

## **Note on the design of a social cash transfer project in a village in Mchinji District, Malawi.**

In a household income survey conducted in Mchinji District from 1 - 9 June 2007, information was obtained on the absolute and relative level of poverty among households that had been selected for social cash transfers (SCT). This was incidental to the primary purpose of the survey.<sup>1</sup> However, as there is little objective information relating to the targeting and impact of cash transfers, some of the survey findings relevant to the SCT project and some of the policy and practical questions arising from them are outlined in this note.

### **Survey methodology**

The survey was conducted in a single village about 40km from Mchinji town. 48 households normally resident in the village were included in the survey.<sup>2</sup> Complete information could not be obtained for one household and this has been omitted from the analysis. The information collected included household membership by age, sex, level of education, land and other asset holding and income, as food and cash, obtained by each household from different sources during the year 1 April 2006 to 31 March 2007. The method of data collection and specifically the method used to estimate household income has been developed over several years and the income estimates obtained are likely to be accurate.<sup>3</sup>

The results are presented here in terms of disposable income / adult equivalent i.e. the income left to a household after its food energy requirement has been met, standardised by the number of adult equivalents in the household.<sup>4</sup> This presentation allows the income of individual households to be directly compared and household income to be set against a standard of living threshold i.e. the cost of a standard package of non-food goods, in this case set at a level commensurate with social inclusion.<sup>5</sup> Households with negative

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<sup>1</sup> The survey was conducted by John Seaman, Celia Petty (Evidence for Development), Dr Patrick Kambewa (Chancellor College), Kondwani Zimba (Evidence for Development representative, Malawi) Stella Ngoleka, Lucky Mfungwe, Matthews Kanyenga and Vilant Mzunzu (Bunda College of Agriculture). The survey was conducted to demonstrate the technique and the possible policy applications of the data through a practical training and assessment exercise. Funding was provided by the Nuffield Foundation, London.

<sup>2</sup> Two households had their main residence elsewhere. 7 households listed initially as 'separate' were found to have amalgamated so were treated as one household unit. There were 3 'new' households i.e. they had not been resident throughout the survey reference period and therefore could not be included.

<sup>3</sup> A summary of the technique can be found in Seaman J and Petty C, 'The use of household economy approaches to provide information for the design of social protection policies and programmes', DfID/SC (UK) 2005

<sup>4</sup> This is virtually identical to the method used to calculate a 'food poverty line' by the GOM NSO/IFPRI in the 1998 Malawi IHS survey. Individual food energy requirement was calculated from World Health Organisation 'Energy and protein requirements' (WHO technical report series 724, Geneva 1985). An adult equivalent was taken as the average of the requirement of a young adult male and female using the same reference data and is approximately 2100kcal/ adult equivalent/day.

<sup>5</sup> Calculated as the cost of soap, clothing, primary education, fuel, matches, house repair, utensils and an allocation for health costs.

disposable income (e.g. Figure 1) are those whose total income is insufficient to meet their food energy needs at the set level.

### **The social cash transfer (SCT) programme**

The targeting criteria were that that transfers should be made to the poorest 10% of labour constrained households.<sup>6</sup>

### **Survey findings relevant to Social Cash Transfers**

#### 1. The number of households selected.

Six households were found to be in receipt of social cash transfers. The selection of 6 households for SCT reflected the village household count. In fact there were only 49 households in the village during the study period, rather than 61 as initially reported by local informants who included the village head and his advisors.

#### 2. The accuracy of targeting within each household.

It was found that the targeting criteria had been accurately followed for each selected household. The criteria were provided by a Mchinji District Social Protection Committee following guidelines developed for the programme. The village supplies some members to a group village committee overseeing the process.

#### 3. The accuracy of household selection.

During the survey reference year the 6 selected households had received 4 months of payments i.e. from December 2006 to March 2007. Payments calculated on an annual basis ranged from K6,000 to K26,400/ household, the variation arising from the differences in household composition. Households with more children or with school-going children received additional money and households with secondary school children received higher rates than those with primary school children.

Figure 1 shows the distribution of household disposable income / adult equivalent for all households in the village, and identifies the six selected households. The approximate standard of living threshold is shown (see dotted line).<sup>7</sup>

In Figure 1 the income of the selected households is shown without the cash transfer i.e. the graph shows the absolute and relative disposable income of individual households as it was at the time the households were selected. It can be seen that the selected households are found across the middle of the income range, 4 households falling below the standard of living threshold and 2 above it. None of the 'very poorest' households were selected.

#### 4. The impact of the level of cash transfer chosen.

<sup>6</sup> To include orphans and other vulnerable children (OVCs), elderly, chronically sick, people with disabilities (see Chipeta P and Mwamlima H, Malawi Social Protection Programme, Regional workshop, Mombasa 2007)

<sup>7</sup> The standard of living threshold varies by household e.g. households with school age children will have additional education costs. The line shown in Figure 2 is an approximation and is set at the upper end of actual costs.

Figure 2 shows the absolute and relative level of household disposable income where the income of the 6 selected households has been recalculated to include the full annual cash transfer. This substantially increases their disposable income and moves them well above the standard of living threshold, into a more affluent group. Note that the apparent clustering of the selected households is due to the shape of the distribution which has (Figure 1) a distinct step at this point.

## Discussion

These findings illustrate some of the difficulties which arise in the design and implementation of a cash transfer programme in the absence of an objective measure of income.

1. Estimating the number of households. Estimates of the number of households in a village made by village representatives tend to be different to the number estimated by direct counts and more detailed surveys. This may be partly deliberate e.g. villages are aware that the number of households may have a bearing on the level of receipts from external programmes. However there is no standardised method of defining households and in this case the lower survey count results from a) the amalgamation of 7 households with other households, where these were in economic terms a single economic unit (i.e. the basis of the SCT programme), and b) the exclusion of new households (Footnote 2).

2. Identification of the poorest households. We do not know how villages identify 'the poorest' but our work to date suggests that: a) this may be based more on household assets than on recent income which, particularly in an agricultural economy, will vary from year to year with variation in production and other factors i.e. it is a judgement about potential income rather than actual income in any particular period; b) selection includes a large social element. In the study village four 'problem' households live apart from the main village (the problems arise from alcohol and mental illness). The group includes two of the very poorest households, and it is unlikely that these would have been selected.

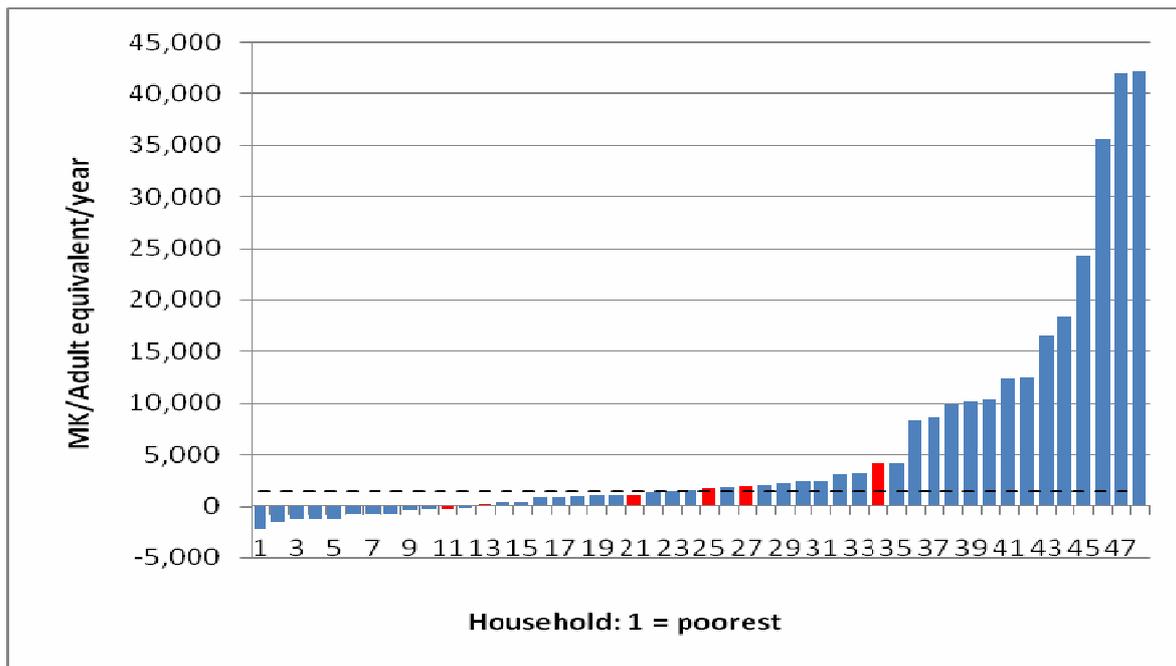
The inclusion criteria of this cash transfer programme include an economic criterion (the very poorest) and a layer of social rather than economic criteria e.g. orphans, the elderly, the disabled, where these criteria are not necessarily closely related to absolute household poverty, inviting a conflict between the two. Of course a case can be made for social criteria. For example, although an elderly person supporting children may successfully continue to work hard and maintain their income, there is a social case that they should not have to do so. The case for providing additional support for children who are orphans is less clear – the cost of supporting a child does not increase because that child is an orphan, and on current evidence the presence of an orphan in a household is not closely related to household poverty (Figure 3).<sup>8</sup>

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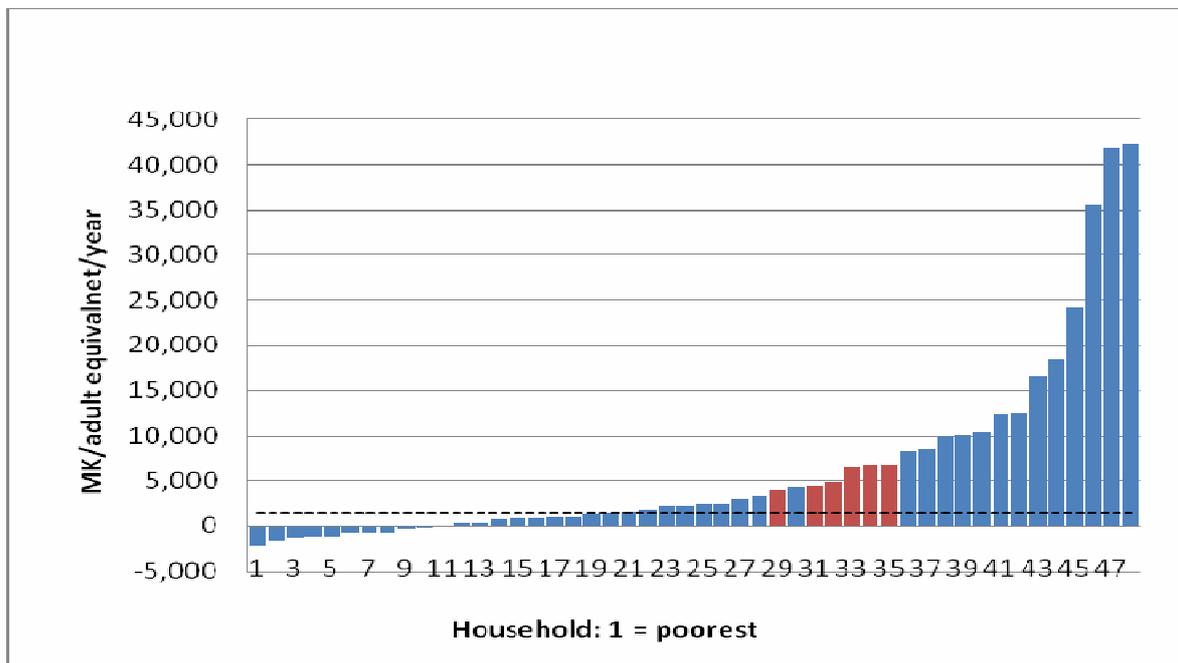
<sup>8</sup> *Household Economy and HIV/AIDS in a Highland Swaziland Community* (Seaman J, Petty C with Narangui H SC UK/ SC Swaziland 2003) [http://www.evidencefordevelopment.com/files/studies/Swaziland\\_HHEconomy&HIV\\_Final\\_Mar04.pdf](http://www.evidencefordevelopment.com/files/studies/Swaziland_HHEconomy&HIV_Final_Mar04.pdf)  
*Household Economy and HIV/AIDS: Malawi case study* (Seaman J, Petty C with Acidri J SC UK 2004). [http://www.evidencefordevelopment.com/files/studies/Malawi\\_HIV&HHEconomy\\_Final\\_May05.pdf](http://www.evidencefordevelopment.com/files/studies/Malawi_HIV&HHEconomy_Final_May05.pdf)  
*Mozambique Assessment The impact of HIV/AIDS on household economy*

3. Determining the appropriate level of transfer. The appropriate size of cash transfer can be decided only with reference to the actual pattern of income and an unambiguous policy/economic objective.

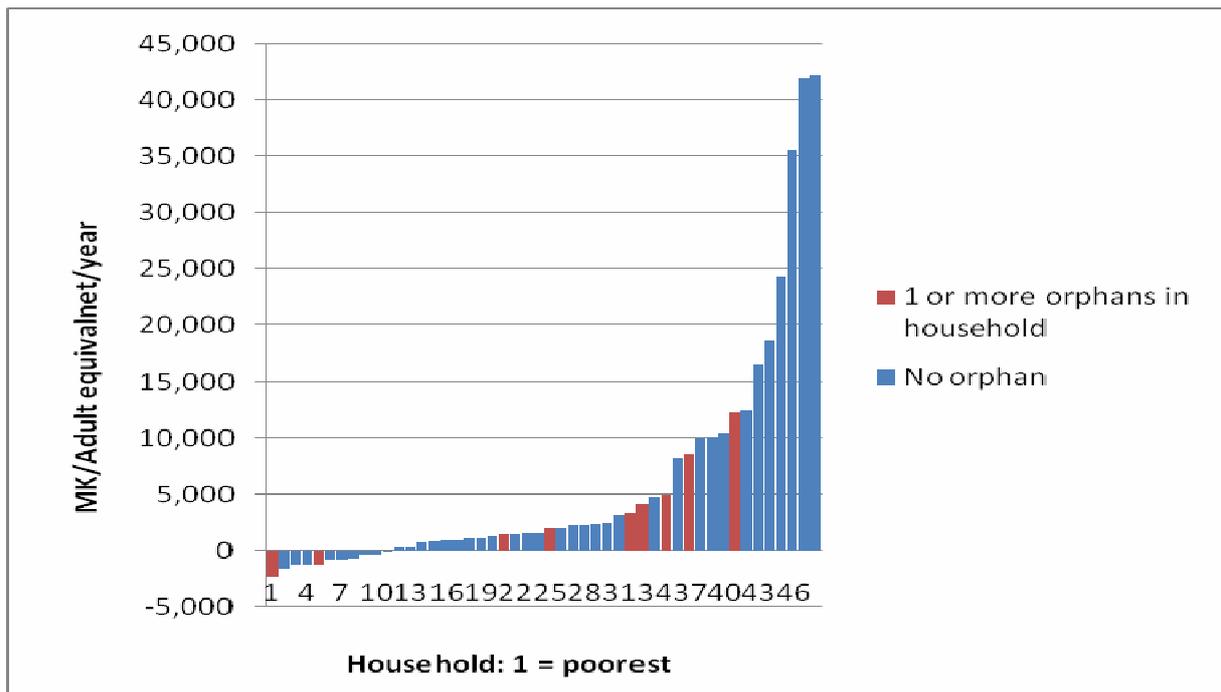
In this case the size of the transfer is, relative to the income of the selected households and of the very poorest, very large. Although it is not the purpose of this note to make specific proposals one policy question would be whether it is more appropriate to give large amounts to fewer people or smaller amounts to a larger number of beneficiaries. In this case the annual gross value of the current cash transfers to 6 households is MK94,800. It would cost an additional MK42,252 (i.e. a total cost of MK 137,052) to bring all 21 households found to be below the standard living threshold (calculated for each household separately) up to the level of income required to meet their minimum food and non food needs.



**Figure 1.** Household disposable income/adult equivalent/ year. Households shown in red were selected to receive social cash transfers. The values shown assume that these households have NOT received any cash. The broken line indicates the approximate standard of living threshold.



**Figure 2.** Household disposable income/adult equivalent/ year. Red bars indicate households selected for social cash transfers. The values shown assume that these households are receiving the full annual cash transfer. The broken line indicates the approximate standard of living threshold.



**Figure 3.** Disposable income/adult equivalent. Households in red have one or more resident orphans.