beneficiary for three consecutive seasons from which he/she is expected to graduate from the programme. This means that a data bank is to be developed from which beneficiaries will be identified every 3 years.
- The programme will develop necessary technical messages and strategies that will ensure that the graduated farmers remain productive even without any external support.
- FISP should target the productive poor farmers that do have production potential and yet are resource constrained.
- Ultra-poor farmers should be linked to other Social Protection programmes such as the SCT.
- Where possible, the subsidies should be given to other commercial and semi-commercial farmers that can attain yields of ≥5mt/ha. This would still be addressing the issue of food and income security as envisaged in the objective of the FISP

Source: Ministry of Agriculture, Irrigation and Water Development, 2015

4.6. Financial inclusion

The following section will discuss the two approaches towards financial inclusion included in the MNSSP, which are Village Savings and Loans (VSL) and microfinance.

4.6.1. 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" (Ksoll et al, 2013). Over the last few decades there has been a significant increase in access to financial services though the growth of the microfinance industry. However, these institutions often underserve rural communities (Karlan &Thuysbaert, n.d.).

These gaps tend to be filled by community methods, such as Rotating Savings and Credit Associations (ROSCAs), which provide an opportunity to save but often do not allow borrowing or facilitate investments (ibid.). Oftentimes these ROSCAs do not provide the opportunity to borrow when needed because only "one lottery-selected member is able to keep the proceeds from each meeting" (ibid.). Alternatives are so-called Village Savings and Loans Association (VSLAs), which "address these shortcomings by forming groups of people who can pool their savings in order to have a source of lending funds" (ibid.). VSLAs combine a variety of services normally provided by the formal financial market, including "savings accounts, access to loans, and insurance" (ibid.). 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 poor in districts in which the programmes operate.

A recent mapping exercise conducted by the MoFEPD and Care Malawi found 67 organizations currently implementing VSL programmes in Malawi with a total of 37,461 savings groups and 610,596 members (Ministry of Finance, Economic Planning and Development, 2015)

Table 4.22. Selected village savings and loans programme overview

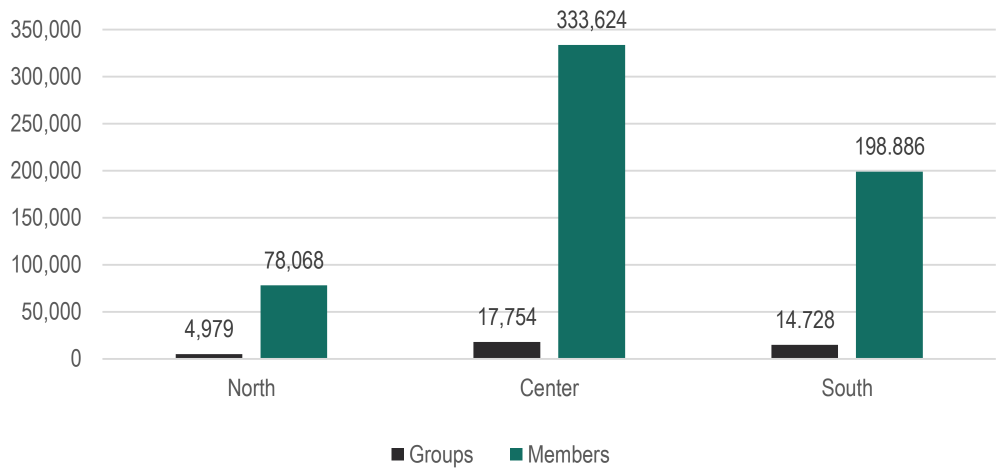
Selected village savings and loans programme overview		
	COMSIP	**Care Malawi**
Donors	World Bank	DfID, Norway and Irish Aid
Implementers	COMSIP Cooperative Union	Various NGOs
Time-frame	2014-18 (current phase)	
Benefit	Financing of grants to increase household incomes and assets	Training in group dynamics, financial governance and money management
Districts	Nationwide	
Targeting	Self-selection	Self-selection
Groups	6,008	3,958
Cooperatives	133	
Group Members	106,371	118,064
Cooperatives Members	4,308	

Source: Implementers

Geographical coverage

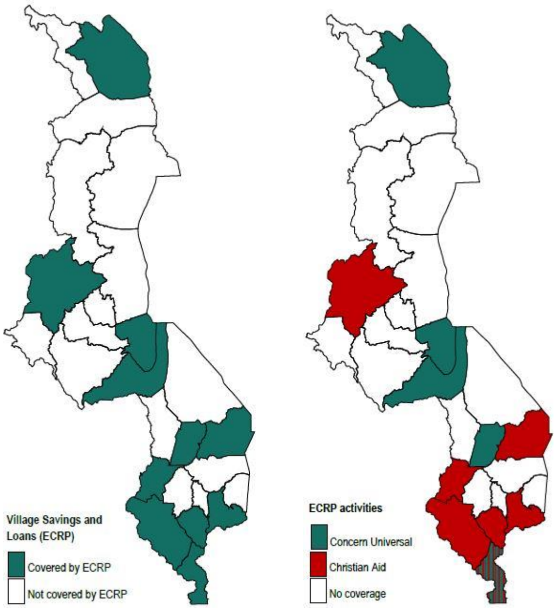
The World Bank's COMSIP programme implements VSL schemes in all 28 Malawian districts. The ECRP only works in select districts. In each district, programmes focus on a number of traditional authorities (TA), sub-district administrative units.

Figure 4.16. Village Savings and Loans programmes in Malawi



Source: Ministry of Finance, Economic Planning and Development, 2015

Figure 4.17. ECRP Village Savings and Loans district coverage



Source: Implementers

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 VLSA, however, there has yet been little "rigorous impact evaluation that addresses program placement and selection bias of VSLAs" (Karlan &Thuysbaert, n.d.).

One of the few rigorous impact assessments conducted on VSLAs analysed the impact of the approach on household outcomes in northern Malawian villages. Out of 64 villages, 23 were randomly chose to participate in a VSLA project and the remaining villages served as a control group by delaying entry to the programme by two years (2009-2011). A baseline survey of 1,775 households was conducted before and after programme implementation. The impact of the introduction of the VSLA 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, has significantly improved in treatment villages. There is also evidence of improved income generating activities as "households held significantly larger savings in VSLAs, although there are weak indications that the total number of income generating activities has decreased" (Ksoll et al). In addition, the number of rooms per dwelling increased by 0.16. The authors of the study found only four out of ten selected indicators to be significant. Nonetheless, they are certain of the positive impact of the VSLA 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" (ibid.).

Literature on VSLA has suggested 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 "it almost always involves insurance against illness and death of household members" (ibid.). These types of insurances are an explicit risk coping device, which can "encourage households to discard inefficient ex-ante coping strategies, such as low risk-low return activities" (ibid.). Even as the insurance may not always pay out, household's consumption could increase as activities with higher risk and rewards are chosen (Zimmerman & Carter, 2003).

Implementation challenges

A 2015 mapping of VSLAs in Malawi conducted by the Ministry of Finance, Economic Planning and Development together with Care Malawi has observed the following implementation challenges.

- Poor coordination and lack of collaboration of VSL stakeholders at district level. As a result there are overlaps, competition and dual memberships in VSL groups. This challenge was mention by partners from all the three regions of the country.

- Different implementing agencies are using different approaches and different implementation models, which end up confusing the community.

- Limited collaboration between VSL implementation organizations and community development offices at district level.

- Lack of legal framework regulating VSL implementation in Malawi is affecting VSL groups to be formally recognized by law, which is problematic especially when there are conflicts between members.

- Some micro-finance institutions are exploiting VSL groups through linkages especially after projects that facilitated formation of those groups phase out.

- Low literacy levels of VSL members are also affecting the quality of the program as evidenced by poor record keeping some members' difficulties in understanding and following the methodology.

- Organizations are implementing VSLs on demand even though they do not have adequate capacity (There is a huge demand for VSL services in the communities against the capacity of implementing organizations to meet such a demand)

- Lack of business skills amongst VSL members affects program performance as it leads to defaults and late loan repayments (Ministry of Finance, Economic Planning and Development, 2015).

4.6.2. Microfinance

Programme objectives, policy and legal framework

Financial sector development and financial inclusion is considered as an important tool for economic development and poverty reduction by the Government of Malawi (Mandiwa, 2014). In Malawi, as in many developing countries, access of financial services to low income households such as "savings, insurance services, small loans and remittances enables them to benefit from economic opportunities to build up income and assets to lift them out of poverty" (ibid.). Financial inclusion describes the "delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups" (Mandiwa, 2014) 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" (MFTransparency, 2011).

Demand for loans in Malawi is "highly seasonal, about 80% in rural areas and mostly depend on agriculture", which is why October to January is the "peak lending season and with loans becoming due between April and September" (MFTransparency, 2011). 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 firms. Agriculture-related credit is dominant and frequently takes the form of in-kind inputs of fertilizer and seed" (Luboyeski et al, 2004).

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 "role in promoting the poor to move out of poverty, by increasing their access to finance, thereby enabling expansion of their income earning opportunities" (Government of Malawi, 2012). Under this thematic area, the MNSSP focusses on "strengthening the outreach capacity of poverty-focused microfinance institutions" and the "strengthening of the operations and management capacity of Microfinance institutions (MFI) to improve efficiency of microfinance services" (ibid). The MNSSP states that microfinance clients will be capacitated to access the whole range of microfinance services in addition to capacity building for clients on entrepreneurship and financial literacy. Increased access to microfinance services by moderate and extreme poor adults with viable enterprises in particular in rural areas is another key objective of the MNSSP (ibid.).

Despite the Government's and developing partners' efforts to create and inclusive financial system, "a significant proportion of the population has severely limited access to financial services" (Oxford Policy Management & Kadale Consultants, 2009).

MFIs and financial cooperatives operating in Malawi 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 govern the regulation and supervision of microfinance sector in Malawi.

The MNSSP focuses mainly on strengthening the capacity of MFIs, which has been recognized as a key constraint in extending coverage. However, to the authors' knowledge none of these capacity building activities have been implemented and Government guidance of microfinance for social protection has been lacking, exemplified by the fact the MNSSP technical working group on microfinance does not function.

Microfinance institutions

The MFI sector in Malawi is made up of NGOs, Savings and Credit Cooperatives (SACCOs) and money lending companies (MFTransparency, 2011). The Malawi Microfinance Network (MAMN) is a legally constituted grouping of microfinance institutions and institutions that are providing microfinance related services in Malawi. MAMN currently has 26 member intuitions (Malawi Microfinance Network, n.d.). 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 is above 100,000 collectively (MFTransparency, 2011).

Whereas traditional moneylenders and banks predominately service urban Malawians, NGO-MFIs often deliberately target the rural poor and "provide loans using a combination of methodologies including group lending, individual lending, village banking, and self-help groups" (Reserve Bank of Malawi, 2010). The RBM report finds that NGO-MFI "operations continued to rely on largely donor support in form of loans with soft terms and grants", although most NGO-MFIs are complimenting donor support with loans from banks (ibid.).

Table 4.13. Loan market share by MFI category (2010-2009)

Loan market share by MFI category (2010-2009)

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

Source: Reserve Bank of Malawi, 2010

Opportunity International Bank of Malawi (OIBM) and the Foundation for International Community Assistance (FINCA) are the largest MFI in terms of gross loan portfolio. In terms of numbers of active borrowers, Concern Universal Microfinance Limited (CUMO) and OIBM lead with a market share of 68% (ibid.).

Private payroll based moneylender, state owned MFI programmes and banks had the highest market share amongst MFIs in Malawi in 2010. MFIs run by NGOs only made up 11 percent of the total market share in that year. NGO-MFIs, banks and cooperatives significantly increased their market share in between 2009 and 2010, whereas moneylenders' market share was reduces from 33 to 21 percent (Reserve Bank of Malawi, 2010).

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. However, total net loans decreased by 16.7 percent from MK6.6 billion in December 2012 to MK 5.5 billion in December 2013 because most big MFIs reduced their lending activities due liquidly challenges faced by the payroll lenders arising from delays in remittance of payroll deductions in 2012 (Reserve Bank of Malawi, 2013). Nevertheless, the industry recorded a 26.4 percent increase in total revenues to close the year at MK 6.7 billion from MK 5.3 billion in 2012 (ibid.). In 2010, NGO-MFIs reported an "average net profit of MK12.5 million" but adjusting "profits to cost of funds and inflation reverses the profit outcome" (ibid.). This MFI category also reported a non-performing loans amounting to MK 63.2 million, translating into 4.7 percent of outstanding loans (ibid.)

Programme impact

Microcredit is one of the "most visible innovations in anti-poverty policy in the last half-century" (Banerjee et al., 2010) 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" (ibid.). Between 1997 and in 2010 the total number of "very poor families 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 families (and often women) [microfinance] has the potential to increase investments in health and education and empower women" (Banerjee et al., 2010). Sceptics, however, see "microcredit organizations as extremely similar to the old fashioned money-lenders, making their profits based on the inability of the poor to resist the temptation of a new loan" (ibid.). Opponents tend to point to the "large number of very small businesses created, with few maturing into larger businesses" (ibid.). Until recently very few rigorous evaluation studies have been conducted, which could reconcile the ongoing argument about the impact of microfinance.

Over the last years, however, this has changed and microcredit schemes have been evaluated through randomized evaluations in different countries and contexts[17]. To the authors' knowledge no

[17] Attanasio et al., 2011; Augsburg et al., 2013; Banerjee et al., 2013; Angelucci et al., 2013

rigorous impact of evaluation on microfinance has been conducted in Malawi. However, experiences with microcredit in other developing countries may hold valuable insight for Malawi's microfinance strategy.

Recent evaluations have found that "granting communities access to microcredit has positive impacts on investment in self-employed activities, but no significant impact on overall consumption – or on overall income, when that is measured" (Crepon et al, 2014). The striking finding is could be explained by the instance that

> *"small businesses that the households gaining access to microcredit invest in have low marginal product of capital. Consistent with this hypothesis, these studies[18] often find no significant impact of microcredit access on business profits or income from self-employment activities on average, although several do find an impact on profits for pre-existing businesses or for businesses at the top end of the distribution of profits" (ibid.).*

In 2015, researches published the results of the so far longest running evaluation of the standard group-lending loan product in southern India, which, according to the authors "may prompt a rethinking of the role of microfinance" (Banerjee et al., 2015).

One interesting finding is that demand for microloans is "far from universal" (ibid). By the end of the above mentioned three-year study, "only 33 percent of households borrow from an MFI and this is among households selected based on their relatively high propensity to take up microcredit". Similar evaluations also find relatively low take-up, while "another study in rural South India that focuses specifically on take-up of microfinance also finds it to be low" (ibid.).

The researchers speculate that despite "evidence[19] of high marginal rates of return among microbusinesses, most households either do not have a project with a rate of return [higher than the cost of borrowing] or simply prefer to borrow from friends, relatives, or money lenders due to the greater flexibility those sources provide, despite costs such as higher interest (from moneylenders) or embarrassment (when borrowing from friends or relatives)" (ibid.).

While microcredit allowed some "to expand their businesses (or to start a female-owned business), it does not appear to fuel an escape from poverty based on those small businesses". In fact, business profits only increased in the upper tail of profitability. In addition,

> *"monthly consumption, a good indicator of overall welfare, does not increase for those who had early access to microfinance, either in the short run (when we may have foreseen that it would not increase, or perhaps even expected it to decrease, as borrowers finance the acquisition of household or business durable goods), or in the longer run, after this crop of households have access to microcredit for a while" (ibid.).*

Furthermore, authors of the three year study "find that access to microcredit appears to have no discernible effect on education, health, or women's empowerment" in the short or long run. The results "differ from study to study on these outcomes, but as a whole they don't paint a picture of dramatic changes in basic development outcomes for poor families" (ibid.).

The reason that microcredit may not be as effective in reducing poverty as it is sometimes claimed could be that "the average business run by this target group is tiny (almost none of them have an employee), is not particularly profitable, and is difficult to expand even in a high-growth context, given the skill sets of the entrepreneurs and their life situations" (ibid.).

Implementation challenges

Malawi's Financial Demand-Side Report states that 55% of Malawians are financially excluded, using neither formal financial institutions nor informal mechanisms (Oxford Policy Management & Kadale Consultants, 2009). The 2009 study identified key barriers to financial access, which are:

[18] Angelucci et al., 2013; Banerjee et al., 2013
[19] de Mel, McKenzie, and Woodruff, 2008

1) limited accessibility of financial service points (branches and outlets);
2) high transaction costs;
3) capacity constraints;
4) crowding-out effect of the private sector, and;
5) 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" (ibid.). Further hindering the provision of microfinance services to large portions of Malawians is the fact that "many Malawian MFIs work in rural areas, where low population density and weak infrastructure result in high operating costs" (ibid). Poor infrastructure is one of the major challenges facing the financial services industry in Malawi. The "persistent power outages, poor road and communication networks have increased the operational costs of institutions" (Mandiwa, 2014).

In order to "maximise profits, most financial institutions have resorted to operating within the urban areas thereby denying the rural masses access to financial services". The response to poor infrastructure and the resulting high transaction costs have restrained expansion and outreach strategies (Mandiwa, 2014). To overcome these barriers, institutions "continue to seek ways to increase efficiency through better communication, improved lending products, new technology, or some combination of these improvements" (MFTransparency, 2011).

Capacity building and education is another challenge facing the industry. While several MFIs "implement trainings for their staff, many do not have appropriate and efficient loan tracking systems" (ibid.). Weak capacity of Malawi MFIs and their inability to cover costs poses a major constraint to scaling up the sector. Many microcredit providers "have high covariant risks due to overdependence 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 System. This poses a challenge to the extension of financial services as most financial institutions fail to identify their customers due to the lack of a national ID. 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 "microfinance institutions continued to focus on payroll based lending, mostly to civil servants" and that "lending to entrepreneurs remained low due to challenges of loan collection" (Reserve Bank of Malawi, 2013). From a poverty reduction and economic growth perspective it is concerning that MFI in Malawi currently service predominantly civil servants and focus on payroll based lending rather than providing capital to poor entrepreneurs as envisioned in the MNSSP.

4.7. Linkages between social protection programmes and other support interventions

Poverty is recognized to be a multidimensional phenomenon and reducing it often requires a number of mutually reinforcing interventions to address the various forms of deprivation thus improving beneficiaries' changes to escape their life of poverty through a virtuous cycle of development. In recognition of the fact that no individual programme will be able to fundamentally transform a poor person's life, policy makers have increasingly stressed the importance of fostering linkages between programmes that improve beneficiaries' access to complementary development initiatives, government services or other social support interventions. For instance, in Malawi SCT households are supposed to be connected to a variety of social services such as education and health care.

The Social Protection Floors Recommendation (No. 202) adopted by the General Conference of the International Labour Organization in 2012 and selected by the United Nations Chief Executive Board as one of its prioritized responses global financial crisis of 2008 provides support to its members to:

(a) establish and maintain, as applicable, social protection floors as a fundamental element of

their national social security systems; and

(b) implement social protection floors within strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards.

The Social Protection Floors Recommendation emphasises the desirability of linking social protection programmes to other social services such as skills building and various forms of education. When designing and implementing national Social Protection floors, Members should:

(a) combine preventive, promotional and active measures, benefits and social services;

(b) promote productive economic activity and formal employment through considering policies that include public procurement, government credit provisions, labour inspection, labour market policies and tax incentives, and that promote education, vocational training, productive skills and employability; and

(c) ensure coordination with other policies that enhance formal employment, income generation, education, literacy, vocational training, skills and employability, that reduce precariousness, and that promote secure work, entrepreneurship and sustainable enterprises within a decent work framework (International Labour Organization, 2012).

However, linkages between programmes need to be carefully designed and interventions harmonized to enable beneficiaries to benefit from a *double divided* of various programmes and services. The following brief discussion of linkages and harmonization of Malawi's social protection programmes is based on a recent **Food and Agriculture Organization[20] (FAO)** analysis on these issues.

The FAO's analysis draws on a variety of documents as well as and field research in the Phalombe district. The assessment included a mapping of existing and potential linkages, an assessment of the nature of these linkages including complementarities and gaps as well as proposals to enhance coherence between programmes and improve institutional arrangements. The following three broad types of interactions between programmes were identified and serve as a typology against which the author's mapped the nature of linkages in Malawi.

- Programmes can be mutually reinforcing without necessarily being intentionally and directly linked (e.g. social protection programmes can contribute to agricultural objectives and goals and vice versa).

- Interventions can be directly integrated. This includes interventions that are combined and delivered to the same households, as a package of support, to enhance poverty reduction and food security outcomes. However, different instruments can also be directly linked for strategic purposes, without targeting the same household.

- Conflicts may occur between different interventions and programmes can undermine positive outcomes, for example, through inadequate design and delivery. For example, scheduling public works programme during the planting season can divert beneficiaries labour away from its own farm activities, thus jeopardizing the agricultural production.

The FAO's mapping finds evidence of many potentially mutually reinforcing interactions between interventions, including several examples of deliberate and existing linkages between programmes as well as a considerable scope to exploit synergies between specific interventions. At the same time, coordination and synergies between programmes seem to be undermined in reality. Part of the

[20]This section summarizes the FAO's recent assessment of linkages and harmonization of Social Protection in Malawi (Gavrilovic et al., 2015) – at least in as far as relevant for our purposes. We remain close to the wording in the original document and often quote passages directly, but we will refrain from making explicit references each time.

explanation lies in a high degree of institutional fragmentation between government departments running these programs. Respondents highlighted that for each intervention, a different ministry is responsible for planning, design and implementation of activities, typically run in isolation. The 'silo approach' is exacerbated by the lack of more specific 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 families.

4.7.1. Analysis of linkages between FISP and SCT

FISP and SCTP are two core development programmes in Malawi in terms of their coverage, geographic remit and budgetary commitments. The integration of the SCT with an agriculture-based livelihood promotion programme, such as FISP, can assist the ultra-poor households to improve their livelihoods and gradually move out of poverty.

Type of linkage

FISP and SCTP are not expected to be directly linked through design, targeting and implementation arrangements. But there is evidence of ongoing linkages between these programmes in terms of their mutually reinforcing objectives as well as in overlaps in beneficiaries through targeting, which present an opportunity to pursue synergies more systematically.

Programme objectives

FISP and SCTP have complementary objectives focusing on household food security and reduction of hunger. The principal goal of FISP is to enable poor and vulnerable farmers to increase their production of maize for home-consumption and income-generation via sale of surplus. The SCTP focuses on reducing hunger and poverty of the ultra-poor, destitute households, through a direct welfare transfer (FAO, 2014). Several assessments confirm that majority of SCT households invest part of their transfer into crop production for self-consumption (FAO, 2014; Covarrubias et. al., 2012; Boone et.al, 2013). For these types of households, access to FISP could potentially generate important benefits in terms of improving financial access to farm inputs, which are often prohibitively expensive for ultra-poor smallholders. These findings were confirmed in the FAO's fieldwork. A mixture of cash transfer and livelihood productivity-enhancement measure such as the FISP, in addition to other agricultural support can enable ultra-poor farmers to increase access to self-produced food and over time, increase their income directly via sales of surplus. Seen from this perspective, FISP and SCTP would benefit from a more systematic integration, ensuring that SCTP beneficiaries are provided a preferential access to FISP coupons. Many respondents supported this view during the fieldwork, particularly district level government officials and beneficiaries receiving the FISP.

Targeting criteria and process

Ongoing linkages between programmes are also reflected in the overlap of beneficiaries, given that FISP and SCTP partly reach the same households, even though this is not necessarily deliberately intended through targeting. Indeed, the overlap in targeting the same households appears to be a side-effect of the targeting implementation rather than a feature that has been systematically taken into consideration during design and defined through the formal targeting criteria.

According to official targeting criteria, FISP and SCTP target similar profiles of beneficiaries. SCTP focuses on ultra-poor, labour constrained households, while FISP targets resource poor farmers, with sufficient land and labour to make effective use of subsidized inputs. FISP is also expected to give preferential access to vulnerable households, such as female-headed households and those households affected by HIV/AIDS, which may result in overlaps in targeted beneficiaries between the SCTP and FISP. In Phalombe district, for example, according to the reports by key informants, an estimated 50 per cent of cash transfer beneficiaries also receive vouchers for FISP (Key Informant Interview, 2014). According to Matita and Chirwa (2013) study, which assesses the scale of "double dipping" at a national level, 64 per cent of SCTP beneficiaries were benefiting from FISP in 2012/13.

"Double dipping" in the case of the SCTP and FISP benefits presents an important source of policy contention in Malawi. To date, there is no policy agreement on whether the FISP subsidy should be provided to the ultra-poor and vulnerable, labour constrained households, which also benefit from cash transfers (Matita and Chirwa, 2013; Interview, 2014). Several studies of the economic impacts of the SCTP in Malawi present considerable evidence that cash transfer beneficiaries engage in agricultural production: the cash enables households to boost their ownership in agricultural productive assets and livestock and generate investments that can improve household productive capacity in the long term (FAO, 2014; Covarrubias et al, 2012). While there seems to be room for harmonization, any efforts to strengthen coherence between FISP and SCTP would very much entail revisiting and clarifying the policy objectives of the FISP, and building consensus with regard to what its target group should be.

Synergies between FISP and SCTP are further undermined by automatic exclusion of cash transfer beneficiaries from participating in multiple programs in some communities. This is often a result of informal targeting mechanisms adopted by communities, underpinned by important ethical and political concerns for the fair distribution of resources among members, where vast majority is deemed poor and in need of support. This practice is not formally sanctioned, however, and it leads to significant variability and inconsistencies in targeting across villages.

Transfer type and predictability

FISP and SCTP deliver different types of benefits, which can be highly complementary for the very poor households deriving their livelihoods from farming. For ultra-poor farming households, cash can alleviate important liquidity constraints and when combined with an input subsidy it can ease the investments in agricultural production. Evaluation of the 2007 SCTP Mchinji pilot shows that cash transfer led to an increase in ownership of farm assets and small livestock as well as changes in labour patterns, allowing beneficiaries to shift more time working on their own farms instead of doing casual labour (Boone et. al., 2013). Complementary support, in the form of a subsidy can help ultra-poor households to invest part of their cash transfer into productive activities (FAO, 2014).

Respondents interviewed for the FAO study underscored the importance of a timely and predictable disbursement of transfers to households to ensure they can effectively take advantage of both benefits. Both schemes, however, suffer implementation challenges. Beneficiaries of the SCTP interviewed in the focus group discussions, reported that in 2013, there was an 8-month payment delay of cash. The synergistic outcome between cash transfer and farm input subsidy is compromised in the absence of a predictable and timely delivery of either one of the benefits, with negative effects on poor households' consumption and investment decision-making capacity.

Scope for strengthening coherence:

Based on the above analysis, there are important ongoing and potential synergies between FISP and SCTP, in terms of complementary objectives: for ultra-poor farming households, the mixture of cash transfer and livelihood promotion measures, such as farm input subsidy, can facilitate investments in food production and contribute to household food security. However, currently there are no policy agreements on what should be the primary objectives of the FISP and whether FISP should be delivered to the ultra-poor labour households that receive cash transfer. Any future efforts to strengthen coherence between FISP and SCTP would depend on building policy consensus on the programme objectives, in particular FISP. Based on the assumption that the FISP retains its social welfare objective as a core goal, the FAO's analysis proposes the following actions:

- Undertake systematic assessment of the potential capacity of the SCTP beneficiaries to increase staple food production and construct viable livelihoods from farming;

- Informed by evidence of the productive capacity and potential of the SCTP beneficiaries, the targeting guidelines need to be reviewed and revised to ensure that SCTP beneficiaries are guaranteed access to the FISP. This would involve adjustments to the targeting criteria to explicitly include vulnerable households, as eligible group; and revision of the official targeting rules that stipulate the percentage of the FISP coupons to be allocated to those ultra-poor, vulnerable smallholder households who have the potential for achieving economic independence to assist them to gradually expand their production; Finally, targeting guidelines should be standardized across districts and translated into clear procedures for FISP and SCTP programme staff to follow across all districts when implementing the targeting for FISP and SCTP.

– Standardized guidelines, however, can only partly address the challenges of community adaptation of targeting rules and informal exclusion of beneficiaries from multiple programmes. Therefore, it would be essential to involve Traditional Authorities and village structures in the consultations during the process of revising the targeting guidelines to ensure support at the community level for this approach. Clear communication strategy and sensitization of village leaders, in particular members of the Area Executive Committee, Area Development Committee, Village Development Committee would be important part of the strategy to ensure village buy-in to allow ultra-poor households' access to multiple benefits.

4.7.2. Analysis of linkages between FISP and LDF PWP

The Malawi Social Action Fund (MASAF) and Local Development Fund (LDF) implemented Public Works Programme is the largest public works scheme in Malawi and funded primarily with World Bank money. LDF PWP is considered a productive safety net and is focused on increasing food production among ultra-poor and moderately poor farming households. It is deliberately linked to FISP to exploit synergies between cash-for-work transfer and input subsidy to enable households to intensify their production of maize. The assessment explores whether synergies between programmes are effectively exploited in practice, through design and implementation.

Type of linkage

There is a degree of deliberate linkage between the PWP and FISP via programme design of the public works scheme: for instance, ultra- and moderately-poor, cash constrained households are provided access to short-term seasonal work based on assumption that they will invest their earnings in the purchase of subsidised fertiliser and seeds. However, this linkage is not exploited effectively owing to gaps in targeting, weak planning and timing of interventions – all these factors undermine the coherence between these programmes.

Programme objectives

FISP and LDF PWP share core livelihood promotion objectives, focusing on strengthening household food security by providing transfers, which are mutually reinforcing, such as cash and access to farm inputs to help farmers intensify their production of maize. To ensure that households invest their transfer in farm inputs, some soft messaging takes place to encourage participants to purchase inputs. In this way it can be argued that programmes are inter-dependent, since participation in the cash-for-work is necessary to ensure poor farmers can afford subsidized farm inputs.

Targeting criteria and process

LDF PWP has a slightly different design from conventional public work schemes, which are generally self-targeted and may reach the poorest of the poor who may not even have land. To achieve their objectives, FISP and PWP should target and reach the same poor and vulnerable households with labour and land. In reality, the coherence between these programmes is heavily compromised by the lack of harmonized targeting criteria and approach. First, although the PWP beneficiaries are expected to use their cash to purchase subsidized fertiliser, they are not guaranteed the participation in FISP. The official targeting guidelines of both programmes do not specify this requirement. As a result, many households (as high as 70 per cent of beneficiaries according to estimates provided by the key informants who were interviewed), which participate in the LDF PWP, miss out on the coupon (Key Informant Interview, 2014). Other poor households that receive FISP may be excluded from public works. The exclusion from multiple benefits is partly driven by the adaptation of eligibility rules by the community and not necessarily programme design. As discussed previously in the case of FISP and SCTP, this informal targeting process is mainly driven by community's ethical and political concerns with a fair distribution of limited resources. Thus any adjustments to official targeting guidelines that are needed for stronger synergies between FISP and LDF PWP would need also to consider these important socio-cultural norms and values expressed by communities, which ultimately influence who participates in the different programmes.

Transfer type and predictability

Transfers provided in these programmes are highly complementary and inter-dependent, both in terms of the type of benefits and value of transfer. Cash provided through PWP enables ultra-poor and credit-constrained farmers to purchase subsidized fertilizer and maize seeds. Respondents reported that the value of payment delivered to the PWP beneficiaries (maximum value that can reach one household is MK14,400 per annum) is generally considered to be enough to enable households to afford subsidized farm inputs, which cost MK500/bag. Without the subsidy, salary from the PWP would be insufficient to purchase fertilizer on the commercial market, which costs around MK16,000/bag.

Timely delivery and predictability of transfers

To promote synergies between programmes, the public works activities are scheduled just before the subsidized fertiliser reaches the market. In reality, weak implementation, particularly poor timing and sequencing of programme activities and lack of predictability of benefits undermine coherence between FISP and LDF PWP. Several implementation bottlenecks were identified in our fieldwork, which create conflicts between programmes undermining synergies between them. Payments for PWP are often delayed and distributed after subsidized fertiliser reaches the market, which prevents farming households to take advantage of credit liquidity to purchase subsidized farm inputs. As they are forced to purchase inputs at a much higher market price, to address their consumption constraints, households may be forced to adopt potentially corrosive coping strategies (eg. interviewed beneficiaries reported taking out loans, reducing their food and education expenditure to afford fertiliser). FISP too gets rarely disbursed on the market in time for planting, which reduces farmer's capacity to carefully plan their investment decisions and benefit fully from the subsidy (Dorward, 2014). Timely and predictable payments of salaries are critical for coherence; ensuring that households can make meaningful use of both benefits.

Scope for strengthening coherence

Based on the analysis above, strong potential complementarities exist between FISP and LDF PWP in terms of their livelihood promotion objectives acknowledged by the deliberate intention to exploit synergies between these schemes through programme design. At least from the LDF PWP side, there seems to be a policy support to deliver both benefits to same households. This position is typically shared by the national and district government officials interviewed for this study, although the situation is more variable at the community level. Combining social transfer with productive support over time can increase the income-generation capacity and asset base of ultra-poor households leading to greater resilience and eventual graduation out of poverty. In reality, however, this would depend on garnering political buy-in at the community level for targeting same households with multiple benefits.

The scope for synergies is currently undermined by weaknesses in design and implementation – particularly lack of harmonized targeting, uncoordinated timing of interventions, and challenges in timely delivery of benefits. To ensure coherence between the FISP and PWP is achieved, important adjustments to programme design and delivery are needed including:

- Given that programme objectives of both schemes are complementary, changes to the targeting is needed. In particular, targeting guidelines need to specify what percentage of the PWP beneficiaries should be guaranteed access to FISP and clarify the selection criteria of enlisting eligible LDF PWP beneficiaries into the FISP.

- Strengthening planning and implementation capacity of relevant government departments to ensure that both programmes are implemented in a predictable and timely manner over an extended period of time;

- Adjustments to the timing of public works (either before or after the planting season) to ensure it does not conflict with beneficiaries own farming demands during planting and harvesting seasons. Another option that was suggested by respondents is to time public work programmes during the dry season to partly address the seasonal under-employment during that time of the year;

- Over the medium term, the package of interventions can expand to include complementary agricultural interventions (access to extension services, drought-resistant seeds, asset protection measures etc.)

4.7.3. *Analysis of linkages between VSL and SCT and PWP*

The Village Savings and Loans (VSL) scheme is a social support intervention, which is formally included in the National Social Support Programme. The VSL schemes are growing in their popularity partly as they fill an important gap in formal financial institutions that are rarely available in rural contexts (Government of Malawi, 2012). The FAO study explored the complementarities between (i) the VSL scheme and SCTP and (ii) Community Savings and Investment Promotion (COMSIP), which is linked to the LDF Public Works Programme.

Type of linkages and objectives

There are potential synergies between social transfer programmes and the VSL, as beneficiaries of the SCTP and LDF PWP are explicitly linked to savings groups. The participation of ultra-poor in the VSL can support these households to gradually build savings and assets, invest in income generation activities and diversify their farming activities and/or migrate eventually out of low-return agriculture. The VSL is considered implicitly by programme staff to be part of the graduation strategy of both social assistance programmes, with a view to assisting beneficiaries to attain sustainable improvements in their welfare and economic status and eventually exit social transfer schemes. Livelihood promotion and resilience is supposed to be strengthened through savings and complementary skills development, including financial and functional literacy training, business enterprise development and links to formal credit institutions. COMSIP, for example, provides demand-based technical assistance and outreach to the LDF PWP beneficiaries to assist them to save their earnings and accumulate assets, diversify their incomes and graduate from public works.

Targeting criteria and process

Participation in the VSL is open to everyone and is self-targeted, although, in some cases, VSL facilitators actively encourage members to form groups. Since they require no collateral, they enable people without credit profiles to take loans; illiterate people are also encouraged to participate, as operating principles are usually very simple and the VSLs can provide basic literacy courses. As suggested by several key informants, systematic analysis is needed to ascertain how many beneficiaries of the SCTP and LDF PWP participate actively in the VSL, and whether in practice, the membership in the VSL is open to ultra-poor people who may lack means to participate (ie. start-up capital), as well as marginalized members of the community (eg. chronically disabled, migrants, individuals affected by HIV/AIDS).

Type of transfer and timing

The VSL schemes are based on a member contribution of cash, which is used as a deposit for future short-term loans provided to participants. The level of contribution and interest rates charged for loans vary across groups, since each group is free to set its own operating guidelines. Concerns have been raised however, that in order to translate these investments in positive development outcomes quality of the supplementary skill development support is critical. Another important design feature that can affect the synergies between the VSL and social transfer programs in terms of positive outcomes relates to the timing and sequencing of beneficiary participation in the VSL schemes. For example, it was reported that during the “lean season” the start-up of the VSL or COMSIP is rarely effective as majority of households lack money to contribute savings. In contrast, the VSL’s are more appropriate to start just after the harvest (which is usually around April) when households are more liquid financially. The FAO assessment finds that these important timing and seasonality concerns are not systematically integrated in the programme design of the VSLs.

Scope for strengthening coherence

Synergies between the VSL and SCTP, and COMSIP and PWP, respectively, are already pursued to some degree, at least through official policy and programme design. Participation, however, depends partly on the systematic encouragement of beneficiaries to form groups and save money collectively and availability and quality of supplementary skills development programs. To strengthen these positive linkages between social assistance schemes and the VSL schemes we suggest the following actions:

- Review relevance and quality of trainings and supplementary support provided as part of the VSL package, particularly the non-farm enterprise development modules;

- Use the VSL groups as an entry point for bringing in other types of social support that can benefit members, including nutrition and health education;

- Revisit the timing and sequencing of the VSL saving and lending practices to be aligned with seasonal vulnerabilities and consumption and investments demands among ultra-poor households; for example, it was suggested not to schedule the start-up of the scheme during the 'lean season', as households typically face liquidity constraints at that time of the year;

- Strengthen collaboration between district community development officers in charge of the VSL and district social welfare officers in charge of the SCTP for a joint strategic approach that systematically pursues synergies between interventions through a development of explicit graduation strategy to help households move out of poverty.

Single Window Service: A mechanism for implementing Social Protection in Asia

The development of national Social Protection Floors (SPFs) aims to guarantee entitlement and access to basic social security for all members of a society. This concept is elaborated in the Social Protection Floors Recommendation, 2012 (No. 202), which was adopted nearly unanimously by 185 member States during the 101st session of the International Labour Conference (ILC). While preliminary assessments and calculations show that the *progressive* establishment of a nationally defined SPF is possible and affordable in all countries, ILO experience has shown that implementation often faces four main challenges, namely:

- lack of coordination among stakeholders at the national level and between national and subnational levels, lack of coherence and synergies between Social Protection and employment services;
- lack of resources to expand coverage and provide adequate levels of benefits;
- absence of national registry databases and management and monitoring systems;
- lack of empowerment of local administrative units of government and key stakeholders.

Recognizing these challenges, the Single Window Services (SWS) concept has been developed by the ILO and is currently being piloted in Cambodia and Indonesia. Similar mechanisms have already been successfully implemented in countries including India, Brazil, Chile, South Africa, and Pakistan. The SWS approach advocates the coordination and monitoring of all Social Protection and employment programmes through empowerment of the subnational administration.

The SWS is a "one-stop shop" for the delivery of Social Protection programmes and employment services. Embedded in government institutions and operated by the sub-national administration, the SWS is linked to the central level via a formalized reporting system. This reporting mechanism should ensure the transparency and traceability of the Social Protection system. It also facilitates better coordination between the local level (responsible for service delivery) and the central/national level (responsible for policy development, planning, monitoring and evaluation).

Practically, the SWS performs tasks that were previously under the direct supervision of different service providers in addition to coordination activities:

- information dissemination on existing programmes;
- enrolment facilitation in the SSDM and applications to social programmes;
- maintenance of the management information system;
- assistance in the appeals process; and
- provision of services.

Families or individuals register in a single office at sub-national level. An assigned "case manager" assesses the vulnerabilities and skills of potential beneficiaries, develops a personalized plan with them covering skills development, enterprise creation or job placement, channels information on all social services they are entitled to, provides support for registration to the schemes, delivers social protection ID cards, facilitates access to benefits in cash or in kind, and collects contributions (if any).

For more information, please visit:
http://www.social-protection.org/gimi/gess/ShowProject.do?id=2318

4.8. Key messages

While over the last years the country has experienced an expansion of many social protection programmes coverage rate remain very low. This holds true both in terms of districts covered and percentages of target groups included in programmes. The reasons for this differ from programme to programme but often relate to the fact that social protection in the country is very donor-driven and consists primarily of programmes implemented on an ad-hoc basis. Currently there are little entitlements to social protection in Malawi.

The limited coverage in terms of districts and beneficiaries means that even though individual programmes are found to have positive impacts on livelihoods little progress has been made in reducing the country's extremely high levels of poverty.

The following key messages can be retained from the assessment of the design, coverage and impact of social protection programmes:

- Social protection in Malawi is sometimes donor-driven and government ownership could be higher. This is exemplified by the failure of the government to fund the agreed upon 10 percent contribution to MNSSP social protection programmes and by the high level of funding that depends on donor funding.

- Coverage of most programmes is limited to a handful of districts and within districts only a number of Traditional Authorities participate. In the case of the SCT the strict 10 percent cut-off threshold leads to high exclusion errors.

- Targeting is not always effective. Especially the FISP as the SCT suffer from elevated inclusion and exclusion errors. Community targeting, combined with complex targeting criteria, widespread poverty and the influence of village leaders lead to inefficient targeting outcomes.

- The transfer levels of the SCT and the PWP are too low to have a significant impact household poverty. Despite consistently high inflation the transfer levels of the SCT have only been adjusted very infrequently since the programme's inception in 2006. The targeting mechanism of PWP requires a low wage rage, which, together with the limited number of working days, is considered too low to address chronic poverty.

- Regarding the SCT, is retargeting recommended to be approached with caution and the best way to go forward may just be to have the ultra-poor received benefits until death (the average household head is 63 years) and let children (61 percent beneficiary household members are children) age out of the programme (ibid.). An advantage of more categorical transfers would be avoiding the "significant drawback of creating invidious social comparisons that happen with poverty targeted transfers" (Miller et al, 2008).

- For school feeding activities to have an impact on infant malnutrition a greater emphasis ought to be place on pre-primary school children through extended support for Early Childhood Development Centres (ECDC) and Community Based Childhood Centres (CBCC).

Chapter 5.
Performance of the social protection system

Building on the review of individual programmes in Chapter 4, this chapter assesses the available individual programmes from a more systemic perspective. It focuses in particular on their performance (or potential) in contributing to the implementation of Malawi's Social Protection Floor defined as guaranteed access to at least essential health care throughout the life course, and at least basic income security for children, people in working age and elderly. The chapter is structured along these lines.

One key principle for the effective and sustainable provision of social protection to the population is the adoption of the rights-based approach to social protection provisions. Currently, none of the programmes discussed in Chapter 4 are anchored in law. They are based on budget statements which need to be renegotiated and are rather volatile. They also draw their legitimacy from obligations arising from international human rights instruments and the constitution of the Republic of Malawi (National Social Support Policy 2012, p. 4).

Social Protection is enshrined as a fundamental and universal human right in various international and regional legal instruments, most prominently the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights (ICESCR), which was ratified by Malawi in 1993. By this virtue, Malawi committed to guaranteeing for everyone the right so social security within her national boundaries.

Several provisions in the constitution of the Republic of Malawi foresee the institution of social protection provisions; for example Article 30 (1) holds that "All persons and peoples have a right to development and therefore to the enjoyment of economic, social, cultural and political development and women, children and the disabled in particular shall be given special consideration in the application of this right" (Constitution of the Republic of Malawi). The constitution further, in Article 30 (2), refers the state's obligation to "take all necessary measures for the realization of the right to development. Such measures shall include, amongst other things, equality of opportunity for all in their access to basic resources, education, health services, food, shelter, employment and infrastructure" (ibid.).

Further legitimation for social protection programmes derive from the emphasis in the constitution of reducing inequalities as stated in Article 30 (3), which obliges the state to "take measures to introduce reforms aimed at eradicating social injustices and inequalities" (ibid.). The constitution (Article 13 (n)) mandates the achievement of a "sensible balance between the creation and distribution of wealth through the nurturing of a market economy and long-term investment in health, education, economic and social development programmes" (ibid.). Poverty in Malawi is predominantly of rural nature and therefore the constitution (Article 13) recognizes the improvement of conditions of life in rural areas as a key indicator of the success of Government policies.

The constitution further enshrines the importance of non-discrimination including on the grounds of race, place of origin, political opinion, colour, religion, creed, occupation, social or economic status or gender[21]. In particular, the Article 24 guarantees that "women have the right to full and equal protection by the law, and have the right not to be discriminated against on the basis of their gender or marital status" (ibid.). Beyond principles of non-discrimination, gender equality will be achieved through the "the implementation of policies to address social issues such as domestic violence, security of the person, lack of maternity benefits, economic exploitation and rights to property (Article 11 (a) (iii)) (ibid.).

[21] Discrimination of persons in any form is prohibited and all persons are, under any law, guaranteed equal and effective protection against discrimination on grounds of race, colour, sex, language, religion, political or other opinion, nationality, ethnic or social origin, disability, property, birth or other status (Article 20 (1))

The constitution (Article 23) provides for the establishment of a safety net covering needy children by declaring that “all children, and particularly orphans, children with disabilities and other children in situations of disadvantage shall be entitled to live in safety and security and, where appropriate, to State assistance” (ibid.).

While the constitution thus creates obligations for the state to provide social protection to the population, the provisions are by nature general and insufficient to create concrete entitlements for persons in need of social protection. Further legislative acts should clearly establish the institutional implementation structures, eligibility criteria and benefit entitlements for social protection provisions to ensure their sustainability.

5.1. Effective access to essential health care

In line with the Social Protection Floors Recommendation, this section considers some of the programmes which contribute to guaranteeing effective access to at least essential health care. Guaranteeing free access to at least essential health care obviously also has an income dimension in the sense that it offers financial protection to households with regard to the cost of utilization of health care. Out of pocket expenditure on health care can have devastating effects on the income situation of households and constitutes an important poverty risk that may prevent people from seeking needed care. It is therefore impossible to ensure income security without financial protection regarding expenditure on health care so that this section needs to be considered in conjunction with the subsequent sections on income security.

Malawi’s health indicators are among the worst in the world. Communicable diseases make up a large proportion of the disease burden. The most common death cause for both adults and children is malaria, accounting for one-third of the total number of deaths (USAID 2012).

Demographic and Health Survey (DHS) 2010 statistics indicate that childhood mortality rates are steadily declining. The infant mortality rate declined from 104 per 1,000 live births in 1992 to 66 per 1,000 births in 2010 and further down to 46 in 2012 (Chapter 2). A downward trend in under-five mortality likewise has been observed, from 190 per 1,000 births in 1992 to 122 per 1,000 in 2010. Maternal mortality initially increased sharply during this same period, from 620 per 100,000 live births in 1992 to 1,120 per 100,000 per live births in 2000, but the trend has reversed to a rate of 675 per 100,000 births in 2010 (NSO and DHS 2010, as cited in USAID 2012).

Similar to the major gains in reducing childhood mortality, life expectancy has also improved over the past years among other age groups, due in great part to the increased number of people accessing life-prolonging HIV/AIDS drugs. Overall life expectancy has risen from 47.2 years in 1990 to 54.8 in 2012 (Chapter 2).

In recent years, HIV/AIDS has become the other major public health problem in Malawi. In 2010, HIV/AIDS prevalence in adults was estimated at 11 percent (DHS 2010). Tuberculosis has significantly declined over the recent past, from 24,000 cases in 2002 to 2,800 cases in 2010, due in great part to high cure rate among patients (USAID 2012).

Measures to guarantee effective access to at least essential health care should ensure that persons in need of health care do not face hardship and an increased risk of poverty due to the financial consequences of accessing essential health care. According to the Social Protection Floors Recommendation, effective access to health care needs to take both supply and demand side factors into account so as to ensure that health care is available, affordable, of adequate quality, a rights-based entitlement and that financial protection is ensured when accessing care. Each of these criteria is discussed in further detail below.

Availability of health care

In order for people to be able to access services, these need to be available. This includes both the existence of sufficient health infrastructure, equipment and pharmaceuticals as well as a sufficient number of skilled health staff working in the facilities. Health care also needs to be physically accessible in the sense that people need to be able to reach the points of delivery within a reasonable amount of time and effort.

Nearly all formal health care services in Malawi are provided by three agencies: the MOH provides about 60 per cent of services, the Christian Health Association of Malawi (CHAM) provides 37 per cent, and the Ministry of Local Governments provides 1 per cent.

Health services are provided at three levels: primary, secondary, and tertiary. Primary-level services are delivered by rural hospitals, health centers, health posts, and outreach clinics. The secondary level, consisting of district hospitals and CHAM hospitals, mainly supports the primary level. Some of these hospitals also provide specialized health care. Tertiary hospitals provide services similar to those at the secondary level, in addition to a small range of specialist surgical and medical interventions (USAID 2012).

The MOH adopted the concept of the essential health package (EHP) in the mid-1990s and defined the package in 2001. The package covers cost-effective interventions that address the major causes of morbidity and mortality in the general population and focus on medical conditions and service gaps that disproportionately affect the rural poor. In 2010, the EHP package was revised and included in the Malawi Health Sector Strategic Plan 2011–2016. The new package has added non-communicable diseases, including trauma, cancers, mental illness, and neglected tropical diseases.

Malawi has an extensive network of health facilities that belong to various ministries and agencies. About 85 percent of the population lives within 10 km of a health facility. The facilities range from small dispensaries on estates to large hospitals in cities. There were 635 of these agencies' health facilities in Malawi in 2011, nearly 90 per cent of them health centers (including dispensaries and/or maternity units) (USAID 2012). The MOH has the largest number of total health facilities (60 per cent), followed by CHAM (26 per cent).

Equity in health care

Equity in health financing and health delivery requires that resources be allocated on the basis of need (i.e., equal resources for equal need for health care). One way of evaluating this is to examine the distribution of resources between regions in relation to health needs.

From the mid-1990s to the late 2000s, per capita recurrent expenditures were consistently highest in the North, despite the use of the resource allocation formula since 2002. An important explanatory factor is that the North has the lowest population in Malawi and as such has lower resultant economies of scale in health service delivery than the other two regions. Moreover, the North had higher per capita expenditures, despite the fact that it had better socioeconomic indicators than the other two regions. This raises the question of whether allocations have been sufficiently based on need (USAID 2012).

Affordability of health care and financial protection

Minimizing out-of-pocket expenditure (OOP) is crucial in order to make health services affordable, to avoid barriers to using health care and to avoid health-related impoverishment. OOP as a percentage of total health expenditure (THE) is used as a proxy for gaps in affordability and financial protection of services.

In total, government health facilities (health centers, district hospitals, and central hospitals) received 45.3 percent of the total household funds through direct OOP payments in 2008/09 (USAID 2012). In 2011/12 MK 11.2 billion out of MK 35.2 billion programme expenditures in outpatient care facilities were financed out-of-pocket (see table 5.1). This implies that free public health care service provision is to a large extent not realized. District hospitals were the highest recipients of household funds through direct OOP payments, estimated at 26.9 percent of total household OOP payments in 2008/09, even when no official fees exist at these district hospitals (USAID 2012). The USAID (2012) report therefore suggests that government should formalize user fees in public health facilities and improve the systems for user fees collection, management, and use (USAID 2012). On the other hand, National Health Accounts data show a deviating outcome. Here, it is CHAM and other private hospitals where MK 5.1 billion out of MK 11.6 billion was financed from OOPs, whereas for general and district hospitals the share of OOPs seems to be much less.

National Health Accounts data reveal that between 2009/10 and 2011/12, on average, 9.7 per cent of THE was financed from OOPs.

Rights based entitlements to health care

A rights-based approach or legal coverage is a further prerequisite for social health protection.

Most of public health services are (theoretically) provided free of charge. Ideally most of these household direct OOP payments could be channeled through a health insurance system. This could be a public health insurance scheme, enshrined in legislation, as for example the National Health Insurance Scheme that has been implemented in Ghana. However, this could take a long time to be realized. Recent evidence shows that although 97 per cent of Malawi households were willing to buy a micro-health insurance plan, the amounts that households were willing to pay were seriously below the premium per person that would be required for the cheapest insurance plan in the market (Phiri and Masanjala 2009, cited in USAID 2012).

USAID (2012) therefore concludes that it will take time for health insurance in Malawi to cover the majority of the population. Similar to other low-income countries, Malawi faces (1) a small formal sector from which health insurance premiums could be collected with relative ease, (2) low wages and salaries in the formal sector, and (3) a predominantly free public health care system, which itself provides little incentive for one to insure against unexpected illness and the consequent medical costs (USAID 2012).

Sustainability, financing and expenditure of health care

THE in Malawi rose from MK 47.5 billion in 2006/07 to MK 72.3 billion in 2008/09, representing 11.2 percent and 11.6 percent of GDP spent on health in 2006/07 and 2008/09, respectively – the highest in the Southern African Development Community (SADC) region. However, in terms of per capita, these amounts represented just US$28.4 and US$38.5, respectively in 2009, which was the second lowest amount spent on health in the SADC region – although Tanzania (US$ 25.3) and Mozambique (US$ 27.1) spent less. Zambia (US$ 60.6) was closer to the average for Sub-Saharan Africa (US$ 84) (USAID 2012). In 2011/12, THE stood at MK 127.8 billion, corresponding to 12.7 of GDP or 48.9 per cent of total government revenues (including grants). Much of this expenditure is off-budget as table 5.1 reveals. For example, MK 53.1 billion came straight from foreign development agencies.

Hospitals (including central, district, private for-profit and private not-for-profit, and mental) accounted for the greatest percentage of THE. Hospitals alone received an average of 35 per cent of THE in the period 2006/07 to 2008/09, this was 29 per cent in the period 2009/10 to 2011/12. The second largest provider of health services was preventive care services, which represented 28 per cent of THE on average between 2009/10 and 2011/12. Health centers, both privately and publicly owned, on average were responsible for of 11 per cent of THE in the same period. The USAID (2012) report concluded that resources were allocated efficiently among the three levels of care during the period under review (2006/07-2008/09), as evidenced by a good balance in resource allocation in which tertiary- and secondary-level care did not consume the majority of financial resources (USAID 2012). This conclusion also holds for the period up to 2011/12.

Table 5.1. Health care expenditure and financing: functional classification, 2011/1

Health care expenditure and financing: functional classification, 2011/12

(MK billion)	Central Gov't Schemes	State Regional Local Gov't Schemes	Health Insurance	NPISH	Resident foreign development agencies	HC providers	HH OOPs	**Total**	(in per cent of THE)
inpatient care	9.182	8.381	465	3.026	565	274	1.802	**23.695**	18.6
outpatient care	8.621	6.190	748	3.990	3.432	949	11.239	**35.169**	27.6
preventive care	2.832	2.006	-	1.197	33.147	72	-	**39.253**	30.8
medical goods	-	-	592	-	-	-	-	**592**	0.5
other health care costs	-	-	2	-	-	-	-	**2**	0.0
administration	7.931	-	746	1	14.192	-	-	**22.871**	18.0
capital formation	3.174	506	61	219	1.783	23	-	**5.767**	4.5
Grand Total (THE)	**31.741**	**17.084**	**2.615**	**8.432**	**53.120**	**1.317**	**13.041**	**127.349**	**100.0**
(in per cent of THE)	25.6	13.2	2.0	6.5	41.6	1.0	10.0	**100.0**	-

Source: MOH, National Health Accounts 2014

On the programme level, curative health care (outpatient and inpatient) was the largest consumer of financial resources in the Malawian health system during the period 2006/07 to 2008/09 (44 per cent of THE), and this was still the case during the period 2009/10 to 2011/12 with an average of 45.5 per cent of THE. Spending on prevention services increased over the six-year period, from 20 per cent in 2006/07 to 30.8 per cent in 2011/12, with an annual growth of more than 33 per cent in real terms between 2009/10 and 2011/12, rendering prevention services the largest consumer of THE for most of this period. The USAID report concludes that the Malawi health system allocates health resources efficiently between functions since outpatient and prevention and public health services, which are more cost-effective than inpatient health care services, consume a fair share of the THE (USAID 2012).

Table 5.2. Programme expenditure: institutional classification, 2009/10 to 2011/12

Programme expenditure: institutional classification, 2009/10 to 2011/12

in MK billion, constant (2013/14) prices	Actual			09/10-11/12 real (annual) growth
	2009/10	2010/11	2011/12	
GDP deflator (index, 2012/13=100)):	*68.6*	*77.0*	*84.2*	
hospitals	37,088	36,669	40,325	4.3
central (public)	7,939	7,777	8,242	1.9
district (public)	15,679	15,729	18,231	7.8
CHAM and other private	13,470	13,163	13,852	1.4
GPs and medical practices	1,568	1,260	1,803	7.2
public health centers	12,620	11,936	18,781	22.0
preventive care services	26,053	35,977	46,349	33.4
other	7,892	8,848	12,253	24.6
Total Health Expenditure (programme#)	**85,221**	**94,690**	**119,510**	**18.4**
(percent government revenue)	**22.7%**	**26.8%**	**38.7%**	
(percent GDP)	**7.7%**	**8.3%**	**10.1%**	

#: exclusive of administration costs

Source: calculated from National Health Accounts 2014 data.

Looking into the major diseases, Malawi's total health expenditure on HIV/AIDS ($THE_{HIV/AIDS}$) rose from MK19.5 billion in 2006/07 to MK25.4 billion in 2008/09 – an increase of 30 percent. The rise was largely due to an increase in donor HIV/AIDS support (USAID 2012). In 2011/12 $THE_{HIV/AIDS}$ had further increased to MK 46.4 billion, with 38.4 per cent coming from donors. Total health expenditure on malaria ($THE_{Malaria}$) rose from MK7.9 billion in 2006/07 to MK13.7 billion by 2008/09 – an increase of 73 percent. This huge increase was mainly attributed to PMI and the Global Fund (USAID 2012). In 2011/12 $THE_{Malaria}$ had further increased to MK 25.8 billion, with more than half financed from donors. Total health expenditures on reproductive health services (THE_{RH}) in Malawi rose from MK3.9 billion in 2006/07, to MK6.7 billion in 2008/09, and further to MK13 billion in 2011/12.

Specific spending on child health services in Malawi rose from MK3.3 billion to MK6.1 billion from 2006/07 to 2008/09 – an increase of 70 per cent of total health expenditure on children's health (THE_{CH}) in that period. In 2011/12, THE_{CH} stood at MK 23.4 billion. These amounts represented an increase in THE_{CH} of 6.9 per cent in 2006/07 to 8.6 per cent in 2008/09 (USAID 2012) and further up to 18.4 per cent in 2011/12 according to NHA statistics. In the period 2006/07-2008/09, two-thirds went to services of curative care – mostly outpatient care. In the period 2009/10-2011/12, this was reduced to 40 per cent, whereas preventive care represented one-third of THE_{CH}. Donors accounted for the majority of THE_{CH}, funding an average of 47 percent of THE_{CH} over the period 2006/07 to 2008/09. In 2011/12 this was even 51.1 per cent. However, this has proved a volatile source of funding. For example, in 2010/11 funding from international development agencies represented just 25 per cent of THE_{CH}. The second largest financing source for 2006/07 to 2008/09 were households, representing an average of 31 percent of THE_{CH}. The MOF was the third largest financing source (USAID 2012). In the more recent period 2009/10 to 2011/12 however, these roles have been reversed with MOF taking around one-third of the share of funding of THE_{CH}.

Operational efficiency

When the Malawi EHP was designed around 2002, it was envisaged that burden of disease and cost-effectiveness of the health interventions should act as a clear basis for resource allocation. However, resource allocation in the MOH and local councils during the period 2006/07 to 2008/09 was by cost centers, programs, and subprograms, and within subprograms allocations were based on line items such as personal emoluments, drugs, and medical supplies (USAID 2012). The MOH and local councils continue to fund inputs such as personal emoluments, fuel and lubricants, and subsistence allowance, which have no direct link with EHP (USAID 2012).

In terms of technical efficiency, the average scores for hospitals studied in the USAID (2012) report – both public and private – indicate that there is significant scope for improvement in Malawian hospitals.

Last but not least, there is an issue related to the large share of donor funding of health services in Malawi. Large amounts of funds tend to be donor-earmarked for vertical programmes and projects, bringing into question their effectiveness in strengthening the entire health system building blocks (USAID 2012). The majority of donor funds in Malawi tend to be earmarked and managed by local and international NGOs, foundations, and donors themselves. However, most NGOs managing earmarked health funds for health programs have not been informed or guided by the Malawi Health SWAp (2004–2010) and District Implementation Plans documents (USAID 2012). In addition, some donors funded selected government institutions and activities off budget. The re-emergence of global disease initiatives and programs, which are often vertically managed 'islands of excellence', further complicates the situation. The Malawi health system has witnessed an increase in the number of vertical projects, from 64 at the commencement of the SWAp in 2004/05 FY to 135 by 2008/09 FY (Euro Health Group 2010, cited in USAID 2012). This situation may have led to increased transaction costs, thereby reducing the effectiveness and efficiency of donor aid (USAID 2012).

In lieu of this, USAID (2012) points to issues of inefficiency and inequity in the allocation of earmarked projects implemented by some NGOs using donor funds. In some cases, one district might have various donor health projects while others with similar health problems have few or no projects at all. This raises serious questions with regard to the criterion used to select the impact districts or areas of operation, thus leading to inequities and inefficiencies in resource allocation.

Conclusions: access, financing and organization of essential health care

The following are some issues with respect to health care delivery, financing, and organization:

- Health care services are provided free of charge in MOH facilities, apart from private wings of all central hospitals, as distinct from CHAM facilities where user fees are charged. OOPs in the latter facilities are sizable.
- Continued financing by donors and management of funds outside the government budget of vertical programs for preventive and public health and associated challenges of unpredictability and imbalance of resources among programs has an impact on organization and delivery of health care services.
- Between 2009/10 and 2011/12, expenditure has increased most in the areas of primary health care (preventive care centers, GPs and medical practices) and district level hospitals.
- The relationship between the MOH, the HIV/AIDS Unit of the MOH, the National AIDS Commission (NAC), and the HIV/AIDS Unit of the Office of the President and Cabinet raises coordination issues and impacts on organization, financing, and service delivery. The same applies for the relationship between public and private not-for-profit (e.g., NGOs) and private for-profit providers.

USAID (2012) suggests that alternative potential revenue collection mechanisms would need to be investigated. Malawi could explore options for developing mandatory social health insurance schemes, earmarking taxes (sin taxes) on tobacco and alcohol, introducing levies on fuel, introducing and strengthening user fees in private wings in central and districts hospitals (to be paid through social health insurance), and expanding private health insurance schemes (USAID 2012).

5.2. Minimum income security for children

This sub section goes into current social protection programmes for children in Malawi.

Children under the age of 18 constitute 53 per cent of the Malawian population in 2014, whereas 46 per cent of the Malawian population are under the age of 15. In line with rapid population growth, the proportion of children in the total population is expected to remain high over the coming years. Many families with children find themselves in poverty, with particularly high poverty risks among families with more than two children. Child labour[22] is still prevalent in many contexts, despite the efforts of the government and other stakeholders to eliminate the worst forms of child labour. Social protection can contribute to preventing and reducing child labour by enhancing the living standards of families and protecting them from social risks and to promoting access to education (ILO, 2015).

This section discusses the various programmes available for children under the notion of income security for children, in line with ILO Recommendation No. 202, which sets out that children should enjoy "basic income security (…), at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services" (para. 5(b)). Accordingly, income security is considered in a household context and thus relates to income security for the entire family, based on a broad understanding of income, including cash and non-cash income (income in kind). The Recommendation emphasizes access to nutrition, education, care and other services, and the provision of these services is included in the broad definition of income as income in kind. Access to health care is discussed separately under the basic social security guarantee on access to health (see Section 5.1).

[22] Not all forms of work performed by children is being considered as child labour. The term "child labour" is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children and interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.

The social protection provisions to support income security for children in Malawi, in line with the priorities lied down in the MNSSP, focus exclusively on school feeding programmes. This focus hardly reflects the universal consensus that investments in education and child health and education are key factors for development and to break the cycle of inter-generational poverty transmission. In addition to these programmes, the SCT programme targets specifically poor households with children. Malawi is also implementing a programme on the elimination of worst forms of child labour

Table 5.3. Programs to address the worst forms of child labour and child protection in Malawi

Programs to address the worst forms of child labour and child protection in Malawi	
Cooperation to Address the Worst Forms of Child Labour in Agriculture	USDOL-funded, 4-year project to strengthen efforts by the GoM in the implementation of the National Action Plan to combat child labour within the context of the implementation of the MGDS II.
Child Labour Elimination Actions for Real Change	$8 million Eliminating Child Labour in Tobacco Growing (ECLT)-funded, 4-year project that aims at eliminating hazardous child labour in tobacco-growing areas in Malawi.
Achieving Reduction of Child Labour in Support of Education	JTI-funded, 3-year project that provides strategies to address Child Labour in the tobacco growing communities and improve livelihoods through training in agribusiness and entrepreneurship
Program to Reduce WFCL in Tobacco-Growing Communities in Malawi	$1.3 million JTI-funded, 3-year project that aims at reducing child labour in tobacco communities in Malawi.
One UN Fund Child Labour Projects	$90,000 One UN Fund-funded 3-year project that aims at improving social protection through the reduction of child labour in Malawi
National Social Support Programme	Supports interventions that target the most vulnerable children
Anti-Human Trafficking Project	Salvation Army project that provides rehabilitation for victims of child trafficking and assists in the return of children to their homes.
Social Cash Transfer Programme	GoM programme that supports low-income families in high-risk districts to enable their children to stay in school
Shelter	GoM programme that provides shelter for children in Lilongwe, and that takes in trafficked and street children.
School Feeding Program	WFP and U.S. Department of Agriculture-funded programs provide school feeding to help keep children in school.
Birth Registration	EU and UNICEF-funded program that ensures nearly all health facilities in Lilongwe register children at birth and supports Government computerization of birth data collected
Child Protection Information Management System	Government of Malawi system that tracks child victims and survivors of violence, abuse, exploitation, and neglect.
Helplines	Child protection helpline handling approximately 5,000 calls per month, and identifying cases of child sex and labour exploitation.

Source: United States Department of Labour

Table 5.4. Overview on existing programmes aiming at ensuring income security for children, 2014/15

Overview on existing programmes aiming at ensuring income security for children, 2014/15

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
Benefits in kind focusing on access to education				
School feeding programmes (various)	Ministry of Education + donor agencies	Facilitate access to universal basic education through provision of one hot meal per day	23 out of 28 districts 1.6 million children (± 33 % of children in prim. schools) 2013/14 – 25 % of schools enrolled	Exp: = MK 17.7 billion 1.19% of GDP 2.67% of GE
Cash benefits providing income support for poor families, including orphans and vulnerable children				
SCT	Ministry of Gender, Children and Social Welfare + donor agencies	Conditional social cash transfer programme for extremely poor households which include OVCs, persons with severe disabilities or older people.	19 out of 28 districts Operating fully in 3 districts 151,317 households,439,822 below age 20 (July 2015)	Exp#: MK 4.1 billion 0.28% of GDP 0.62% of GE

Note: GE: Government Expenditure
Bud: Budget
Exp: Total expenditure
#: estimated expenditure for children (<20)

Source: compilation based on Chapter 4.

Table 5.4 provides an overview of current programmes for children. In addition to the various school feeding programmes, ultra-poor children benefit from the Social Cash Transfer (SCT) programme.

Some 1.6 million children, one-third of all Malawian children attending primary schools, benefit from one of the four existing school feeding programmes. These school feeding programmes operate in 23 out of 28 districts. Hence, in five districts there is no coverage.

The SCT programme is still expanding. Towards the end of 2014, 50,033 households were beneficiaries and the programme was operational in 9 out of 28 districts. Mid 2015 the programme is already operating in 19 districts, covering 151,317 households. However, the programme still only runs full scale in three districts. The number of children covered (below age 20) is estimated at 439,822 children.

Expenditure on school feeding was MK 17.7 billion in FY2014/15, corresponding to 1.2 per cent of GDP or 2.7 per cent of total government revenues. Spending on SCT for children below age 20 can be estimated at MK 4.1 billion in FY2014/15, corresponding to 0.3 per cent of GDP or 0.6 per cent of government revenues.

Table 5.5 gives the development of the budget and expenditure on the two programmes for the period 2010/11 to 2014/15, in as far as information was available.

Table 5.5. Programmes aiming at ensuring income security for children: financing and expenditure in constant (2013/14) prices

Programmes aiming at ensuring income security for children: financing and expenditure in constant (2013/14) prices

	2010/11	2011/12	2012/13	2013/14	2014/15
Budget in MK million					
School Feeding				5,928	7,105
SCT#					
Expenditure in MK million					
School Feeding	1,726	4,225	10,433	13,002	16,902
SCT#				3,814	3,918
Total expenditure for children				**16,816**	**20,820**
per cent government expenditure				*2.8*	*3,3*
per cent GDP				*1.3*	*1,5*
Expenditure/beneficiary in MK					
School Feeding					10,321
SCT (average benefit per child)					8,908

#: based on the assumption that 66 per cent of current beneficiaries are below age 20. No sufficient resources information on previous years available.
Source: MoFEPD 2015 and information provided by programme administrations

The table reveals that in the recent past both the resources allocated to and expenditures on social protection provisions (that is: school feeding) for children have increased substantially. In real terms (constant prices) spending on school feeding increased 77 per cent on average per year in the period 2010/11 to 2014/15. On the basis of the information available it is not possible to make a similar calculation for the SCT programme.

In 2013/14, total expenditure on social protection programmes for children amounted MK 16.8 billion, corresponding to 2.8 per cent of total government spending and 1.3 per cent of GDP. In 2014/15, the these shares were 3.3 per cent and 1.5 per cent respectively.

Table 5.6. Gaps in design and/or implementation: Children

Gaps in design and/or implementation: Children

Design gaps	Implementation gaps
- design varies across similar programmes	- fragmentation and overlaps in programmes
- disparities in geographic coverage (North)	- problems with logistics
- limited coverage ages 1 to 5	- strong reliance on donor funding (risk: volatile)
- current programmes have limited scope	

Table 5.6 summarizes the flaws in programme design and implementation. The various school feeding programmes have been described in Chapter 4. There are differences in design of the programmes. In itself this is not a problem. However, one would expect that there will be learning. Given the objectives, what design works best? Which method of delivery works best? Etc. Moreover, while in some districts more than one organisation is operational, in other districts – in particular in the North – there is no coverage at all. Apart from geographical coverage, there are also coverage gaps arising from the fact that predominantly children in primary schools are targeted. This leaves children in their early age excluded, whereas nutrition in this stage of life is also of crucial importance.

Whereas school feeding is of crucial importance to stimulate children to attend school, other programmes could further facilitate this. In particular programmes that would address high costs for poor households associated with sending children to school, such as school fees, costs of transportation, school uniforms, would further help to achieve the objective of universal access to education.

Last but not least, there are issues related to the sources of funding. More than 90 per cent of resources is donor funded and channelled, off-budget, straight to the implementing agencies. Apart from coordination issues (fragmentation), this renders funding highly volatile.

5.3. Minimum income security for people in working age

As opposed to benefits for children and the elderly, non-contributory programmes for those in working age usually have the twofold objectives of alleviating/preventing poverty and enhancing income security at the one hand, and on the other improving access to the labour market, enhancing skills and employability and promoting employment and income generation capacities. The benefit design is therefore typically more complex and costly as it often combines cash and in kind benefits, for example by including a training/skills development component in a cash benefit programme or through the provision of employment services. While PWP in Malawi do have a technical advice component aimed at capacity building related to their programmes objectives, for instance the IRLADP trains beneficiaries on agricultural productivity, skills building is often secondary to income generation through employment. The Labour Intensive Public Works Programmes (PWPs) aim to provide employment for agricultural workers during off season and at the same time build assets that respond to community needs. While SCT is targeting beneficiaries outside the labour market (children, elderly and severely disabled), it is a household benefit often paid to a working-age head of the household, and many households use part of the transfer for income generating activities.

Farm input subsidies are also discussed under this heading, noting however that they also benefit children and older people.

Table 5.7 provides an overview of current programmes for working aged Malawians. These include the Public Works programmes, the Social Cash Transfer (SCT) programme, the FISP subsidies and the Village Savings and Loans programme.

Table 5.7. Overview on existing programmes aiming at ensuring income security for people in working age, 2014/15

Overview on existing programmes aiming at ensuring income security for people in working age, 2014/15

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
Benefits in kind focusing on access to employment and income generating activities				
PWP	Ministry of Local Government and Rural Development	Increase access and earnings opportunities for the rural poor through public works	Nationwide, 1.3 million participants (households or individuals)	Exp: MK 13.4 billion (2014/15) 0.90 % of GDP 2.01 % of GE
Cash benefits providing income support for poor families, including household members who are chronically ill or with severe disabilities.				
SCT	Ministry of Gender, Children and Social Welfare	Conditional social cash transfer programme for extremely poor households which include OVCs, persons with severe disabilities or older people.	19 out of 28 districts, 151,317 households, 108,482 individuals	Exp. MK 6.3 billion, 0.42 % of GDP, 0.94 % of GE MK 1 billion (2014/15)*
Subsidies				
Farm inputs subsidy (FISP)	Ministry of Agriculture, Irrigation and Water Development	Alleviate poverty and increase food security.	Nationwide, 1.5 million receiving households	Exp. MK 61.3 billion (2013/14), 4.66 % of GDP, 10.10 % of GE

Note: *) expenditure including benefits for working ages, excl. children and elderly.
Source: compilation based on the sources mentioned in Chapter 4.

Some 1.3 million individuals or households participate in one of the four existing public works programmes. Two of these school feeding programmes operate nationwide, the others have a more limited scope. The SCT programme is still expanding – this was mentioned earlier. Towards the end of 2014, 50,033 households were beneficiaries and the programme was operational in 9 out of 28 districts. FISP subsidies are provided to 1.5 million households, the programme has a nationwide coverage.

Expenditure on PWP was MK 13.4 billion in FY2014/15, corresponding to 0.9 per cent of GDP or 2.0 per cent of total government revenues. Spending on SCT for adults (age ≥20) can be estimated at MK 1 billion in FY2014/15. FISP is responsible for more than MK 60 billion in FY2013/14, corresponding to 4.7 per cent of GDP or 10.1 per cent of total government expenditure.

Table 5.8. Programmes aiming at ensuring income security for people in working age: financing and expenditure in constant (2013/14) prices

Programmes aiming at ensuring income security for people in working age: financing and expenditure in constant (2013/14) prices

	2010/11	2011/12	2012/13	2013/14	2014/15
Budget in MK million					
PWP	-	2,340	3,219	11,784	24,722
SCT (households)*		245	484	7,686	13,424
FISP	27,509	20,637	51,542	62,787	
VSL		3,427	3,695	3,436	4,186
Total budget for working age	**27,509**	**26,649**	**58,941**	**85,693**	**..**
(per cent government revenue)	*7.79%*	*8.63%*	*11.97%*	*14.33%*	
(per cent GDP)	*2.41%*	*2.24%*	*4.80%*	*6.52%*	
Total budget, excl. FISP		**6,012**	**7,399**	**22,906**	**42,331**
(per cent government revenue)		*1.95%*	*1.50%*	*3.83%*	*6.76%*
(per cent GDP)		*0.51%*	*0.60%*	*1.74%*	*2.99%*
Expenditure in MK million					
PWP			5,410		12,733
SCT (households)*	2,318	3,657	4,570	5,814	5,972
SCT (individuals, working age only)*				941	966
FISP	30,354	28,220	55,946	61,296	
VSL				318	
Spending/beneficiary in MK					
PWP					9,722
SCT (households)	82,795	130,606	152,138	116,200	39,469
SCT (individuals, working age only)*					8,908
FISP	18,993	20,164	36,225	40,865	
VSL				932	

Note: *) broad estimate of share of expenditures allocated to persons in working age
Source: MoFEPD 2015 and information provided by programme administrations.

Table 5.8 shows the revenues available for programmes for Malawians in their working ages and the expenditure on these programmes. The information available again is limited. The table reveals that in the recent past both the resources allocated to and expenditures on social protection provisions for working aged Malawians have increased substantially. In real terms (constant prices), spending on FISP increased 25.5 per cent on average per year in the period 2009/10 to 2013/14, and real spending on cash transfers to households (SCT) increased 26.7 per cent on average (annually) between 2010/11 and 2014/15. For Public Works, no time series data on expenditure are available, but the resources (the budget, again in real terms) available for these programmes have increased with 119.4 per cent per year in the two years between 2011/12 and 2014/15.

In 2013/14, total revenues for social protection programmes for working aged Malawian residents recorded MK 85.7 billion, corresponding to 14.3 per cent of total government spending and 6.5 per cent of GDP. This includes FISP. Without FISP, the figure for 2013/14 reveals a budget of MK 22.9 billion, 3.8 per cent of government revenue and 1.7 per cent of GDP. However, revenues for social programmes, excluding FISP, have increased significantly in the last year, 2014/15, to MK 42.3 billion, 6.7 per cent of government revenue and 3.0 per cent of GDP

Looking at per capita expenditure, SCT records over MK 39,469 per household on an annual basis in 2014/15. This is a little higher than the figure with respect to average benefit levels per household (MK 2,700 per month ≈ MK 33,000 per year) would suggest. The difference (around 20 per cent) could be administration costs. Per capita (household) spending on FISP (MK 40,865 in 2013/14) and PWP (MK 10,202 in 2014/15 – in current prices) is much less. Hence, there seems to be a discrepancy between the level of the wages paid on average in the public works programmes on the one hand, and the level of the cash transfer that households receive on average – even if we take the MK 2,700 per month as a benchmark for the latter.

Table 5.9. Gaps in design and/or implementation: Working age

Gaps in design and/or implementation: Working age

Design gaps	Implementation gaps
Benefit levels (SCT and PWP) are low	10% cut off point in the SCT targeting mechanism
Discrepancies between covered districts and poverty map (SCT and PWP)	Issues with respect to the delivery method (SCT and FISP)
Objectives difficult to reconcile (FISP)	Reliance on donor funding (SCT and PWP)
Specific design issues with respect to FISP[#)]	Slow roll-out (SCT)
	Lack of coordination between SCT and PWP
	Self-targeting (PWP) is efficient but may be inequitable

[#)]: explained below

Table 5.9 summarizes the flaws in programme design and implementation. From a design perspective, benefit levels in SCT and wages paid in the public works programmes are rather low. This limits their impact on both incidence and depth of poverty. It seems that the resources available in the SCT programme would allow for higher benefit levels to be paid to eligible households. It is good news that the benefit levels very recently been raised and after May 2015 a four person household in the SCT will receive 3,700 MK up from 2,400 MK. In addition, the education bonuses are also increased. This needs to be further looked in to. Second, there seems to be a mismatch between the geographical need and the priorities, both with respect to SCT and the public works programmes. The North appears to be receiving relatively less attention than the Central and Southern districts. With respect to FISP, design issues are huge. The poverty and productivity objectives are rather hard to reconcile in one single programme. Ultra-poor households, often cash constrained, often sell their vouchers for a low price to traders who benefit disproportionally from the programme. Moreover, given its sheer size, the FISP cannot but cause distortions in the market.

On the implementation side, the 10 per cent cut-off in SCT targeting is arbitrary, as explained in section 2. Like with school feeding, the large extent to which all these programmes are funded off-budget renders them highly volatile. Moreover, the lack of coordination between the cash transfer and the public works programmes is an issue that calls for attention. In general, these two programmes could complement each other in terms of their scope and coverage, rather than work in an isolated manner. Lastly, the self-targeting in PWP may be efficient in terms of administration costs, it may also lead to inequitable access when the programme is operated on a 'first come, first served' basis.

5.4. Minimum income security for the elderly

As stated above, Malawi is a country with a relatively young population with a small proportion of the population in old age. In 2014, around 503 thousand Malawians were 65 years old or older, and not more than 211 thousand were 75 years or older. The share of older persons (age 65+) in the total population, is expected to even decrease slightly over the coming years from its current level of 3.2

per cent of the population to 2.8 per cent of the population by 2025.[23] As Malawi has not yet entered a phase of demographic transition, there is a window of opportunity for enhancing income security for the current and future older generations.

Income security is an important challenge for many older women and men in Malawi, of which 20 per cent live in ultra-poverty and 50 per cent in poverty. It is also a major issue for their families: 59 per cent of Malawians living in households which include an older person are poor (33 per cent in extreme poverty), compared to 53 per cent of the population living in households without an elderly person (28 per cent in extreme poverty).[24]

Like in many other countries, urbanization and modernization are eroding traditional informal systems of protection and care for the elderly with resulting challenges for older persons to access basic goods and services, including safe and nutritious food, clean water, as well as geriatric and health care.

This section discusses the provisions in place to alleviate old age poverty and to ensure at least a minimum level of income security for the elderly. In addition to the social cash transfer programme assessed in this report (Section 4.1.1 and the previous sections), which is non-contributory and poverty-targeted, a small proportion of the population also benefit from contributory social security provisions under either the government's public service pension scheme or the recently passed Pension Act (2011).

Table 5.10. Overview on existing programmes aiming at ensuring income security for older people, 2013/14

Overview on existing programmes aiming at ensuring income security for older people, 2013/14

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
SCT	Ministry of Gender, Children and Social Welfare	Conditional social cash transfer programme for extremely poor households which include older people.	19 out of 28 districts, 151,317 households, 122,178 individuals	Exp. MK 1.1 billion*
Subsidies				
Social Insurance Pension	Ministry of Labour, Ministry of Finance, Economic Planning and Development	Salaried staff in the public sector and formal sector enterprises.	Nationwide, 191 thousand active members, (?) thousand beneficiaries (2012/13)	Exp. MK 6.7 billion, 0.59% of GDP (2012/13); MK 10.2 billion, 0.78% of GDP (2013/14)

Note: *) total expenditure including benefits for older persons; accurate data on numbers of elderly in SCT are not available.
Source: compilation based on the sources mentioned in Chapter 4.

Coverage

The Government Public Pension Scheme is a non-contributory, end-of-career defined benefit (DB), scheme paid to employees at the retirement age of 60 and financed from general revenue. It is envisaged that civil servants will be enrolled ('grandfathered') into the new National Pension Scheme. The exact conditions under which this will happen are not clear at this moment.

The new Pension Act, that was passed June 2011 (implementation is ongoing), establishes and mandates a National Pension Scheme. This can either be a membership of the National Pension

[23] Based on population projections received from the National Statistics Office
[24] These data are based on the 2010/11 Integrated Household Survey.

Fund (currently, covering civil servants) or another registered pension scheme. The Pension Act defines the minimum contributions for both workers (minimum: 5 per cent of insurable salary) and their employers (minimum: 10 per cent of insurable salary). Exemptions under the Act include the following categories: workers earning less than MK10,000/month, seasonal workers, domestic workers and tenants.[25] However, firms with 5 or more staff are compelled to provide pension insurance for their workers regardless whether these are above or below the MK10,000 threshold. Moreover, the Act also prescribes life insurance policies which guarantee a similar income to survivors in case of death of members of the pension scheme. Non-compliance is penalized under the Financial Services Act 2010.

The Act leaves open whether pension schemes should be DB or defined contributions (DC) schemes. It has been argued that the Act presupposes the establishment of DC schemes (Mhango 2012). To be sure, the Act contains several provisions that are characteristic for DC schemes (for example, tax subsidies and the prescription of individual accounts). However, these provisions do not rule out a choice for DB. It has also been argued that, under the new legislation, DC schemes over time will drive out DB schemes (Mhango 2012). Both from a risk perspective as from an administrative costs perspective DC schemes tend to be attractive from an employer's point of view.

It will take considerable time for the National Pension Scheme to mature. At present a small proportion of the population the age 65 is covered under an old-age pension insurance plan – an optimistic estimate would be around 15 to 20 per cent of the adult population (table 5.11). Since the current rate of contributory pension membership among the working age of around 4 per cent is not much higher, it can be expected that this situation will not change over the medium term. This means that approximately 80 to 85 per cent of the elderly population above 65 are not receiving any pension benefits for some time to come, and are likely to face a high degree of income insecurity in old age.

As a result, many elderly continue to work until their death or they rely on informal support and family networks. While family and community networks in Malawi are strong, dependence of older persons on family support can strain family relations, exacerbate already high levels of stress with regard to the family's efforts in making ends meet, and may in extreme cases give rise to abuse, neglect discrimination or violence.

Do the provisions reach poor households?

The 26,000[26] elderly SCT beneficiaries (above 65) represent 0.16 per cent of the total population and 21 per cent of those elderly who are living in ultra-poverty (9 per cent of those elderly living in poverty). No information regarding the performance of the revised targeting mechanism is available but, even assuming perfect targeting, SCT currently only reaches a small share of the elderly who are poor. In 2011, 52 per cent of Malawians over the age of 65 lived below the poverty line (IHS3) and, assuming perfect targeting, 9 percent of those receive the transfer.

[25] Other exempted categories are expatriates with temporary work permit and Members of Parliament.

[26] Available data does not provide information on elderly SCT beneficiaries but assumption can be made from the number of elder-headed households in the SCT programme and the fact that many selected households are single-headed

Table 5.11. Income security in old age: coverage

Income security in old age: coverage	2010/11	2011/12	2012/13	2013/14	2014/15
Contributors and beneficiaries (thousand)					
Government Civil Service Pension (contributors)		140			
Government Civil Service Pension (beneficiaries)		30			
Statutory pension in the formal economy (contributors)	73	102	156	191	
SCT (elderly HH heads)					122
Beneficiaries as per cent of target group					
Government Civil Service Pension:		all civil servants are enrolled			
Statutory pension in the formal economy			22		
SCT (as a proportion of older persons (65+) in ultra-poverty)					
Beneficiaries as per cent of population aged 65 and older					
Government Civil Service Pension (65+)			1.6		
Statutory pension in the formal economy (65+)	1.1	1.5	2.2	2.6	
SCT					24.3

Note: For SCT, there is no accurate information on how many SCT beneficiaries are over 65, we used the same information as earlier for the children and working ages to arrive at an estimate.

IHS: 0.9 percent (142,247) of Malawians are 65+ and live in ultra-poverty. 48,847 (number of elderly headed households) / 142,247 = 34 percent.

Regarding the formal employment: there were 6.987.261 18+ Malawian in 2012. calculations for all years where there is info on pensions in the formal economy (2010: 6.597.902; 2011: 6.786.739, 2012: 6.987.261; 2013: 7.200.010) were done to obtain the percentages.

Target group of pension in the formal economy: Formally employed population in 2013 = 858.000 according to the LFS. Pension contributors / formally employed population = 22 percent.

Level and adequacy of the benefits

The statutory pension in the formal sector has only been introduced in 2011 and it is currently too early to assess whether it provides sufficient protection for old-age Malawians. Much of the specific details of pension provisions, entitlement conditions, accrual, et cetera have not been prescribed in the Act and are left to the discretion of Fund managers themselves.

As discussed above, the level of the SCT benefits, which is paid as a household benefit is rather modest, yet it still constitutes an important source of income for older persons, particularly those in rural areas. The household benefit under SCT, after revision, ranges from MK 1,700 to more than MK 3,700 depending on the number of eligible household members. In addition, an education bonus is added per enrolled child. A pensioner living on his or her own would receive MK 1,700, whereas a household with four (or more) eligible members but no school going children is paid MK 3,700, leaving approx. MK 900 per household member.[27] The ultra-poverty line per adult equivalent in 2011 was set at MK 22,956 per year and MK 1,913 per month. The respective poverty lines is MK 37,002 per year and MK 3,083 per month. Despite these comparatively low levels of benefit, some elderly beneficiaries report how the benefit enabled them to withdraw from farming or day labouring that they had been struggling to maintain due to failing health. Some elderly beneficiaries well past their

[27] The level of benefit is determined depending on the number of eligible household members, yet the household may include further non-eligible members.

working age are able to organize productive farming activities through the SCT benefit by hiring labour to cultivate the land (field visit).

Financing

The currently allocated resources for old-age pension insurance reach about 0.8 per cent of GDP. The level of resources allocated to the income security of older people through the SCT programme have been estimated at MK 1.1 billion (0.07 per cent of GDP), based on the estimated share of elderly persons having received SCT benefits in 2015.

Sustainability

A constitutional commitment obliges the Malawian state to provide assistance to older women and men, setting out in Article 13 (j) the it is the state's duty to "respect and support the elderly through the provision of community services, and to encourage the participation of the life in the community" (Constitution of the Republic of Malawi).

However, for the time being, SCT is not grounded in national legislation, and therefore depends entirely on the annual budget negotiations and allocations from international development partners. As a result, despite the political commitment of the Government of Malawi and development partners, the programme faces a high level of volatility and a degree of uncertainty, which compromises the income security of older citizens.

Administrative efficiency

The available information does not allow for a detailed assessment of administrative efficiency.

Policy coordination

Malawi does not currently have a national policy on ageing to ensure active participation of older persons in society and development. Such an initiative would be an excellent opportunity to assess the needs and circumstances of older persons in Malawi to a greater extent and to develop appropriate social protection policies that can address these needs.

Conclusions regarding minimum income security for older persons

Table 5.12 summarizes the issues in programme design and implementation.

Table 5.12. Gaps in design and/or implementation: Old age

Gaps in design and/or implementation: Old age

Design gaps	**Implementation gaps**
Coverage is low (Pension Insurance)	Slow progress in implementing the Pension Act (2011)
Adequacy not well guaranteed (Pension Insurance)	Entitlements are not well established (Pension Insurance)
Benefit levels (SCT) are low	Reliance on donor funding (SCT)
Discrepancies between covered districts and poverty map (SCT)	Slow roll-out (SCT)

Considerations on the further development from a system perspective could include policy options on how to ensure that a larger share of Malawi's population can enjoy at least a basic level of income security during their old age – not in the long run but in the near future. In this context, an extension of the SCT programme to all districts and to a larger share of those living in extreme poverty would certainly be an important means to improve the living standards of those elderly living in extreme poverty, of which currently less than one third is covered.

In view of the complex targeting process involved in the SCT programme, more far-reaching considerations could also evaluate the option of moving towards an administratively lighter solution. Experiences in other countries with universal pensions have shown that modest, but reliable social pensions can have a major impact on the livelihoods of older people and their households, including on the development of children living in their households, and that such pensions have enabled older people to actively contribute to the household income and strengthen their dignity, rights and status within the family, particularly for older women.

5.5. Key messages

The following messages on the overall performance of the social protection system can be drawn from the above assessment. Overall, it is clear that despite the impressive progress that Malawi has made with regard to the extension of social protection over the last years, significant coverage gaps remain.

- There are significant coverage gaps for all age categories and all programmes. This has been discussed in chapter 4, but this chapter extends this conclusion to the elderly.
- Moreover, the existing programmes are not sufficient to prevent the (ultra-) poor and vulnerable from hardship. In addition to also chapter 4, where this point was made, this chapter reveals that access to affordable health care is not safeguarded (due to OOPs in a number of facilities) and the Pension Act does not establish an effective floor in term of entitlements.
- Similar to the programmes discussed in chapter 4, off-budget financing characterizes health care and this renders provisions volatile and hampers coordination.
- The allocation of spending in health care appears good – there is an extensive network of facilities nationwide. In addition, over the past half-decade real expenditure has increased most in public health and preventive care.
- There has also been a rapid increase in allocations towards working age related social protection programmes. Average annual increases (in real terms) of 50 to 100 percent have been no exception.
- There is a serious mismatch in the levels of spending on children and elderly programmes on the one hand, and working age programmes on the other. The total amount of spending on social protection for children and the elderly is low compared to spending on programmes for the working ages. In particular for children: constituting more than half of the population, but receiving less than 25 per cent of resources compared to working ages. Moreover, for children there are no other specific programmes than school feeding and even these do not have nationwide coverage.

Closing 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.

Chapter 6.
Conclusions and recommendations

Chapter 2. 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 leads to a rapidly growing population characterized by a large young population and high dependency ratios.

A 2013 labour force survey shows that, end 2012, 7 million people within the age group 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 per cent for males and 74 per cent for females. Unemployment stood at 21 per cent. The unemployment rate is higher among females, at 26 per cent, than among males, at 14 per cent. Youth unemployment (15-34) was 23 per cent. In addition, 27 per cent of the employed population in Malawi was underemployed, females relatively more than males.

Poverty in Malawi is both widespread and deep as indicated by extremely high poverty rates and 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 better of ones. The poorest districts tend 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 south. Malawi's poverty is a predominantly rural phenomenon. A small percentage of people living in cities and towns are considered poor or ultra-poor. However, the overwhelming majority of rural Malawians live in poverty.

The expenditure distribution is extremely flat and rises only very slowly in the first four quintiles. However, in the fifth quintile, expenditure suddenly increases drastically. It is important to note that a flat expenditure distribution on the lower end of the ranking significantly complicates poverty targeting as a large portion of the country shows very similar expenditure levels. Distinguishing degrees of poverty based on such as flat expenditure distribution requires very detailed information on the households and extensive 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 people below the poverty line in 2030. This simple forecast underscores the urgent need to drastically 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 explosive population growth, call for an increased investment in social protection systems, which have internationally shown to be able to effectively address these challenges.

Chapter 3. Overview of the macroeconomic and fiscal environment, and fiscal operations

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 some strong headwinds after 2010. 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 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, and related to these factors, there are some serious downward risks in the outlook for the medium term.

Malawi's fiscal situation is fragile mostly due a high dependence on inflows from international 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 'cash gate scandal' and the time it takes to restore confidence will restrain the inflow of foreign aid for some time to come and to change the type of the aid too, with less and less 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 'cash gate scandal' government has set out to reinvigorate its PFM Reform programme.

Chapter 4. Social protection programmes in Malawi – design, coverage and impact

While over the last years the country has experienced an expansion of many social protection programmes coverage rates remain low. This holds true both in terms of districts covered and percentages of target groups included in programmes. The reasons for this differ from programme to programme but often relate to the fact that social protection in the country is very donor-driven and consists primarily of programmes implemented on an ad-hoc basis. Currently there are little entitlements to social protection in Malawi.

The low level of Government ownership is exemplified by the failure of the Government to fund the agreed upon 10 percent contribution to MNSSP social protection programmes 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 difficult for the Government to adequately fulfil its supervision role as it relies on reports from third-party implementers.

Coverage of discussed social protection programmes varies significantly amongst age-groups. Due to coverage gaps and, more importantly, the design and objective of implemented programmes, school-age children and working-age adults are currently better covered than infants, pre-school children and the elderly.

Coverage of most programmes is limited to a handful of districts and within districts sometimes only a number of Traditional Authorities participate. Some MNSSP programmes, such as Public Works and Village Savings and Loans are implemented nationwide, albeit by different implementers. School Meals and the Social Cash Transfer, however, only reach beneficiary in selected districts. Scaling up these vital programmes would be an important step forward towards achieving better coverage for vulnerable Malawians.

Sometimes these coverage gaps are results of policy design. For instance, in the case of the SCT, the strict 10 percent cut-off threshold leads to high exclusion errors due to regional disparities in the poverty headcount. In other cases, such as School Feeding, 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 where large proportions of Malawian schoolchildren do not enjoy coverage.

In addition, for School Feeding activities to have an impact on infant malnutrition a greater emphasis ought to be placed on pre-primary school children through extended support for Early Childhood Development Centres (ECDC) and Community Based Childhood Centres (CBCC).

Generally speaking, the limited coverage in terms of districts and beneficiaries means that even though individual programmes are found to have positive impacts on livelihoods little progress has been made in reducing the country's extremely high levels of poverty.

In recent years there have been numerous impact evaluations conducted on the MNSSP programmes and most testify to their positive impacts, which, however, vary significantly. The SCT has been implemented in Malawi since 2006 and by now there is plenty of evidence of the positive impacts of SCT on beneficiary livelihoods. Likewise, there is mounting evidence of the positive impacts of the School Feeding Programme and the VSL approach.

Worryingly, there are evaluations that found that PWP to have little impact on food security, probably as short-term employment at or below the minimum wage does not appropriately address chronic poverty and the causes of food-insecurity.

While the Farm Input Subsidy Programme (FISP) is a complicated case, there is evidence of increased farm incomes and higher farm wages despite lowered maize prices. While causality is difficult to establish, Malawi has had national maize surpluses since the introduction of the FISP.

Transfers are often too quite low and infrequent, which reduces their impacts. Transfer levels aren't 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.

Targeting is not always effective: Community targeting combined with complex targeting criteria, widespread poverty and local politics often lead to high inclusion and exclusion errors. Especially the FISP and the Social Cash Transfer suffer from elevated inclusion and exclusion errors. Community targeting, combined with complex targeting criteria, widespread poverty and the influence of village leaders lead to inefficient targeting outcomes.

A common observation is the lack of integration of social protection programmes and the limited exploitation of linkages. A key obstacle towards better coordination and harmonization is the lack 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 to address relevant shortcomings. Currently, lack of integrated systems significantly reduce the Government's ability to coordinate, monitor and evaluate the country's social protection system and provide policy guidance.

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.

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

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.

Chapter 5. Performance of the social protection system

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 applies to all age categories and all programmes.

Moreover, the existing programmes are not sufficient to prevent the (ultra-) poor and vulnerable from hardship. Access to affordable health care is not safeguarded (due to OOPs in a number of facilities), current programmes for children and Malawians in their working ages cover only part of the needs, and for the elderly, the Pension Act does not establish an effective floor in term of entitlements.

There is a considerable extent of off-budget financing of social protection programmes and this renders provisions volatile and hampers coordination.

The allocation of spending in health care appears good – there is an extensive network of facilities nationwide and 85 per cent of the population lives within 10 kilometres from a health care facility . In addition, over the past half-decade real expenditure has increased most in public health and preventive care.

There has also been a rapid increase in allocations towards working age related social protection programmes. Average annual increases (in real terms) of 50 to 100 percent have been no exception.

Nevertheless, there is a serious mismatch in the levels of spending on children and elderly programmes on the one hand, and working age programmes on the other. The total amount of spending on social protection for children and the elderly is low compared to spending on programmes for the working ages. In particular for children: constituting more than half of the population, but receiving less than 25 per cent of resources compared to working ages. Moreover, for children there are no other specific programmes than school feeding and even these do not have nationwide coverage.

Closing 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.

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.

In the short to medium term we strongly recommend to extend the coverage of the current MNSSP programmes, in particular the Social Cash Transfer, the School Feeding Programme and the Village Savings and Loans programmes.

In addition to extending the current MNSSP programmes and clarifying the objectives of the FISP, the report recognizes the need to re-visit the targeting mechanisms of some of the MNSSP (and the FISP) programmes in order to reduce inclusion and exclusion errors.

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.

Currently there is little exploitation of linkages between programmes and between programmes and complementary services, such as health services 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.

Amongst programmes there are a number of positive linkages, such as connecting beneficiaries of the Social Cash Transfer and Public Works Programmes to Village Savings and Loans association, where they can safe their transfers and slowly start making productive investments.

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Chapter 5

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Farm Input Subsidy Programme			
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Village Savings and Loans			
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Economic & demographic data			
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Social Cash Transfer Field Visit			
Maureen Malola	Social Support Service Officer	Phalombe district	-
Sydreck Saukira	Assistant Social Welfare Officer	Phalombe district	-
Mr. Chunga	District Social Welfare Officer	Mchinji district	-
Shadreck Mingu	Social Support Officer	Mchinji district	-
Lemison Mamkhwala	Education Extension Worker	Mchinji district	-
Willie Mchochoma	Community Social Support Committee Chair	Mchinji district	-
Fannny Mang'ani	SCT beneficiary	Phalombe district	-
Laweck Laisani	SCT beneficiary	Phalombe district	-
Mr. Bauleni	SCT beneficiary	Phalombe district	-
Yakobe Andrea	SCT beneficiary	Phalombe district	-
Nyasa Nefas	SCT beneficiary	Mchinji district	-
Dys Daisi Bottoman	SCT beneficiary	Mchinji district	-
Julius Banda	SCT beneficiary	Mchinji district	-
Florence Phiri	SCT beneficiary	Mchinji district	-

Appendix 2. MNSSP programme overview and data collected

Social Cash Transfer

Implementers	Ministry of Gender, Children, Disability and Social Welfare, UNICEF, World Bank, EU, KfW, Irish Aid
Objectives	Reduce poverty and extreme hunger among the ultra-poor and labour constraint; increase school enrolment; improve nutrition and well-being
District coverage	Running in 18 districts; full-scale in 3
Benefit provided	MK 1,179 for 1 member, MK 3,700 for HH with more than 4 members + MK 500/1000 for each primary/secondary school child
Target group	Ultra-poor and labour constraint households
Beneficiaries	104,906 households and 472,228 beneficiaries (May 2015)
% of target group reached	29 % (± 1, 58 million Malawians are ultra-poor and labour constraint according to IHS3)
Impacts	Improved health, greater expenditures on education and health care, accumulation of productive assets, increased agricultural production
Challenge	Complex targeting, 10% district cut-off point, high exclusion and inclusion errors, infrequent revision of benefit levels
Financial volume	0.4 % of GDP and 0.8 % of GE

School Feeding

Implementers:	Ministry of Education, Science and Technology, Mary`s Meals, WFP
Objectives:	Reduce dropout rates; promote regular attendance; increase enrolment; improve children's ability to concentrate
District coverage:	8 districts not covered, others have up to three implementers
Benefit provided:	Daily meal in primary schools, take-home ration for OVCs, feeding in ECD centres
Target group:	Schools in districts with high food insecurity, high stunting rates and low education performance
Beneficiaries:	1.62 million children (out of 4.49 million primary school students). 7,034 3-5 year olds receive feeding in ECDC
% of target group reached:	33 % of children in primary schools
Impacts:	evidence on increased enrolment, improved nutrition and reduced drop-out rates
Challenges:	Weak coordination mechanisms, lack of M&E system, lack of complementary interventions, often low community support
Financial volume:	0.99% of GDP and 2.14% of GE

Village Savings and Loans

Implementers:	Ministry of Industry and Trade, World Bank, DFID, Norway, Irish Aid, Christian Aid, CARE, Action Aid, Concern Universal, Coopi, Goal, Self Help Africa
Objectives:	Improve livelihoods through provision of financial services, opportunities for savings mobilization and investment promotion
District coverage:	COMSIP nationwide, other implementers focus on selected districts
Benefit provided:	Training in financial literacy, business planning, group dynamics and money management
Target group:	Rural and peri-urban communities with savings potential
Beneficiaries:	67 organizations implementing VSL, 37,461 groups and 610,596 members
% of target group reached:	7.9 % of the 18+ population
Impacts:	Evidence of improved meals, increased number of rooms per house, improved savings, slight decline in number of income generating activities
Challenges:	Poor coordination and lack of collaboration of actors, low literacy and business skills, implementers unable to meet significant demand for VSLAs

Public Works

Implementers:	Ministry of Local Government and Rural Development, EU, World Bank, WFP, LDF
Objectives:	Generate short-term employment for poor households and build infrastructure through labour intensive construction activities
District coverage:	IRLADP & LDF nationwide, RIDP in 17 districts
Benefit provided:	Cash/inputs for work (EU: MK 551 per day; WB: MK 490; WFP: inputs)
Target group:	Rural poor with labour capacity
Beneficiaries:	Ca. 1,3 million (LDF: 521,000; IRLADP: 677,502; WFP: 13,750; RIDP: 26,201 (households))
% of target group reached:	18 % of 18-65 year olds
Impacts:	no displacement effect, no effect on SP programmes participation, increase likelihood of fertilizer use but no increase in quantity, no increase in food security
Challenges:	low wage due to self-targeting, short-term employment has little impact on chronic poverty, high administrative cost and capacity requirements, low quality of assets
Financial volume:	0.90 % of GDP and 2.01 % of GE

Farm Input Subsidy Programme

Implementers:	Ministry of Agriculture, Irrigation and Water Development, DFID, Norwegian Government, European Union, Irish Aid, IFPRI
Objectives:	Reduce poverty and ensure the country's food security by enhancing farmer productivity and income as well as increasing crop yields
District coverage:	Nationwide
Benefit provided:	Provision of two fertilizer, a maize and a legume seed voucher
Target group:	Smallholder and resource poor rural farming households
Beneficiaries:	1,5 million households (out of 4.4 million registered farming households)
% of target group reached:	34% of farming households
Impacts:	National maize surplus, increased incomes despite lowered maize prices, no evidence of improvement of nutritional status of children and women
Challenges:	Timely and cost-effective procurement, little agricultural training, lack of transparency in beneficiary selection, need for consensus on objective of the programme
Financial volume:	4.66 % of GDP and 10.10 % of GE

Appendix 3. MNSSP programme overview and data collected by implementer

Public Works Programmes

Rural Infrastructure Development Programme (RIDP)
Objectives: Improving the livelihood of rural population through infrastructure development (roads, bridges & irrigation, forestry)
Ministry: Ministry of Local Government and Rural Development
Donor: European Union
Time-frame: 2011-2015
Budget: EUR 36.0 million; total budget of MWK 7.1 billion for 2013 - 2014
Districts: Blantyre rural, Chikhwawa, Mulanje, Thyolo, Dedza, Dowa, Lilongwe rural, Mchinji, Salima, Machinga, Mangochi, Ntcheu, Zomba, Kasungu, Mzimba, Nkhotakota, Rumphi
Target mechanism: Self-targeting, through wages for labour, at least the minimum wage
Beneficiaries: 12,641 households (roads and bridges), 13,560 households (irrigation and forestry)
Benefit: Cash for Work: MWK 551 per day for contractual work, 6 hour task for road maintenance tasks; MK 10,850 member/month for a well performing road maintenance club
Expenditure: € 34.350.000 (2011-2015)
Expenditure for Jan 2013 - July 2014: € 9.348.531; operating costs € 2.927.392; works/labour costs: € 1.328.305
Government contribution: € 900.000

Irrigation, Rural Livelihoods and Development Project (IRLADP)

Objectives: Demand-driven rural public works programs to create community assets and build community resilience to help cushion the rural poor while difficult economic reforms are undertaken
Ministry: Ministry of Local Government and Rural Development:
Donor: World Bank
Time-frame: 2012-2014
Budget: $ 115.200.000 (2012-2014)
Expenditure: Q1 2014: $ 7.390.089
Districts: Currently running in 11 districts, to be scaled up to all 28
Target mechanism: Self-targeting through salaries below the minimum wage
Beneficiaries: 677.502
Benefit: Inputs for work (such as fertilizer)

Local Development Fund (LDF) Public Works

Objectives: Safety net targeting poor households and communities through labour intensive construction activities to build infrastructure and generate significant employment at the minimum wage. In addition, the programme implements tree planting.
Ministry: Ministry of Local Government and Rural Development
Donor: World Bank
Time-frame: 2014-2018 (new phase under MASAF IV)
Budget: $ 115.200.000 (2014-2018). World Bank ($ 102.7 mil.), IFAD ($ 8 mil.), beneficiary contribution ($1.7 mil.)
Districts: Nationwide
Target mechanism: The programme uses a combination of self-targeting and community based targeting, followed by a proxy means test. Resource allocation per LA based on: (a) Population; (b) Food insecurity; (c) Population below the poverty line; (d) Vulnerability
Beneficiaries: 521.000 – continue to work for three years
Benefit: Cash for work: 490 MK per day, 4 hours per day, 48 working days

Food for Assets (FFA)

Objectives: Reducing vulnerability to disasters and food insecurity through establishing and maintaining community assets. Food is provided as an incentive to work on community assets. The goal is to improve the capacity of food-insecure households to increase their own food production and maximize food utilization.
Ministry: Department of Disaster Management Affairs / Ministry of Local Government and Rural Development
Donor: World Food Programme
Time-frame: 2014 - 2017
Budget: $ 3.960.000 million (2014 – 2017)
Expenditure: $ 1.600.000 (2014)
Districts: Zomba, Balaka, Karonga, Chikwawa. Other districts subject to funding availability include: Phalombe, Machinga, Mangochi, Blantyre, Nsanje and Dedza
Target mechanism: Self-targeting reaching ultra-poor with labour capacity
Beneficiaries: 85,000 individuals (15,500 households)
Benefit: Provision of food as an incentive to work on community assets

Social Cash Transfer Programme

Objectives: Reduce poverty and extreme hunger among the ultra-poor and labour constrained; increase school enrolment; improve the nutrition, well-being and protection of beneficiary households.
Ministry: Ministry of Gender, Children and Social Welfare
Donors: Irish Aid, EU, KfW, UNICEF, World Bank
Time-frame: 2014 - 2017
Donor contribution: $ 32.800.000 (€ 17,133,465 + $ 10.692.563) (FY 2014/15)
Government contribution: 2013/14: MK 450.000.000; 2014/15: MK 700.000.000
Expenditure: $ 34.800.000 (FY 2014/15)
Districts: Mchinji, Chitipa, Likoma, Machinga, Mangochi, Phalombe, Salima, Thyolo, Balaka, Nsanje, Chikwawa, Mwanza, Neno, Mzimba, Zomba, Mulanje, Dedza, Nkhata Bay
Target mechanism: Community based targeting with proxy means test verification
Beneficiaries: Beneficiaries: 151,317 households and 670,473 members (July 2015)
Benefit: Households with one member receive MK 1.700 per month, households with 2 members received MK 2.200 households with 3 members received MK 2.900 and households with ≥ 4 members received MK 3.900. In addition, each primary school child receives MK 500 per month + each secondary school child receives MK 1.000 per month.

Village Savings and Loans Programmes

Community Savings and Investment Promotion (COMSIP)
Objectives: COMSIP is a member-owned savings and investment institution providing financial services, savings mobilization and investment promotion to the un-served and underserved peri-urban and rural communities
Ministry: Ministry: Ministry of Industry and Trade (the ministries of registries and has legal oversight but cooperatives are independent agencies)
Donor: World Bank
Time-frame: 2012 – 2017
Budget: Budget: $ 10.000.000 (2014-17) + Members buy shares in COMSIP
Expenditure: 2012 - May 2014: € 2,436,154
Districts: Nationwide
Target mechanism: Self-targeting
Beneficiaries: 99.153 members. People receiving cash transfers from the PWs have formed 4.457 groups of which 61% are women
Benefit: Training in livelihoods and skills development including financial literacy and business planning and financing of grants for increasing household level incomes and assets

Enhancing Community Resilience Programme (ECRP)
Objectives: To eradicate extreme poverty and hunger and contribute to halving disaster losses and increasing communities' resilience to climate change
Ministry: Ministry of Industry and Trade
Donor: DFID, Norwegian Ministry and Irish Aid. Christian Aid Malawi led Consortium: CARE, Action Aid and Christian Aid. Concern Universal led consortium: Coopi, Goal and Self Help Africa
Time-frame: 2011-2016
Budget: £ 21 mil. for (2011-16)
Districts: Concern Universal: Karonga, Salima, Dedza, Balaka and Nsanje. Christian Aid: Kasungu, Machinga, Mwanza, Nsanje, Chikhwawa, Mulanje and Thyolo
Target mechanism: Self-targeting
Beneficiaries: 8.184 members in 342 savings groups (2013)
Benefit: Members receive a year of training in group dynamics, governance and money management

School Feeding Programmes

School Feeding (Mary's Meals)
Objectives: Provide daily and free school meals to reduce dropout rates; promote regular attendance; increase enrolment and improve children's ability to concentrate
Ministry: Ministry of Education, Science and Technology
Donor: Mary's Meals
Time-frame: 2010-14
Budget: £ 5,299,100 (2014)
Government contribution: MK 170.000.000 (2013/14); MK 300.000.000 (2014/15)
Districts: Karonga, Mzimba, Mzuzu, Likoma, Kasungu, Mchinji, Dowa, Lilongwe, Dedza, Mangochi, Balaka, Mwanza, Neno, Blantyre 1, Blantyre 2, Blantyre 3, Chiradzulu, Chikwawa, Zomba
Target mechanism: Schools in regions with high food insecurity, stunting rates using Malawian Vulnerability Assessment Committee (MVAC) data
Beneficiaries: 692,656 pupils (50/50 boys and girls) in 516 schools
Benefit: Mary's Meals provides the kitchen, cooking equipment, training, ongoing support and regular supplies of Likuni Phala (maize porridge)

School Feeding (World Food Programme)

Objectives: Reduce dropout rates; Promote regular attendance; Increase enrolment; Improve children's ability to concentrate and learn and Build MoEST's capacity to implement cost efficient and sustainable school meals programme.

Ministry: Ministry of Education, Science and Technology

Donor: World Food Programme

Time-frame: 2012-16

Budget: $ 19.000.000 (2012-16)

Districts: Chikhwawa, Chiradzulu, Dedza, Kasungu, Lilongwe, Mangochi, Mulanje, Nsanje, Ntcheu, Phalombe, Salima, Thyolo, Zomba.

Target mechanism: Schools in food insecure districts and low education performing districts

Beneficiaries: 805,539 children (403,364 boys, 402,175 girls) in 690 schools. All pupils in targeted schools. Take Home Rations for all Girls from standard 5-8 and orphaned boys.

Benefit: Daily meals in primary schools and Early Childhood Development centres, Take Home Rations for girls and orphan boys in upper primary grades and School Meals infrastructure development and supply of utensils and fuel efficient stoves, monitoring and Evaluation including baselines to promote evidence based programming

School Feeding (Home Grown School Feeding, WFP)

Objectives: WFP transfer funds to schools, and they procure food from registered purchase for progress (P4P) farmers in their local areas. HGSF has a number of multiplier effects, beyond the benefits of school feeding, including stimulating local markets and promoting diet diversity

Ministry: Ministry: Ministry of Education, Science and Technology

Time-frame: 2012- N/A

Districts: Mangochi and Phalombe

Target mechanism: Schools in food insecure districts and low education performing districts. In addition, there needs to be the potential for production of diversified food commodities

Beneficiaries: 10,200 students in 10 schools. To be scaled up to 79 additional schools in Mangochi, Salima, Dedza

Benefit: Free school meals to children in targeted schools. Cash is given to schools to purchase foodstuff from local farmers.

School Feeding (Nutrition and Access to Primary Education)

Objectives: The objective is to contribute to the improvement of the nutrition situation of primary school children. The main aim of the project is to support the MoEST to realize the National School Health and Nutrition Strategic Plan.

Ministry: Ministry of Education, Science and Technology

Time-frame: 2012-2015

Budget: € 2,158,515 (2012-2015)

Expenditure: € 265.000 (2012- June 2014)

Educational districts: Balaka, Chiradzulu, Chitipa, Dedza, Dowa, Karonga, Kasungu, Lilongwe Rural East, Lilongwe Rural West, Lilongwe Rural East, Machinga, Mchinji, Mulanje, Mwanza, Mzimba South, Nkhata-Bay, Nkhotakota, Nsanje, Ntcheu, Ntchisi, Phalombe, Rumphi Simayewa

Beneficiaries: 52.000+ student in 40 schools

Benefit: NAPE primarily focusses on capacity building

Farm Input Subsidy Programme (FISP)

Objectives: Reduce poverty and ensure the country's food security by enhancing farmer productivity, income and increasing crop yields

Ministry: Ministry of Education, Science and Technology

Donor: DFID, Norwegian Government, European Union, Irish Aid, IFPRI

Time-frame: 2005/06 – N/A

Donor contribution (2013/14): $ 17.930.186

Government contribution:

Expenditure: MK 61.296.417.600 (2013/14); MK 50.000.000.000 (2014/15)

Districts: Nationwide

Targeting mechanism: Community targeting followed by the proxy means test. Target criteria: 1) Malawians who own cultivated land 2) Bona fide residents of their villages 3) One beneficiary per household 4) Priority to vulnerable groups. District Agricultural Development Officers (DADOs) and local community leaders select the beneficiaries

Beneficiaries: 1,500,000 households (718,233 male headed, 674729 female headed, 107,038 unidentified)

Benefit: 4 vouchers: base fertilizer, urea, maize & legume seeds (beans, cow peas, pigeon peas, groundnuts, soya) plus access to agricultural extension workers