

Malawi Social Cash Transfer Programme Impact Evaluation: Household Economics and Resilience at Baseline



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Introduction

The Government of Malawi's (GoM's) Social Cash Transfer Programme (SCTP) is an unconditional cash transfer programme targeted to ultra-poor, labour-constrained households. Households are defined as labour-constrained if each member who is fit to work supports more than three people who are not fit to work. The impact evaluation for Malawi's SCTP is government led, and is being implemented by The University North Carolina at Chapel Hill and the Centre for Social Research at the University of Malawi. The impact evaluation uses a mixed methods longitudinal, experimental study design, combining quantitative surveys, qualitative in-depth interviews, and focus group discussions. The quantitative evaluation consists of a baseline survey with two follow-up surveys implemented in two Traditional Authorities each in Salima and Mangochi districts. The quantitative sample size is 3,531 households while the qualitative sample consists of 16 treatment households, four households in each study TA. The purpose of this brief is to describe how SCTP-eligible households support themselves and manage to cope with shocks at baseline, before receipt of the cash transfer.

Social cash transfers (SCTs) can be an important instrument for enhancing the capabilities of ultra-poor households to promote and maintain their livelihoods, especially in the face of external shocks. The concept of *resilience* for households or individuals refers to the capacity to withstand and

overcome shocks and stressors. This concept is quite important for ultra-poor households whose primary sources of livelihood are affected by factors outside their control such as rainfall, disease, or economy-wide shocks, like inflation. The ability to withstand shocks is even more important for SCT beneficiaries because they are labour constrained and their ability to generate more income to cope with shocks is very limited. While there is no established gold standard for measuring resilience, many of the indicators proposed to measure resilience are also available in the SCT evaluation data and so are described in this brief. These include sources of livelihood, assets, access to other sources of support, such as safety nets, credit or remittances, and coping strategies.

Livelihoods

SCTP-eligible households are engaged in a variety of activities to support their livelihoods including agriculture, *ganyu* or informal labour, and self-owned (non-farm) enterprises; however, one notable expectation is fishing. Even though both Salima and Mangochi border Lake Malawi and fishing is a common source of work, just one per cent of households engage in fishing activities. The lack of fishing households in our sample is surprising. It is possible that fishing is a more labour intensive activity, making it a difficult livelihood for the demographic living in SCTP-eligible households. Furthermore, fishing could be a lucrative profession in the community and fishing households may be too well off to qualify for the SCTP.

SCTP livelihoods revolve largely around agriculture, particularly crop production. In the previous rainy season, nearly the whole sample (96 per cent of households) reported either owning and/or cultivating land as shown in Table 1. Additionally almost all of these agricultural households (90 per cent) are landowners with an average household plot(s) size of 1.5 acres. Crop production is generally rudimentary, and therefore few households use inputs such as irrigation and pesticides, with the exception of chemical fertilizer. Over two-thirds of SCTP cultivating households use chemical fertilizer, which can be attributed to the high proportion of households receiving fertilizer vouchers (54 per cent) from the Farm Input Subsidy Programme, better known by its acronym, FISP.

Table 1. Household Productive Activities (last 12 months)

Households with adult in wage employment (per cent)	5.5
Household with adult in <i>ganyu</i> labour (per cent)	57
Average days a year of <i>ganyu</i> labour per HH (mean)	90
Average <i>ganyu</i> wage per day (MWK) ¹	541
Households with non-farm enterprise (per cent)	23.1
Owned and/or cultivated land (last rainy season) (per cent)	95.6
Sold any crops (per cent)	22.7

¹ MWK= Malawi Kwacha

The most important crop for SCTP-eligible households is maize, grown by virtually all producing households, followed by pigeon peas, groundnuts, and rice and pumpkin (nkhwani). Although crop production was mainly used for household consumption, about a quarter of households also sell crops—most importantly maize, groundnuts, and pigeon peas. However, it is not clear when households are selling crops; if households are selling crops such as maize when prices are low in order to get cash, this could be a negative behaviour and contribute to food insecurity later on.

After agriculture, SCTP-eligible households support their livelihoods by working in the labour sector, predominantly in informal or *ganyu* labour. As seen in Table 1, the majority of households (57 per cent) have had at least one adult (age 18 to 65) participate in *ganyu* labour in the past 12 months, but only about 6 per cent of households have had an adult work in the formal wage sector. The average reported *ganyu* wage is MWK 541 per day (about US\$1.64)¹ and households with adults working *ganyu* tend to work around 90 days annually, which would make the average annual household income from *ganyu* MWK 48,690 (US \$148).

Lastly, nearly a quarter of households also operate a non-farm enterprise to support their livelihoods. Most households are petty traders selling whole food items like cassava or cooked items like *mandazi* (fritters). Other main household enterprises include selling charcoal, firewood or crafts. These enterprises are almost exclusively run by household members and tend to be profitable. In the last month of operation, SCTP-eligible households were more likely to report profits than losses with an average monthly profit of MWK 2,498 (about US\$7.57).

Assets

Despite being almost an entirely agricultural sample, not many households own basic agricultural implements, again highlighting the rudimentary nature of crop production.

¹ Conversion rate of \$US 1 to MWK 330 from August 2013

Table 2. Asset Ownership—Agricultural and Livestock (per cent)

	Owned Asset	Purchased Asset in last 12 Months
Agricultural Implements		
Hand hoe	86.9	5.9
Axe	13.6	0.3
Panga knife	23.3	0.6
Sickle	18.4	0.9
Livestock		
Calf, cow, bull, ox	0.25	0.04
Goat and/or sheep	9.9	1.2
Pig	0.35	0.14
Chickens	15.5	3.7

Table 2 lists common agricultural and livestock assets and it is clear that, with the exception of hand hoes (owned by 87 per cent of households), few households own other agricultural implements such as an axe, a sickle, or a panga knife. Moreover, these assets are not new since nearly none of the sample purchased these in the past year. Livestock ownership is also paltry; even fewer agricultural households own any livestock. Chickens, followed by goats/sheep are the most common animals to own, but ownership of other larger livestock, like cows and pigs, is less than one per cent.

Safety Nets, Transfers, and Credit

While SCTP-eligible households make efforts to support themselves through these productive activities, they also are given some support from unconditional cash or in-kind transfers and with conditional or contractual aid-like loans. Social safety net programs in Malawi seek to prevent the poor and vulnerable from falling below a certain poverty level, therefore, it is understandable that about 70 per cent of SCTP-eligible households are receiving at least one type of assistance from governmental or non-governmental programs. Using the sample of rural ultra-poor households in Malawi's Third Integrated Household Survey (IHS3) as a comparison, only 22 per cent of households reported receiving assistance. This difference can likely be explained by the exclusion of FISP in the IHS3 survey. As shown in Table 3, FISP is the largest source of assistance for SCTP-eligible households – 54 per cent of households receive vouchers for fertilizers or seeds. The other most common safety net programs include free maize and the school-feeding program. The top five safety net programs received by the SCTP eligible households are all tied to the provision of food, either through giving maize directly or through cash-like instruments (food stamps, coupons) that may be used to purchase food.

Table 3. Assistance Received from Safety Net Programs and Personal Transfers (past 12 months) (per cent)

	SCTP-Eligible	IHS3 Rural Ultra-poor
Safety Net Programs (Governmental or Non-Governmental)		
Received any assistance	69.8	22.0
Vouchers for fertilizers /seeds (FISP)	53.5	N/A
Free Maize	16.3	3.1
School Feeding Program	14.7	14.7
Free Food (other than Maize)	14.3	0.5
Food/Cash-for-Work Program	7.5	1.9
Personal Transfers		
Receiving transfers	82.4	22.3
Making transfers	30.8	12.4
Amount received (MWK) (mean)*	60,956	66,330
Amount given (MWK) (mean)*	12,943	62,318

* In August 2013 Malawi Kwacha.

Programs like these are targeted towards SCTP-eligible households because they support households that have trouble with adequate consumption and nutrition, a major characteristic of the SCTP-eligible households.

While programme support is common among SCTP-eligible households, even more households are given assistance from people close to them. Table 3 also shows that in the last 12 months, 82 per cent of SCTP eligible households received either direct cash or in-kind transfers from family, friends, or community members with an average value of MWK 60,956 (US\$185). Nevertheless, a sizable proportion of them (31 per cent) are also making transfers out of the household with an average value of MWK 12,943 (US \$39). It might seem to go against their own self-interest for such poor households to reach from their pockets to give to others, but it is not uncommon for households to support family and community in their times of need, and it might be a way of securing support for themselves in the future. In the IHS3 comparison group, however, only 22 per cent of households received transfers and even fewer (12 per cent) gave them, but the amounts given and received were much more equivalent.

For additional briefs on Malawi's SCTP, visit www.cpc.unc.edu/projects/transfer/countries/malawi.

In addition to transfers, households may use loans and credit purchases to smooth consumption and maintain welfare. Table 4 shows that 27 per cent of households currently hold a loan, although 7 per cent had a previous outstanding loan. Almost three-fourths of loans are taken out from neighbours or relatives, and the top two reasons reported for taking a loan are consumption and health expenses. Moreover, 30 per cent of the SCTP sample has actually made purchases on credit, and the most common items purchased are food for consumption (90 per cent), followed by health services (5 per cent). Thus, households' choice to enter into debt is primarily driven by the need to smooth consumption, likely due to idiosyncratic shocks such as food or other consumption needs, and ill-health.

Additionally, the credit module also obtained information about a household's credit constraints, whether they are able to receive the loans or credit that they desire. Table 4 shows that 44 per cent of households are credit constrained for loans, meaning that they wanted a loan but do not have one.

Table 4. Loans and Purchases on Credit

Had Loans	
Had loan from more than 12 months prior, not paid off (per cent)	6.9
Amount outstanding if had loan from more than 12 months prior (median MWK)	2,000
Have recent loan (last 12 months) (per cent)	26.8
Amount borrowed if have recent loan (last 12 months) (median MWK)	2,000
Amount outstanding if have recent loan (last 12 months) (median MWK)	1,000
Source of loan (last 12 months) (per cent)	
Neighbour or relative	73
Village saving and loan programme	13
Other	14
Reason for loan (last 12 months) (per cent)	
Consumption	64
Health	15
Other	21
Constrained (loans)	44.4
Purchase on Credit (last 12 months)	
Have made purchases on credit (per cent)	29.7
Amount of purchases on credit (median MWK)	1,000
Amount of credit paid back (median MWK)	500
Constrained (credit) (per cent)	69.3

Reasons for this could be because they do not have enough collateral, or they have a loan now but would have borrowed more money if they could. Furthermore, 69 per cent of households are constrained when it comes to purchases on credit. The three most common reasons for not asking for credit are of lack of collateral, belief that they would be refused, and credit not available in community. It will be interesting to see whether participation in the SCTP improves the position of the household in the loan and credit market, effectively enabling them to access more goods or cash in order to better cope with shocks or meet other large obligations.

Shocks and Coping

Finally, household welfare can be negatively affected by adverse shocks, such as drought or death of a household member, and families may have to make adjustments to cope and restore their livelihoods. Table 5 highlights how SCTP-eligible households experience a substantial number of adverse shocks. The average household experienced over two shocks in the past year and some households had as many as nine. The most frequently reported shock in the previous 12 months (approximately July 2012 to July 2013) was unusually high food prices as reported by 83 per cent of SCTP-eligible households. The next two most common shocks were drought and/or irregular rains, then unusually high costs of agricultural inputs.

These main shocks suggest an inter-related nature of problems facing SCTP-eligible households, particularly since they are almost entirely poor agricultural households. In particular, food supply would decline as a result of poor weather conditions, thus increasing food prices. Coupled with unusually high costs of inputs, which would also contribute to higher food prices, the effect of the food shortage would be compounded, resulting in the widespread effect of high food prices. Overall, food security is a major issue for SCTP-eligible households, despite the fact that most households receive support from safety net programs specifically for food.

Households typically have to adjust behaviour or seek help to smooth consumption and maintain welfare after these shocks. Table 5 shows the top coping strategies used to deal with various shocks. SCTP-eligible households primarily report relying on unconditional help from relatives and friends. Many households also report changing eating patterns, relying on either governmental or non-governmental programme assistance, and relying on their own savings. In comparison,

Table 5. Household Experience with Major Shocks and Coping Strategies (past 12 months) (per cent)

	SCTP	IHS3 Rural Ultra-poor
Total Number of Shocks (mean)	2.5	1.6
Top Shocks Experienced by SCTP Eligible Households		
Unusually high food prices	82.8	30.4
Drought/Irregular rains	61.9	49.6
Unusually high costs of agricultural inputs	44.3	27.1
Top Coping Strategies Used by SCTP-Eligible Households		
Unconditional help from relatives or friends	30.7	12.6
Changed eating patterns	21.0	3.4
Unconditional governmental or non-governmental assistance	19.2	3.1
Own-savings	18.2	23.2

ultra-poor rural households from the IHS3 were more likely to rely on their own savings, but much less likely to receive unconditional help either from friends or relatives, or any type of programme assistance. Also, very few IHS3 households changed their eating patterns, which is likely because food prices were not as much of a shock for them.

Summary

Overall, SCTP-eligible households are agricultural-based but are not self-sufficient. The previous year was particularly hard on household welfare with high food prices and poor agricultural conditions that greatly enhanced food insecurity. Government and non-governmental programs were able to reach these households and targeted food consumption, but SCTP eligible households were still very reliant on their relatives and community to support them in the past year. Many households are also credit constrained, but households that have access to loans or credit purchases mostly use the money for food consumption or health purposes. Therefore, the role of the cash transfer will be very important in improving household consumption and maintaining general welfare, especially in the face of shocks. Households may become more self-reliant and resilient if the cash transfer enhances their ability to invest in productive activities, like crop production and non-farm enterprises.