BUILDING RESILIENT LIVELIHOODS THROUGH ECONOMIC EMPOWERMENT – AN EXAMPLE FROM MALAWI

Training group in Kanduku II village, Mwanza District.

Photo: Martin Ihm

One of the objectives of cash transfers is to improve household income to meet basic needs. Adding economic empowerment interventions to existing cash transfer programmes has the potential to reduce vulnerability and build the resilience of households in extreme poverty by creating assets, supporting income diversification and promoting financial inclusion – an example from Malawi.

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The most common understanding of resilience among academics and practitioners is the ability to endure, recover and adapt to stresses, shocks and changes. Households and communities are considered resilient when they can meet their basic needs in a sustainable manner without external support during times of stress or disaster. Researchers have identified many factors that contribute to resilience building of households – among these are income and access to food, access to financial services, ownership of assets such as livestock, and access to basic services like health and education. In the humanitarian and development sector there are many programmes that focus on building the resilience of households and communities, including social protection programmes that provide livelihood support.

LIMITED SCOPE OF CASH TRANSFERS

In Malawi, one of the poorest countries in the world, chronic poverty, food insecurity and high vulnerability to disasters are widespread. About 70 per cent of Malawian households live below the international poverty line of 1.90 US dollars per day. Despite some improvements in recent years, poverty levels and the vulnerability of rural households remain high. Livelihood options and the resources available to rural households are limited. Most poor rural households earn their livelihood through farming or farm labour, but agriculture is seasonal and rain-fed, making it prone to climate-related shocks, such as floods and droughts, which are becoming more frequent and intense.

The Government of Malawi uses different social protection instruments to address chronic poverty and vulnerability. One such instrument is the Social Cash Transfer Programme (SCTP), which has been in place since 2006 and provides a monthly transfer to households that are both ultra-poor and labour-constrained. These households are unable to meet the most basic urgent needs (food and essential non-food items) and have a household member ratio of 'not fit to work' to 'fit to work' of more than 3:1 ('unfit' if below 19/above 64 years of age or with chronic illness/disability, or otherwise unable to work). Currently, the SCTP reaches around 167,000 households in 18 districts. Impact evaluations indicate that the programme has enhanced the living standards of beneficiaries considerably. However, as the value of the social cash transfer is less than 20 per cent of household consumption needs, the scope for beneficiaries to invest in livelihood strategies that reduce poverty and increase resilience is limited. International empirical evidence on cash transfer programmes suggests that complementary livelihood interventions can strengthen the impact of cash transfers, increasing resilience and reducing poverty. One successful and often-replicated approach comes from the Bangladesh Rural Advancement Committee (BRAC). The BRAC approach complements regular transfers of cash or food for the ultra-poor with economic empowerment interventions, such as skills training, financial inclusion through savings and formal bank accounts, healthcare support and advice, a one-time grant of productive assets, and the facilitation of social integration.

COMBINING CASH TRANSFERS WITH ECONOMIC EMPOWERMENT INTERVENTIONS

In 2016, building on the success of the current Social Cash Transfer Programme, the Government of Malawi, with the support of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the COMSIP Cooperative Union, piloted an economic empowerment project for social cash transfer beneficiaries. The pilot looked at how to better address ultra-poverty and vulnerability using the available social protection instruments. In addition to the regular social cash transfer payments, which allow beneficiaries to meet consumption and other basic needs, the pilot provided a package of economic empowerment interventions, such as training on group formation, financial literacy, business skills and agriculture. It also offered once-off seed capital for productive investment. The purpose of the training was to encourage beneficiaries to form savings groups, develop and set up income generating activities, and engage in individual and group businesses. The financial resources required to overcome capital constraints with regard to productive investments or to start a small business were provided by way of once-off seed capital equivalent to the annual aggregate of social cash transfer payments.

The German Development Institute (DIE) evaluated the pilot project and conducted qualitative and quantitative surveys. The first results show that most of the 557 beneficiary households, of which 70 per cent are female-headed, have increased their asset base by investing a large part of their seed capital in small livestock, having in mind the savings and income-generating functions of livestock. Other parts of the seed capital were invested in improving housing quality in order to enhance living conditions and health.

> **Economic empowerment** refers to processes where poor people gain greater control over resources and life choices beyond immediate survival needs. Economic empowerment can be facilitated by enhancing knowledge and skills, increasing possibilities to access financial resources and assets and strengthening self-organisation with regard to economic activities.

In addition, some of the qualitative findings suggest that the trainings, in combination with the seed capital, contributed to income diversification by strengthening existing businesses and promoting the development of new income generating activities (mostly non-farming activities in the area of small trading and processing). The trainings also increased financial literacy among beneficiaries and led to the formation of savings and loan groups, which provide group members with access to microcredit. However, loans from savings groups are primarily used for consumption and meeting basic needs (e.g. for food and clothes), and less often for productive purposes (e.g. to purchase business inputs or farm implements). It would be desirable to enhance the usage of loans for productive investments and business creation. This could be achieved through the provision of intense group or household coaching for income-generating activities.

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The findings of the evaluation suggest that the interventions have positively contributed to building resilience. Many of the beneficiary households were able to improve their access to financial services, increase their livestock assets, and diversify their income sources. They also benefited from social integration into business and savings groups. Furthermore, the project, and in particular the provision of the seed capital, increased the likelihood and reduced the time needed by households to recover from the severe drought in southern Africa in 2016. Hence, the pilot project points out that combining protective cash transfers with a promotive package of additional cash for investments and human capacity building can be an effective way for the Government of Malawi to put ultra-poor households on a pathway out of poverty and vulnerability.

THE WAY FORWARD

However, it should be noted that the interaction of cash transfers with additional support programmes requires the coordination and harmonisation of efforts among different government and non-government actors at national and local levels. Furthermore, the provision of intense skills trainings for economic empowerment is challenging, as the government lacks resources – both human and financial. Regardless of these shortcomings, it is aware that the effectiveness of its social protection instruments can be enhanced with regard to resilience building and poverty reduction if protective social protection instruments are linked to economic empowerment interventions. As a result, the new Malawian National Social Support Programme, which is the operationalising and guiding document to the country´s social support policy, prioritises the promotion of resilient livelihoods. This will be achieved by connecting available social protection instruments that provide consumption support, like the Social Cash Transfer Programme and the Public Works Programme, to financial services, asset creation and skills development, while at the same time facilitating linkages and access to nutrition, health and education.

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For more information on the project, see online version of this article at: **www.rural21.com**