# UK cash transfers in Malawi fuel loan sharking and illegal migration fears



The ongoing climate crisis has sparked a range of international aid initiatives, with the United Kingdom recently allocating £4.5 million to a project aimed at alleviating hardship in Malawi through cash transfers. However, this well-intentioned programme has received scrutiny, with reports indicating that the funds are inadvertently setting up villagers for potential abuse through loan sharking and illegal migration, as beneficiaries grapple with newfound financial pressures.

Approximately 8,800 residents in Chikwawa, Malawi, are set to receive around £433 each, a significant sum considering the stark reality that around 70% of Malawians live on less than £1.60 a day. The Foreign Office, which oversees the disbursement of these funds via GiveDirectly—an organisation known locally as "Givie"—has stated that direct cash transfers empower recipients to make their own spending choices to improve resilience against climate extremes. The intention is to foster better living conditions, agricultural practices, and enhanced communication within these impoverished communities.

Despite these laudable goals, the reality on the ground appears far more complex. Reports suggest that many beneficiaries, rather than investing in vital infrastructure or farming improvements, have turned to short-term financial gains. For instance, Henry Maliko, a 26-year-old beneficiary, indicated that he has begun lending money to villagers awaiting their cash transfers, often at exploitative rates. "Some people who are yet to receive their money have been coming to ask for loans and offering to pay me back double the amount," he revealed.

The situation is compounded by social upheaval, with anecdotal evidence suggesting financial stress is straining familial relationships. Ruth Harold, 32, recounted how her husband left their family shortly after receiving his funds, stating that the financial dynamics altered their relationship. Similar stories abound, with others using their transfer to pay for expedited passports and transportation to South Africa in search of better opportunities, resulting in illegal immigration challenges.

This two-year programme, which aligns with the UK’s broader plan to enhance climate resilience with a projected £1.5 billion expenditure by 2024-25, was initiated following the Labour government’s ascent. However, the increasing scrutiny has led to calls for a thorough investigation. Sir John Hayes, chair of the Tories’ Common Sense Group, emphasised the importance of oversight, stating, “Making sure that money that is spent delivers on the objectives requires proper oversight and management.”

Critics, including John O’Connell from the TaxPayers’ Alliance, have voiced concerns that the current approach reveals a troubling lack of accountability, labelling it "a damning example of UK taxpayers’ money being sprayed abroad with no accountability." This echoes broader conversations about the direction of aid, especially in light of recent commitments made at COP27 to fund loss-and-damage initiatives for nations affected by climate change, including directed cash assistance to build resilience.

While GiveDirectly maintains that direct cash assistance has significantly contributed to poverty alleviation, with research indicating beneficiaries experience improved health and educational outcomes, the current Malawian initiative underscores the complexities of such interventions. Past programs have shown that appropriately managed cash transfers can bolster food security and economic opportunity, with many recipients channelling funds towards productive assets and new business ventures. However, the piecemeal application of such strategies across diverse contexts can lead to unintended consequences, as demonstrated by the current trends observed in Chikwawa.

As rural communities grapple with the impacts of climate change and the significant amounts of cash being injected into their economies, the challenge remains: how can aid be structured to empower without leading to exploitation or social discord? These pressing questions will require not only keen oversight from the British government but also a deeper understanding of local dynamics to ensure aid meets its intended goals without creating alternative hardships.

## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/news/article-14746527/UK-cash-combat-climate-change-Malawi-loan-sharks.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://time.com/6343991/loss-and-damage-cop28/)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/news/article-14746527/UK-cash-combat-climate-change-Malawi-loan-sharks.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.givedirectly.org/malawi/), [[4]](https://odihpn.org/publication/cash-and-climate-justice-empowering-communities-in-malawi-and-beyond/)
* Paragraph 3 – [[5]](https://www.lossanddamagecollaboration.org/pages/cash-transfers-locally-led-action-to-address-loss-damage), [[6]](https://www.washingtonpost.com/world/2024/04/19/africa-malawi-extreme-poverty-aid/)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/news/article-14746527/UK-cash-combat-climate-change-Malawi-loan-sharks.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://time.com/6343991/loss-and-damage-cop28/)
* Paragraph 5 – [[1]](https://www.dailymail.co.uk/news/article-14746527/UK-cash-combat-climate-change-Malawi-loan-sharks.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://odihpn.org/publication/cash-and-climate-justice-empowering-communities-in-malawi-and-beyond/), [[7]](https://voxdev.org/topic/public-economics/dynamic-effects-cash-transfers-evidence-liberia-and-malawi)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.dailymail.co.uk/news/article-14746527/UK-cash-combat-climate-change-Malawi-loan-sharks.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://time.com/6343991/loss-and-damage-cop28/> - This article discusses the distribution of $700 million in loss-and-damage funding established at COP27, intended to compensate low-emission countries for extreme weather and slow-onset disasters caused by high-emission nations. It suggests that the best way to distribute this money is directly to those most affected by climate change. Scotland's new program sets an example by sending $750 to families in Malawi displaced by Cyclone Freddy, allowing them to repair homes and improve farming techniques. Evidence shows that cash transfers significantly improve food security and reduce poverty and vulnerability. Direct digital cash transfers using mobile technology can efficiently reach those in need, restoring dignity and choice for recipients. Climate finance remains difficult for low-income families to access, but giving them control over funds can be transformative, empowering them to address climate impacts firsthand. ([time.com](https://time.com/6343991/loss-and-damage-cop28/?utm_source=openai))
3. <https://www.givedirectly.org/malawi/> - Since 2019, GiveDirectly has delivered over $57.5 million in unconditional cash transfers to more than 157,566 of the poorest households in Malawi. They have partnered with the Government of Malawi to reach the most vulnerable communities in both rural and urban areas across 4 cities and 10 districts. Their programs aim to lift every person in Malawi above the extreme poverty line. ([givedirectly.org](https://www.givedirectly.org/malawi/?utm_source=openai))
4. <https://odihpn.org/publication/cash-and-climate-justice-empowering-communities-in-malawi-and-beyond/> - This publication discusses how GiveDirectly has established itself as a trusted cash actor among national government and key development institutions in Malawi. They have delivered over $76 million in cash via mobile money to more than 166,000 of the poorest and most vulnerable households living in remote rural and urban areas across 10 districts and 4 cities. Their programs have contributed to national development priorities outlined in the Malawi Vision 2063, including attaining food security, improving education outcomes, increasing agricultural output, and facilitating inclusive wealth creation. ([odihpn.org](https://odihpn.org/publication/cash-and-climate-justice-empowering-communities-in-malawi-and-beyond/?utm_source=openai))
5. <https://www.lossanddamagecollaboration.org/pages/cash-transfers-locally-led-action-to-address-loss-damage> - At the end of 2023, GiveDirectly partnered with the Scottish Government to deliver a first-of-its-kind project providing large unconditional cash transfers of approximately $750 to around 2,700 households displaced by Cyclone Freddy in Southern Malawi. The project applied a values-based understanding of loss and damage, allowing recipients to spend the cash on whatever they valued most as they moved forward on a path to recovery and reconstruction, including rebuilding their homes in new locations and setting up new livelihoods. Reaching affected households posed challenges, as many had dispersed to various locations following the disaster. However, support was extended to entire villages after their relocation, enabling affected households to address a number of short-term needs (e.g., food, water, and medical needs) and to rebuild their homes and businesses in the long term. 96% of recipients reported spending their transfer on productive assets, including building a new home, purchasing livestock, starting a new business, and education. Moreover, the ripple effects of the lump-sum cash transfers extended beyond direct beneficiaries, generating positive economic spillovers to non-recipients, who found economic opportunities through selling and transporting goods for cash recipients and also providing construction services, for instance. The project also addressed non-economic aspects of loss and damage, by enabling agency (affected households no longer relying on other people to feed them), dignity (people had cash to purchase decent clothes and shelters), and healing of disrupted social networks (whole villages were provided the means to relocate, enabling reconnections to friends and family after the disaster). ([lossanddamagecollaboration.org](https://www.lossanddamagecollaboration.org/pages/cash-transfers-locally-led-action-to-address-loss-damage?utm_source=openai))
6. <https://www.washingtonpost.com/world/2024/04/19/africa-malawi-extreme-poverty-aid/> - This article discusses how donors, including Twitter co-founder Jack Dorsey, philanthropist MacKenzie Scott, Facebook co-founder Chris Hughes, and the founders of the graphic design tool Canva, have contributed to cash transfer programs in Malawi. Lump sums are considered the most efficient way to give cash, according to a study of GiveDirectly programs released in December that compared the impact of three methods: in small transfers over 12 years; in small transfers over two years; or in a lump sum. Two years in, recipients of the lump sum have spent more money on health care, and more of their children have scored better on school exams, according to the study by MIT economics professor Abhijit Banerjee and others, including two GiveDirectly directors. The lump-sum recipients were also more likely to start a business and to make more money from their business. The article also highlights the challenges faced by Malawi, where despite significant aid, poverty has not decreased, and many families remain too poor to take advantage of newly built schools and clinics. The article emphasizes the importance of direct cash transfers in helping families rebuild and improve their livelihoods. ([washingtonpost.com](https://www.washingtonpost.com/world/2024/04/19/africa-malawi-extreme-poverty-aid/?utm_source=openai))
7. <https://voxdev.org/topic/public-economics/dynamic-effects-cash-transfers-evidence-liberia-and-malawi> - This article presents evidence from Liberia and Malawi on the dynamic effects of cash transfers. Households that received cash transfers experienced lasting increases in food security, psychological well-being, and resilience to health shocks. Food security persisted despite no lasting increases in food expenditures. In Malawi, food security index scores rose by 0.5 standard deviations in the first six months, before eventually falling to 0.12 after about two years. The study suggests that cash transfers can have long-term positive effects on household welfare. ([voxdev.org](https://voxdev.org/topic/public-economics/dynamic-effects-cash-transfers-evidence-liberia-and-malawi?utm_source=openai))