

Cash for Loss and Damage Case Study: Report

November 2024

Executive summary

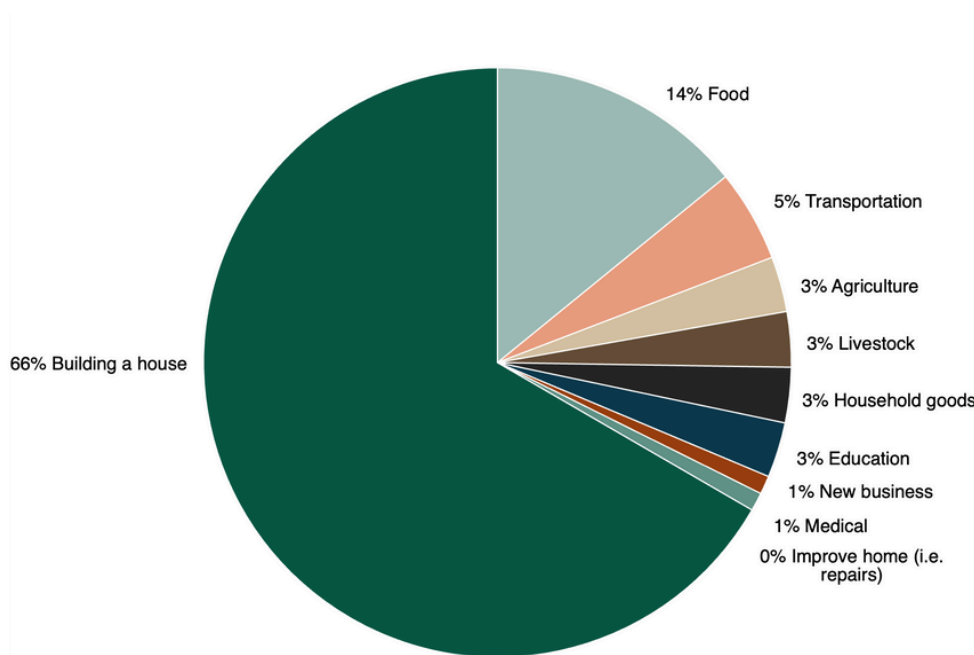
In 2023, GiveDirectly and the Scottish Government sent cash transfers to survivors of Tropical Cyclone Freddy to address the loss and damage they had experienced. They provided \$766 to 2676 households in Nsanje District in southern Malawi who had relocated to higher ground following the cyclone.

This case study presents the key impacts, successes, challenges and lessons learned from this project. It synthesizes quantitative and qualitative data from recipients, as well as interviews with key internal and external stakeholders. It shows that large, unrestricted and direct cash transfers are a uniquely effective, flexible and community-led tool for addressing loss and damage. It aims to [support Governments, donors, the Fund for Responding to Loss and Damage \(FRLD\) and other actors to scale and replicate this approach, making cash a central tool for addressing loss and damage.](#)

People used the transfers to meet their basic needs, construct houses and recover assets and livelihoods. They appreciated the freedom and flexibility to spend the money as they chose, given the highly individualized impacts of loss and damage. The use of cash through local markets created economic spillover effects that benefitted local communities¹ and eased tensions with host communities. 80% of the total project budget was delivered directly to recipients as cash transfers.

- **Basic needs:** With almost all recipients spending some of their transfer on food, overall food consumption increased: people ate 14% more meals per day and fewer people reported going hungry.
- **Reconstruction:** 89% of recipients spent money on building homes, which most identified as the best thing they had invested in. Some reported that houses were made of higher quality materials and were more resilient compared to their homes before the cyclone.
- **Recovery:** Recipients bought livestock, agricultural inputs and started new businesses. After the transfer, more people had savings (200% relative increase), more children were attending school (21% relative increase), and more households owned livestock (145% relative increase).

Figure 1: Estimated average spending of transfer received by category.²



However, people had suffered massive losses, and **even with the relatively large transfer size, they faced difficult tradeoffs between meeting immediate needs and investing in reconstruction and recovery.** Government officials say while they see significant transformation since the transfers were received, people’s living standards have not yet reached pre-cyclone levels. At the time of data collection people were transitioning from casual labor to establishing new farms and businesses, meaning that income levels were temporarily reduced.

Key learnings from the project included: (i) **Large cash transfers are a highly effective way to address loss and damage,** appreciated by recipients for their flexibility and impact. (ii) Recipients faced difficult tradeoffs, indicating that **larger transfers may have a more durable impact.** (iii) Livelihood support and other **complementary investments could further amplify the impact of transfers.**

This project demonstrated that large, unrestricted cash is an effective, efficient and community-led way of providing loss and damage support. We call on governments, donors and civil society to replicate and scale this approach, recognising direct cash as a central tool for addressing loss and damage.

Table of Contents

Executive summary	1
Background	4
What is cash for Loss and Damage?	4
Cash to address Loss and Damage in Malawi	4
Key results	6
Basic needs	6
Reconstruction	6
Recovery	7
Climate resilience impact	8
Impacts on marginalized groups	9
Girls and women	9
People living with disabilities	9
Program design	9
Lessons learned	11
Annex A: What the evidence says about cash transfers in crises	
Annex B: What is cash for loss and damage and how does it differ from other types of cash programming?	

Background

What is cash for Loss and Damage?

Climate losses and damages are the unavoids or unavoidable devastation caused by higher global temperatures that have resulted from human-induced climate change. These can be caused by sudden onset disasters - floods, extreme weather, landslides, heatwaves - or chronic impacts - rising sea levels, salination, decreased precipitation. They can be economic or non-economic - things that are harder to value in monetary terms like lives, cultural heritage and community.³ Climate losses and damages will cost developing countries an estimated \$671 billion each year by 2030.⁴

States finally agreed to formalize funding arrangements for loss and damage at COP27 (2022), including the creation of the Fund for Responding to Loss and Damage (FRLD). Negotiations have so far focused on the financing and governance of the fund rather than on how to effectively spend Loss and Damage finance. Yet there have been clear calls to ensure that funding directly benefits worst-affected communities in ways that enable them to prioritize their most important needs and put communities in the lead.⁵

GiveDirectly's experience in Malawi shows that [large, unconditional cash transfers](#) can be an [effective, rapid and community-led](#) tool for addressing loss and damage. The flexibility of cash makes it uniquely suited to address climate loss and damage in a values-based manner. This case study and the accompanying [principles](#) set out the evidence and lessons learned. We [call on others](#) to replicate and scale this approach, drawing on lessons from the Malawi project and sharing what they learn.

Cash to address Loss and Damage in Malawi

In 2023, GiveDirectly and the Scottish Government sent transfers of \$766 directly to households impacted by Tropical Cyclone Freddy - the longest and most intense tropical cyclone on record⁶ - to address the loss and damage they had experienced.⁷

The cyclone caused unimaginable destruction, damaging homes, roads, bridges, health facilities and power supplies; leaving 577,525 people hungry; displacing 659,000 from their homes; and killing at least 676 people.⁸ People suffered⁹ both economic losses - houses, crops, livestock, farming tools, kitchen items and fishing gear - and non-economic losses - loss of life, gender-based violence,¹⁰ loss of cultural heritage, trauma, and a sense of community. Survivors said that different individuals and groups were impacted differently by the cyclone: Children suffered from interrupted access to education, women faced the bulk of caring responsibility, whereas men felt the loss of livelihoods most acutely.

While the Government of Malawi facilitated voluntary relocation, GiveDirectly sent cash transfers to 2,676 households in Nsanje District who had relocated to higher ground following the cyclone. Support was provided to the entire community, enabling community cohesion and structures to survive the relocation process. GiveDirectly sent transfers in three tranches via mobile money (Airtel). Recipients were provided with a phone if they did

not already own one, enabling digital enrollment and follow-up which minimized the risks of misappropriation. A hotline and call center were established for recipients to register any questions or concerns, and to follow up on issues raised.

Tranche 1	December 2023	\$146 - to test systems and identify any security issues
Tranche 2	Feb - Jun 2024	\$300 - many prioritized for basic needs
Tranche 3	Mar - Jun 2024	\$320 - many prioritized longer-term investments

Data was collected from recipients at three points:

Timing	Type	Sample size	Researcher
Registration (relocation sites)	Quantitative	2,693 people	GiveDirectly
After three transfers received	Quantitative	2,465 people	GiveDirectly
Three months after project close	Qualitative	231 people (interviews, focus group discussions)	Independent researchers

This case study synthesizes the results of the quantitative and qualitative research along with insights from the program team and external stakeholders to distill the key results, successes, challenges and learnings from the intervention. It presents the evidence for cash as a uniquely effective and community-led tool for addressing loss and damage. It aims to act as a resource for others seeking to replicate and scale this approach. It should be read alongside the [Principles for Cash for Loss and Damage](#).

Key results

Recipients used the transfers to meet their basic needs, construct houses, recover lost assets and rehabilitate livelihoods. On average, people had spent 57% of the transfers by the time of the endline study.

Basic needs

The transfers were effective in ensuring people were able to meet their immediate needs. Almost everyone reported spending on food (90%),¹¹ with people noting that they had been dealing with acute hunger. The transfer supported households' overall food consumption: the average number of meals consumed per day increased by 14%, from 1.57 to 1.78. and the proportion of respondents who reported going hungry more than once in the past week decreased from 52% to 34%.

The qualitative research revealed that many faced difficult trade-offs between immediate needs and long-term investments. One woman reported that she bought three goats hoping they would multiply, but had to later sell them to buy food. **“Due to my illness, I had to prioritize my medical expenses over my original plans to build a house”**, said another man. However, recipients were clear that - despite not enabling them to meet all of their short- and long-term goals - the flexibility of cash transfers enabled them to prioritize what was most important to them.

Reconstruction

Expenditures on building a house took up the greatest proportion of people's total expenditures (66%), with 89% percent of recipients spending on building a home.¹² Most people thought spending their transfer on building a new home was the best thing they did with the funds.



Esnart (age 35): *What makes me happiest is the house I am building. It is at roof level and I will be putting on iron sheets in the coming weeks. Getting this far with the house gives me joy. I know I have spent my transfer wisely.*

Houses were made of higher quality materials and were safer and more resilient than people's living conditions in relocation sites, with some people reporting that homes were

also bigger and more durable than they had been before the cyclone. 32% invested in iron sheet roofs and 33% in exposed burnt bricks walls. 71% also reported having a latrine in their household. But some recipients reported they were unable to complete construction of their homes due to insufficient funds, with others saying the homes they were able to construct were either not as large or not as durable as they would have liked.

Recovery

The transfer helped people to invest in agricultural inputs to cultivate their new land, with 19% of respondents spending on agriculture and livestock.¹³ Livestock ownership increased from 19% to 48% over the project period. Some respondents invested in agricultural inputs including buying land for cultivation and purchasing treadle pumps for irrigation. More households reported having savings at the time of the endline study (18%) compared to at baseline (6%). Local government officials noted that the transfers motivated people to settle permanently in new safer areas because the cash allowed them to recover assets and invest in new livelihoods there.

Some invested in new business ventures,¹⁴ including purchasing a motorbike taxi, a bicycle to transport cassava, and starting grocery and tailoring businesses. But many who did not invest in income-generating assets were left in precarious livelihoods situations. A female recipient said, **“I did not invest the cash transfers. Now I rely on selling firewood to get enough to eat for the day.”**



Mayeso (age 22), from Kanting'inda village used part of the transfer to replace his sewing machine and started a tailoring business. He makes MK3000 (\$1.75) on a normal day and MK5000 (\$2.90) on a good day.

Overall people's livelihoods strategies shifted, leading to a reduction in income at the time of final data collection. More people were without paid work at the end of the project, (from 21% to 39%),¹⁵ while more people reported being self-employed, (from 7% to 13%). This likely reflects a shift in livelihoods from the low-paid casual labor people were able to access in relocation sites to people settling and investing in agriculture and new businesses. Local government officials noted that growing conditions in the new areas are different and less favorable - sandy soils, less irrigation and lack of access to fishing sites - in comparison to the fertile soils and fishing access in Makhanga.

There was a 59% increase in households in the lowest income category (those earning between 0 and 1,999 MWK (\$1.15) per week). This is likely a temporary dip in earnings until investments in agriculture and new businesses start to pay out. For future projects, adding a third round of quantitative data collection after the October-December harvest season would help to test this hypothesis and capture the medium-term livelihoods impacts of cash transfers.

Figure 2: Percentage of respondents per job category

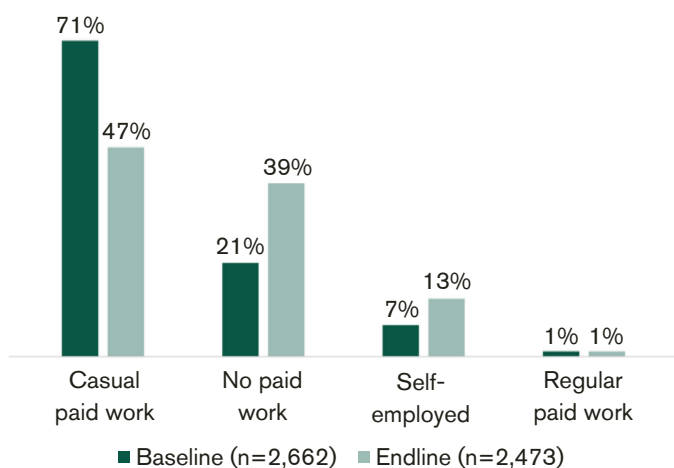
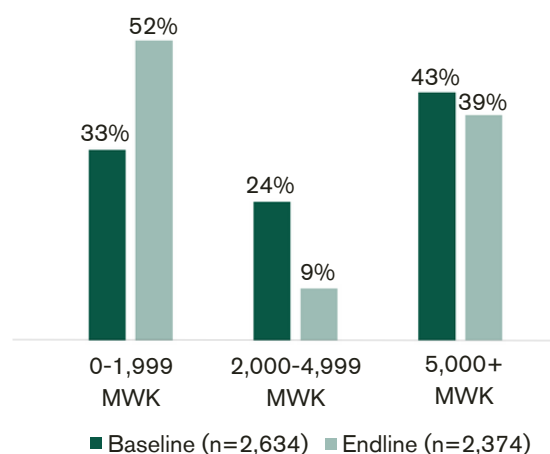


Figure 3: Percentage of households per income category



The qualitative data highlights the need for complementary support and investments to maximize the impacts of cash transfers. Although officials felt that the transfers had effectively complemented the support the government had provided (transport, boreholes, ongoing construction of schools and road restoration), several respondents noted the lack of employment opportunities and advocated for livelihoods support, asking that the government bring manufacturing and other opportunities into the area. They also shared specific requests for additional support - irrigation systems, a junior primary school and public works programs.

More school-aged children were in school after the transfer, from 53% at baseline to 64% at endline. Respondents appreciated the government's provision of education services, but some felt the transfer was not enough to enable school attendance: a youth in West Bank said, **"I had hoped to return to school, but now I lack tuition fees, the cash transfers were not enough."**

Climate resilience impacts

Almost everyone surveyed noted an increase in the frequency and intensity of disasters affecting this region which many attributed to climate change and environmental degradation. Improvements to housing quality and diversified livelihoods represent climate resilience impacts of the transfer. Most respondents understood what to do to prepare for the future disasters, highlighting the need to take care of the environment and plant trees. Local government officials plan to build dykes as flood protection and train village disaster committees in case of future shocks. Some suggested additional ways to prepare for future disasters including building climate-smart latrines.

Impacts on marginalized groups

Girls and women

51.5% of direct recipients of the cash transfer were female. While the quantitative data did not show significant gender differences in how people spent their transfer, the qualitative data revealed significant differences in attitudes to relocation and prioritization. While decision-making power overall remained with men, some women said the transfer empowered them to take on a more directive role. One female recipient said, **“I made the decision on how we will use the cash transfer, but I struggled to get my husband to understand and accept it. It was only after two transfers that he accepted me making decisions.”**

Men were overall more reluctant than women to relocate following the disaster. **“After the flooding waters started drying, there were two schools of thought. Some survivors of Cyclone Freddy wanted to remain in Makhanga to do winter cropping, while others, like me, wanted to leave the area immediately even though it was against my husband’s wishes,”** said one woman. Cash helped women to move their families: **“When we relocated, my husband joined us because of the transfers; there was hope to rebuild,”** shared one woman.

People living with disabilities

The transfers allowed many people living with disabilities to close the gap in food security and livestock ownership between them and their non-disabled peers. There was a notable decrease in people with disabilities who reported going hungry more than once in the past week, from 64% to 33%, bringing them to around the same level as the average. Livestock ownership among people with disabilities also jumped from 17% to 45%, closing the gap with non-disabled people. Local leaders noted that the transfers brought a sense of hope and dignity to those who are typically marginalized. One female local leader remarked, **“The cash transfers empowered many vulnerable people in my community, including those with disabilities, to rebuild their lives and regain a sense of stability after the devastation.”**

Program Design

Recipients were very positive about the cash received, appreciating the freedom to prioritize the money as they chose and to respond to the losses and damages they themselves had experienced. One respondent said **“Receiving money in our phones gave us a sense of belonging; we really felt that it is our money, and all the decisions on how to use it were with us.”** The use of cash through local markets created economic spillover effects that benefitted¹⁶ and eased tensions with host communities. Recipients highlighted several program design features:

- **Clear communication of the program** and its goals was appreciated. Recipients understood what they would receive and when.
- **Digital (mobile) delivery of cash and follow-up** was secure and convenient, minimizing the risks of theft and corruption. One man explained, **“sending the cash through phones directly was good because most of our leaders could have corrupted us by either not giving us the right amount or only giving it to their close ones.”** It also enabled prompt follow up: **“People received the money, and they were called to make sure that they did,”** said another. The provision of mobile phones to recipients who did not have them was highlighted as a significant benefit, especially for those who had never owned a phone before.
- **The timing of transfers** was felt by most to be right, coming at a moment when people were starting from scratch and in time to support planting season. Many felt that receiving the transfer in tranches helped them manage their resources effectively: **“I think the installments were a good idea... [they] allowed better managing and handling of the money,”** said one respondent. However some local government officials felt that earlier response would have had even greater benefits.

Internal and external stakeholders also emphasized the following:

- **High levels of efficiency**, with 80% of the total program budget delivered directly to recipients (GiveDirectly expects to improve this with larger programmes).
- **Effective collaboration with national and local authorities** and community leaders. By working closely with government structures the project built capacity and strengthened local systems, enhancing sustainability over the long term. The collaboration fostered trust: the government is considering replicating this approach for future disasters.
- **Limited intercommunal tension.** While instances did occur (for example, host communities trying to charge a fee for land that was supposed to be donated,¹⁷ and some instances of host communities destroying property) these were less than anticipated for a relocation of this scale, likely because of close engagement with local authorities and clear communication about the target population and project objectives. One local government official noted that the transfer reduced the burden on host communities and brought them significant benefits.
- **The level of transformation observed between pre- and post-transfer.** One local government official said **“The transfer brought tremendous change... it looks like people relocated several years ago yet it has only been months.”** Some observers noted that while traditional small cash transfers were not enough to take people out of poverty, the high value transfer enabled people to recover from climate loss and damage and make meaningful and lasting improvements to their lives. Some reviewers suggested that for future projects more data is gathered from non-recipients to understand the difference in quality of life between those who did and did not received the transfer.

Lessons learned

Large, direct and unconditional cash transfers are a uniquely effective way of addressing loss and damage:

- **Community-led:** Recipients universally appreciated having power and agency and being able to prioritize their own recovery.
- **Flexible:** enabling people to meet basic needs while investing in longer term rehabilitation.
- **Efficient:** 80% of the total project budget went directly to individuals, representing a high level of efficiency.
- **Multiplier effects:** Allowing its benefits to spread beyond recipients and recipient communities.
- **Digital:** Delivering cash through digital channels improved safety, speed and scalability, with recipients appreciating both the protection such channels offer against fraud, and the potential to immediately report issues and challenges.
- **Replicable:** Government partners indicated their intention to replicate this approach through their own systems in response to future disasters.

Many recipients faced difficult tradeoffs between meeting basic needs and investing in longer term goals, suggesting that a larger transfer could have greater impacts.

Although the \$766 transfer enabled improvements in food security, housing quality, and asset accumulation, many said it was not sufficient to enable sustainable livelihoods. Local government officials noted that while the transfer had enabled people to rebuild and restore assets, people's living standards were not yet back to the level that they had been before the cyclone. This suggests that even larger transfers could have had a more durable impact: some respondents felt that doubling the transfer value (to approximately \$1500 per household) would have enabled them to address all of their most pressing long and short term needs. However, it is significant that data collection occurred before harvest season (October - December) so agricultural investments had not yet had a chance to pay out. Given the scale of destruction, however, there may be no feasible transfer size that can cover all losses and damages.

Limited complementary investments reduced the impact of cash transfers. Cash is most effective when it complements other forms of support including service provision, infrastructure rehabilitation, and livelihoods support. Existing investments in infrastructure helped the transfers to have a greater impact: accessible roads and well-supplied markets allowed beneficiaries to spend their cash locally, circulating money within the community and generating a multiplier effect that supported wider economic resilience and recovery. But some key gaps - in particular service provision and livelihoods support - limited the impact of the transfers. Recipients were spending significant portions of their transfers traveling to access services,¹⁸ and struggling with livelihoods opportunities at the time of the qualitative data collection, both of which have the potential to limit the immediate and longer term impact of the transfers. Where possible (recognizing the time and resource cost) loss and damage cash transfer programming should identify what types of complementary programming and services would best support people to rebuild their lives, and advocate with government and other responders to "crowd in" the needed support.

Endnotes

- ¹ In other contexts, researchers have quantified GiveDirectly's **economic multiplier effect at 2.5x**, meaning that every \$1 of cash we deliver generated \$2.50 in additional spending or income for the larger economy.
- ² This should be taken as an approximation only as GiveDirectly say people struggled to break down their spending with precision and often omitted smaller expenditures.
- ³ What is Loss and Damage?. The Loss & Damage Collaboration.
- ⁴ The Loss and Damage Finance Landscape: Discussion Paper. Julie-Anne Richards, Liane Schalatek, Leia Achampong, and Heidi White. Heinrich Böll Stiftung. 2023.
- ⁵ See the UN Special Rapporteur on the Right to Development's 12 Principles of Climate Justice, CJRF's Principles for Community-First L&D Response, IIED's Briefing on Locally Led Loss and Damage and - separate but linked - the Principles for Locally Led Adaptation.
- ⁶ Climate change increased rainfall associated with tropical cyclones hitting highly vulnerable communities in Madagascar, Mozambique & Malawi. World Weather Attribution. 2022.
- ⁷ Tropical Cyclone Freddy is the longest tropical cyclone on record at 36 days: WMO. World Meteorological Organization. 2024.
- ⁸ Malawi - Cyclone Freddy puts disaster risk management to the test. Internal Displacement Monitoring Centre. 2024; Southern Africa: Snapshot of Tropical Cyclone Freddy's Impact (February - March 2023). UN Office for the Coordination of Humanitarian Affairs. 2023; Malawi: Tropical Cyclone Freddy - Flash Update No. 11 (31 March 2023). UN Office for the Coordination of Humanitarian Affairs. 2023.
- ⁹ As reported in the qualitative data.
- ¹⁰ While the communities reported several instances of gender-based violence, local government officials note that these instances were either not reported to or not corroborated by police and other officials.
- ¹¹ GiveDirectly staff suggest that respondents likely underreported expenditures, focusing mostly on larger purchases and forgetting to mention small, daily expenses.
- ¹² See footnote 11.
- ¹³ See footnote 11.

¹⁴ Only 4% reported spending on this through quantitative data, but the qualitative data revealed many new initiatives.

¹⁵ This category included people who reported working on their own farm.

¹⁶ GiveDirectly's research in other contexts has found economic multiplier effects of 2.5x from their cash transfer programs: [General Equilibrium Effects of Cash Transfers: Experimental Evidence From Kenya](#). Dennis Egger, Johannes Haushofer, Edward Miguel, Paul Niehaus, and Michael Walker. GiveDirectly. 2022.

¹⁷ This was reported by recipients but local government officials question these accounts.

¹⁸ From internal/GiveDirectly staff interviews.

Acknowledgements

This assessment and case study were made possible with support and assistance from the Irish Government's Development Cooperation Programme, Irish Aid. The ideas, opinions and comments therein are entirely the responsibility of its authors and do not necessarily represent or reflect Irish Aid policy. The project it details was generously funded by the Scottish Government.

This paper was authored by Sophie Tholstrup and Elise Shea, independent consultants, and based on qualitative research led by Esther Harawa, independent consultant. Thanks to GiveDirectly staff Isabelle Pelly, Director of Policy; Tom Mtenje, Senior Manager of External Relations for leading this work, and to Shaunak Ganguly, Malawi Country Director; Yvonne Murindiwa, Program Director; Maurice Tazie, Statistician; and Camille Parker, Research Manager for their invaluable support.

GiveDirectly would like to thank the cash transfer recipients and other interviewees who kindly provided their time, expertise and insights to help shape the ideas presented in this paper. Thanks to: Gilbert Chapweteka, Director of Health Services, Nsanje District; Emma Fenton, Opportunity Green; Jemima Gordon-Duff, Scottish Government; Charles Kalemba, Government of Malawi; Smith Mneula, Director of Planning and Development, Nsanje District; Joseph Mutupha, Assistant Commissioner of Police, Nsanje District; Dominic Mwandira, Nsanje District Commissioner; Edison Njembe, Gender Officer, Nsanje District; Evans Njewa, Government of Malawi; Ndaona Nowa, Assistant Social Welfare Officer, Nsanje District; Chikumbutso Salifu, Social Welfare Officer, Nsanje District; Eilidh Shearer, Scottish Government. Thanks also to the members of the Government of Malawi and other key climate and development stakeholders in Malawi for their thoughtful review of this paper.

