

## **No Small Change**

### ***Unconditional cash transfers as a response to acute food insecurity, a description of Oxfam's projects in Malawi and Zambia from November 2005 – March 2006***

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*Cash distribution in Kaoma District, Zambia, December 2006.*

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## Background

In the 2002-2003 period, Southern Africa experienced the worst food crises the region has encountered in ten years. Most assessments of this period of acute food insecurity have understood the phenomenon to be as much a crisis of livelihoods, or of development in general, than a simple food shock. The key difference between 1992 and 2002 was that the latter crisis could be attributed to a number of factors other than climate, among them structural imbalance, governance, economic and social decline, HIV and AIDS and, only to a lesser extent, drought. The crisis produced a substantial emergency response but also drew attention to the overall plight of Southern Africa, where poverty and food insecurity are on the increase, compounded by the steadily worsening AIDS pandemic<sup>1</sup>.

One common criticism of the response in 2002-03 was the over-emphasis on food aid, both in terms of its appropriateness as an intervention and as the dominant focus in assessments. Related to this were concerns that the crisis was misrepresented by some agencies as a “famine”. Certainly, the food aid response was substantial and while there is some indication that it was at least partially responsible for preventing alarming malnutrition from developing, even a cursory analysis shows a poor correlation of need versus response<sup>2</sup>.

By early 2005; assessments, mainly those conducted by the National Vulnerability Assessment Committees or VACS; were already alerting agencies and governments to the fact that acute food and/or income shortages would be felt across the region by a significant proportion of households in the coming season, peaking in the usual “lean season”, between December 2005 and March 2006. The impact was widespread, affecting Mozambique, Malawi, Zambia, Swaziland and Zimbabwe.

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<sup>1</sup> See “The underlying causes of the food crisis in the southern Africa region – Malawi, Mozambique, Zambia and Zimbabwe”, by Scott Drimie, a paper commissioned by Oxfam GB, March 2004 for a full discussion.

In response to this knowledge Oxfam GB's Regional Centre and country programme offices began to discuss plans for an appropriate response. The first step in this process was to reflect backwards to 2002-03. Briefly, these included observations that:

- Food aid is a “blunt tool” as a response to crises whose causes are complex and entangled.
- There is much more known about trade links between countries in the region, which are varied and strong despite policies and pricing that sometimes hinder the movement of food from surplus parts of the region to deficit areas<sup>3</sup>.
- There was good regional availability of maize in RSA at (what were) relatively low prices.

In addition to this reflection, Oxfam had just produced a new food aid policy. Briefly, Oxfam believes that, food aid is most needed in humanitarian crises, [and] that food aid should only be provided when:

- There is a total lack of food availability
- Food will not be provided through markets if the affected population is provided with cash<sup>4</sup>.

#### The case for cash in this context

For most, responding to acute food insecurity is synonymous with a food aid intervention, and disaster response as a whole is dominated by food aid. However, food aid as a resource transfer is highly inefficient, as the costs involved in sourcing and distributing it are enormous. While there are many circumstances where direct delivery of food aid is appropriate, food aid is not always the most suitable response to address missing entitlements.

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<sup>2</sup> See “Food security in Southern Africa – Reviewing the response to the crisis of 2001-02, disentangling the underlying causes and charting the way forward”, Oxfam GB, December 2004, for further discussion.

<sup>3</sup> See for example the monthly FEWS-NET reports on informal trade in the region.

<sup>4</sup> Oxfam internal food aid policy.

With this in mind, cash transfer interventions are increasingly being considered by agencies and governments as an emergency response to meet immediate food and non-food needs as well as to assist in livelihood recovery and, hopefully, promote or support local markets. In theory, cash interventions can be used to meet any need for which there is a private market.

Oxfam GB's growing experience in carrying out cash-based emergency interventions has demonstrated the following possible benefits of cash transfers:

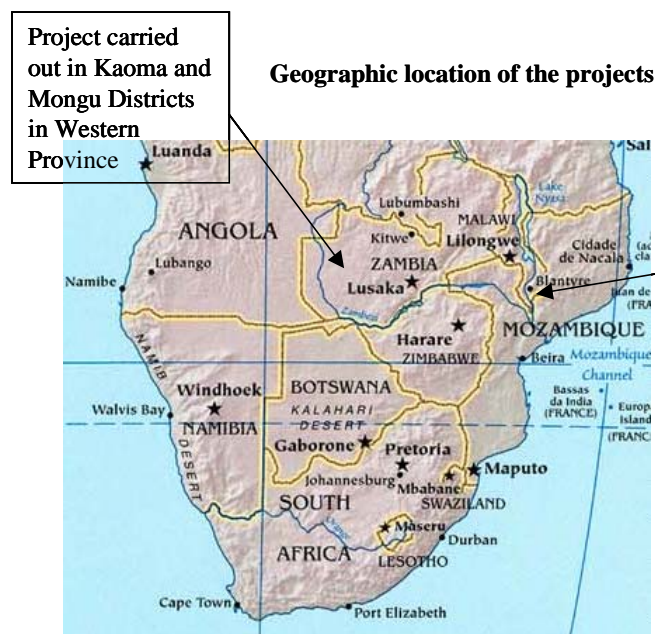
- Choice: cash provides households with greater degree of choice to decide on spending priorities.
- Cost effective: cash is likely to be cheaper and faster than alternatives such as food and seeds commodity distribution.
- Dignity: cash maintains people's dignity by not making them passive recipients of relief.
- Economic recovery: cash exploits potential benefits on local markets and trade.
- Meets a variety of needs: cash to be spent on food and non-food needs and explores the possibility of easy investment in livelihood security.
- Empowerment: cash to improve women's and marginalised groups' status.

In light of the above, analysis by Oxfam GB staff at two planning meetings held in June 2005 suggested that the overall small national deficit in Zambia meant that the problem was much more about access than availability in that country and thus cash would likely be a more appropriate response than externally sourced food aid, in all but the most remote areas. A market study was conducted to verify this and with support lined up from DFID, a moderately sized project was designed. However, in Malawi the situation was less clear. Though the overall size of the national deficit was very large and infrastructure in this part of the region poor, there was a feeling (by experienced Oxfam GB field staff) that maize flow across the border into southern Malawi from Mozambique might increase if there was sufficient

demand. In the end, in Malawi, Oxfam decided on a more cautious approach, using food aid for the bulk of the emergency response and trying cash transfers as a pilot in one sub-district or Traditional Authority (TA) only. Further, once funding was sourced (from Oxfam Ireland and the Irish government), a market study in Kapichi, a TA very near to the Mozambique border, was carried out.

### Scope and nature of the projects

The final design of the two projects was completed in September/October 2005 resulting in 13,500 and 6,000 households in Zambia and Malawi respectively receiving a monthly disbursement of cash between November 2005 and March 2006<sup>5</sup>. The objectives of the two



projects were to support households achieve short-term food security without having to employ harmful coping strategies and to prevent malnutrition in children. In addition, Oxfam GB was

seeking to build evidence around alternatives to food aid, which traditionally has been the main response to food crisis in Southern Africa.

<sup>5</sup> See the individual evaluation reports for Malawi and Zambia conducted by researchers from the Overseas Development Institute (ODI) for a much more thorough discussion of the two projects.

The size of the cash transfer was 2,500 Malawian Kwacha (MK) and 90,000 Zambian Kwacha in Malawi and Zambia respectively<sup>6</sup> and was based on the local cost of a “typical” food aid ration of 50 kg of maize, one litre of oil and 5 kg of pulses or dried beans. This was designed to provide a household (of six persons) with approximately 55% of their kilocalorie needs<sup>7</sup> and was intended as a supplement to the income assessments indicated that households would be able to earn from petty trade and/or piece work.

The distribution mechanisms were similar in both countries. In Malawi, it was based on the method used by local government to pay rural civil servants like teachers and extension workers. Basically, Oxfam GB hired a vehicle and driver and engaged the services of local armed policemen<sup>8</sup> to provide a security escort for the transport of the cash on the day of the distribution. In the field Oxfam GB staff distributed cash to beneficiaries according to the beneficiary list and upon presentation of the beneficiary card. In Zambia, Oxfam used a mechanism similar to that designed for the payment of small-scale rural tobacco growers. In practice this meant that Oxfam sub-contracted the distribution of cash to Standard Chartered Bank. The bank pre-packed the cash in envelopes and hired a security company who in turn hired armed policemen to accompany the cash (packed in locked chests) to the field. At each paypoint bank staff received the cash from the security company and supervised the disbursement to beneficiaries upon presentation of official identity cards and according to the lists prepared by Oxfam GB and field level relief committees.

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<sup>6</sup> This worked out to 25 - 26 US dollars per month per household in the two countries. However, in Zambia the appreciation of the Kwacha by some 25% over the course of implementation meant the project was significantly more expensive to carry out than originally planned.

<sup>7</sup> Based on 2100 kcal per person per day and a household size of six.

<sup>8</sup> Oxfam GB internal regulations do not permit our vehicles to carry armed individuals.

## Targeting

Community based targeting was used to select households to be put on the beneficiary list. This was conducted by village level relief committees and facilitated by Oxfam GB and was done in a similar process to that used for food aid distributions. In fact, in Malawi the team used exactly the same criteria and targeting strategy for the cash distributions as their colleagues used in a neighbouring district for food aid. During post distribution monitoring (PDM) Oxfam asked households if they understood why some in their community had received cash and why some had not, as a check to see if beneficiaries perceived the targeting to be fair. Generally 70 – 90% of beneficiaries so questioned responded positively. When the proportion was less than this, re-sensitisation, that provided those particular communities with a more thorough explanation of the targeting process, was carried out<sup>9</sup>.

While conceding that targeting is always a difficult exercise in humanitarian interventions, an external evaluation conducted by the Overseas Development Institute (ODI) generally found that inclusion and exclusion errors were unlikely to have been large and any errors that did occur were likely as a result of the inherent difficulty of targeting in relief operations rather than of problems specifically related to targeting cash.

### Sharing of cash

Voluntary sharing of food bought was prominent in both Zambia and Malawi. Beneficiaries shared mainly food rather than the cash.

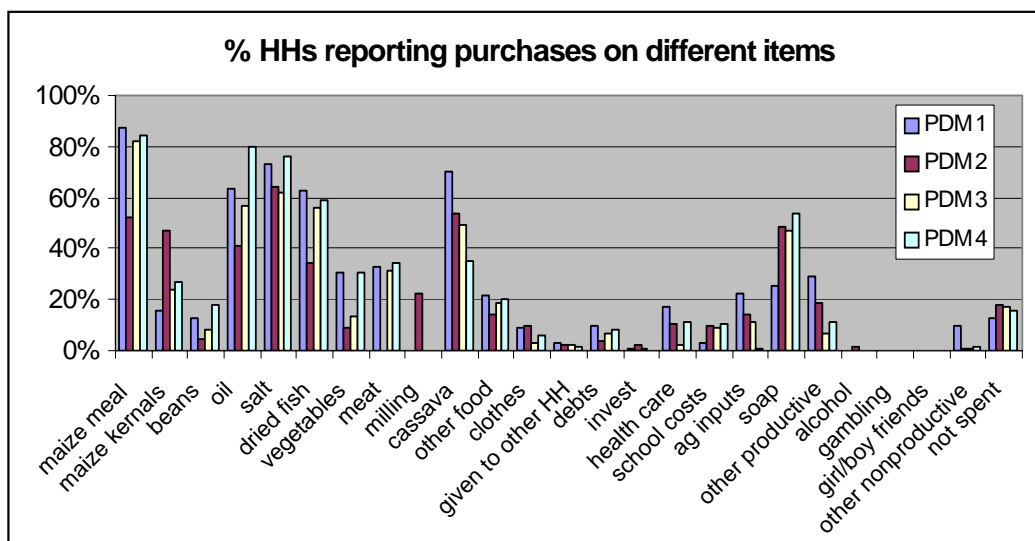
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<sup>9</sup> See for example the 2<sup>nd</sup> PDM report in Zambia (available from Oxfam GB)

## Monitoring and evaluation findings

### What did people buy?

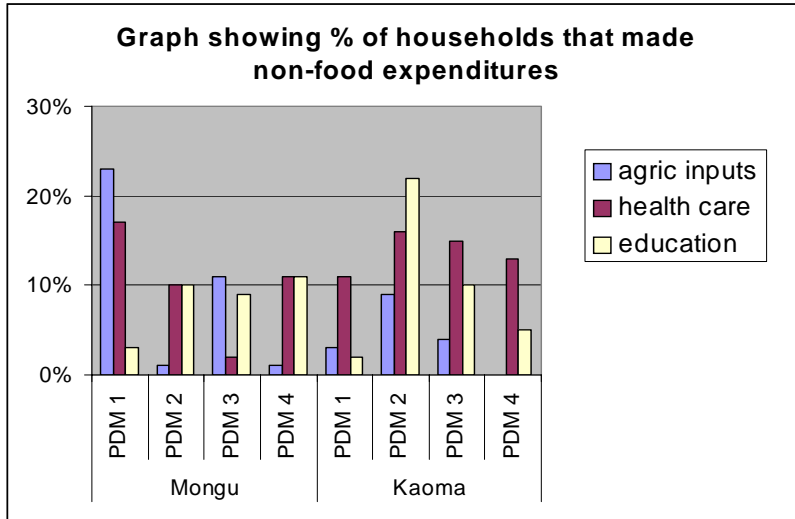
Oxfam did extensive quantitative post distribution monitoring in both Zambia and Malawi. This was conducted from 10 – 21 days after a cash disbursement. From this we know that, on average, most of the cash distributed was spent on food (85-95%) and within that most was spent on maize. However, households made purchases on a vast array of goods as noted in the figure<sup>10</sup> below (from Zambia), which was surprising given the



remoteness of the distribution sites, especially in Zambia.

Still, though spending on other items was lower than that spent on food, the external evaluators from ODI noted that the cash spent on other items was often crucial. This report highlights that in Zambia spending on health and education was prioritised and in Malawi, the cash enabled many households to purchase subsidized inputs provided through a government agricultural scheme. This was corroborated by interviews with authorities at health centres

<sup>10</sup> Note that the PDM form changed (and thus there are some gaps for some items) over the duration as the (new) monitoring and evaluation officer tried out different combinations of questions.

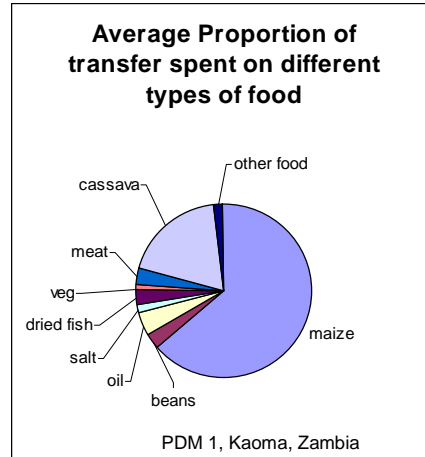
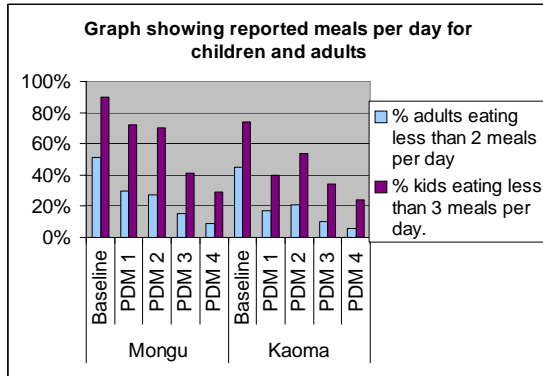


and schools who felt that the availability of cash had increased access to their services. In both Kaoma and Mongu districts in Zambia truancy at schools was reported to have

decreased greatly, particularly during the lean period. The figure below shows the extent to which people used cash for non-food expenditures in Zambia. The purchase of soap, by about half the households each month is also important, given the links between hygiene and illness, (especially in small children).

In interviews, communities generally observed that most beneficiaries were able to spend more time in their fields than non-beneficiaries. An Agricultural Officer in one village in Mongu (Ushaa) noted that beneficiaries worked more in their fields and less in other people’s fields. Beneficiaries were also able to pay for hired labour, particularly for weeding

While it is difficult to attribute impact in such a short intervention and when seasonally disaggregated baseline data is not available, there are some observations about the likely nutritional impact of the project that can be made.



In Zambia, the kilocalorie contribution of the cash was generally between 40 – 50% of a household’s total kilocalorie needs. Household dietary diversity<sup>11</sup>, or the number of different food groups consumed over a given reference period (we used one day), generally increased through the life of the project and was overall slightly higher than the baseline (conducted in early December, just before the first distributions were carried out). Without seasonal baseline data, attribution to the project is difficult, though plausible, given the variety of foods purchased by households (as in the graph). It is also worth noting that well over two thirds of households purchased salt. This is important in Zambia because it improves the palatability of wild greens, which are abundant in the area. In addition, there was an increase in the number adults reporting that they ate less than two meals and the number of children eating less than three meals per day, suggesting an overall improved consumption pattern, as compared to the situation prior to the implementation of the project.

<sup>11</sup> Dietary diversity is a proxy indicator for food access. See the FANTA document: “Household Dietary Diversity Score (HDDS) for Measurement of Household Food Access: Indicator Guide”, by Anne Swindale and Paula Bilinsky, March 2005.

## Demographic data

The table below provides a sample of some of the demographic information and data regarding gender dynamics in the household, collected during post distribution monitoring in one district in Zambia.

	<b>Mongu</b>				
<b>Item</b>	<b>Baseline</b>	<b>PDM 1</b>	<b>PDM 2</b>	<b>PDM 3</b>	<b>PDM 4</b>
No. of respondents	209	186	221	565	252
HH size	5.7	6.1	6.4	6.2	6.1
% of households that were female headed	47.4	45.2	40.3	44.2	40.5
% of households with at least one chronically ill member	19.1	33.9	33.0	37	34.1
% of households with orphans	40%	60%	57%	61%	63%
% women who collected cash	N/A	80%	74%	81%	85%
% women or women and men jointly that decided how cash was spent.	N/A	85%	81%	86%	94%

From the table it is apparent that mainly women collected the cash and women or women jointly with men decided on how the cash was spent. In the qualitative PDM, beneficiaries said this was because women are traditionally responsible for food issues in most households. Although some women's groups expressed fears that had men collected the cash they would divert resources to non-productive uses such as alcohol, cigarettes and girlfriends, there were no reported cases of misuse. Further, some women elaborated on this issue and said that it was easier for them to manage cash as compared to food as cash was simpler to tuck away and hide.

The trend was similar in Malawi where 75% of the recipients of cash were women and 25% were men. The women recipients were either household heads (49%); spouses of the

household heads (13.5%); household female members (9%) or other female members that were not part of the beneficiary household (3.5%)<sup>12</sup>.

It is also apparent that a higher proportion of households that hosted orphans, and/or were caring for chronically ill household members, as compared to a sample of the general population (baseline), were beneficiaries. This is consistent with the likelihood that these households are often proportionately more vulnerable. However, it may also suggest that, in an effort to ensure that AIDS-affected households were not missed due to stigma (for example), there may have been some over-inclusion of this group.

## **Markets and Prices**

In terms of market stimulation, the transfers in Zambia likely had a greater positive impact than Malawi through boosting profits of local traders, as most - if not all - of the food that was bought was locally produced. Traders reported that they knew when the distributions were occurring and stocked food stuffs and other basic items accordingly. In Malawi, however most of the food purchased came from informal traders from Mozambique, so this benefit was probably insignificant.

## **Scale**

The external evaluators concluded that the Oxfam cash transfer projects were too small to have had any real impact on demand and therefore on private sector response, including inflationary pressure, at anything but the very local level. However, if larger-scale cash transfer programmes were to be implemented there would be a need for early and transparent signals to the private sector about the scale and scope of such a project. This could mean

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<sup>12</sup> This specific data from the first Malawi PDM report, Oxfam GB, November 2005. Findings were similar in subsequent reports.

engaging in advocacy with the government over policies around maize movements across borders.

### **Appropriateness and efficiency**

The appropriateness of the project was judged on whether households were able to purchase the food basket assessments indicated they needed. This was directly linked to the prices at which people could purchase food and the availability of that food on the market.

In Zambia prices remained relatively stable (in Kwacha terms) and people could purchase food roughly equivalent to a typical food aid ration as planned by the project. Indeed many households purchased more food than planned as a significant number of households purchased substantial quantities of locally produced cassava, which was much cheaper than maize.

In Malawi maize prices increased much more steeply than anticipated, especially in the last two months of the project and, due to the inexperience of our team and a misjudgement in terms of capacitating the project with enough staff, market monitoring was not robust enough to detect the development in time to modify either the level of cash disbursement and/or switch to a combination of food and cash. Further, the availability of food was also compromised with local government depot shops (ADMARC) severely rationing the quantity households could buy at a subsidised price, notwithstanding the fact that stocks were highly irregular in any case.

Finally, the evaluators concede that deciding on the appropriateness of cash rests on “the challenging art of market analysis and assessment”<sup>13</sup>. Marketing and economics, especially when they are complicated by cross border commodity flows and impenetrable national and

regional policies are not traditionally areas of expertise for aid agencies, which presents a significant challenge in this area of programming.

### Cost effectiveness as compared to food aid

It seems intuitive that cash distributions must be cheaper than distributing food aid itself, due to simpler logistics and a feeling that market forces must be more efficient than aid agencies. In fact, there are a number of variables that preclude such a forthright statement and indeed make the calculations extremely difficult. For example, one must consider that food aid can often be bought in bulk at wholesale prices while households much purchase at retail prices. Also, agencies can be hesitant to share anything about their budgets and even when the information is openly available it is hard to directly compare two operations, in terms of knowing what administrative and other costs are attributable to a specific project. Despite this, the ODI external evaluators attempted to compare the cost of Oxfam's cash transfer projects to food aid that was distributed in the same area and were able to make some observations<sup>14</sup>. Briefly, in Zambia they found that while the project appeared to be cost effective at the time of design, the Kwacha appreciation and high Oxfam GB costs (due to the fact that Oxfam GB had to set up a new office in Mongu) meant it was probably slightly more expensive by the end of the project. Similarly in Malawi, there was probably a cost advantage at the beginning of the project but as local government depot supplies dwindled and the price of imported maize rose, this advantage was probably also lost.

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<sup>13</sup> See page 25 of the Independent Evaluation of Oxfam GB Malawi's Emergency Cash-Transfer Programme", by Kevin Savage and Eric Umar of the Humanitarian Policy Group, ODI, May 2006.

<sup>14</sup> See the full evaluation reports referenced earlier for Zambia and Malawi for a full discussion.

## Summary of the external evaluator's recommendations

As noted above, an independent evaluation of the projects was carried out by the Overseas Development Institute (ODI), in April 2006. Overall the evaluation team found that there is a clear case for cash transfers to be considered by Oxfam GB and other agencies in future relief responses. In conclusion they make the following recommendations<sup>15</sup>:

- i. Agencies shouldn't assume cash will be more cost efficient, especially in remote areas with weak markets.
- ii. There is scope to think more creatively about how to take advantage of the flexibility of cash – for example by increasing the size of the transfer during the critical time for agricultural inputs purchase.
- iii. Like food aid, cash calls for effective targeting and distribution skills – there may be scope for NGOs like Oxfam to learn from agencies who know how to do this to scale.
- iv. Good monitoring of markets and prices is key to understanding the impact and appropriateness of cash transfers.
- v. Related to the above, projects should be designed in such a way that they can respond to changing circumstances, especially with respect to increased prices and/or shrinking supplies. This also calls for good contingency planning with clear decision making points.
- vi. Ideally, consideration of a range of options should be part of needs assessments and should be linked to explicit and open discussions about the relative cost effectiveness and appropriateness of different response options in relief operations.

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<sup>15</sup> See “No Small Change – Oxfam GB Malawi and Zambia Emergency Cash Transfer Projects: a Synthesis of Key Learning”, by Paul Harvey and Kevin Savage, Humanitarian Policy Group, ODI.

## **Conclusion**

Oxfam GB's experience in carrying out cash transfer activities indicate that unconditional cash transfers can be an appropriate response to acute food needs in certain contexts, assuming rigorous monitoring and some flexibility in planning and resources exist. The evaluation results further suggest that long-term cash transfers as part of a social protection strategy are feasible and would possibly help to alleviate chronic poverty and increase the resilience of households to deal with periodic shocks. Thus, there is scope to explore ways in which relief responses could link with or build on long term social protection programmes. On the basis of these findings and in line with current thinking around social protection as part of a broader response to chronic food insecurity in Southern Africa, Oxfam GB is currently considering how we could leverage our experience with emergency cash projects into longer-term programmes and/or advocacy to help address chronic food insecurity in the region.

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