

SOCIAL PROTECTION IN MALAWI

ASSESSMENT BASED NATIONAL DIALOGUE BRIEF

KEY POINTS OF THE SOCIAL PROTECTION ASSESSMENT

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

INTRODUCTION

In recent years, Malawi has pursued an ambitious agenda of economic and social development, and has taken steps to implement and extend social protection as one key element of this agenda through various programmes. Malawi's Growth and Development Strategy II 2011-16 (MGDS II) highlights the ambition to reduce poverty and food insecurity through a multidimensional strategy focussing on economic development, productivity enhancement, and providing a social safety net for its poor and vulnerable residents. The Malawi National Social Support Policy 2012-16 (NSSP) and Malawi National Social Support Programme (MNSSP) set the building blocks of the country's strategy in the field of social protection.

The MNSSP aims at bringing the multitude of social protection programmes under a common umbrella, based on a coherent framework and programmatic approach. The Government's objective of building progressively a national social protection floor as a fundamental element of a comprehensive social protection system is in line with the ILO Social Protection Floors Recommendation, 2012 (No. 202)

The Government has acknowledged that, despite the positive evolution in recent years, work is needed in the development of coherent institutional frameworks to allow the scaling-up of the programmes and to gradually create the conditions for the introduction of a rights-based framework. ILO was requested to provide technical advice with regard to analysing the current social protection system in terms of its sustainability, efficiency, and effectiveness. This brief summarizes the key findings of the assessment.

MACROECONOMIC AND FISCAL ENVIRONMENT

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

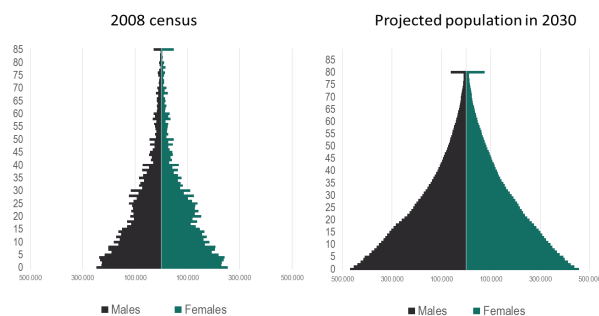
The reduction in foreign aid inflows in the aftermath of the *Cashgate* scandal and the time it will take to restore confidence should restrain the inflow of foreign aid for some time to come and change the type of the aid Malawi will receive, with less and less direct budget support.



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. 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.

FIGURE 1. POPULATION GROWTH



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

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

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

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 percent. Unemployment stood at 20 percent. Youth unemployment (15-34) was 23 percent. In addition, 27 percent of the employed population in Malawi was underemployed and works fewer hours than preferred.

Malawi's population overwhelmingly lives in rural areas (84.6 percent) and in 2011 only 15.4 percent of Malawians resided in cities or urban centres, making Malawi one of the least urbanized countries in Africa. At the same time Malawi is 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. 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. Other major cities are experiencing similar population growths.

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.

Studies emphasize that household size, education, access to non-farm employment, access to irrigation, proximity to markets, and access to good roads are key determinants of poverty in Malawi. 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) and have therefore been unable to move out of poverty.

The NSSP defines poverty as the failure of a household to attain a minimum acceptable consumption level of food and basic needs as defined by the poverty line. Poverty lines are thresholds of welfare, which can be measured as income, expenditure or consumption. Individuals with a welfare below that threshold are considered poor. In Malawi, an individual with a total annual expenditure of less than MK 37,002 is considered poor and those with a total expenditure lower than the food poverty line of MK 22,956 are considered ultra-poor.

While poverty and ultra-poverty is endemic throughout the country, there are regional disparities. The poorest districts have poverty levels almost twice as high as the wealthier ones. The poorest districts tend to be found in either the very north or south. As most Malawians live in southern districts, which are also the poorest, the majority of the poor can be found in the south. Malawi's poverty is predominantly rural as large percentages of rural Malawians live in poverty.

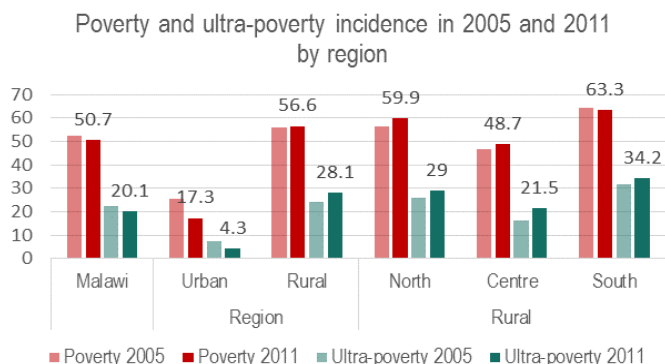
In 2011, 50.7 percent of the country's population lived below the national poverty line. There has been a significant reduction in poverty between 1998 and 2004. In recent years poverty reduction has slowed down and in-between 2004 and 2011 a reduction of less than two percentage points has been achieved. Using the international poverty line of USD 2.00 a day, about 81 percent of the Malawian population are poor.

Figure 2 shows poverty and ultra-poverty rates over time and by region, focussing on rural areas. 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. Sadly, the opposite can be observed in rural areas. With the exception of the rural south, the poorest region of the country, both poverty and ultra-poverty have increased in rural areas.

Poverty rates do not capture the "depth" of poverty and fail to distinguish between people living close to the poverty line and others with greater poverty. 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. The decline in urban poverty seems to be mirrored by a decline in the urban poverty gap. Poverty incidence and poverty gaps vary greatly in-between districts but those with the highest poverty incidence also tend to have very high poverty gaps.

FIGURE 2. HOUSEHOLD POVERTY AND ULTRA-POVERTY INCIDENCE IN 2005 AND 2011 BY REGION



The country's expenditure distribution is exceptionally flat and rises only very slowly in the first eight deciles. However, in the ninth decile expenditure increases drastically. It is important to note that a flat expenditure distribution significantly complicates poverty targeting as a large portion of the population has very similar expenditure levels. Distinguishing degrees of poverty based on such a flat expenditure distribution requires very detailed information on the households and sophisticated (hence costly) targeting mechanisms.

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

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

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.

SOCIAL PROTECTION PROGRAMMES IN MALAWI: DESIGN, COVERAGE, AND IMPACTS

SOCIAL CASH TRANSFER PROGRAMME

The Social Cash Transfer (SCT) is an unconditional cash transfer program targeted at households that are both ultra-poor and labour constrained. The SCT has the objective to reduce poverty and hunger among 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 beneficiaries. The SCT is implemented by the Ministry of Gender, Children, Disability, and Social Welfare (MoGCDSW). The SCT transfers an monthly average of MK 4,500 to beneficiary households.

Labour constrained households are defined by the ratio of members that are 'not fit to work' to those 'fit to work'. 'Unfit' in this context means being outside of economically active ages (below 18 or above 64 years), having a chronic illness or disability or being otherwise unable to work. A household is considered labour constrained if it has no members that are 'fit to work' or if the ratio of 'unfit' to 'fit' is bigger than three.

The programme uses a combination of community based targeting (CBT) and proxy means testing (PMT). Community members are appointed to the Community Social Support Committee (CSSC), which is responsible for identifying households that fulfil the eligibility criteria. The CSSC nominate about 15 percent of households per Village Cluster in order to achieve the transfer's target of a 10 percent coverage. A PMT then verifies whether potential beneficiaries are ultra-poor.

Since 2015, the SCT is implemented in 18 out of 28 districts and, at the end of 2015, the SCT reaches 159,857 beneficiary households.

Various impact evaluations found positive impacts on beneficiary households. Researchers observed improved health, higher healthcare expenditures and increased expenditures on children's education, higher enrolment and fewer absences, greater accumulation of household assets, productive assets and livestock, as well as increased agricultural production through the purchase of fertilizer and farm labour.

The implementation of the cash transfer is a complex undertaking with a multistage targeting procedure. Targeting of the ultra-poor is very difficult in a country with high levels of poverty and little inequality amongst the poorest and evaluations have found the SCT's targeting outcomes to be less than satisfactory. The complex targeting mechanism using a variety of poverty proxies raises general questions about poverty targeting in a country with a poverty headcount

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of around 80 percent in some districts and ultra-poverty rates as high as 50 percent in others. The combination of fixed 10 percent coverage rate regardless of the size of the eligible group, widespread and deep poverty as well as lack of easily understood eligibility and targeting criteria poses significant challenges towards targeting the poorest 10 percent.

At the current 159,857 beneficiary households the SCT has an estimated cost of 0.57 percent of GDP. Once the programme reaches its goal of 319,000 households, covering the 10 percent poorest labour-constraint households in each district, it is expected to cost about 1.1 percent of 2015/16 GDP (Author's own calculations). Currently, the SCT is overwhelmingly donor financed with the Government reportedly falling short of its 10 percent funding commitment.

SCHOOL FEEDING PROGRAMMES

Malnutrition is a significant problem in Malawi. In 2014, the WFP found that almost 40 percent of children aged 6-59 months are either moderately or severely anaemic. Studies have shown the disastrous effects malnutrition has on the development of physical and mental capabilities of children.

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. School meals are provided mainly by the Government, NGOs, and the WFP. The goal of all school feeding activities is to improve child nutrition, increase children's ability to concentrate in class, promote enrolment and regular attendance.

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

Districts and schools are targeted based on indicators of food insecurity, poverty, gender disparities in schooling, education outcomes, and malnutrition to ensure that the most vulnerable children receive daily school feeding. School feeding is not implemented nationwide and while there are districts where more than one implementer operates, there are as many districts without any activities. In 2015, about 24 percent of the 5,561 Malawian primary schools are covered by one of the school meal programmes.

There is robust evidence that school feeding can support learning in the classroom by relieving short-term hunger and reducing micronutrient deficiencies. Further, school feeding interventions are widely supported by research as mitigating

drop-out rates, improving attendance, and diminishing gender disparity in schooling.

The biggest challenge according to the Government is the timely procurement and delivery of the corn-soy blend, which is purchased on the central level and then distributed to the districts. Crucially, Government currently lacks M&E systems to adequately track implementation. For the WFP the main challenges are: limited investment by the Government and donors, weak coordination mechanisms, lack of M&E systems, lack of complementary interventions, inadequate participation of community members in key activities such as kitchen construction, as well as frequent transfers of teachers trained in school feeding activities.

School feeding is overwhelmingly donor financed but Government implements school feeding independently in 80 schools. The cost of all school feeding programmes is an estimated 0.99 percent of GDP (Author's calculation).

PUBLIC WORKS PROGRAMMES

Public works programmes (PWP), are programmes that provide regular payments to individuals in exchange for work, with the objective of decreasing chronic or shock-induced poverty and providing social protection. PWP are often considered appropriate for addressing transient poverty by employing workers whose livelihoods are disrupted by a seasonal, climatic or economic shock. They can be designed to be 'productive' by creating assets that reduce further poverty and vulnerability.

A number of PWP are implemented in Malawi and while their implementation differs in detail they share common approaches in terms of targeting and objectives, which are: transferring income to the non-labour constrained poor by providing limited employment opportunities. PWP mostly operate on a seasonal basis as a safety net during the non-farming season, where few income generating activities are available for poor Malawians. PWP focus on activities that are considered to support economic growth and increase resilience of local communities through for instance forestry and irrigation programmes.

In order to minimize inclusion errors, PWP use self-targeting. Wages are set to be equal or below market wages for unskilled labour to ensure that projects only attract labourers with few other income generating opportunities. Some PWP also use PMTs to verify the poverty status of applicants.

PWP in Malawi are implemented by the EU, the World Bank, through the Local Development Fund (LDF), and the WFP in cooperation with the Ministry of Local Government and Rural Development (MoLGRD). Around 1.2 million Malawians work in one of the PWP for at least some days. District

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coverage varies but the majority of districts benefit from at least three PWP.

A 2012/13 impact evaluation examined the impact of the LDF PWP on labour allocation, food security and use of agricultural inputs. The evaluation found that participation does not have a measurable short-term effect on lean season food security. The authors speculate that households may spread the new income over a large number of different expenses, making it difficult to observe increases.

Implementation challenges of PWP often emerge where programme design fails to adequately account for characteristics of the local economy. McCord (2005) finds the provision of PWP in the Malawian context of chronic poverty and seasonal under-employment to be a mismatch between problem and policy response. In particular, setting public works wage below the minimum wage or *ganyu* daily rate is unlikely to have a positive impact on poverty. The opportunity cost of participation further reduces the net value of income earned on PWP. Therefore PWP may be an inefficient tool to transfer income unless the assets created have a high socioeconomic value. The comparatively low cost-effectiveness of PWP poses a challenge to a social protection system that relies heavily on such programmes and aims at high levels of coverage.

PWP are the second most expensive social protection programmes implemented in Malawi, which is a result of the large number of beneficiaries and the complexities involved in implementing PWP. Research shows that PWP are often expensive and difficult to administer. The LDF PWP, for instance, has a wage to non-wage costs ratio of 60:40. All Malawian PWP cost an estimated 0.9 percent of GDP (Author's calculation).

VILLAGE SAVINGS AND LOANS PROGRAMMES

In Malawi poverty is more widespread in rural areas and rural economies are characterized by long time spans between harvests, uncertainty and weather dependency, making the ability to smooth consumption, to access credit, and to employ risk coping strategies very important. Recently, there has been a significant increase in access to financial services through the growth of the microfinance industry. However, these institutions often underserve rural communities. These gaps tend to be filled by community level arrangements, such as Village Savings and Loans associations (VSL), which are groups of people who pool their savings in order to have a source of lending funds. VSL groups combine a variety of services normally provided by the formal financial market, including savings accounts, access to loans, and insurance. I

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

Literature suggests a number of ways through which improved financial access can impact household poverty. Savings associations enable households to smooth consumption over the agricultural season. In addition, VSL often provides simple insurance products, such as insurance against illness and death. These types of insurances are an explicit risk coping device, which can encourage households to discard inefficient ex-ante and ex-post coping strategies.

In 2009, researchers analysed the impact of the VSL associations on household outcomes in villages in northern Malawi by analysing developments in food security, income-generating activities and household income. The study found that food security significantly improved in treatment villages. Researchers also found evidence of improved income generating activities, significantly larger savings in VSL associations, and an increase in rooms per dwelling.

The 2015 mapping of VSL in Malawi has observed the following implementation challenges: poor coordination amongst implementers; differences in methodologies that confuse beneficiaries; limited cooperation of implementers and community development offices; and low literacy levels and business skills of VSL members.

MICROFINANCE

Financial inclusion describes the delivery of banking services at an affordable cost to low income groups and the Government considers it to be an essential instrument for increasing agricultural productivity and production, expanding micro and small enterprises, creating employment, increasing household income, and smoothing consumption.

Demand for loans in Malawi is highly seasonal and mostly depended on agriculture. Microfinance supply in Malawi is a mixture of agricultural credit and business finance provided through a variety of public and private sector institutions. Whereas commercial moneylenders and banks predominately service urban Malawians, NGO-MFI target the rural poor and provide loans using a combination of methodologies including group lending, individual lending, village banking, and self-help groups. According to the Reserve Bank of Malawi (RBM) NGO-MFI operations continue to rely largely on donor support in form of soft loans and grants.

The MNSSP focuses on strengthening the capacity of microfinance institutions (MFI) to expand financial access. However, few activities have been implemented in that respect and the Government's policy guidance on microfinance for social protection has not been substantive.

A 2009 study identified key barriers to financial access, which are: limited accessibility of financial service points; high transaction costs; institutional capacity constraints; and a lack of coordination between public and private initiatives seeking to promote access to financial services. Further, the lack of a

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national ID system poses a challenge to the extension of financial services as institutions have difficulties identifying customers.

FARM INPUT SUBSIDY PROGRAMME

The Farm Input Subsidy Programme (FISP) serves to main objectives, which are reducing poverty and ensuring the country's food security by fostering an increase in agricultural productivity levels. The FISP's dual objective has led to a recurrent debate about whether it is primarily designed to address the welfare needs of the rural poor or seeks to lay transform agriculture in Malawi. A second point of contention is whether the FISP is the best instrument to respond to food security challenges.

The implementation of the FISP is a significant logistical and organisational tasks and critical deadlines within the farming season. Every year 1.5 million beneficiary households have to be selected. Six million vouchers need to be distributed and, in time for the growing season, over six million bags of fertilizer and seeds need to be distributed throughout Malawi. Selected farming households nationwide receive a number of vouchers. Two vouchers are exchangeable for fertilizer and can be redeemed with a cash contribution of MK 500 (in 2013). The same households also receive maize and legume seed vouchers. In 2013, the redemption value of the maize seed voucher was about MK 4,700. The legume seed voucher could be exchanged for a pack of beans, cow peas, pigeon peas, groundnuts or soya for around MK 2,553 (2013).

The FISP targets resource poor farmers in rural Malawi with special attention to vulnerable groups. Selection of beneficiaries is based on the yearly updated Farm Family Register, which is issued to District Agricultural Development Officers who together with community leaders, select the beneficiaries. In 2015, FISP coupons have been distributed on the basis of a lottery.

A number of studies have attributed various positive impacts of the FISP: economic growth; low inflation; growth in exports; a higher degree of food self-sufficiency among deficit producers, and a reduction in household food insecurity. Further, more marketed maize is expected to result in downward pressure on maize prices to the benefit of food purchasers. Higher wages from farm and non-farm employment, an increased use of improved maize seed by smallholder farmers, growth of agro-dealers in rural areas are also attributed to the FISP.

Comparisons of impact assessments indicate that the scale of the analysis is critical to determining the ratio of benefit-cost ratio of the program. Estimations of the direct effect of the FISP tend to be less positive than those that take into account indirect spill-overs and second-round effects. Analyses with a broader scope tend to yield more consistently positive findings. A recent study has attempted to quantify the impact

of the FISP on food prices, rural wages, and production spill-over effects and found that an economy-wide benefit-cost ratio could be up to 60 percent higher than a benefit-cost ratio that considers the direct production effects of the program only.

One of the main challenges is the timely and cost-effective procurement of inputs, especially fertilizer. In 2012/13, late tendering and awarding of bids resulted in a portion of the fertilizer being bought at very high prices. Late delivery to markets is problematic due to critical farming deadlines.

Aside from logistical issues there are a number of challenges that relate more to programme design. Selected households receive a total of four vouchers, two for fertilizer, and two for seeds. In order to significantly boost farm productivity it is critical that farmers are able to combine all inputs. However, in reality households rarely receive all vouchers they are entitled to. Further, poor and female headed households tend to receive fewer coupons, as redistribution occurs more frequently among poorer households, while better off and male headed households tend to keep most of their coupons. Small amounts of inputs neither fundamentally change agricultural productivity nor are they an effective and cost-efficient way to transfer resource to the poor.

The costs of the FISP have increased substantially over the last years. Over the time-span of the programme, fertilizer expenditure has grown by more than 500 percent. In 2015/16, in an effort to reduce programme cost, farmers' contributions were raised from MK 500 to MK 8,500 per bag of fertilizer. The 2013/14 implementation had an estimated total cost of just over \$ 144 million or MK 52.8 billion, which amounts to roughly 10 percent of the national budget and 4.66 percent of GDP. Typically, donor contribution covers about 10 to 15 percent of the total annual programme costs.

CONCLUSION: KEY CHALLENGES OF THE SOCIAL PROTECTION SECTOR IN MALAWI

WEAK INSTITUTIONAL FRAMEWORK

- ⇒ **Malawi's social protection system is overly fragmented.** It is made up of a range of social protection 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. While some of these programmes are embedded in long-term strategic plans, implemented nationwide, and financed through the Government's 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.
- ⇒ **Social protection is often donor-driven and consists primarily of programmes implemented on an ad-hoc**

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basis. As a result there are currently few entitlements to social protection in Malawi. Further, under the current system it is difficult for the Government to oversee the sector as it relies on reports from implementers.

Financing of social protection in Malawi (2014/15)

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

LOW COVERAGE

- ⇒ **Despite the impressive progress Malawi has made with regard to the extension of social protection, 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. Existing programmes provide insufficient protection to poor and vulnerable individuals.
- ⇒ **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 coverage gaps are results of policy design.** In the case of the SCT, the 10 percent cut-off threshold leads to high 'exclusion errors' due to regional disparities in the poverty headcount. School Meals implementers focus on the most vulnerable districts, which is understandable given limited funding. However, this approach leads to a fragmented system and limited coverage.
- ⇒ **The limited coverage reduces the effectiveness of interventions.** This 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 potentially reduces their impacts.** Inflation in Malawi has been consistently around 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. In 2015, the transfer levels were raised and now represent about 23 percent of pre-programme income, up from 18 percent.
- ⇒ **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. For the SCT evaluations have found evidence of positive impacts of the programme on livelihoods, poverty, and economic activities. Likewise, there is growing evidence of the positive impacts of School Meals and VSL groups. 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 the wage rate for unskilled labour does not appropriately address chronic poverty and the causes of food insecurity.
- ⇒ **There is evidence of FISP's 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 or the provision of social support.

INEFFICIENCY IN PROGRAMME DELIVERY

- ⇒ **Community targeting combined with complex targeting criteria, widespread and deep poverty and the prevalence of local politics often lead to inefficient targeting outcomes.** Targeting reforms could involve simplified criteria that are easier to understand for beneficiaries 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 overheads, which reduce cost-efficiency.
- ⇒ **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. 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 TOWARDS IMPROVING SOCIAL PROTECTION IN MALAWI

A number of recommendations towards improving the coverage, effectiveness, and coherence of the social protection system of Malawi are outlined below:

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SYSTEM LEVEL RECOMMENDATIONS

- ⇒ Government capacity to oversee, monitor, and coordinate social protection is currently limited. Efforts should be undertaken to support Government's capacity and ownership over social protection. This should include an analysis of fiscal space and financing modalities to increase Government's contribution to social protection.
 - ⇒ 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.
 - ⇒ Currently the MNSSP is not well aligned with the broader system of social protection, namely MVAC humanitarian response. It is recommended that stakeholders identify ways to improve the harmonization of the 'regular' social protection interventions with the humanitarian response to improve impacts and exploit synergies.
 - ⇒ Complex targeting criteria, the prevalence of community targeting, widespread and deep poverty, a flat income distribution and strict cut-off points all contribute to inefficient poverty targeting. 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.
- ⇒ **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. A greater focus should be placed on providing social protection for children aged 0-5 to increase impact on nutrition and early child development. 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 tailored social protection interventions for children aged 0-5.
 - ⇒ **Village Savings and Loans** groups are very popular in Malawi but there remains a significant unmet need for such groups. However, there are concerns about inadequate training of beneficiaries. It is therefore important for the Government to work closely with VSL associations to improve the literacy and business skills of beneficiaries.
 - ⇒ **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 together with a limited number of working days, lead to small and infrequent transfers. Implementers may consider adjusting current programmes to strengthen their 'social protection' function. This could be realized by increasing the number of working days and transfer levels, 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) as in Ethiopia's' Productive Safety Net Programme (PSNP).
 - ⇒ The **Farm Input Subsidy Programme** is by far the most expensive social protection programme in Malawi. There is a consensus that the programme's objectives need to be clarified. Is FISP a social safety net targeting the poor or a programme aiming at enhancing the productivity of small-scale farmers? 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.

PROGRAMME LEVEL RECOMMENDATIONS

- ⇒ Malawi has invested considerably in establishing the implementation system of the **Social Cash Transfer** and coverage has increased significantly in 2015. Given the positive impact evaluations and the need for a predictable and continued support programme amongst the county's vulnerable it is a key recommendation of the assessment to extend the coverage of the SCT. In a first phase this should

CONTACT INFORMATION:

Luca Pellerano

Technical Advisor on Social Security
Building National Floors of Social Protection in Southern Africa
International Labour Organization (ILO)
Email: pellerano@ilo.org

Florian Juergens

Social Protection Consultant
Building National Floors of Social Protection in Southern Africa
International Labour Organization (ILO)
Email: juergensf@iloquest.org