



Executive Summary

External Evaluation of the Mchinji Social Cash Transfer Pilot

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KUFUNA KUMVETSA
MCHINJI CASH TRANSFER



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Social Cash Transfer Scheme (SCTS)

Social Protection is the second theme in The Malawi Growth and Development Strategy (MGDS), which is Malawi's approach to poverty reduction through five thematic areas: Economic Growth, Social Protection, Social Development, Infrastructure Development, and Improved Governance (Ministry of Economic Planning and Development. 2006). The Social Cash Transfer Pilot Scheme (SCTS) was designed as an instrument of Social Protection to alleviate poverty, reduce hunger, and improve school enrolment among beneficiaries in the poorest 10% of households in Malawi through regular and reliable cash transfers. As a decentralized scheme, the SCTS is implemented by the Government of Malawi at the level of the District Assembly. At the national level, the Ministry of Women and Child Development (MoWCD), the Ministry of Economic Planning and Development (MoEP&D), and the United Nations Children's Fund (UNICEF) provide technical assistance to the District. The SCTS is financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria through the National AIDS Commission (NAC). By April 2008, 2,878 households were receiving monthly transfers with total program expenditures at MK6.1 million (US\$43k) per month.

Evaluation of SCTS Operations

From March 2007 to March/April 2008, Boston University and the Centre for Social Research at the University of Malawi conducted a longitudinal study using mixed quantitative and qualitative methods in order to examine the SCTS. Funded over two years by the United States Agency for International Development and by the United Nations Children's Fund¹, the External Evaluation of the Mchinji Cash Transfer serves as a mechanism to generate information on the scheme as a component of Social Protection in Malawi. The Evaluation is comprised of three reports (Impact Evaluation, Operations Evaluation, and Targeting Evaluation).² The main objective of the reports is as follows:

- The Impact Report examines the impact that cash has on intervention versus comparison households at multiple levels (among children and adults, households and communities)
- The Operations Report examines the implementation of the SCTS, which determines whether the program will meet its objectives of alleviating poverty and hunger.
- The Targeting Report examines the targeting methodology used to identify and approve cash transfer recipients and the outcomes of the approach

The Evaluation was designed to provide 'real-time' feedback for programmatic improvements; and anticipate the scheme's future needs. The evaluation serves as a (1) source of evidence to help policymakers, donor partners and other stakeholders in Malawi make informed decisions (2) as a tool to help program implementers improve upon current activities and (3) as a resource for stakeholders globally who are interested in a SCTS in sub-Saharan Africa. Findings from each report should be read with an understanding of the issues and findings from the other two reports.

Impact

At baseline in the Impact Evaluation, 56% of household heads were 65 years or older and 64% were female. Among household heads, 55% had never attended school and 68% were illiterate. Among all beneficiaries in SCTS households, 60% were children, while 62% of children were orphans. At baseline, 50% of households were caring for orphans while 35% contained someone that had been sick for one month or more. More than 80% of households had expenditures below the poverty line. Forty percent of households had no adult aged 19-64 able to support dependents, while the dependency ratio was on average 3.2 so that one adult was supporting more than three dependents.

¹ USAID Y1:US\$220,730; UNICEF Y1: US\$80,836, Y2: US\$148,954

² Project reports are available online at <http://childresearchpolicy.org>

In the face of ultra poverty and socio-demographic vulnerabilities, the SCTS appears to be an effective instrument of social protection that, in the short term, allows beneficiary households to protect themselves from economic, demographic, and seasonal shocks; improve nutrition and food security; and increase asset ownership and expenditures on basic necessities. Beneficiary households in Mchinji used the SCTS to reduce poverty and hunger and improve school enrolment. Additional improvements from the baseline in March 2007 and the follow up in April 2008 between intervention versus control households include the following³:

- Improved health with fewer reported sicknesses among adults and children
 - 7.9 percentage point difference in reported sicknesses per month in adults
 - 10.9 percentage point difference in reported sicknesses in children of all ages
 - 2.2 percentage point difference in wasting; 4.2 percentage point difference in stunting; and 10.5 percentage point difference in underweight is under-five year olds
- Greater demand for healthcare for children and adults and higher healthcare expenditures
- Increased expenditures on children's schooling, resulting in higher enrolment and fewer absences
 - MK333 per child and MK1,049 per household difference in monthly school expenditures
 - 4.9 percentage point difference in school enrolment for 6-17 year olds
 - 0.9 percentage point difference for mean number of days absent
- Reduction in child labour
 - 10.7 percentage point difference in children that work in someone else's home
- Significant accumulation of household and productive assets, basic necessities, and livestock
- Increased agricultural production, with greater food stores
- Improved food security, including higher food expenditures, fewer missed meals, fewer days without adequate food, and greater food diversity
 - Difference in food diversity of three food groups consumed per week
 - MK3,125 difference in monthly food expenditures

Operations

Despite the impressive impacts, over the course of the evaluation, we find a continuous tension between (1) a cash transfer scheme with limited expenditures on operations designed to be affordable in resource-poor countries and (2) the need for a scheme where the systems, technology, staffing and resources necessary for successful implementation are available. We advocate on the side of minimizing operational expenditures, yet building the systems necessary to implement an efficient SCTS scheme that maximizes the impact on program recipients. The SCTS is currently reaching 2,878 households and operating at MK6.1 million (US\$43,732) per month. However, in Mchinji, the SCTS will scale up to 11,400 households and MK26 million (US\$185,714) by June 2009, and Mchinji is only one of seven districts where the scheme is operational in Malawi. While the limitations at the various levels are palpable, overcoming them is not only critical to the SCTS as a component of poverty reduction, it is the way forward for the overall successful implementation of all Social Protection policies and the Malawian Growth and Development Strategy.

In Mchinji, the District Assembly (DA), with support from the central ministries and UNICEF, must manage the process of identifying beneficiaries; disburse monthly cash payments to thousands of households over hundreds of miles; administer programmatic changes; and monitor and report on all

¹ In further documents, we will present regression analyses where we examine determinants of outcomes (i.e. The size of the transfer, household size, etc.) and potential intervening factors (i.e. age and gender of children or adults etc.) to explain the differential impacts that occurred. We will also examine outcomes in different types of households, such as households headed by People Living with HIV/AIDS, elderly only, elderly with orphans, female-headed, and child-headed households.

activities. This occurs in a context where the DA has limited staff, resources, and technology, and no experience managing this amount of cash on a monthly basis. Also, the SCTS utilizes a community-based targeting system to identify the poorest households, rather than sophisticated data sources and automated systems, which are common in more developed countries. The major challenges include the following:

- SCTS oversight by central ministries and the DA has been inadequate, resulting in a lack of accountability for some operations.
- At the District, skill and management deficits persist such that the system does not sufficiently support the expanding SCTS. The DA has human resource shortages, lacks alternate or backup plans, and needs upper-level support and technical assistance.
- The District has not implemented important SCTS activities. The SCTS budget and log frame allocates 0.88% of all SCTS funds for administering changes among beneficiary households and 0.59% of the budget for M&E. However, in reality, less than 0.005% of overall costs were utilized for either of these activities between Sept 06 and Dec 07. The District's monitoring of the financial system and village level activities has been inadequate.
- Within the financial management system, the two major concerns are (1) delays in moving money from the National AIDS Commission (NAC) to the District and (2) irregularities within accounting files and records. While we found irregularities, they account for only 0.3% of total program expenditures (it is not clear whether this leakage is due to accounting errors.) This contrasts with Social Protection programs from other countries, where irregularities account for a few percentage points to as much as a third of the program budget. However, we also found evidence of fraud (SCTS recipients misleading their true situation). Most importantly, the mechanisms needed to identify, measure and prevent fraud, errors and corruption are inadequate.⁴
- At the community level, we find instances of corruption among Community Social Protection Committees (CSPC), rather than a corrupt system (76% of recipients are correctly targeted); however, CSPCs are rarely monitored and, while training of community volunteers is improving, is still inadequate.
- We observed important limitations to the current system of targeting and approvals. One critical limitation is the lack of information on the number of households in villages and the demographic and economic characteristics of these households. For example, estimates of the total number of households per village have been off by 25%.

Recommendations to improve SCTS operations include the following:

- **Scheme Management:** Establish a District Social Protection Secretariat to coordinate and manage all social protection activities at the district level. The District Social Protection Officer requires the action-oriented management tools, data, technology and other resources needed to operate a district-wide cash transfer scheme.
- **Create new positions:** Central ministries must take the steps necessary to help build district-level capacity, which entails creating new positions (1) District Social Protection Officer (2) Data Management /Technology Support Officer; and filling vacant posts at the DA that are essential to the SCTS, including (1) M&E Officer (2) Typists and (3) Additional Accountants.
- **Staff and Capacity Building at District Level:** National stakeholders, supported and in partnerships with international partners, donor agencies, and NGOs, must deliver on their mandate to build local capacity for management and SCTS implementation.
- **Implement all SCTS Activities:** SCTS activities, such as administering changes in beneficiary households and conducting M&E, are critical to the successful implementation of the scheme, yet

⁴ According to Martha Grosh of the World Bank, fraud, errors and corruption are inevitable but can be contained with strong systems and processes to 'measure, prevent, detect, and deter'.

are often overlooked due to competing demands. While all SCTS programs must guard against fraud, errors and corruption; the SCTS can reduce these by implementing adequate systems to 'measure, prevent, detect and deter' irregularities (Grosh, et. al, 2008).

- **Automation of Files:** Immediate uptake of the automated database is essential to managing beneficiary data. While there is a misconception that automation will increase the workload, the consensus at the DA is that automation is the only way forward.
- **Improvements in Program Design:** Reduce the subjective nature of the targeting criteria. Do a Household Listing that captures basic economic and demographic data, would yield information on poverty levels by villages throughout the District.

Targeting

The SCTS in Malawi uses a **community based, multi-stage, participatory targeting process**, which enables community volunteers to determine which households in their villages are the poorest, as well as labour constrained. The scheme's Manual of Operations provides "proxies" of poverty for community members to consider (e.g. the poorest households eat only one meal per day). Governments target benefits to specific households or individuals in an effort to direct limited resources to the most impoverished in order to improve health, human development, and economic security among these ultra poor groups. However, reaching the destitute and ensuring that they are the primary recipients of transfers is a considerable challenge. Throughout the world, schemes vary in their ability to target the poorest households. Coverage of the poorest households ranges from 1% to 72% (Fiszbein, Schady et. al., 2008) and the tradeoff for targeting accuracy is higher program costs. We used mixed methods and multiple data sources to determine the following:

- The concepts of ultra poverty and labour constrained from the Manual of Operations are not clearly understood at the village level during the targeting process; while they yield disparate results during data analytics. At the village level, the lack of clarity in the targeting process means that a CSPC can select households that meet the criteria they learn in training, while excluding the poorest households. During program planning, the lack of clarity means that it is difficult to estimate how many households actually fit the program criteria.
- Based on analysis from several data sources, we find that the percentage of households that are ultra poor and labour constrained in Mchinji are above the national average. Although 13% of households in the four TAs in Mchinji were receiving the transfer in June 2007, additional households met the ultra poor and labour constrained criteria. Thus, the cut-off point for the SCTS should be set using district-specific national data, poverty maps, and household listing data.
- Depending on which definition of poverty is used, we calculate that an additional 6%-10% of households should be added to cover all eligible households. Thus, the SCTS must cover 16%-20% of all households to reach all those that meet the eligibility criteria.
- Given that non-SCTS, but eligible households exist, regardless of how ultra poverty is defined, SCTS coverage among the ultra poor and labour constrained (in the lowest expenditure quintile) is not 100%, but closer to 62%. This coverage rate is within the range of programs globally and among some of the more progressively targeted schemes (Fiszbein et.al. 2008).
- We used the Targeting Evaluation dataset and the Impact Evaluation datasets to determine that inclusion error is between 22% to 34% depending on the location within the District. Again, this is within global standards, but still the SCTS could yield better results.

Recommendations to improve SCTS targeting include the following:

- **Estimate poverty levels by district:** Use national data or existing poverty maps to determine district poverty levels. Then confirm rates with empirical evidence collected during household listings in each district.

- **Conduct door-to-door household listings:** These will capture basic economic and demographic data and can be used to determine the number of households in each VDC and generate a registry of ultra poor and labour constrained households based on non-subjective criteria.
- **Better define targeting concepts:** The concepts of ultra poverty and labour constrained must be better defined so that SCTS trainers and CSPCs have more guidance in selecting eligible households. For example, ultra poverty is operationalized by a “lack of asset ownership” then the assets should be those that most people own (e.g. hoe or plate), and the ultra poor do not own
- **Mobilize District Staff:** All stakeholders, including extension workers, village leaders and others must be mobilized to actively participate in the SCTS.
- **Improve monitoring and quality of CSPCs:** Greater accountability and internal control throughout the District Assembly is needed to ensure quality training of CSPCs and monitoring of CSPC activities.
- **Improve processes of electing and training CSPCs:** CSPC must be improved so that each process is systematic, transparent and so that CSPCs and village leaders understand their role in the SCTS and implement the activities they are trained for.
- **Implement a scoring system:** A scoring system should be implemented, whereby households ‘earn’ points for their poverty and demographic vulnerability (lack of labour) in order to remove some of the subjectivity from the identification and ranking process and streamline selection of SCTS recipients. CSPCs could use this information and apply local knowledge as they decide which households near the cutoff are the most in need.
- **Implement all SCTS activities as required:** The DA has overlooked important activities such as administering changes and monitoring and evaluation.
- **Utilize the IHS3:** As the National Statistics Office implements the IHS3, stakeholders should work together to include questions and indicators that will assist in 1) planning for social protection programs 2) estimating key concepts such as ultra poor and labour constrained and 3) be used to evaluate the targeting of SCTS and other programs.

Throughout the world, the majority of countries have some form of social protection developed to provide economic support in times of need (International Social Security Association, 2005). While social welfare protection, in the form of insurance and assistance programmes, emerged in Europe in the 1800s to serve as an economic safety net during periods of illness, old-age, economic hardship, and other shocks (Palacios & Sluchynsky, 2006); impoverished populations throughout Africa are still today facing a social protection vacuum when both formal programmes and informal practices fail to protect families in need. However, the SCTS helps to fill this void. It is highly feasible for the DA, with national level support, to implement the SCTS. Moreover, for only US\$13 per household, beneficiaries experience impressive impacts. This evaluation of a SCTS in Southern Africa adds to the growing evidence base where policymakers are recognizing that social protection is an important component in fighting poverty and responding to families overwhelmed by disease and other shocks (Barrientos & DeJong, 2004; Bourguignon, Ferreira, & Leite, 2002; Chronic Poverty Research Centre, 2005; Skoufias & di Maro, 2006). Throughout Africa, social protection programmes could well be the mechanisms that enable families to economically survive and build a future.

In summary, the wide scope of positive impacts from the SCTS strongly argue for its inclusion as a tool within the National Social Protection Policy, and the Malawi Growth and Development Strategy, Malawi’s approach to poverty reduction.

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