



The investment case for social protection in Malawi

INTRODUCTION

There has been a rapid expansion of cash-based, social protection programmes in sub-Saharan Africa (SSA) in recent years as Governments increasingly realise the enormous benefits cash transfers offer (World Bank, 2018). In fact, as an investment in human capital and inclusive economic development, social protection is arguably one of the most efficient uses of Government resources and “one of the smartest investments that policymakers can support” (Cummins, 2021).

Using evidence from Malawi, this brief demonstrates the economic benefits of investing in social protection and examines how Malawi can build on the experiences of other countries to advance its social protection further.

SOCIAL PROTECTION IN MALAWI

Social protection in Malawi consists of five major programmes: a Social Cash Transfer Programme (SCTP), public works programmes (PWP), school meals programmes (SMP), village savings and lending schemes (VSL) and microfinance. This brief provides evidence on the impacts of all these programmes, while focusing largely on the overriding benefits of the country’s flagship and largest social protection programme, the SCTP.

THE CASE FOR CASH TRANSFERS: AN EXAMINATION OF THE IMPACTS OF MALAWI'S SCTP

Global and regional evidence on the benefits of cash transfers, especially unconditional cash transfers, is overwhelming, with extensive evidence supporting the positive impacts of cash transfers on food security, school participation, monetary poverty, and economic productivity, among others. The most significant of these impacts are discussed below.

1 Inclusive economic growth

Cash transfers have yielded significant economic benefits for local communities in Malawi through raising the demand for goods and services and creating income generating opportunities for beneficiaries and non-beneficiaries alike.

Three separate impact assessments over the past 5 years found strong economic multiplier effects from Malawi's SCTP¹. The most recent and comprehensive of these studies reported an economic multiplier of 2.94 (Handa, Otchere, & Sirma, 2021). This means that for every MWK1 transferred to SCTP beneficiaries an additional MWK1.94 is generated. This occurs as households are able to use their cash transfers to purchase agricultural inputs, livestock², and productive assets³ to generate additional income.

Beyond the beneficiaries themselves, the SCTP also generates important, spillover effects to the local economy that benefits both beneficiaries and non-beneficiaries (Handa, Otchere, & Sirma, 2021)⁴. Specifically, each Kwacha that is injected into the local economy through the SCTP generates an additional 0.27 Kwacha of benefits to non-beneficiaries. For example, local businesses achieve higher sales due to increased demand for their goods and services from SCTP beneficiaries (Handa et al., 2018).

2 Increased human capital formation and productivity

Children in SCTP households are more likely to attend primary school (+12 percentage points) and secondary school (+16 percentage points) regularly⁵ compared to non-SCTP households, helping them to build their human capital, productive capacity, and break out of poverty (Abdoulayi, et al., 2016). This is a marked increase in educational attendance

which can have significant impacts on human capital accumulation and development, however, these benefits could be even greater. Malawi's school top-up represents just 10% of the actual monetary cost of school attendance in Malawi⁶, with "the low value of the bonus the most important reason for irregular school attendance" among SCTP households and explains why "not all children in SCTP households can be supported to attend school" (Otchere, et al. 2020). Augmenting the school bonus and waiving secondary school fees for SCTP households is thus likely to boost school attainment further and help SCTP households escape poverty in the long run.

3 Improvements in food security and health

The SCTP has a significant impact on household food security, with the percentage of households eating two or more meals per day increasing by 12 percentage points among beneficiaries, from 82% in non-SCTP households to 94% in SCTP households (Abdoulayi, et al., 2016). In fact, the most commonly mentioned impact of the SCTP is on food consumption via "more food at mealtime, more meals per day, and, specifically among youth in school, having breakfast before going to school" (Abdoulayi, et al., 2016).

SCTP beneficiaries are also 6 percentage points less likely to fall ill and 12 percentage points more likely to seek treatment at a health facility when they do, increasing their capacity to work. Wasting among infants⁷, which can impair long-term physical and cognitive development, is also 12 percentage points lower in SCTP households compared to non-SCTP households (Abdoulayi, et al., 2016; Kar, Rao, & Chandramouli, 2008).

1 Malawi's SCTP multiplier effects were found to be 1.69 (Abdoulayi, et al., 2016), 1.88 (Kagin, et al., 2018) and 2.94 (Handa, Otchere, & Sirma, 2021).

2 Chicken and goat ownership increase 15 percentage points and 13 percentage points, respectively (Abdoulayi, et al., 2016).

3 Ownership of axes, hoes, pangas increase by 7, 6 and 6 percentage points, respectively (Abdoulayi, et al., 2016).

4 Several impact evaluations of Malawi's SCTP found increases in the share of households with livestock and the total number of animals owned, ownership of productive assets, and improvements in the quantity and value of crops produced (Handa, Otchere, & Sirma, 2021; Abdoulayi, et al., 2016; Kagin, et al., 2018).

5 'Regularly' refers to school attendance without withdrawal for 2 consecutive weeks or more over 12 months.

6 Although tuition fee waivers for primary school enrolment are in effect in Malawi, other school-related financial costs, such as uniforms, school supplies, exam fees and so on, is MK106,627 for primary student per year and MK152,125 for secondary student per year.

7 Age 6-24 months.

4 Reductions in the gendered nature of poverty and risks faced by women and girls

The SCTP also has significant impacts on the gendered nature of poverty in Malawi, which inhibits the role of women in the economy. Specifically, age at first marriage and age at first birth are on average delayed by 0.43 years and 0.27 years, respectively, among female SCTP beneficiaries, while the probability of obtaining a Primary School Leaving Certificate for girls increases

by 8.1 percentage points in SCTP households⁸ (Baird, McIntosh, & Özler, 2019). Other benefits of cash transfers include reductions in intimate partner violence, risky sexual activity, early sexual debut, and early or forced marriage, all of which are reported to have increased substantially in Malawi since the beginning of the Covid-19 pandemic⁹ (Cummins, 2021). The significant impact of the SCTP on these fundamental indicators of physical and emotional wellbeing shows the transformative potential of regular cash transfers for the economic and life opportunities of girls and young women.



THE CASE FOR CASH TRANSFERS: DE-BUNKING COMMON MISCONCEPTIONS AROUND CASH TRANSFERS

As shown above, the case for providing unconditional cash transfers in Malawi is substantial, with the SCTP having significant impacts on monetary poverty, human capital development, local economic development and a range of other indicators of health and wellbeing. Yet a number of misconceptions around the use of cash transfers and their potential to corrupt, foster dependency, and increase the consumption of undesirables, such as alcohol and tobacco, have created a negative and unfair narrative around cash transfers that belies the evidence and reality on the ground.

⁸ This statistic is for girls not in school, whose probability of attaining a Primary School Leaving Certificate increases by 8 percentage points if they are on the SCTP.

⁹ Calls to the national youth hotline (Child Helpline) regarding child rape in Malawi jumped by 150% under the lockdown period when compared to 2019 (Rigby 2020). In July 2020, a reported 35% increase in the number of pregnancies among girls between the ages of 10 and 19 were reported in the first half of 2020 compared to a year earlier. The Civil Society Coalition on Education in Malawi noted in July 2020 that the pandemic had led to a surge in underage unions, potentially doubling in some areas (Agence France Presse 2020). Child Helpline also recorded 669 child marriage cases between April and June in Malawi, which was an increase of more than 80% compared to the same period in 2019 (Rigby 2020).

This section takes three major misconceptions around cash transfers and presents strong local and regional evidence to counter this misinformation.

➤ **MISPERCEPTION 1: Cash transfers create dependency and reduces participation in productive work**

As discussed previously, there is strong evidence that cash transfers do not foster dependency or deter work. Evidence from Malawi shows that SCTP recipients have used their cash transfers for productive purposes, with consumption, education expenditure, and investments in productive and household assets all higher among SCTP beneficiaries, compared to control households (Abdoulayi, et al., 2016; Handa., Otchere, & Sirma, 2021). These investments have led to economic multipliers, which were measured as high as 2.94 in a recent impact evaluation (Handa., Otchere, & Sirma, 2021), showing that beneficiaries are able to translate cash transfers into additional income through productive investments. These findings respond directly to arguments that such programmes foster dependency, or that cash transfers are not used wisely by the poor and thus must include conditions.

➤ **MISPERCEPTION 2: Transfers induce higher spending on alcohol and tobacco**

There is no evidence that Malawi’s SCTP has increased the consumption of alcohol, tobacco or other ‘temptation goods’ among beneficiaries. In fact, beneficiaries of the SCTP appear to spend less money on alcohol and tobacco than non-beneficiaries, most likely due to reductions in poverty-related stressors that can precipitate excessive alcohol consumption¹⁰ (Handa, et al., 2017; Eide, et al., 2013; Molotskya & Handab, 2020). These findings are consistent across various means of evaluation in Malawi. Using the consumption module of Malawi’s Integrate Household Survey, one can see that of the 120 food items in the survey, consumption of alcohol and tobacco is marginally lower for SCTP as opposed

to non-SCTP households¹¹ (Handa, et al., 2017). Furthermore, in a separate study, households were surveyed on whether they felt alcohol consumption had increased in the community, thereby avoiding the negative social desirability biases that can affect responses associated with one’s own consumption. No increase in alcohol consumption in communities receiving transfers were reported, instead a lower rate of alcohol ‘problems’ were reported among cash transfer communities¹².

➤ **MISPERCEPTION 3: Transfers targeted to households with young children will increase fertility**

Policymakers often fear that any kind of cash transfer that targets young children or includes a child ‘bonus’ will increase fertility rates. In Malawi, as in elsewhere, this has not been borne out by the evidence and has been completely disproven.

An evaluation in Mchinji in 2007-08 found the SCTP had no impact on the probability of beneficiaries having a child (Stecklov, 2011). In fact, there is no evidence of increased fertility because of cash transfers anywhere in sub-Saharan Africa, including among cash transfer programmes which specifically target children, such as Zambia’s child grant programme, South Africa’s Child Support Grant (CSG) and Kenya’s Cash Transfers for Orphans and Vulnerable Children (CT-OVC) (Handa, et al., 2017). In fact, in South Africa and Kenya, both programmes delayed pregnancies among young women, with the CT-OVC reducing the likelihood of pregnancy by 5 percentage points among females aged 12 to 24 (Handa, Peterman, Halpern, A., & Thirumurthy, 2014) and the CSG reducing the likelihood of pregnancy among girls under the age of 21 by 10.5 percentage points (Heinrich, Hoddinott, & Samson, 2017).

¹⁰ Similar findings were found for beneficiaries of the Zambia Child Grant Programme and Zimbabwe’s Harmonized Social Cash Transfer (Handa, et al., 2017).

¹¹ Although this finding is not statistically significant

¹² Ibid.

Published by

Ministry of Gender, Children and Community Development

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With support from UNICEF
October 2022

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