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REBA case study.

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About REBA Case Study Briefs

What is RHVP?

The Regional Hunger and Vulnerability Programme (RHVP) supports improvements in policy and programme approaches to hunger and vulnerability in southern Africa with particular emphasis on the role of social protection.

The Regional Evidence Building Agenda (REBA)

Evidence-building, together with capacity-building and policy change, is one of RHVP's three interlinked activities. The Regional Evidence Building Agenda (REBA) is a cohesive framework that has guided the Programme's cross-country evidence-related activities between April 2006 and September 2007. The REBA consists of individual case studies of 20 ongoing social transfer programmes together with thematic studies covering cross-cutting design and implementation issues. The studies were carried out by locally commissioned researchers, mostly working through national research and consultancy institutions, in the six southern African countries covered by RHVP (Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe). All the case studies involved close collaboration with the agencies – government departments and government-appointed bodies, local and international NGOs, UN agencies and communities – that were implementing the social protection schemes under review. The research was supported and guided by a core team of international mentors which included Stephen Devereux (IDS, Sussex), Frank Ellis (ODG, University of East Anglia) and Lionel Cliffe (University of Leeds) and was coordinated and managed by Philip White (ODG).

REBA Aims

The REBA aims to support RHVP's efforts to promote improved policy and programme approaches to social transfers as a means of addressing hunger and vulnerability. REBA findings are feeding into a range of policy, advocacy and research outputs and processes, including policy briefs, best practice guidelines, national and regional learning events for policymakers, practitioners and civil society, a film series and research publications. In addition, by working through a network of national consultants, the REBA aims to increase national capacity to carry out analytical research on hunger and vulnerability within the six countries.

REBA Case Study Briefs

This series of briefs was prepared by Frank Ellis on the basis of the 20 individual case studies undertaken under the REBA. Based on these findings and those of the accompanying thematic studies, a parallel series of thematic briefs that cut across the case studies is also in preparation. The full reports of each case study will be made available in early 2008.

Dowa Emergency Cash Transfer, Malawi

Overview

The Dowa Emergency Cash Transfer (DECT) was an innovative project that provided monthly cash transfers to beneficiary households banded according to the size of the household, and adjusted every month to accommodate fluctuations in the price of basic foodstuffs. The international NGO Concern Worldwide linked up with a commercial bank, the Opportunity International Bank Malawi, to trial the delivery of cash transfers through smartcards, utilising mobile ATMs to visit rural areas at predetermined times and places. The DECT was designed to address a localised, temporary food deficit identified in the northern part of Dowa District in Malawi in the lean season of 2006-07. The project sought to cover the 'missing food entitlement' of vulnerable families with a cash transfer. Cash was chosen in preference to food since overall Malawi had plentiful food availability in that period.

The DECT ran from December 2006 to April 2007, a 5-months duration leading up to the harvest period of the next season's crop. The total number of beneficiaries of the project was 10,161 households, although some of these did not receive the first monthly payment (8,384 households received payments in December 2006) The baseline amount of the transfer varied from MK370 (US\$2.64) per month for a one-person household to a maximum of MK3,700 (US\$26.40) for ten or more people in the household¹. However, transfer amounts were adjusted downwards as the season progressed due to falling maize prices in this period, reflecting the release of stored supplies onto the market ahead of the 2007 maize harvest. An additional innovation of DECT was to provide the smartcards to women rather than men in beneficiary households.

Organisation

The northern part of Dowa district was selected for the DECT intervention, following a report of the Malawi Vulnerability Assessment Committee (MVAC) in June 2006 that identified the Madisi and Bowe Extension Planning Areas (EPAs) of the district as having been adversely affected by rainfall failures in the previous crop season. These findings were affirmed by Concern Worldwide's own assessment of the food security situation in those EPAs in October 2006, which concluded that up to 15,000 households would need humanitarian

¹ The currency in Malawi is the Kwacha, the brief form of which is written MK. The exchange rate used for conversions in this document is MK140 = US\$1.

assistance in the hungry season before the next harvest. Concern sought and secured funding from DFID to provide approximately 11,000 households with cash transfers sufficient to cover their food deficits from December 2006 to April 2007.

Building on previous experience of delivering cash to large numbers of social transfer beneficiaries, Concern decided to explore the potential of electronic technologies to lower the cost and increase the security of making such transfers. It therefore entered into partnership with a commercial development bank, the Opportunity International Bank Malawi, to trial the use of smartcards for the DECT. Under this arrangement, recipients of transfers (in this case designated women within households registered as beneficiaries) would be issued with a smartcard in their individual names, that could be charged up each month with the appropriate credit, and used to draw cash as required from a mobile ATM. As extra security, a fingerprint reader was incorporated into the card issuing process, so that future cash draw-downs would be against a fingerprint as well as the smartcard.

Not surprisingly, given the innovative character of the collaboration between Concern and OIBM, there were a few teething problems in the deployment of the technology. This resulted, for example, in long queues for registration due to fingerprint reading defects, confusions in beneficiary lists between Concern (who listed households under male names) and OIBM (who listed them under recipient women's names), and failure by OIBM and its partners to mobilise the ATMs properly, resulting in reversion to manual payout methods. In the end, the use of mobile ATMs for cash withdrawal did not occur in the project. Smartcards were successfully issued and charged up each month by a roving cohort of bank tellers, but cash withdrawals remained manual for most of the project. Nevertheless, the rapid acceptance of the smartcard technology by recipients who had no previous experience of modern banking was impressive, and considerable potential for stimulating a rural financial market (involving saving as well as drawing down cash) was revealed by individual behaviours amongst beneficiaries observed during the DECT implementation.

Vulnerability

Malawi is a country in which chronic vulnerability is widespread and seasonal food deficits either locally or on a broader scale are commonplace. Many factors are implicated in this state of affairs; however, poverty (52.4 per cent of the population) and ultra-poverty (22.4 per

cent of the population) are the most immediate ones. In the 2005 Integrated Household Survey (IHS2), ultra-poverty is defined as not having sufficient income even to meet minimum acceptable food consumption per capita. This definition classifies 2.7 million Malawi citizens as ultra poor. Most of the ultra-poor are in rural areas and eke out a bare livelihood from tiny plots of land growing mainly maize for survival. A project like DECT does not try to address a problem of these dimensions at national scale; rather it responds to evidence of a localized severe incidence of food deprivation, meaning that households are eating less than enough for daily maintenance (typically, one meal or less a day) or are having to rely on inferior and wild foods in order to survive. Due to a good national maize harvest in 2005-06, fewer families than usual countrywide were in such dire straits in the hungry season of 2006, but northern Dowa district was identified as one location where a localised food crisis followed localised erratic weather and poor maize harvests.

Targeting

The DECT was targeted at families vulnerable to a food deficit or 'missing food entitlement', and the geographical area covered by the project was identified as highly prone to food deficit by the MVAC, using the household economy approach and vulnerability mapping. Due to uncertainty about the exact number of households in the target area, Concern undertook its own census by bringing together group village headmen and extension agents and asking them for the number of households under their jurisdiction. This yielded an estimate of 15,600 households in the 260 villages in the target area.

Selection of beneficiaries was a multi-stage process best described as 'community triangulation' of the beneficiary list. This comprised, first, conducting community wealth ranking in the designated villages, in which households were divided between the three categories of poor, middle and well-off according to well-being criteria put forward by community informants themselves. Second, after an interval, communities were revisited and told about the proposed humanitarian intervention (although not about its cash character), and the community was split into three groups (leaders and elites, men, and women) to discuss the accuracy of utilising the list of poor households from the wealth ranking as the beneficiary list for transfers. Third, the three groups had to reach agreement on an acceptable single list after adding or subtracting households, and this final list was then signed by the chief as a fair representation of those most in need.

While this approach is commendable for being so inclusive and participatory, nevertheless it was substantially resource and time intensive, and did not resolve all the issues of beneficiary selection. Community wealth ranking is a relative exercise within each individual community, and provides an imperfect guide to absolute differences in wealth or income status across communities. For this reason, judgements had to be made in discussions between project staff and extension officers as to how to treat entire villages that were observably more food deficit or less food deficit than other villages. This led to some high food deficit villages eventually including some of their 'middle' wealth group in their beneficiary list, while others did not. The original beneficiary list arising from the first stage of community ranking stood at 8,142 households, and recalibration took place to bring this number up to the final figure of 10,161 households.

Like other social transfer schemes targeted at vulnerable people, the DECT was prone to some adverse behaviours on the part of would-be recipients; however, the community triangulation approach overcame these in most instances. Such adverse behaviours include changing the demographics of the household to suit the criteria on offer from the delivery agency (e.g. increasing the size of the household to obtain higher transfers); and getting relatives and friends onto the beneficiary list (something that chiefs and village leaders are rather prone to do).

Coverage

As stated in the introduction, DECT was a highly targeted intervention, focused on just two EPAs in the northern part of Dowa district in central Malawi. For those selected geographical areas, the project sought to achieve complete coverage of households facing severe food deficits in the hungry season of 2006-07. This corresponded to about 65 per cent of all households in the target communities. There is no evidence to suggest that the project failed to do this, and, indeed, as described in the Targeting section above, the initial beneficiary selection according to community wealth ranking was adjusted upwards in order to comply as fully as possible with the vulnerability assessment estimates of the total number of people requiring assistance in those EPAs.

Coordination

The DECT involved coordination between a number of different agencies for its formulation and implementation. First, there was the utilization of Malawi Vulnerability Assessment Committee (MVAC) findings in order to identify a location exhibiting severe impending food deficits, and the securing of donor funding from DFID to address this food gap. Second, there were the fact-finding and beneficiary selection visits that involved close collaboration between Concern staff members and officials from line Ministries (especially extension officers of the Ministry of Agriculture), as well as with the chief, village headmen, and villagers themselves in Traditional Authority Chakhaza in north Dowa district. Third, there was the collaboration between Concern and OIBM which broke new ground for coordination between an NGO and a private financial institution.

Cost Effectiveness

The overall cost of DECT was US\$1.4m for a period of 6-months from November 2006 to April 2007. While the final division of this budget between overhead costs and transfers is not known, Concern undertook several calculations in order to assess the impact of differing maize prices on its cost efficiency. These showed that cost-efficiency would go down as the maize price fell since the consequent decline in the value of the transfer would result in transfers being a smaller proportion of total cost. More specifically, a fall in the maize price from MK40 to MK30 and MK20 per kg would result in a rise in the total cost per US\$1.00 transfer from US\$1.32 to US\$1.43 to US\$1.52 respectively.

In addition to cost efficiency, cost effectiveness assesses the relative success of a project in meeting its stated goals. A considerable amount of evidence summarised in later sections of this case-study demonstrate that the primary goal of ensuring the food security of beneficiary families in the hungry season was met, and a number of subsidiary goals to do with innovative aspects of the transfer were also broadly accomplished.

Market Effects

One of the concerns about cash transfers is that they might provoke local inflation, especially in remote places where consumer goods are in short supply, or food supplies are tight. In the case of DECT, the best advice available to stakeholders was that Malawi had plentiful food overall due to an unusually good crop season in

2005-06. Nevertheless, Concern took several steps to protect the project against rises in food and other prices. For one thing, routine seasonal rises in the maize price were built into the budgetary provisions of the project; for another, a private sector liaison officer was appointed by Concern, and a number of events were held with traders in the locality to inform them of the opportunity represented by the DECT transfers.

In the event, maize prices fell through January to March 2007, as farmers and traders countrywide sought to run down stocks held over from the previous season's harvest. This was an unexpected occurrence, and in accordance with the project's design decision to link transfer value to the maize price, it caused the value of the transfer to be adjusted downwards in January and February 2007. This declining payment was unpopular and widely misunderstood, there were strong pleas for a floor to be placed under such declines, especially for the smallest households, and many felt the transfer should have remained constant. In the event, Concern then slightly raised the payment for the final two months of the scheme (see Table 1).

Table 1: Cash Transfer Amounts by Month in the DECT, 2006-07

HH Members	Monthly Cash Transfer (MK)				
	Dec	Jan	Feb	Mar	Apr
1	370	355	250	300	300
2	740	710	500	600	600
3	110	1065	750	900	900
4	1480	1420	1000	1200	1200
5	1850	1775	1250	1500	1500
6	2220	2130	1500	1800	1800
7	2590	2485	1750	2100	2100
8	2960	2840	2000	2400	2400
9	3330	3195	2250	2700	2700
10 or more	3700	3550	2500	3000	3000

Note: the exchange rate in this period was MK140=US\$

Concern continued to liaise with traders and monitored vendor activity at cash transfer distribution points for the duration of the project. It was observed that new markets were created on DECT pay-days. Traders followed distribution points, and their numbers increased in successive months. Clothes, meat and bread sellers reported substantial increases in sales relative to the same season of the previous year, while individual maize sellers reported declining sales due to low prices and too many sellers in the market.

Concern monitored the expenditure patterns of its beneficiaries on a monthly basis between December 2006 and April 2007. On average 61 per cent of the cash transfer was spent on maize, and 71 per cent spent on food and essential groceries in total. The other significant individual category of expenditure was on medicines and healthcare, at 5 per cent of the transfer. Concern utilised these expenditure patterns to follow up second- and third-round effects of the cash transfer i.e. the effects on traders and producers of items purchased with the money. This data was then used to calculate the 'multiplier' effect of the transfer - the extent to which it caused a multiple increase in economic activity in the local economy. The result was a multiplier of around 2.1 meaning that for every US\$1 of the transfer US\$2.1 additional local economic activity was created (Davies, 2007).

Box 1: Acceptability of the Smartcard to Beneficiaries

"The card is the thing that has our money. It is safe because nobody is allowed to draw money apart from the owner..." (widow, mother of 4)

"To be honest with you, the card is good and safe. Nobody can steal this money from me. In addition to this, I heard that the card can be used at a later date, after the project has ended..." (61 year-old, married, mother of 6)

"...The card is convenient. If one misses payment now, they can withdraw the take money in the next month or one can follow the bank field workers at another centre where cash can be collected..." (FGD)

Social and Household Effects

The social effects of DECT were monitored from within the project, and were also explored in a small field study undertaken in 7 villages in January 2007 involving 3 focus groups, discussions with 7 key informants, and interviews with 20 beneficiaries (Mvula, 2007). Findings are summarised briefly as follows (see also Box 1 and Box 2):

- adaptation to the smartcard was surprisingly rapid in communities with no access to banks and no prior experience of electronic technologies;

- issuing smartcards to women had an empowering effect for them, even those in the typical male-headed household context, where it gave women just a little more social leverage than before over household expenditure priorities;
- in general men adapted with equanimity to the implied change in their control over womenfolk, although a few complaints of loss of male status were voiced, and there may have been behind-the-scenes disputes (kept hidden since Concern had made it clear that domestic conflict would result in ejection from the beneficiary list);
- some limited sharing with non-beneficiary kin and neighbours occurred, typically with children rather than adults;
- the cash transfer helped with medical costs in some instances, and proper meals encouraged improved school attendance by children;
- far fewer community members engaged in ganyu (casual work on bigger farms) than normal, with social effects of families staying together all season, and being better able to care for the sick, elderly and children;
- most beneficiary families were able to move from one to two meals per day, and did not have to resort to eating 'green maize' (i.e. unripe maize not ready for harvest), and stealing also declined;

Box 2: Social Impacts of the Cash Transfer: Example Responses

"I am the one who keeps the money. I am a mother and usually I stay at home and know what the family needs. I am also the one who decides on how the DECT money is spent. Men usually do not care about the home but I stay at home and I see all the problems. This is why I make the decisions". (61-year old married woman with 6 children)

"The moment your relatives, especially grandchildren, know that you have received the money and you now have food, they come and join your family so that they can have the food as well." (Key Informant)

"I have been falling ill frequently in recent years. I used MK295 out of the DECT transfer to pay for treatment at the paying hospital. I had no other money because I had used the other money to buy food. I could not even pay for transport. Luckily, my brother took me to the hospital on a bicycle." (A divorced mother of 1 child).

"DECT has helped the children so much. These days, most of the children go to school happy after they have eaten their porridge unlike in the past when they were absent from school because there was no food at home. On top of that, I have managed to buy exercise books for the children and this makes them even more willing to go to school," (38-year old mother of 8 children from Chidekwende Village).

"Normally, as soon as I get my money, it is used to buy food and other basic necessities. Concern money has helped a lot in terms of food availability in the home. Now, we are able to eat twice in a day and porridge is always available in the mornings, unlike previously when we ate once or even had no food in the day". (49-year old married woman with 9 children)

"Giving us cash is teaching us to budget and we are able to sort out our problems better. In addition, giving us cash gives us more ownership. It's as if we are just coming to draw our own cash. On the other hand if it is a food programme, we look more or less like beggars." (41-year old divorcee mother of 4)

"...There have been a number of cases that have been reported to us that the village headmen ask for cash from the beneficiaries. They argue that waiting for the beneficiaries to receive cash is not an easy task such that it requires payment." (Key Informant)

- cases were reported of village heads asking for a cut from each beneficiary in the range of MK10-20 at each cash transfer, and this was not denied by the heads involved, instead being justified by reference to the amount of their time that they had to spend organising beneficiaries at the distribution points.

Asset Building

Asset building was not an explicit goal of the DECT, nevertheless helping to ensure the adequate nutrition of beneficiary families may be considered as a form of asset protection with regard to human capital. In addition, there were scattered instances of beneficiaries saving their transfers or purchasing productive assets, such as chickens, with them. It is probable that more such behaviour would occur with cash transfer schemes of longer duration than the DECT.

Strengths

The DECT displayed significant strengths as a cash transfer scheme, within the parameters of its limited duration, geographical coverage, and number of beneficiaries:

- (i) the DECT was risk-taking and innovative on at least four fronts: the smartcard/ATM concept, the designation of women as cardholders, the use of wealth ranking as a beneficiary selection tool, and linking the monthly transfer payment to the price of food;
- (ii) the transfer of cash rather than food to beneficiaries gave them the ability to make expenditure choices according to their own priorities, and was therefore empowering for them;
- (iii) in DECT, this positive attribute was expressed in the empowerment of women as the holders of the smartcards and direct recipients of the cash at distribution points;
- (iv) in general it was found that this arrangement was acceptable to men and few instances of domestic strife caused by it were reported;
- (v) coordination between stakeholders in the DECT seems to have worked well in general, with some operational misunderstandings between Concern and OIBM being understandable in view of no previous experience by either party of such collaboration;
- (vi) the speed of acceptance of smartcards by mainly illiterate and innumerate beneficiaries suggests considerable potential for using new technologies for social transfers in the future;
- (vii) evidence collected by DECT suggested that even in remote rural areas cash transfers could have a local economic multiplier effect of around 2.0, meaning that for every US\$1 transferred, US\$2 local economic activity is generated.

Weaknesses

It is to be expected that DECT would display some weaknesses, although some of these are to do with its replicability to larger scale, rather than defects in its implementation as a small-scale humanitarian project:

- (i) while the community triangulation of beneficiary lists was highly commendable, it is too elaborate as an approach to scaled-up cash transfers, requiring far too much individualised attention in each community, and taking too much time (for both delivery agencies and local communities);
- (ii) there is an evident trade-off between the cost of achieving accuracy (including the social cost to communities of going through potentially invidious and divisive selection processes), and the inclusion and exclusion errors that result from less rigorous approaches to selection;
- (iii) interestingly, many beneficiaries themselves, as well as community leaders, suggested that if more than 50 per cent of the households in a community were considered in need of assistance, then a universal benefit would be more appropriate than a targeted one, for these social and economic reasons;
- (iv) paradoxically, therefore, DECT's efforts may point in the direction of more categorical or universal approaches to social transfers. The losses incurred by giving transfers to those who do not strictly need them may be outweighed by the gains of definitely reaching all the vulnerable, and not having to undertake excruciating beneficiary selection exercises.
- (v) of course DECT encountered operational difficulties as do all social transfer schemes, and in the case of DECT many of these were to do with its innovative effort to trial electronic technologies, and much was learnt from this experience;

- (vi) many social transfer schemes, and this arose in DECT in a fairly mild form (village heads asking for a cut from the transfer), have not come to grips with issues of incentive and remuneration of those non-project personnel that are involved in the delivery of the benefit – an aspect likely to become significant in scaled-up social protection;
- (vii) the diminishing value of the transfer as the maize price declined was confusing for beneficiaries, suggesting a need for improved price forecasting as well as perhaps setting a minimum level of transfer taking non-food expenditure into account.

Policy Lessons

The DECT was an innovative humanitarian transfer project in a very poor country, combining the use of smartcard technology with women as recipients of cash transfers, and community-led beneficiary selection. At the policy level, the project demonstrated the feasibility of utilising new technologies, in this case smartcards and mobile banking, to make transfers to beneficiaries, even when recipients are low in literacy and numeracy. It also showed that such technologies could have positive effects for rural livelihoods going beyond the immediacy of the transfer, due to rural financial market effects (savings and investment) that even in a short project like DECT could be seen to start occurring as beneficiaries became more accustomed to their use. Finally, the project showed that cash transfers can stimulate strong local market effects in remote rural areas, manifested by increased trader activity and sales of food, farm inputs and consumer goods, with potentially significant multiplier effects in the local economy.

Sources

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More Information

REBA material, including these briefs and fuller case study reports, as well as information regarding the REBA process can be viewed and downloaded from: http://www.wahenga.net/index.php/core_activities/building_evidence

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