

Malawi's Public Works Program – Does It Work?

Kathleen Beegle (World Bank and IZA)

Emanuela Galasso (World Bank)

Jessica Goldberg (University of Maryland)



Contrary to expectations, there is no evidence that Malawi's PWP improves food security.

Follow us on Twitter! Find @glmlc

Topic at a Glance

Labor-intensive Public Works Programs (PWPs) are important social protection tools in low-income settings. Beneficiaries provide work in return for cash or in-kind transfers. PWPs are gaining attention in fragile states as a means of quickly restarting local economic activities or addressing unemployment. There are many examples of successful PWPs, particularly in India and across sub-Saharan Africa, where 39 of 48 countries have government-supported programs. The Malawi Social Action Fund (MASAF) - Malawi's Public Works Program – has been operative since the mid-1990s, providing short-term, labor-intensive opportunities for poor households. In 2012 the program doubled in size to cover around 500,000 households each year. The program objectives were to improve food security and increase the use of fertilizer and other agricultural outputs. Although the MASAF PWP increased incomes by allowing beneficiaries to earn up to US\$44 (in a country with a per capita GNI of only US\$320), there is no indication that the program achieved its objectives.

New Insights

The failure of the PWP to improve food security in either the short run (though consumption support) or longer run (through an increased use of fertilizer) is especially troubling and has important lessons for policy makers, as the PWP is the largest social protection scheme in one of the world's poorest countries.

- The PWP in Malawi was not effective in achieving its aim of improving food security during the 2012/2013 agricultural season. Even improving the structure of the program by rescheduling the second work cycle from the harvest season to the lean season does not generate measurable improvements in the food security of treated households.
- The increased income offered by this opportunity during the planting season did not result in greater use of fertilizer – in

spite of the fact that this was the intention.

- Treated households do not have better food security than households in control villages.
- The program did not increase the ownership of durable goods. There is no evidence that the program affected prices by injecting cash into the economy
- There is no evidence of labor market tightening induced by reduced labor supply or increased reservation wages.
- The indirect effects of the PWP are small and, surprisingly, negative. In Northern and Central Malawi, food security of untreated households in villages with PWP programs is not only lower than food security among their treated neighbors, but also lower than food security in control villages without PWP activities. This is in contrast to expectations and to effects of other large-scale transfer programs, eg, in Mexico.

Policy Recommendations

Labor-intensive public works programs have proved to be very successful in a number of countries, including India and Ethiopia in particular, in providing important social protection and social safety nets through supplementing the income of poor households. This evaluation of the MASAF PWP, however, found no evidence that the program improved food security or the use of fertilizer amongst Malawian households, and evidence to suggest negative spillover effects to households that were not treated in the study. These results held even under modifications to the design of the program to offer work during the lean season rather than the harvest season, as well as through increasing the frequency of payments.

The findings stand in contrast to those from large PWPs in India and Ethiopia (i.e. the NEGRA program in India and the PNSP program in Ethiopia), and serve to remind policy makers that PWPs will not always have significant and measurable welfare effects. While the NEGRA program in India had some success in stabilizing consumption, much like the PSNP it differs from the Malawi's PWP in that it functions as a true insurance program that guarantees employment whenever households need it, for up to 100 days, rather than offering employment in a rationed

fashion and only in specific time-limited windows of 24 days in each of the two seasons. In addition, relative to the MASAF PWP, Ethiopia's PSNP has a longer duration and higher-intensity transfers.

The indirect effects of the PWP are small or, surprisingly, negative. In Northern and Central Malawi, food security of untreated households in villages with PWP programs is not only lower than food security among their treated neighbors, but also lower than food security in control villages without PWP activities. This is in contrast to expectations and to the effects of other large-scale transfer programs. For example, Oportunidades, the conditional cash transfer program in Mexico, generated positive effects on the consumption of treated households and positive externalities to non-beneficiary households through risk-sharing, whereby ineligible households are able to consume more through an increase in transfers and loans from family and friends in their community. Similarly, in India, there is evidence of positive spillover effects for incomes of the poorest households, working through an increase in the casual wage rate.

However, neither of these effects were apparent in Malawi. A possible explanation for this could be that untreated households reduced food consumption in reaction to an unobserved change in the behavior of treated households, or to erroneous expectations of their own future income. Although there is no direct evidence to support these behaviors, these types of mechanisms could explain the unexpected finding that Malawi's PWP reduces the food security of untreated households in villages with PWP activities.

In summary, the study did not find any impact of the PWP on food security in Malawi – across the board – neither with the current design (PWP during planting season) nor with the variants, i.e. harvest season versus lean season, or lump-sum payments versus frequent payouts. Nor were there any effects on fertilizer use, or on savings and asset consumption of households. The study found that rural households in central Malawi perceive serious obstacles to saving money. Many people opt to have wages withheld for a week or more from casual labor activities in the private market because money received daily may be otherwise used on temptation goods, despite the intention to save for a larger purpose.

While the maximum possible income from the PWP is substantial relative to per capita GNI, the size of the transfer is low compared to other social protection tools in Malawi, such as cash transfers projects, or other PWP programs in sub-Saharan Africa. Perhaps because of the low daily wage offered by the MASAF PWP, 24 extra days of work during the lean season does not significantly improve food security, which would imply that a longer duration and more flexible schedules are avenues that policy makers should consider exploring.

Identifying the behavioral mechanisms through which poor people make decisions, and how they might be improved, remains a priority for both understanding household spending patterns and for informing policy.

Limitations

- While many of the studies of cash-for-work programs focus on the potential 'crowding out' effect of the program on labor market outcome, or the extent of self-targeting for a given wage rate or participation requirement, there is surprisingly limited evidence about the first-order effects of the program in increasing or smoothing consumption.
- It is difficult to say how the additional income generated from this program was spent or saved. This could perhaps be because the amount of earnings from the program was not sufficiently large.
- Households may have spread consumption across the four- to eight-month PWP period, or saved for even longer durations. In which case, changes in weekly spending may be too small to detect, especially since extra spending may have been spread across many different categories of goods.
- While improvements in food security and the use of fertilizer can be ruled out, there may have been small, diffuse increases in these or other outcomes that are too small to detect.
- Relative to the MASAF PWP, Ethiopia's Productive Safety Net Project (PSNP) has both a longer duration and higher intensity transfers. These design features are likely to be important determinants of the impacts of PWPs on consumption and food security.

Read more → glm-lic.iza.org/projects/ta1/211/

GLM|LIC is a joint program by IZA and the UK Government Department for International Development (DFID) – improving worldwide knowledge on labor market issues in low-income countries (LICs) and providing a solid basis for capacity building and development of future labor market policies.

GLM|LIC

c/o IZA – Institute of Labor Economics
Schaumburg-Lippe-Straße 5–9
53113 Bonn, Germany
Phone: +49-228-3894-0
Fax: +49-228-3894-510
Email: glm-review@iza.org