

# Social Support for Resilient Livelihoods

SCALABLE HANDBOOK

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Ministry of Finance & Economic Affairs, Economic Planning and Development Department



Government of Malawi



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## ABBREVIATIONS AND ACRONYMS

CHIRPS	Climate Hazards Group InfraRed Precipitation with Station data
DCCMS	Department of Climate Change and Meteorological Services
DEC	District Executive Committee
DoDMA	Department of Disaster Management Affairs
E-MIS	Emergency Management Information System
FEWS NET	Famine Early Warning System Network
FPSP	Financial Payment Service Provider
GRM	Grievance Redress Mechanism
HE	Horizontal Expansion
IFPRI	International Food Policy Research Institute
IPC	Integrated Food Security Phase Classification
M&E	Monitoring and Evaluation
MIS	Management Information System
MoA	Ministry of Agriculture
EP&D	Economic Planning and Development
MoF	Ministry of Finance and Economic Affairs
MoGCD&SW	Ministry of Gender, Community Development and Social Welfare
MVAC	Malawi Vulnerability Assessment Committee
NLGFC	National Local Government Finance Committee
PS	Principal Secretary
PSP	Payment Service Provider
SCTP	Social Cash Transfer Programme
SSRLP	Social Support for Resilient Livelihoods Project
TAMSAT	Tropical Application of Meteorology Using Satellite Data and Ground-Based Observations
UBR	Unified Beneficiary Registry
VE	Vertical Expansion

## ACKNOWLEDGEMENTS

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## SECTION I: OBJECTIVE AND PRINCIPLES OF SCTP SCALABLE MECHANISM

### I.1 Introduction

Malawi continues to face different types of climate-related disasters/shocks. Such shocks include floods, droughts, stormy rains, strong winds, hailstorms, and others. These climate-related risks are understood to be one of the biggest threats to social and economic progress, and to have particularly detrimental effects on poverty and inequality. Consequently, there is an urgent need to address vulnerability to disaster and climate risk, especially among poor households.

The intention is to be able to leverage SCTP to provide additional cash transfers to poor and vulnerable households in case of extreme weather- or climate-related shocks through an automatic expansion or scale-up. This support intends to safeguard development gains made under the broader SCTP and effectively build community resilience to disasters. Experience has shown that the faster support can reach the poor and vulnerable before or after disasters, the less likely they are to resort to negative coping strategies.

This Scalable Handbook sets out the guiding principles, an operational framework, and an institutional structure for scaling up the SCTP in response to shocks. It defines institutional responsibilities and sources of finance to allow government to rapidly respond to disasters. The handbook is intended to serve as the key reference document for practitioners and agencies involved in the scale-up, or for other stakeholders who may want to use SCTP systems for scaling up. This handbook will be updated as needed to reflect lessons from the implementation of SCTP scale-ups.

Currently the scalable mechanism is operational in Blantyre, Chiradzulu, Karonga, Nkhoskhota, Ntcheu, and Thyolo districts in response to drought risk. These districts were selected based on technical analysis from drought and food insecurity risk models, as well additional criteria that include delivery system readiness and the presence of other donors and existing interventions. Over time the mechanism may increase coverage to other shocks and districts.

### I.2 Guiding principles behind SCTP scalable mechanism

The principles that will guide decisions on expanding cash transfer coverage as an instrument to respond to weather-related shock are as follows:

**Pre-defined targeting for scale-ups:** To ensure the swiftness of the response the project shall operate through the existing SCTP and scale up to pre-defined sets of households. The SCTP Management Information System (MIS) will enable pre-defined targeting, while the Unified Beneficiary Registry (UBR) will enable timely generation of a list of additional beneficiaries to cover.

**Timely response:** In the spirit of “no regrets,” the government will make SCTP scalable transfers available as early as possible in response to the shock to effectively protect household welfare following a crisis. This can then be complemented with finance from other sources if residual need remains.

**Delivery of transfers:** To ensure timeliness of transfers, the government will make use of existing payment models. The transfer amounts are pre-agreed and specified in this handbook for both vertical expansion (VE) and horizontal expansion (HE). The amounts were based on food basket costs.

**Objective triggers:** Decisions to scale up in response to a shock will be triggered using objective, pre-agreed, quantitative, and auditable indicators for which reliable time series data exist. An automatic primary trigger using remote sensing data removes any possibility that subjective analysis can affect or delay decisions during scale-up. A secondary trigger based on objective data related to food insecurity and expert judgment will be used as a fail-safe to complement the primary trigger but will not drive the mechanism given the need for early response.

**Financial readiness:** The costs of the scalable mechanism will be covered by two disaster risk financing instruments, flexible contingency finance, and risk transfer. The contingency finance acts like a deductible to the risk transfer product, which will provide additional financial protection in years will multiple districts trigger a scale up. Any payouts from the risk transfer product are made directly from the insurer to the government’s designated account at the Malawi Reserve Bank and disbursed to participants in the same way as transfers from the contingency fund.

**Institutional coordination:** Government will promote coordination among social protection and relevant climate risk and disaster risk management agencies, including non-state actors. Efforts will be made to build on preexisting institutional linkages, historical ties, and early warning systems. Government will ensure active participation of all key stakeholders when developing the scalable mechanism for the SCTP, particularly when selecting parameters such as the triggering mechanism, cash transfer amounts, and household coverage.

**Effective monitoring and evaluation (M&E) system:** Government will put in place an M&E system to monitor and evaluate the swift assistance through the SCTP scale-up while also examining how the process can be improved.

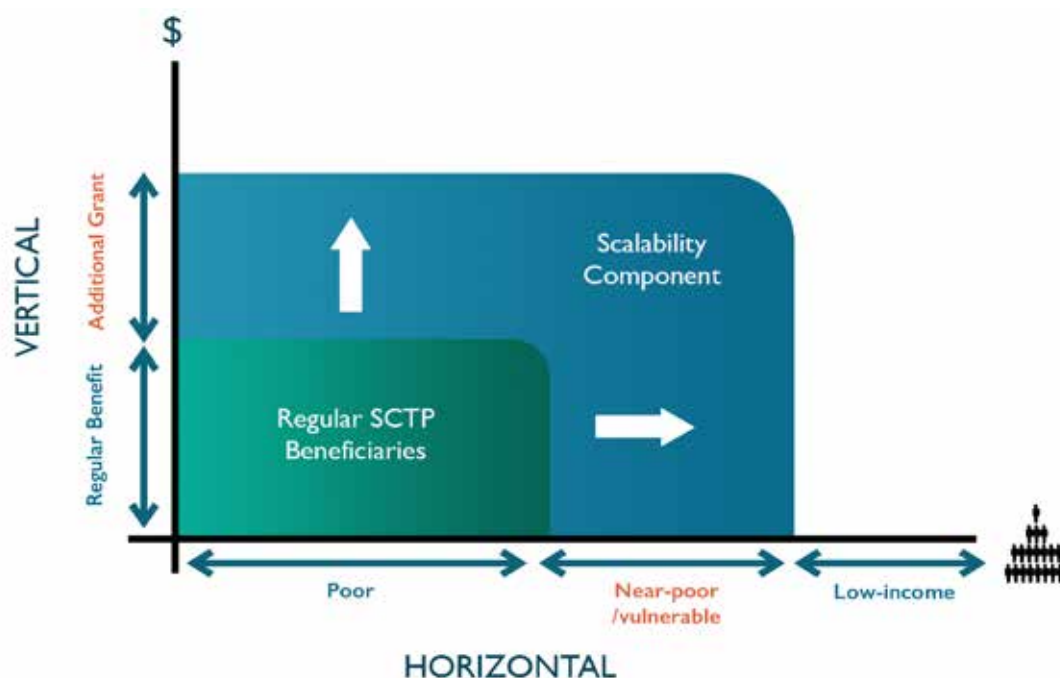
### 1.3 Scalable approach

Scalability will leverage the infrastructure of the SCTP, which includes targeting (registration, selection, and enrolment) and payment systems. The SCTP infrastructure can be utilized in two ways depending on the type of scale-up or expansion to be implemented—that is, either vertical or horizontal expansion (figure 1).

**Vertical Expansion (VE):** Vertical expansion will automatically include the regular programme beneficiaries, whereby additional grants to the regular cash that they receive will be provided to help cover additional transitory needs related to shocks. SCTP systems will be adapted to provide this additional assistance to the regular beneficiaries.

**Horizontal Expansion (HE):** Horizontal expansion will increase the coverage by adding to the programme more poor households that are affected by shocks to help them cover their transitory needs and prevent them from falling into a poverty trap and adopting destructive coping strategies. This means that SCTP systems will be adapted to include the registration, selection, and enrolment of additional beneficiaries.

**Figure 1: SCTP vertical and horizontal expansion**



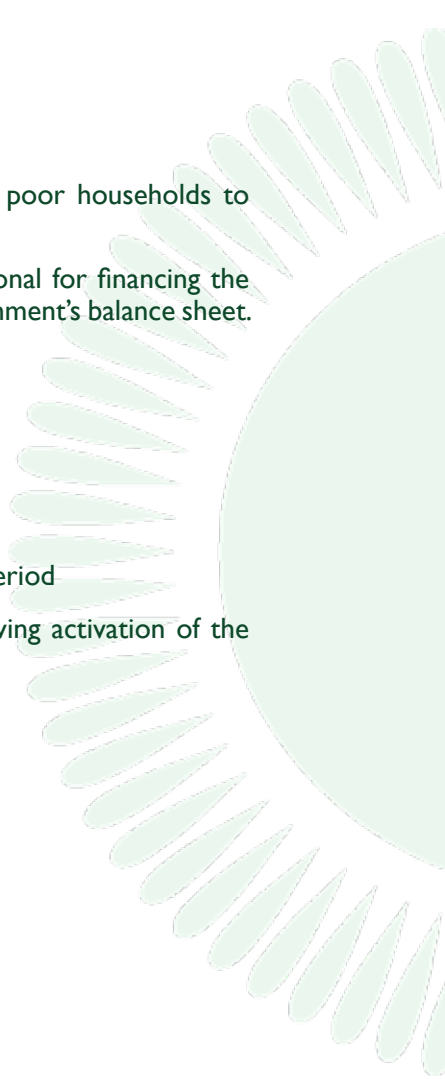
#### **I.4 Expected results of the SCTP scalable mechanism**

**Overall result:** Improve livelihoods and resilience of SCTP and non-SCTP poor households to extreme climate-related shocks.

**Outcome:** A disaster risk financing mechanism is established and fully functional for financing the scale-up of social cash transfers, removing this contingent liability from the government's balance sheet.

**Outputs:**

- Triggering mechanism for SCTP scale-up adopted
- Effective identification mechanisms for the affected households put in place
- SCTP targeting and payments systems to support SCTP scale-ups adapted
- 300,000 households covered by the scalable mechanism over the project period
- Affected households reached with the mechanism within six weeks following activation of the mechanism



## SECTION 2: PARAMETERISING THE SCTP SCALABLE MECHANISM

This section sets out the specifics of the SCTP scalable mechanism to be implemented by government. The Scalable Taskforce, comprising different stakeholders<sup>1</sup>, reviewed and discussed several options for the design of the SCTP scalable mechanism before adopting the parameters set out in this handbook. Importantly, the handbook is a living document and parameters may be reviewed and updated as needed by government, drawing from lessons learnt during its implementation.

The scalable mechanism will focus on response to drought in the following districts: Blantyre, Chiradzulu, Karonga, Nkhotakota, Ntcheu, and Thyolo.

These districts were selected based on a composite index that combines drought and food insecurity risk models, as well as system readiness and the presence of other donors and existing interventions. Over time, the mechanism may increase coverage to other shocks and districts; any changes will be incorporated into future updates of this handbook.

The parameters of the scalable mechanism are set out to respond to the following questions:

- **When** will a scale-up be triggered?
- **Where** will the scale-up take place?
- **Who** will benefit from-the scale up?
- **What** will be the value-of additional transfers?

The parameters selected were agreed after analysing trade-offs between different options and their cost implications. Increasing the frequency of scale-ups, increasing transfer amounts, increasing the number of months, or increasing the household coverage increases the overall cost of the mechanism. Parameters were set such that the implementation of the scalable mechanism is financially sustainable given the current availability of resources to government.

Table I below provides a summary of the framework adopted. The rest of the section provides more information on the rationale behind each of the parameters selected.

**Table I: SCTP scalable mechanism**

Geographic Location	Trigger	Drought Condition	Coverage of rural HHs Receiving SCTP <sup>a</sup>	Transfer per HH per month	Frequency
Blantyre, Thyolo, Ntcheu, Chiradzulu, Nkhotakota, Karonga	Drought index based on satellite data, triggered when index falls below pre-agreed threshold, and secondary triggers do not show evidence of drought	No drought	Routine SCTP: 10%	Routine amount	Bi-Monthly
	Drought index based on satellite data as above, or when secondary triggers show evidence of drought	Drought	Routine SCTP: 10%	Routine SCTP HHs: Routine amount + MK 25,000	3 months
			Additional HHs: 7%	Additional scalable HHs: MK 25,000	

Note: HH = household; SCTP = social cash transfer programme.

a. The scalable mechanism has no impact on the 10 percent of rural households covered as routine SCTP beneficiaries. The coverage of the regular SCTP is beyond the scope of this handbook.

When there is no drought (according to scalable triggers), there will be no SCTP scale-up. Hence, the routine social cash transfer beneficiary household (currently covers around 10 percent of rural households in each district) will continue to receive the pre-agreed amount that they have been receiving. However, when there is a drought according to the scalable triggers, about 17 percent of households—10 percent of routine households and 7 percent of additional households—will receive a scale-up of MK25,000 per household per month for three months.

## 2.1 When will the scale-up be triggered?

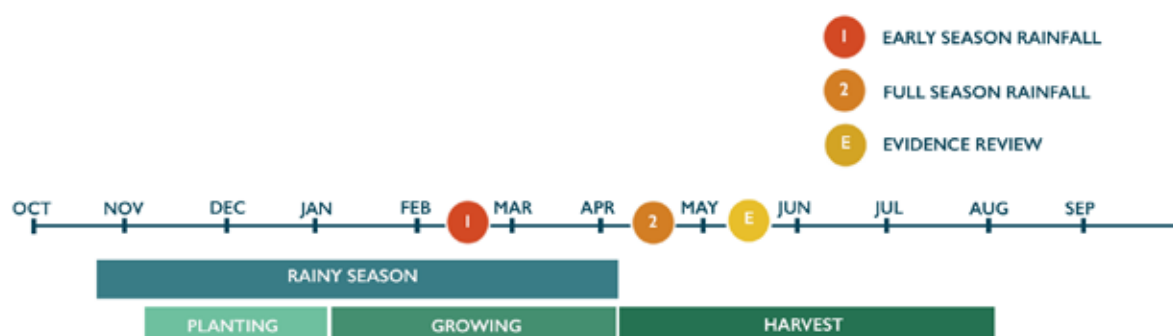
Malawi's warm, wet season stretches from October to April, and the peak of the agricultural growing season occurs over the months of November to March, during which 95 percent of the annual precipitation takes place. Poor or insufficient rainfall normally translates into food insecurity in most areas in the country. The scalable mechanism will focus on monitoring the drought conditions during the agricultural season to identify potential food and income shortages that could translate into food insecurity among households.

The scalable mechanism will follow a dual trigger approach, combining a primary trigger that blends two rainfall remote sensing indices and a secondary trigger based on an evidence review (see figure 2). This triggering approach is designed to mitigate the risk that the conditions on the ground differ to those presented by the remote sensing data. The mechanism will include an evidence review used if the primary triggers are not met but there is concern that drought conditions prevail.

The disbursement of available financial resources to cover the cost of SCTP scale-ups will be linked to the primary and secondary triggers. A risk transfer or insurance product will cover the costs of the SCTP scale-ups when triggered by the primary satellite-based rainfall indices. Contingency finance will be used as a reserve in cases when the SCTP scalable mechanism does not trigger based on the primary satellite indices but the evidence review shows that conditions on the ground include food insecurity and increases in food prices. Contingency finance may also be used to cover scale-up costs associated to the primary trigger in case the insurance product is not readily available when the scalable mechanism is first implemented.

Both the primary and secondary triggers were set when analysing historical data and developing several risk models, which were tested on how well they reflected drought condition in Malawi. Further details are below.

**Figure 2: Trigger structure**



### Primary triggers

After extensive analysis, two remote sensing rainfall indices were identified to capture drought in Malawi. The first index aims to capture moderate dryness and trigger a scale-up in the early season (covering the growing period). The second rainfall index covers the full season and has threshold levels



that are stricter, i.e., higher rainfall deficits are needed to trigger a scale-up later in the season. The second index will therefore capture extreme late season dryness to trigger a scale-up at the end of the season. More importance is placed on the earlier season index given the relative importance of the rains during the early growing period. Using satellite data as a primary trigger has the advantage of being objective, of having no gaps in geographic or time coverage, and of involving very small delay times in obtaining data. Table 2 below presents additional details on the two primary rainfall triggers.

**Table 2: Primary rainfall trigger description**

	<b>Early season drought index</b>	<b>Full season drought index</b>
<b>Satellite Data</b>	TAMSAT v3.1 dekadal (10-day) data	CHIRPS-final dekadal (10-day) data
<b>Period covered</b>	1 November to 31 January (of the following year)	1 November to 10 April (of the following year)
<b>Structure</b>	Calculates low rainfall over a 30-day (3 consecutive dekads) rolling window during the first half of the agricultural season	Calculates low rainfall over a 30-day (3 consecutive dekads) rolling window during the full agricultural season

Trigger thresholds based on the lowest rainfall received in a district are expressed as a percentage of the historical average during the driest 30-day period. The trigger thresholds change from one district to another to make sure they all have similar frequencies of scale-ups. Triggers were set so that a scale-up is not triggered every year but is triggered when moderate to extreme droughts occur. If the primary trigger thresholds are met, this will automatically trigger a scale-up in the corresponding district. Triggers for each index and district are presented in table 3 below.

**Table 3: Primary trigger thresholds (rainfall as percentage of historical average)**

<b>District</b>	<b>Early season drought index</b>	<b>Full season drought index</b>
Blantyre	45%	25%
Ntcheu	55%	10%
Thyolo	45%	25%
Chiradzulu	50%	25%
Karonga	50%	25%
Nkhotakota	50%	35%

The blended primary trigger closely correlates with historical information on food insecurity and agricultural yields. The risk model has been validated by a team of technical experts, including actuaries, and has been shown to provide reliable and robust outputs when calibrated against historical satellite, yield, and food security data.

## Secondary trigger / evidence review

Reliance on satellite data alone might not fully capture drought conditions, as sometimes the conditions on the ground differ to those presented by the remote sensed/satellite data. Therefore, in cases where the primary trigger does not capture a drought, the evidence review will be used as the secondary trigger. The evidence review will gather additional evidence that could provide a more comprehensive picture of drought conditions that might trigger the scale-up process. This review will be used if the primary triggers are not met but there is concern that there are signs of drought conditions in selected districts.

In cases where the primary trigger does not capture a drought, the evidence review will compile the following secondary data sources to determine whether a scale-up should be triggered:

- **FEWS NET (Famine Early Warning System Network) Food Security Outlooks:** FEWS NET publishes current and projected Integrated Food Security Phase Classification (IPC) outlooks three times a year (February, June, and October) and publishes updates intermittently. The outlook released in February and any outlook updates in April provide a synthesized analysis of available early warning indicators, including IPC phase classifications, which may be vital to verification of drought.
- **Global IPC reports:** The reports involve input from different stakeholders and are released every January and September, making them predictable in terms of timing. They also include tables per district with information on the number of people and percentage of population in each IPC phase for the current period.
- **Rainfall data from weather stations from Department of Climate Change and Meteorological Services (DCCMS):** By including weather station data, the evidence review will further validate ground conditions and could provide more confidence to stakeholders. It could corroborate the satellite data or highlight shortcomings.
- **International Food Policy Research Institute (IFPRI) Malawi Monthly Maize Market Report:** The information on maize prices could complement information on food insecurity.

The evidence review will be drafted at the end of the agricultural season in June. It will include any data available at that point in time from the sources listed above. More details on the content of the evidence review are presented in annex B. A scale-up based on the evidence review will be triggered only when the information compiled from these sources clearly indicates that there is a drought in the selected districts.

In the event that a scale-up is triggered through the primary indicator, the evidence review will be used only to contextualize the conditions and cannot be used to trigger the disbursement of additional funds

## 2.2 Where will the SCTP scale-up?

The intention is for the SCTP scalable mechanism to eventually be implemented in all SCTP districts in Malawi. Currently it is implemented in Blantyre, Ntcheu, Thyolo, Chiradzulu, Nkhhotakota and Karonga.

The criteria used in selecting districts for the initial phase were based on drought risks, food security, delivery systems capacity, and other interventions, as described in table 4 below.

The mechanism could be expanded to further districts in the future conditional on its feasibility and financial resources available. The criteria used in selecting districts for the initial phase were based on drought risks, food security, delivery systems capacity, and other interventions, as described in table 4 below.

**Table 4: Criteria used in selecting districts**

CRITERIA	EXPLANATION
DROUGHT RISK	<b>Number of Dry Spells:</b> Dry ten-day periods as a percentage of the normal number of dry ten-day periods in a season
	<b>Consecutive Dry Spells:</b> Occurrence of three consecutive 10-day periods with dry spells over the entire season
	<b>Early Dry Spells:</b> Occurrence of three consecutive 10-day periods with dry spells in the first half of the season
FOOD INSECURITY	<b>Crisis Transitions:</b> Number of transitions from IPC phase 1 or 2 to phase 3 or higher
	<b>Agricultural Yield Deficits:</b> Calculation of historical yields (tonnes per hectare) and adjusted by their volatility
	<b>Average MVAC Volatility:</b> Difference between the average people in need according to MVAC vs. the maximum for the district
DELIVERY SYSTEMS CAPACITY	<b>Access to E-payments, SCTP MIS and UBR functionality and data availability</b>
OTHER INTERVENTIONS	<b>Interventions currently implemented in the district by government and partners</b>

Note: MIS = Management Information System; MVAC = Malawi Vulnerability Assessment Committee; SCTP = Social Cash Transfer Programme; UBR = Unified Beneficiary Registry.

Based on the first two criteria (drought risk and food insecurity), the following all had high scores: Balaka, Blantyre, Chikwawa, Chiradzulu, Machinga, Mwanza, Neno, Nsanje, Ntcheu, and Thyolo. When considering all four criteria, the nature of the scalable mechanism, and the infrastructure needed to implement it, the selected districts for the initial phase were Thyolo, Ntcheu, and Blantyre districts. In 2022, available financing made it possible to add three more districts - Nkhosakota, Chiradzulu and Karonga. The districts were added based on the same criteria used to select the districts in the initial phase, with Karonga adding geographical diversity to test the mechanism in the Northern region.

The objective of the first implementation phase was to monitor and improve the scalable mechanism, as well as to evaluate the implementation of the scale-up in terms of efficiency of systems and coordination with other interventions. The SCTP scalable mechanism shall be validated using available data such as agricultural yield data or food security data. Lessons drawn during the initial phase were used to inform changes in the mechanism before being rolled out to other districts. The scalable process will continue to be subject to an annual review between July and August each year.

### 2.3 Who are the beneficiaries?

Based on the principal of scaling up, the programme will provide additional cash transfers to existing beneficiaries (vertical expansion), as well as expand beyond the existing beneficiaries to include additional vulnerable households affected by drought (horizontal expansion). SCTP systems will be adapted so that the most vulnerable households can be targeted.

The list of routine beneficiaries to be included in the VE in the affected districts will be generated from the SCTP MIS, while for non-SCTP beneficiaries who will be part of HE, a list of pre-eligible households in a ranked order will be transferred to the adapted SCTP-MIS, and data will be validated to produce a final list of selected households. In the absence of a UBR database, fresh data will be collected and directly entered into the adapted SCTP MIS for selection of HE beneficiaries.

The 2018 Malawi Population and Housing Census shows the number of households in rural areas in the selected districts that are currently beneficiaries of the SCTP. This can be used to determine the number of additional households that will receive a transfer through scaling up the SCTP, as shown in table 5.

**Table 5: Current and Scaled-up household coverage for SCTP**

District	Total rural HHs (2018 Census) <sup>a</sup>	VE HHs in SCTP (as of Feb. 21) <sup>b</sup>	VE/current SCTP % coverage (2008 census) <sup>c</sup>	HE additional number of HHs for SCTP scale-up	Total SCTP scale-up coverage to 17% (2018 census) <sup>a</sup>
Blantyre	109,963	8,160	10%	10,534	18,694
Ntcheu	154,974	14,378	10%	11,968	26,346
Thyolo	174,104	16,658	10%	12,940	29,598
Karonga	74,953	7,523	10%	5,219	12,742
Chiradzulu	90,550	6,535	10%	8,859	15,394
Nkhotakota	79,899	7,873	10%	5,710	13,583
Total	684,443	61,127	10%	55,230	116,357

Note: HE = horizontal expansion; SCTP = Social Cash Transfer Programme; VE = vertical expansion.

a. This is based on the 2018 Malawi Population and Housing Census Report, December 2018.

b. This is the number of current SCTP beneficiary households, based on the 2008 Malawi Population and Housing Census.

c. This is the total percentage of SCTP beneficiary households that was calculated as number of households per district using the 2008 census data. Current coverage has therefore fallen below 10 percent of rural households in some districts when compared to 2018 census figures.

For instance, if a drought occurred in Blantyre District and the SCTP was vertically expanded, then 8,160 routine beneficiary households would receive an additional cash transfer. In the same case, if the SCTP was horizontally expanded, then 10,534 new additional vulnerable households would be added to the existing routine households, bringing the number of beneficiaries to 18,694, or 17 percent of the total number of rural households in the district based on the 2018 Population and Housing Census.

It should be noted that whenever the primary or secondary trigger of the scalable mechanism is met in a certain district, the SCTP scale-up will provide assistance to 17 percent of the households that were pre-targeted in that district. The households covered through the SCTP scale-up will not change according to the severity of drought, nor will the scale-up focus on a particular area affected within the district. While this reflects a rigidity of the SCTP scalable mechanism, pre-targeting the households to be added in the SCTP scale-up allows for a fast and pre-planned response. Also, considering that droughts usually affect wide areas and disproportionately impact the poorest, pre-targeting the poorest households in the district makes sense in this case. Shocks that affect a small area in a district might require additional localized interventions by government and partners.

## 2.4 What is the transfer amount?

The current average monthly transfer rate for SCTP routine beneficiary households is MK 9,000 (US\$8.4)<sup>2</sup>. At the present time, this is transferred to the beneficiary either through e-payment or manual payment every two months. The SCTP scale-up will provide cash transfers of MK 25,000 (US\$23.25) per household per month. This cash transfer amount will be provided to all households through the scale-up—both VE and HE.

This means that SCTP routine beneficiary households will receive a top-up amount per month of MK 25,000 for three months, in addition to the regular monthly SCTP transfer. Households under HE will receive only MK 25,000 monthly for three months. The transfer amount is pre-agreed to allow for a fast response and therefore will not change depending on the severity of the drought and will be the same in all selected districts.

As stipulated in section I, vertical and horizontal expansion require pre-targeting of beneficiary households and pre-arrangement of payment systems so that when a drought is captured by the scalable SCTP triggering mechanism, financial resources can be disbursed quickly. The rest of this section details how both vertical and horizontal expansion will be implemented.



## SECTION 3: IMPLEMENTING VERTICAL AND HORIZONTAL SCALABILITY

### 3.1 Pre-targeting of households in selected districts

Targeting beneficiaries ahead of the shock is crucial to speed up response. The SCTP scalable mechanism seeks to protect the poorest households within the selected districts, as we know that these households are disproportionately affected when droughts occur and have limited means of managing the shock.

#### Pre-targeting of VE Households

The VE will target regular SCTP programme beneficiaries that have already been identified as the poorest 10 percent of households in selected beneficiary districts using the SCTP MIS.

#### Pre-targeting of HE Households

The process of identifying HE beneficiaries for the SCTP scale-up will ideally be based on UBR data using a proxy means test for poverty classification. The HE pre-targeting process will use the following steps:

- **Data transfer and validation.** In the districts where there is a UBR, a list of potential beneficiaries will be transferred from the UBR database into the Emergency Management Information System (E-MIS) to apply the eligibility criteria. For districts where there is no UBR data, data shall be collected and validated using a rapid or off-line data-collection tool linked to the E-MIS. The District Council Technical Team will validate the list of potential beneficiaries through community meetings to ensure community buy-in, using Joint Emergency Food Aid Programme (JEFAP) guidelines. The process will facilitate the elimination of possible duplicates and inclusion and exclusion errors.
- **Enrollment.** The eligibility criteria will be applied in the EMIS; and upon meeting the defined criteria, households will be enrolled for the intervention based on the quota for HE in the respective districts.

### 3.2 Pre-arranging payment systems

SCTP scale-up payments to the households will be done through the existing SCTP payment mechanisms and structures in the area. Where possible, a preference will be given to e-payment systems that follow a model that supports multiple cash access points from which beneficiaries can choose.

Payment Service Providers (PSPs) shall be expected to pre-register beneficiaries of the SCTP HE scale-up in the selected districts. In order to do the registration, a list of beneficiaries (including National ID, phone number, e-wallet/bank account) produced from the SCTP MIS vertical and horizontal expansion modules will be shared with PSPs. During the Know Your Customer (KYC) registration process, PSPs will use the ID and/or phone number to identify beneficiaries with existing e-wallet/bank account and create e-wallet/bank account for beneficiaries without them.

### 3.3 Disbursement process

If a drought is captured in selected districts based on the primary or secondary trigger, then SCTP VE and HE will be triggered, and cash will be disbursed through pre-arranged payment systems to pre-targeted beneficiaries.

To do so, the government will share final encrypted payroll with amount of transfer from the SCTP MIS vertical and horizontal expansion modules in selected districts to the PSPs for crediting into the beneficiary's account. The government will also transfer funds to the PSPs approximately three days before they are to make transfers to beneficiaries.

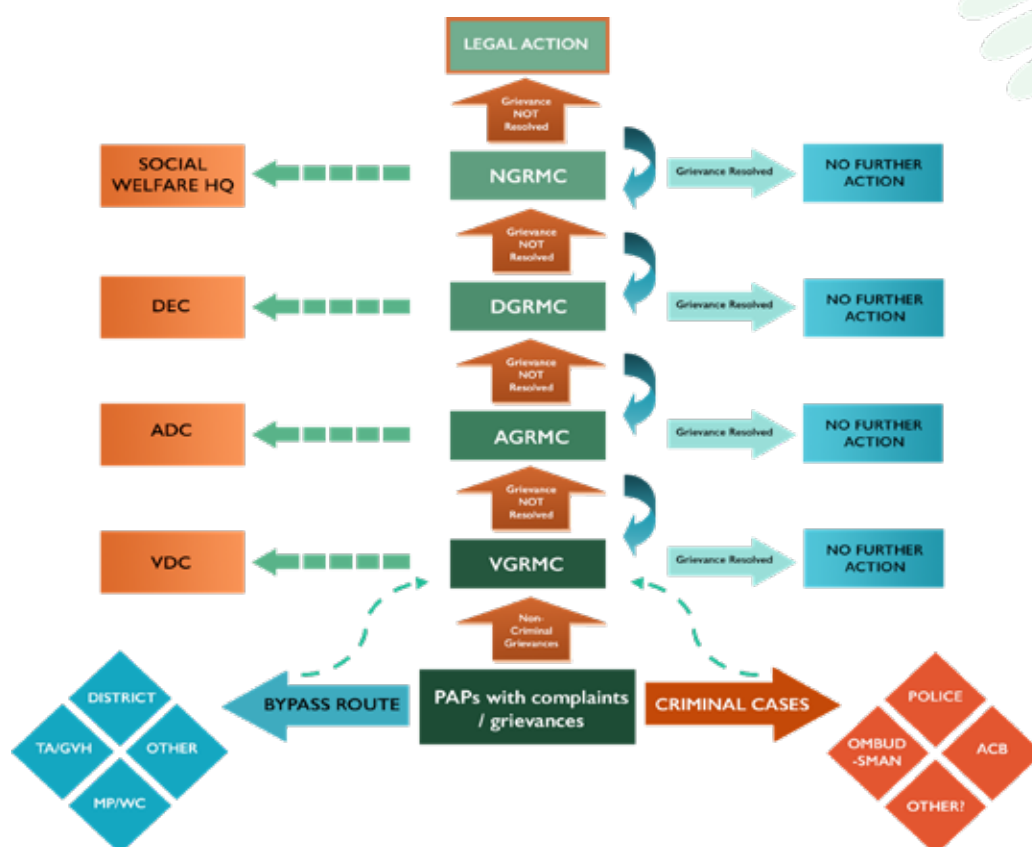
### 3.4 Grievance Redress Mechanism (GRM)

Grievances arising from the implementation of the Scalable SCTP might include claims and complaints about payments, forced sharing, poor service delivery, unfair treatment by programme staff, lack of information, corrupt practices, human rights violations, child labour, gender-based violence, and sexual exploitation and abuse.

Grievance Redress Committees will be composed at the community level, area level, and district level. Grievances can be reported using the following channels: programme call centre, service provider toll-free line, complaints box, community leaders, SMS and phone calls, social media and internet, GRM committees, and front desk where applicable. The implementation of the GRM will be in line with the harmonized GRM handbook for social support programmes. Face to face grievances can also be reported through committees and programme officials, local structures (chiefs), and during review and interface meetings every four months.

Figure 3 below illustrates the stages across which grievances will be handled and resolved from the moment the complaint is lodged, from the community level to the national level.

**Figure 3: Stages and processing of grievances**



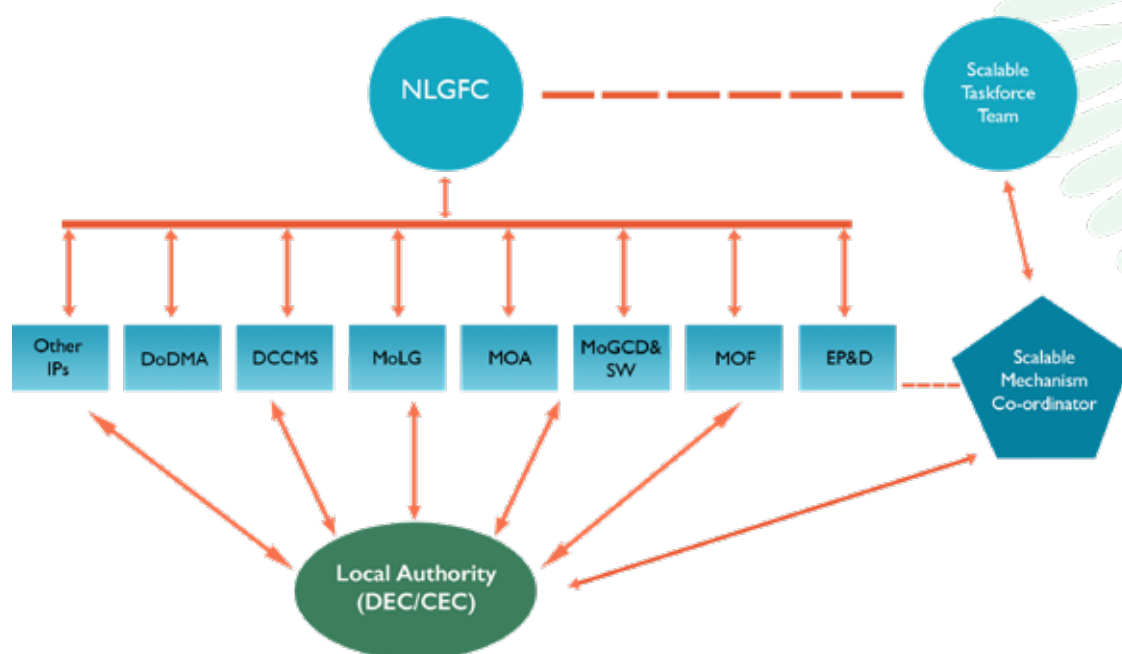
Note: ADC = Area Development Committee; AGRMC = Area Grievance Redress Mechanism Committee; DEC = District Executive Committee; DGRMC = District Grievance Redress Mechanism Committee; HQ = headquarters; MP/WC = Member of Parliament/Ward Councilor; NGRMC = National Grievance Redress Mechanism Committee; PAP = Project Affected Person; TA/GVH = Traditional Authority/ Group Village Headman; VDC = Village Development Committee; VGRMC = Village Grievance Redress and Management Committee.

## SECTION 4. SCALABLE SCTP GOVERNANCE FRAMEWORK

This section details the institutional framework and the roles and responsibilities of stakeholders involved in the scale-up process.

The Ministries and Departments and Agencies responsible for Finance, Economic Planning and Development (EP&D), Disaster Management Affairs (DoDMA), Gender, Community Development and Social Welfare (MoGCD&SW), and National Local Government Finance Committee (NLGFC) will manage the majority of programme components, with the support of the Scalable Taskforce team. The scalable subcomponent of the SSRLP project will build on the existing disaster risk management/social support institutional structure at national and district council level.

**Figure 4: Scalable SCTP governance**



Note: CEC = City Executive Committees; DEC = District Executive Committee; DCCMS = Department of Climate Change and Meteorological Services; DoDMA = Department of Disaster Management Affairs; IP = Implementation Partners; MoLG = Ministry of Local Government; MoA = Ministry of Agriculture; MoGCD&SW = Ministry of Gender, Community Development and Social Welfare; MoF = Ministry of Finance; EP&D = Economic Planning and Development; NLGFC = National Local Government Finance Committee.

### Ministry of Finance & Economic Affairs (MoF):

The main role of MoF is resource mobilisation. Other roles and responsibilities include ensuring value for money and achievement of subcomponent objectives. The Secretary to Treasury (ST) is the chair of the SSRLP Steering Committee.

### Economic Planning Department of the MoF (EP&D):

The main role of MoFEP is to coordinate and provide policy guidance in the implementation of the SSRLP, including the Scalable Safety Net subcomponent (see figure 4 above). The secretary to MoF,

specifically EP&D is the chair of the National Technical Advisory Committee (NTAC) of the SSRLP and has overall responsibility for subcomponent coordination and monitoring and evaluation. Another role of EP&D is to communicate scale-up proposals to District Council Technical Teams in drought-affected districts.

### **National Local Government Finance Committee (NLGFC)**

NLGFC is responsible for day-to-day management of the subcomponent, including project management, flow of funds, procurement, and operational support. NLGFC is also responsible for the procurement of the insurance product that will be used to cover part of the costs of SCTP scale-ups. Additionally, it is responsible for technical backstopping of the subcomponent and for generating and disseminating the reports to stakeholders.

### **Department of Disaster Management Affairs (DoDMA)**

DoDMA will be responsible for providing technical guidance and support in the implementation of the subcomponent.

### **Ministry of Agriculture**

The ministry is responsible for providing yield data, technical guidance and support in the implementation of the sub-component of the SSRLP.

### **Department of Climate Change and Meteorological Services (DCCMS)**

Since the SCTP scalable mechanism will be used to respond to weather-related disasters—particularly droughts—DCCMS will play a crucial role in providing weather data to monitor drought conditions and inform scale-ups. DCCMS will be responsible for conducting the following specific tasks:

- DCCMS will monitor remote sensing indicators referenced in the “Primary triggers” subsection in section 2. DCCMS will monitor and share data with the Scalable Taskforce on a monthly basis during the rainfall season each year (November to April).
- In case the satellite-based primary triggers fail to capture a drought but information suggests that food insecurity is increasing in selected districts, DCCMS will provide technical guidance and additional data to be included in the evidence review (see the “Secondary trigger” subsection in section 2). In this case DCCMS will provide technical guidance on weather forecasts as well as data from ground weather stations on rainfall deficits in the selected districts.
- On a yearly basis and at the end of each rainfall season (around April), DCCMS will provide data on rainfall received and rainfall deficits from ground weather stations in all the selected districts to evaluate the performance of remote sensing primary triggers.

### **Ministry of Gender, Community Development and Social Welfare and (MoGCD&SW)**

MoGCD&SW is responsible for the implementation of the VE and HE using existing SCTP processes and systems. The ministry is also responsible for supervising implementation.

### **District Councils (Local Authorities)**

The district councils in collaboration with Central Government shall be responsible for collecting household data for the Emergency MIS, conducting data validation, and coordinating, supervising, and monitoring payments. The councils shall also be responsible for managing GRM systems and conducting reconciliation of funds whenever the funds are disbursed manually to beneficiaries.



### **Payment Service Providers (PSP):**

The PSPs shall be responsible for conduct of Know Your Customer (KYC), onboarding of HE beneficiaries, training in financial literacy and product use, delivery of transfers, and reconciliation of funds after disbursement. The PSPs shall also conduct grievance redress for payment-related cases.

### **Scalable taskforce team**

EP&D shall institute an ad hoc taskforce team whose core function is to facilitate joint multi-stakeholder implementation of the scalable subcomponent. The taskforce team shall comprise members from key ministries, departments, and relevant partners, including EP&D (chairperson), MoF, DoDMA, NLGFC, MoGCD&SW, Ministry of Agriculture (MoA), and DCCMS. Other roles and responsibilities include:

- Design and review of vertical and/or horizontal SCTP scalable mechanism.
- Review primary and secondary trigger mechanisms.
- Validate scale up proposals and allocations for scaling up.

### **Scalable coordinator:**

The coordinator shall assume the following roles and responsibilities:

- Oversee all project-related activities regarding the overall implementation status of the SCTP scalable mechanism.
- Supervise, coordinate and monitor all project activities related to triggering the scale up from a technical perspective.
- Work closely with EP&D, MoF, NLGFC, MoGCD&SW, and DoDMA to ensure the timely completion of activities.
- Facilitate establishment and maintenance of a strong network of stakeholders within social cash transfer and humanitarian programming and ensure links to the Scalable Taskforce in the contribution to the smooth implementation of the subcomponent.
- Present validated reports to the Executive Director to seek approval for the release of resources from the component.
- Act as secretariat for the Scalable Taskforce team.

### **Data Providers**

Data providers include the following:

- Department of Meteorological and Climate Change Services (DCCMS)
- Ministry of Agriculture
- Global Integrated Phase Classification (IPC)
- Famine Early Warning System Network (FEWS NET)
- National Registration Bureau (NRB)
- Unified Beneficiary Register (UBR)
- International Food Policy Research Institute (IFPRI)

### Funding flows

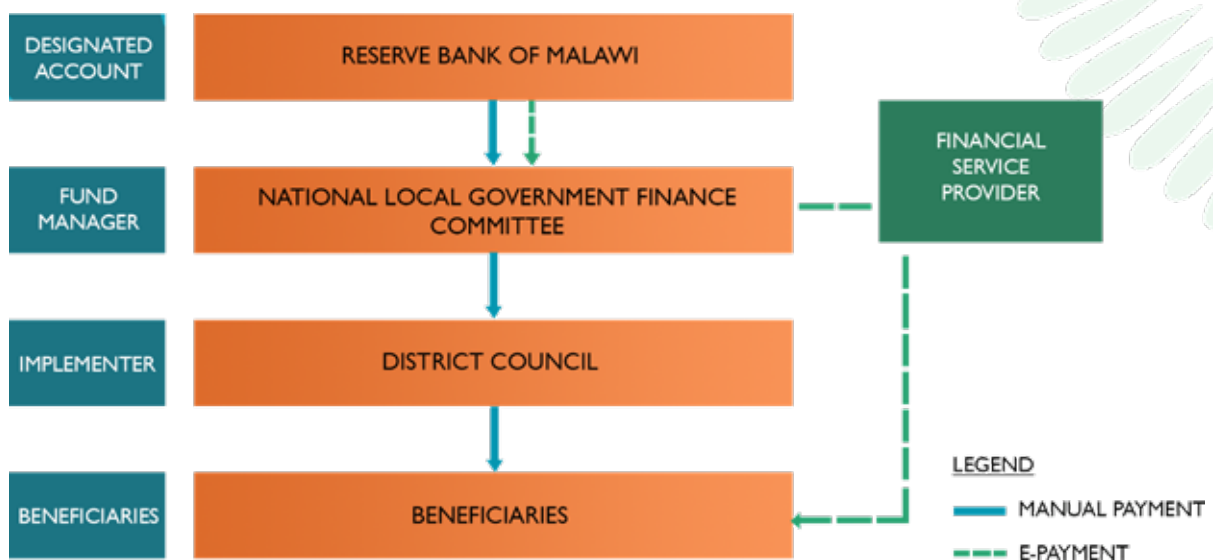
After an SCTP scale-up has been triggered the funds are accessed through either through the contingency finance or the risk transfer product. Both sources channel funds directly either from the insurer or the Bank to the government’s designated account at the Malawi Reserve Bank and disbursed to participant households using the following channels:

- **Under e-payment:** In districts that are using e-payments the funds will be transferred from NLGFC to the PSP and then to the beneficiaries.
- **Under manual payment:** In districts that are using manual payment, the funds will be transferred from the reserve bank to NLGFC, which will channel them to district councils/local authorities, which will then pay the beneficiaries.

The intended financing plan and resources for funding the SCTP scalable mechanism are independent of this operational handbook but further details on initial funding are provided in section 6.

Figure 5 below illustrates the channelling of funds to reach the beneficiaries.

**Figure 5: Flow of financial resources**



## SECTION 5. OPERATIONALISING THE SCALABLE MECHANISM

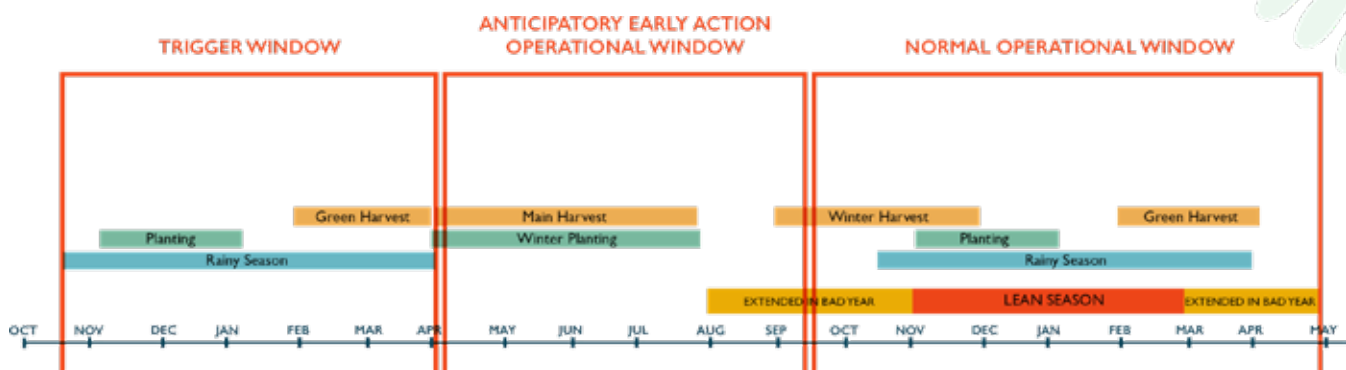
This section provides details on the operationalisation of scaling up the SCTP and step-by-step guidance as to how the scalable mechanism will be implemented in practice.

### 5.1 Timeline of SCTP Scale Up

A key principle of scaling up SCTP is to ensure the additional resources are coordinated with both existing SCTP activities and the agricultural period in the selected districts. The timeline for SCTP scale-up is presented in figure 6. Months from October to March are characterized as the lean season in Malawi, as rural households obtain income at the time of harvest between March and May. Government and partner interventions tend to be rolled out during the lean season, as households are most food insecure during these months. This is the case, for example, with the government’s MVAC lean season intervention.

The SCTP scalable mechanism will monitor conditions during the agricultural season and aim to deliver pay-outs to household beneficiaries before the start of the lean season. Providing resources before the lean season starts will help to avoid negative coping mechanisms among poor households affected by drought. Also, receiving additional cash before the start of the lean season will allow households to stock up when food prices are low, hence providing them with more value for money.

**Figure 6: Annual SCTP scale-up timeline**



### 5.2 Steps for implementing the SCTP scale up

The steps for operationalising the scale-up are based on the scalable framework and the SCTP scale-up timeline.

#### Step 1: Data collection and monitoring

DCCMS will monitor the primary triggers based on satellite rainfall data from TAMSAT v3.1 and CHIRPS on a dekadal basis from 1st November to 10th April (of the following year).

The scalable coordinator will collect data on the primary satellite rainfall triggers from DCCMS by the end of every month, from November to May. There is expected to be a time-lag of up to 6 weeks for CHIRPS-final data. Hence, the data for the final dekads (end of March-early April) is expected in May. The scalable coordinator will review the data and identify if any of the selected districts have reached the drought threshold under the primary satellite rainfall triggers.

Data related to the evidence review will be compiled by the scalable coordinator from public sources

and responsible agencies by the end of May.

### **Step 2: Drafting of scalability report by scalable coordinator**

The coordinator will generate a draft scalability report as soon as there is an indication that a primary trigger has met the threshold in any of the districts or by the end of the first working week in June if none of the primary triggers are met. The coordinator will share the report with the taskforce.

The report will provide details on the satellite rainfall trigger levels for the season, noting whether these have reached the selected threshold for a scale-up or whether these are close to the threshold levels. If trigger levels are close to the triggering thresholds, it could indicate drought stress even if the threshold was not reached (a near-miss situation).

The scalability report should also include information to be considered as part of the evidence review. An SCTP scale-up should be triggered in a district based on the evidence review only when all relevant sources of information provide coherent evidence that suggests that rainfall deficits, food insecurity, crop losses, or food prices are significantly higher than normal in a district.

Based on the information on the satellite rainfall triggers and evidence review, the report should summarize the current situation in each of the selected districts and highlight if the scale-up is to be triggered in any district(s).

Where a scale-up has been triggered, the report will include a detailed scale-up proposal. For each district this will outline the number of households that are SCTP beneficiaries (i.e., vertical coverage), the number of additional households (i.e., horizontal coverage) to be covered by the scale-up, transfer amounts to be provided per household, associated scale-up costs, and suggested response timeline. This report should be supplemented with databases (i.e., Excel spreadsheets) to support timely payments. More details on the outline of the report are presented in annex A.

### **Step 3: Validation of scalability report by taskforce**

On receipt of the draft report from the scalable coordinator, the taskforce will perform an in-depth review and convene a meeting to discuss and verify the contents of the scalability report. The taskforce members are responsible for checking the accuracy of the information contained in the report. The taskforce may supplement or modify the report with additional information as appropriate. The scalable coordinator could be asked to make changes to the scalability report based on the feedback from taskforce members before finalising the report. This should be completed within 5 working days of the coordinator sharing the report.

### **Step 4: Approval by principal secretary (PS) for EP&D**

Once the taskforce members validate the scalability report, it should be shared with the PS for EP&D. Should a scale-up be proposed, the PS for EP&D will be requested to approve the scalability report. If no scale-up is required, the PS for EP&D will receive the scalability report for his/her information, and the process will end here.

### **Step 5: Authorisation of scale-up by Treasury**

The PS for EP&D shall meet with the secretary to Treasury within five business days to present the scalability report and the recommendations made by the taskforce team. The secretary to Treasury will review the report focusing on the financial aspects and authorize the scale-up entirely or with amendments. If the secretary to Treasury does not approve, then the process stops here. If authorized, NLGFC will submit a withdrawal request through the usual means and government will notify the WB that the withdrawal request is incoming.



### Step 6: Communication of scale-up to district council

Following approval by the secretary to Treasury, the scalability coordinator will write to the district councils, informing them of the impending scale-up in their respective districts. The communication sent to the districts must contain the following information: number of beneficiaries per Traditional Authority (both for SCTP and non-SCTP) and amount of funding that has been approved for that district.

MoGCD&SW in collaboration with EP&D, DoDMA, and NLGFC will coordinate district-level sensitisation meetings to fully brief district officers, stakeholders, and communities on the framework for scalability and proposed guidelines for implementation of the proposed scale-up.

### Step 7: Delivery of funds

NLGFC and MoGCD&SW will coordinate the delivery of the cash to the beneficiaries. In the case of a horizontal expansion, the SCTP will scale up to additional beneficiaries that have already been identified using the UBR/MIS. For manual cash payments, delivery of funds at district level will be coordinated by the Social Cash Transfer Unit under the Social Welfare Office at the district council. Where e-payments are available, funds for cash transfers will be deposited to mobile money operators and/or financial service providers to be disbursed directly to beneficiary households. The scalable sub-component will be leveraged on the SCTP and will follow prescribed SCTP guidelines and institutional arrangements (see figure 5 on flow of financial resources).

### Step 8: Monitoring and evaluation

Monitoring and evaluation of the scalable component will be embedded within the wider SSRLP M&E system. The scalable component will be monitored in three ways:

- **Supervisions during payment:** During and immediately after a scale-up payment has been issued, EP&D, MoGCD&SW, and NLGFC will be required to do post-payment supervision checks in districts. A special monitoring tool will have to be developed.
- **Individual grievances** will be handled as prescribed in the SCTP guidelines and referred for case management by the district SCTP secretariat. In addition, a month after each scale-up has been paid, the social support services officer (SSSO) will compile a short report on the scale-up. This report, in turn, will be sent to the MoGCD&SW and the scalable coordinator. These reports will be important in improving processes and procedures.
- **External evaluation:** Wider monitoring and evaluation of the scalable component will be undertaken by an independent external consultant. Using a variety of approaches, the consultant will examine the operational effectiveness of scale-up payments and conduct some assessment of impact. Evidence on the impact of the emergency payments needs to be documented for accountability purposes and to serve the needs of donors who may contribute funds in the future.

## SECTION 6. EXPECTED COSTS AND FUNDING SOURCES

### 6.1 Initial available resources

Financing for the SCTP scalable mechanism is provided as part of the Social Support for Resilient Livelihoods Project prepared by the Government of Malawi supported by the World Bank. The costs of the transfers are currently covered by two disaster risk financing instruments, flexible contingency finance, and risk transfer. The contingency finance acts like a deductible to the risk transfer product, which will provide additional financial protection in years where the scale up costs reach over US\$2m.

### 6.2 Costing estimates

The SCTP scalable mechanism is estimated to have an average annual cost of around MK 5.4 billion (US\$5.0 million) and a maximum annual cost of MK 11.9 billion (US\$11.1 million)<sup>4</sup>.

**Table 6: SCTP scalable mechanism parameters**

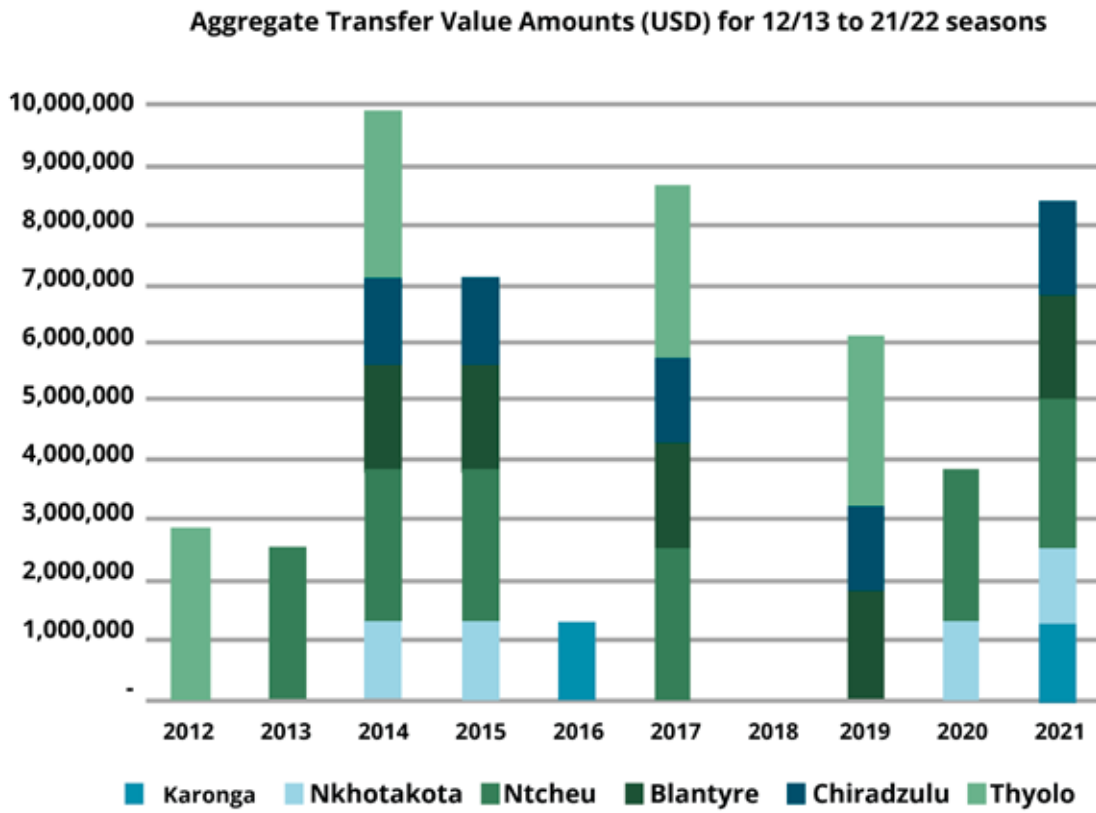
Parameter	Level Selected
Rural household coverage	17% in each of the selected districts
Transfer amount per household per month	MK25,000
Duration of transfers	3 months
Historical frequency of scale up	1-in-3-years return period

The hypothetical costs of the scalable mechanism for 2012/13 to 2021/22 agricultural seasons are presented in figure 7 below. The average annual cost of the SCTP scalable mechanism over this period would have been MK 5.4 billion (US\$5.0 million). Not all six districts triggered in a single year. If the six districts triggered at once, the scale up cost would reach a maximum cost of MK 11.9 billion (US\$11.1 million). Using this trigger threshold level, over this 10 year time period, the mechanism would have triggered five times in Blantyre, six in Ntcheu, four in Thyolo, five in Chiradzulu, two in Karonga and four in Nkhosokota<sup>5</sup>. This needs to be monitored carefully as the conditions have been worse in recent years, which may reflect a changing climatic trend.

4. Based on FX rate as of 19th September 2023

5. This number of triggers is greater than once every three years in some districts given the short number of years shown in figure 7. If the x-axis was presented from 1984 onwards, on average there would be a trigger once every three years, and the longer-term average cost would have been US\$3.3 million.

**Figure 7: Historical cost estimation**



*Note: The years shown above are planting years i.e. year in which the index monitoring commences. Hence, 2021 implies the 2021/22 agricultural season. A scale-up in 2022 is triggered based on the rainfall conditions in the 2021/22 rainfall season.*

## Annex A: Scalability report outline

The scalability report prepared by the scalable coordinator shall clearly reflect whether an event has triggered an SCTP scale-up. The taskforce team agreed to consider the following format for report drafting. The template of the report might vary as needs arise during the implementation of the scalable mechanism.



### 1. Introduction and purpose of report

Outline objective and purpose of scalable mechanism.

Indicate selected districts covered by the mechanism.

State purpose of report, namely:

- Report on status of primary indicator triggering scale-up for each of the selected districts.
- Highlight if a trigger threshold has been reached in any district in the current or preceding months of the operation period.
- Recommend whether the approval for scale-up should be requested.

### 2. Primary trigger – rainfall Indices

This section should provide a short description of the main results of the primary trigger, using both the early and full season rainfall indices for selected districts. It should indicate how the results observed compare to the primary trigger thresholds in each district.

### 3. Secondary trigger – evidence review

This section should provide information on conditions in selected district based on the secondary trigger evidence review.

### 4. Implications for scale-up

For those districts where a drought is identified through primary or secondary triggers, the report should summarize the resources that are needed to scale up the SCTP and the number of households expected to be reached per district.

### 5. Additional comments from scalable taskforce

- List of recommendations and comments
- Signature list of members of the taskforce

### Annexes

The annexes of the report should include all supporting documents that were gathered or generated for the event characterisation.

## Annex B: Evidence review content

This annex provides information on the process for, and content that will be included as part of, the secondary trigger evidence review. This content could be modified during the implementation of the scalable mechanism in order to adapt to arising needs.

1. Review the data provided by DCCMS on the satellite rainfall trigger to determine how close the data are to the selected threshold levels. This review would highlight a near-miss situation, where rainfall was worse than normal but better than the selected threshold.
2. Compile information on food security from the FEWS NET Outlook released in February and the update released in April if available.
  - Check the current FEWS NET IPC phases in selected implementing districts. Note whether these are at 2 or above. Carefully assess the conditions in Ntcheu, as historically it has better food security.
  - Look at whether the conditions have worsened or are expected to worsen by comparing current and near-term projection information on food security in the February Outlook and April Outlook Update if available.
  - Compare IPC rates and other data against long-term averages and trends to assess whether conditions at the end of the rainy season are better or worse than normal for each district.
3. Add any relevant information on food security using projections from the latest available Integrated Phase Classification Reports. In particular, review more precise information on the number of people and percentage of population in each IPC phase per district—and any changes to the proportion of the people in each phase compared to the same period in previous years. Also, review the evidence templates to identify any indicators of higher food insecurity than normal during the lean season.
4. Add other relevant information such as food prices. Then, using FEWS NET and IFPRI Malawi Monthly Maize Market Report, check that these do not indicate sharp rises from the average in previous years at the same point in time. Use a five-year average as a standard benchmark.
5. Validate the satellite-based triggers by comparing them with rainfall data from ground weather stations as compiled by DCCMS. This comparison can include cumulative rainfall season data from other satellite sources and ground weather stations.
6. If information is available, conduct a contextual analysis of other factors that could affect food insecurity and amplify the impacts of a moderate drought. This could include prevalence of crop pest and disease, trade and market disruptions (e.g., a closure of the Tanzania or Zambia borders to trade), the performance of prior seasons that may mean the resilience of households is lower, or other relevant factors.
7. Draft a statement as to whether an SCTP scale-up is recommended based on the evidence reviewed per taskforce guidance.