

Concern Worldwide Malawi

Emergency Cash and Food Transfers for Livelihood Protection in Lilongwe, Dowa and Nkhonkhotakota Districts

December 2005 – April 2006

1. PROJECT SUMMARY

Concern Worldwide Malawi proposes to assist 4,500 households affected by the current regional food security crisis by providing cash and food transfers equivalent to 100% of their Missing Food Entitlement (estimated to be 80% of daily requirements) for the period December 2005 – April 2006. Targeted households comprise approximately 3,500 currently involved in Concern's livelihoods programme and an additional 1,000 suffering from the effects of HIV/AIDS and receiving limited support from the Malawi Red Cross. Households are located in seven Traditional Authorities in three Districts (Lilongwe, Dowa and Nkhonkhotakota) in Malawi.

The intervention has three objectives. The first is to enable targeted households to access their full food entitlement. The second objective is to provide a temporary safety net to minimize the need of households to resort to destructive coping strategies during the lean period. Lastly, the project aims to explore the effectiveness of cash transfers in addressing food insecurity in humanitarian emergencies in Malawi.

It is important that the project starts before the end of 2005 to counter the worst months of hunger which occur in January and February. The Government of Malawi and WFP responses are insufficient to meet demand and both require beneficiaries to be effectively destitute (having sold most assets) before they are eligible for transfers. Concern's objective is to uphold beneficiaries' rights to sufficient food and livelihood opportunities and to arrest the slide into deeper poverty by providing transfers which will negate the need for distress asset sales. Concern Malawi has the capacity to rapidly mobilize staff and procure commodities for distribution as soon as resources (€443,356) are made available.

The total budget for this intervention is €443,355

2. PROBLEM STATEMENT

According to the FAO, Malawi is the country in Southern Africa most affected by this season's drought. The 2004/05 maize harvest is the lowest since 1994, leaving a total gap of 482,608 MT or 37% of national consumption needs. This means that the gap between production and consumption needs is twice as large as it was in 2002. The Government of Malawi declared a National State of Emergency in mid October 2005.

There are two main reasons for the crisis. First, the rains stopped early, when the maize was at tasseling stage, and secondly, as in other years, basal fertilizer availability was inadequate in the beginning of the season and too expensive for many farmers. The result has been a marked reduction in crop production in the Central and Northern districts, and a massive crop failure in the Southern districts, leaving at least 4.2 million Malawians in need of food assistance.

Between July 2004 and April 2005 FEWSNET/WFP recorded informal cross border imports at about 80,000 tonnes of maize, mainly from Mozambique. Preliminary provisions have been made in the national budget to import an additional 100,000 tonnes of maize on a commercial basis. However, the lack of foreign exchange reserves, are a severe constraint on commercial maize imports.

The food insecurity of this significant segment of the Malawian population is created through a combination of factors related to food availability and access to food.

The main issues related to food availability are:

- The Government of Malawi has announced plans to import approximately 100,000 MTs commercially. However, foreign currency reserves are limited, and it is not likely that the government will be able to afford more than 30,000 MT.
- The private sector is apprehensive about importing maize because of the Government's subsidy policy. There are no clear guidelines on implementation of subsidies; and this uncertainty means that a significant segment of the private sector are reluctant to risk importing maize, which will have to compete with government subsidized maize.
- It is estimated that up to MT 200,000 of maize may be imported informally from Mozambique. However, already at this stage, there are several reports that traders have to venture further into Mozambique to source the maize so this may both affect the amount of maize being imported as well as the price.
- The government has been advised by the IMF that it cannot afford to keep more than 60,000 MTs as a strategic grain reserve – this is the equivalent less than two weeks of consumption.
- ADMARC – the parastatal in charge of procurement, distribution and sale of government subsidized food stuffs – is not seen as efficient and/or reliable. Communities describe recurrent shortages in supply of maize in ADMARC stores, forcing most of the households to rely on local markets and traders.

The combination of the limited capacity of the government to import maize, low grain reserves and the lack of adequate market mechanisms leaves Malawi in an extremely vulnerable position with respect to ensuring that sufficient food is available in the country.

In addition to the issue of availability, a significant segment of the Malawian population is unable to access sufficient cash to purchase food, even if it is available. Consequently, the maize price becomes the determinant for the number of people in need of assistance as the food insecure group in need of assistance will increase as the price of maize increases.

The Malawi Vulnerability Assessment Committee report was based on a variety of data including crop production figures, off-farm employment opportunities and cash crop prices to project the scale and duration of an area's Missing Food Entitlement – i.e. the missing percentage of an individual's daily calorific requirement of 2,100 calories. Food insecurity is mapped at the level of Extension Planning Area (EPA). An EPA will contain several thousand households distributed in a number of villages. A household's MFE can be addressed by either providing food to the value of the calories required, or cash sufficient to enable a household to purchase food equivalent to missing calories.

The VAC projected two scenarios: -

- Scenario 1: the market price for maize stays between MK 19-23 per kg (USD 0.13-0.17 per kg). Under this scenario, the food insecure group will be 4.2 million and the MFE 269,600 MT of maize
- Scenario 2: the price of maize rises to between MK 32 and MK 40 per kg. Under this scenario maize becomes unaffordable to households who were not vulnerable under the Scenario 1 price. An additional 400,000 individuals require food assistance, and the total missing food entitlement is 414,400 MT.

At the time of writing this proposal, prices have risen beyond the Scenario 2 price ceiling in many areas and the VAC (revised to take account of these price increases) estimates the population at risk to be 4,760,706 individuals or 39% of Malawi's population. Even with this revision, there is evidence that the VAC figures underestimate the extent of food insecurity because the level of analysis has not identified pockets of food insecurity within EPAs. Also, worryingly, the MVAC figures are based on the premise that a household is eligible for food aid only when it has sold practically all its assets; in other words the GoMVS and WFP schemes are not a safety net - a household has to become destitute before it qualifies for free food.

In addition, a recent Rapid Food Security Assessment conducted by Concern in the three districts to be targeted shows that households are already exhibiting unusually high levels of stress for this time

of the year – households are eating fewer food types and less frequently than at the same time last year.

3. THE OBJECTIVES

The objectives of the project are: -

- To enable 4,500 households not targeted under the GoM/WFP response to access their missing food entitlements during the period December 2005 – April 2006 (next harvest).
- To prevent targeted households from having to resort to destructive coping strategies, which will increase their vulnerability to future shocks.
- To explore the appropriateness of cash transfers as a means of tackling household food insecurity in periods of national food scarcity in Malawi.

4. PROJECT METHODOLOGY

Targeted households will be provided with a transfer (50% cash, 50% food) sufficient to cover their entire MFE which is estimated to be 80%. (A household whose MFE is 80% would therefore receive cash sufficient to purchase 40% of their food needs and a food transfer equivalent to the remaining 40% of their needs.) Cash and food will be distributed each month from distribution points not more than 10km away from beneficiaries' villages. The food transfer will be in the form of maize, pulses and oil and it will remain the same for the duration of the project. The size of the cash component will float in accordance with the prices of food commodities in local markets which will be surveyed in the week prior to the cash distribution.

5. TARGET GROUP PROFILE

Initially targeting will take place on an area basis encompassing the seven traditional authorities where Concern currently supports livelihood operations. A recent survey conducted by Concern (annex 1) details the critical situation at present as the country moves to the most severe hunger months. Concern is committed to reducing the impact of the current hunger on the current project participants who are already selling productive assets such as hoes to access food, thus reducing their future capacity to farm. Numbers to be targeted through the Government of Malawi voucher scheme do not meet the level of need within target areas or cover sufficient geographical areas. Given Concern's presence within the area over the last three years and our independent assessment we are convinced of the need to provide more support in our target areas which will be additional to the GoMVS.

The methodology developed by Concern for targeting ensures representation by both gender groups in vulnerability analysis as well as verification. Joint and discreet focus group discussions are facilitated at the community level both for participant selection as well as monitoring targeting effectiveness.

Targeted households fall into two groups. The first comprises about 3,500 households who have been supported by Concern's livelihoods projects for a number of years and who have not been targeted under the Government of Malawi Voucher Scheme, but who are extremely vulnerable to losing all the gains they have accrued through participation in the programme because of the current shock. The intervention will essentially serve as a safety net to protect the livelihood improvements that these households have accrued so far.

The second group comprises about 1,000 households identified by the Malawi Red Cross Society as currently suffering from the effects of HIV/AIDS. These households are extremely vulnerable to the current food shortages because of their limited ability to engage in ganyu because of ill health and care responsibilities. Maintaining a diet of reasonable diversity and appropriate calorific content is particularly important for individuals on ARV drugs.

Demand for transfers will be larger than the resources available. As such, accurate and transparent targeting and sensitisation of communities will be very important. Targeting will rely mainly on economic rather than social indicators, with a focus on protecting households most at risk of becoming destitute as a result of the emergency regardless of gender or age of head of household. However, a stratified approach will be used to ensure that at least 1000 HIV/AIDS affected households, 1,500 female headed households and 500 child headed households meeting the economic criteria are registered as beneficiaries, enabling an accurate assessment of the impact of the transfer on these different groups.

6. OUTPUTS AND ACTIVITIES

The project will deliver three outputs:

6.1 Output 1 – Cash Transfer

Beneficiary households will receive a cash transfer of up to €6.80 (approx MK1,000) per month for the five months December - April. This is considered as the cash equivalent of 40% of a household's total monthly food entitlement. However, the size of the cash transfer will be adjusted pro-rata according to household size, and prevailing market prices in the area in which the transfer is taking place.

6.2 Output 2 – Food Transfer

Beneficiary households will receive a monthly food transfer equivalent to 40% of their monthly food entitlement. As with the cash transfer, beneficiaries will not be means tested, however the size of the food transfer will vary according to household size. The food transfer will comprise maize, pulses and oil equivalent to 40% of the household's monthly calorific needs (Total requirements are taken to be 2,100cal per day per member).

The main activities for both outputs 1 and 2 will involve selection of households, establishment of distribution modalities, procurement, storage, transport and distribution of commodities and monitoring and evaluation.

6.3 Output 3 – Lessons Learned

The third output concerns collating and lessons for application in future emergency and non-emergency cash transfer schemes. The scarcity of information on the effectiveness of cash transfers in food security emergencies means that learning lessons from this experience will be particularly important, hence the comprehensive M&E effort.

7. MONITORING AND EVALUATION

Monitoring will be conducted monthly and will focus on the delivery and usage of the outputs – cash and food and the market context in which they are being delivered. Specifically, monitoring will address: -

- Efficiency of distribution process
- Recipient of transfer (gender, age, occupation, socio-economic status)
- Use of transfer
- Changes in Coping Strategy Index, dietary diversity and number of meals eaten by beneficiaries and non beneficiaries
- Changes in the price and availability of food commodities at local markets to assess the impact of the transfer on inflation and supply
- Accuracy and perceptions of fairness of targeting

Impact will be evaluated against a baseline of beneficiary and non-beneficiary households which will be conducted at the start of the project. Indicators used in evaluating impact will include: -

- Value of household assets
- Livestock ownership
- Mortality/morbidity rates
- Migration rates

The baseline survey and end of project evaluation will comprise 700 randomly selected beneficiary and non-beneficiary households. The baseline will also serve as a planning tool for Concern's forthcoming livelihoods programme extension, so non-beneficiaries under this programme may be targeted by Concern in the longer term. Monitoring will collect information from 350 randomly selected beneficiary and non-beneficiary households. The evaluation will be conducted by an external consultant.

This form of transfer in an emergency context is new to Concern and Malawi and will provide valuable insights into the value of the approach in future interventions. A workshop exploring strengths, weaknesses and lessons learned during the project will be held jointly with other organisations exploring cash transfers in the current humanitarian emergency in Malawi (WFP, Oxfam) in April 2006.

8. PROJECT MANAGEMENT AND ORGANISATION

Concern already has field staff in each of the districts to be targeted under this proposal, enabling a rapid start up of operations. However it would be necessary to employ one full time accountant/logistics co-ordinator, six field staff and three drivers for the duration of the project. These staff would be supervised by the Livelihoods Programme Manager with assistance from the Emergency Co-ordinator who would also be responsible for designing the monitoring framework and overseeing the collection, analysis and write-up of data.

Commodities and cash will be distributed from distribution points identified with the beneficiary groups. Food distribution points will be located as close as possible to the beneficiaries' villages to minimise the time that beneficiaries have to travel. Beneficiaries will be issued with an identity card and ration book which they will need to collect their transfer. For security reasons, cash will be distributed in the villages rather than at the food distribution points. Cash will be sealed in envelopes marked with the beneficiary's name, village and identity number in the head office prior to the distribution. Spot checks will be carried out by supervisory staff to minimise the chance of ghost beneficiaries or other fraud.

Concern is currently working closely with the Department of Poverty and Disaster Management Affairs in the GoM through the provision of a member of staff who assists with the coordination of the GoMVS. This relationship is important because, although the department will not be involved at an implementation level, they will be a central player in the dissemination of the findings of the project and in any decision on how the findings will affect future programming.

9. ASSUMPTIONS AND RISKS

The project operates under two assumptions. The first is that the MVAC underestimates the size of the Missing Food Entitlement in the area to be targeted and the numbers of people at risk; for the purposes of this project the MFE is assumed to be 80%. The second is that, because both GoM and WFP are responding with provision of 100% of the MFE, even in areas which have been identified as below this, there is significant exclusion error – i.e. many households have been left outside the official response.

Experience of cash transfers from other countries can be applied to assist with design of a project in Malawi. The main risks can be grouped in four areas: -

9.1 Security

Because cash distribution does not necessitate the use of distribution centres as with food, the transfers can be made much nearer to beneficiaries' households, which reduces the risk of theft in transit. Bank accounts have been used with varying degrees of success, but are not likely to be appropriate for this particular intervention in Malawi because of its short duration and limited outreach. A more appropriate distribution modality may be to channel funds through respected local elites such as school teachers, etc, who in turn are paid a small commission. Alternatively, the use of local shopkeepers as distribution agents could be investigated. Beneficiaries could be issued with a voucher with a cash value which could be redeemed for cash at a specified shop. Participating shopkeepers would be paid a service commission for involvement in the scheme.

9.2 Targeting

The project will use Community Targeting methods developed by Concern for use in Malawi and proven to be accurate and minimise conflict within communities. Nevertheless, there is the risk of causing resentment in the locality if large numbers of households feel they are being excluded from the project.

9.3 Mainstreaming

Concern has the mainstreaming of HIV/AIDS as a global policy in all of its areas of operation. Concern recognises that HIV/AIDS poses an enormous threat to achieving stability, shock resistance and sustained development. To address this HIV/AIDS is mainstreamed within every Concern activity. The approach is three fold;

- Ensure full compliance to 'Do No Harm' principles in implementation, including the risk of HIV/AIDS.
- Ensure that a component of the programme actively counters the threat of HIV/AIDS to the beneficiary communities.
- Ensure that in a given programme, the impact, beyond specific HIV/AIDS activities, will have a positive impact on People Living With HIV/AIDS (PLWHA).

All Concern staff, field and administrative in all offices have received training in HIV/AIDS over four workshops facilitated by the Concern HIV/AIDS advisor assisted by representatives of the centre who are PLWHA.

Additionally the Concern Code of Conduct and beneficiary protection policy ensures that all staff and persons or groups contracted by Concern are aware that any sort of exchange with beneficiaries, is an offence.

9.4 Inflation

It is important that food is available on the market if cash is to be effective as a hunger alleviation tool. A surplus of cash without food supply may encourage spending on non food items because beneficiaries are fearful of theft. It is unlikely that the cash delivered under this project will have any effect on the prices of goods because of the limited size and scale of the transfer. Nevertheless, the mixed food/cash transfer goes some way to insuring households against the impact of inflation. Pegging the cash element of the transfer at the right level to accommodate food price increases over the next five months will be critical to the success of this project. It is anticipated that one effect of the large increase in the scale of WFP/GoM humanitarian food distributions from November will be a slow down in the rate of inflation of staple foods. Government reports also suggest that there will be an improvement in availability of subsidised maize at ADMARC depots over the coming months.

9.5 Misuse

There is always the risk that the cash element of the transfer will be spent on non-essential items, but the evidence available from other countries shows that households that received cash rarely squandered it. In most cases it was used to build a household's resilience to food insecurity by buying food, investing in food crop production or in small income-generating enterprises (UNICEF CFF Programme). Where food aid was provided as well (e.g. Red Cross Response to Hurricane Mitch) the proportion of cash used for productive investment was high and was encouraged by certain signals about purchase of agricultural inputs which were built into the programme.

10. SUSTAINABILITY

The objective of this project is to prevent asset depletion and destructive coping strategies which will undermine the sustainability of Concern's longer term development programming. However, the project will generate valuable lessons which can be applied to future emergency and social protection cash transfers in Malawi and elsewhere.