Protecting the ultra poor: lessons from Malawi's social cash transfer pilot.

Cash payments are the basis of welfare systems in most parts of the world. Following well documented impact studies in Latin America during the late 1990s, there has been growing interest in introducing 'Social Cash Transfers' (STCs) in some of the poorest countries of sub Saharan Africa. In 2007, the Government of Malawi introduced a pilot STC programme, targeted at ultra poor households without productive, able bodied adults'.

Evidence for Development and Chancellor College, University of Malawi, were commissioned by the government's Vulnerability Assessment Committee to evaluate the pilot SCT programme. In June 2008 a random sample survey of 212 households in Mlomba TA, Machinga District was conducted to gather data on household income, asset holding and other variables. A full report describing the method used and the survey findings is available.[1]

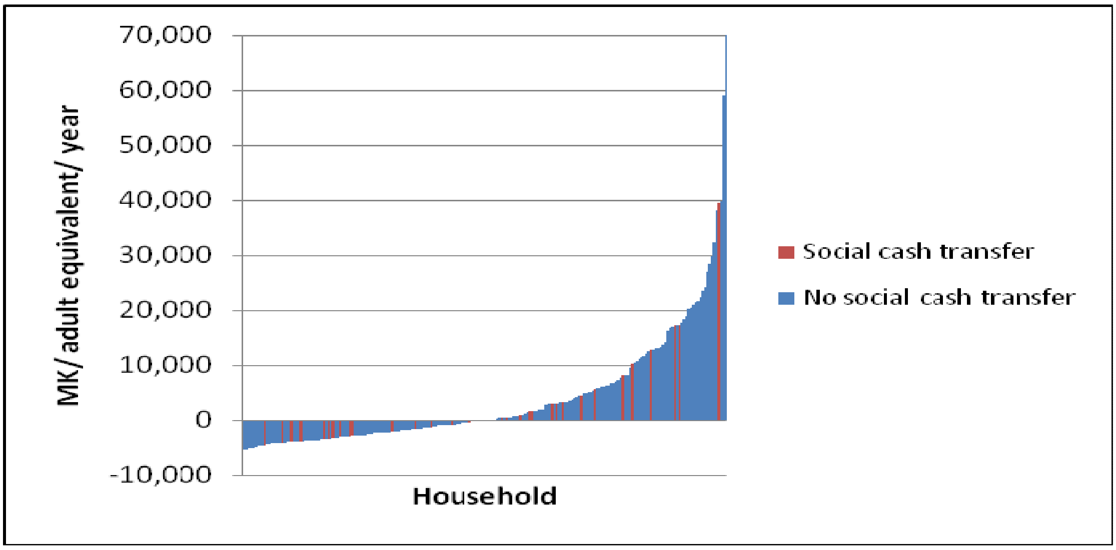
There are two main difficulties in designing an SCT programme targeted at the poor: i) accurate identification of the target households. In this programme households were selected to receive SCT by community committees; ii) setting a reasonable level of support as the amount required to meet the objective will depend on the actual income of each household.

The main survey findings were that the SCT programme failed to reach its intended beneficiaries in an overwhelming majority of cases. Targeting was poor, the size of the transfer was often inappropriately large and the programme failed to meet the original policy objective of assisting the poorest groups. It may also be socially divisive.

Targeting

The relationship between income and household selection to receive a SCT was found to be effectively random. Of 34 households selected to receive the SCT, only 4 (11.8%) met the programme's targeting criteria, ie they were both utra poor (defined as the poorest 22%) *and* labour constrained. 6 of the selected households met the ultra poor criterion and 17 met the criterion of being 'labour constrained'

Figure 1



[1] Seaman J, Petty C, Kambewa P *The Impact on Household Income and Welfare of the pilot Social Cash Transfer and Agricultural Input Subsidy Programmes in Mlomba TA, Machinga District, Malawi* (Government of Malawi/MVAC June 2008) see www.evidencefordevelopment.com

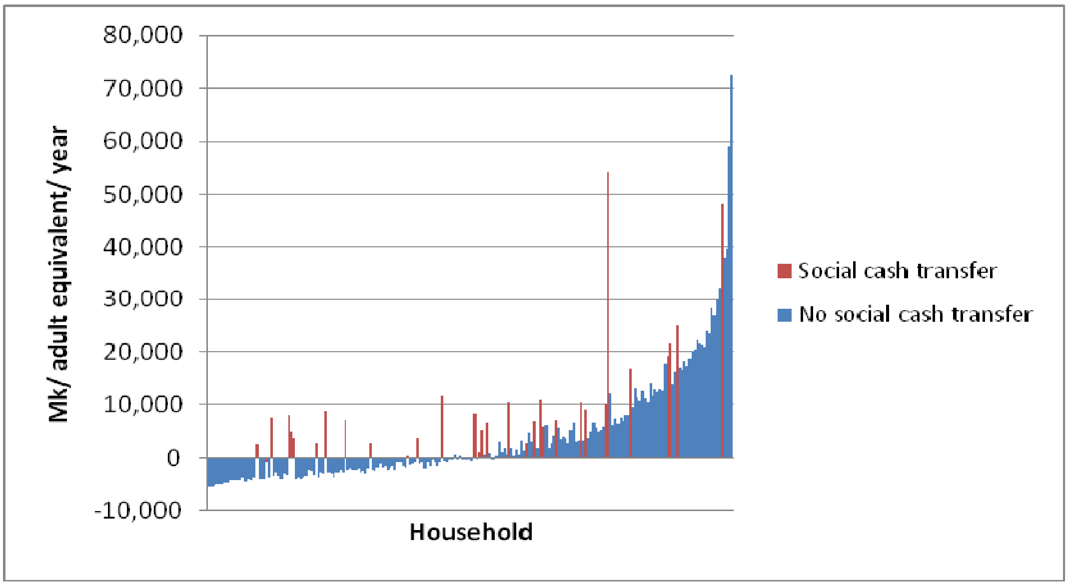
Figure 1 shows the income distribution in the study households. Income is shown as the money remaining after the household had met its food energy needs from its own food production or by purchase - households with negative income do not reach even this level. Households selected to receive the SCT are identified in red. Any SCT payment received in the study period was omitted from income i.e. the household income shown approximates the income of households at the time the targeting was done.

The amount of money distributed

The amount of money distributed to selected households was calculated from the number of people in the household, with additional payments for children at primary and secondary school.

In the pilot programme the amount received was large relative to actual household income. Figure 2 shows the effect of a full year's STC on households receiving the transfer i.e. the data in Figure 1 + a full year of cash transfers. For many households the SCT more than doubles the household disposable income – the obviously large value is a household with a single 60 year old person receiving an inappropriately large payment.

Figure 2



The results highlight the importance of accurate, current household data in designing and evaluating programmes intended to mitigate poverty. Software developed by Evidence for Development was used for data analysis.[2]

[2] For further information on analytical methods see www.evidencefordevelopment.com