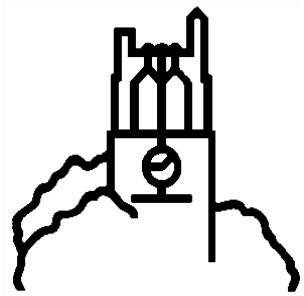
MSU International Development Working Paper

CAN CASH TRANSFERS PROMOTE FOOD SECURITY IN THE CONTEXT OF VOLATILE COMMODITY PRICES? A REVIEW OF EMPIRICAL EVIDENCE

by

Benjamin Magen, Cynthia Donovan, and Valerie Kelly



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MSU International Development Working Paper No. 96
2009

MSU Agricultural Economics Web Site: http://www.aec.msu.edu
MSU Food Security II Web Site: http://www.aec.msu.edu/fs2/index.htm

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February 2009

This study was made possible by support from the Africa Bureau of the United States Agency for International Development.

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ISSN 0731-3438

Published by the Department of Agricultural, Food and Resource Economics and the Department of Economics, Michigan State University, East Lansing, Michigan 48824-1039, U.S.A.

ACKNOWLEDGMENTS

This report is published by the Department of Agricultural, Food and Resource Economics and the Department of Economics, Michigan State University. Funding for this research was provided by the Africa Bureau of the United States Agency for International Development. The authors wish to thank Phil Steffen for his review and comments on an earlier version of this paper.

The views expressed herein do not necessarily reflect the opinions of Michigan State University, USAID, or any other organization.

EXECUTIVE SUMMARY

This working paper synthesizes the theoretical and empirical literature on the use of cash transfers in response to food crisis situations, with particular attention to their use in situations that are exacerbated by volatile, often inflationary, commodity prices. The paper is designed for policymakers who are wondering if cash transfers might be an appropriate instrument in the context of 2008's unstable commodity prices for both food and energy, but are unfamiliar with the literature and discussions surrounding the cash vs. food debate. After defining some key terms and presenting a brief review of the theory behind cash transfer use, the paper synthesizes evidence from studies that have evaluated past cash transfer programs. While the focus is on examples from Sub-Saharan Africa (primarily Malawi, Mozambique, Zambia, Kenya), there are also valuable lessons incorporated from other regions of the world.

What is a Cash Transfer: The concept of a cash transfer (also sometimes referred to as income transfers or cash subsidies) is that a recipient is given *cash* (often in the form of checks, money orders, or sometimes vouchers) as a safety net to not only improve their ability to purchase sufficient amounts of food but also enable them to retain productive assets or continue to make productive investments.

When to Use Cash Transfers: Cash transfers should be considered in circumstances where (1) households do not have sufficient resources to obtain food, and (2) food supply is adequate and markets are functioning. Markets should be able to meet increased food demand created by the program; financial and administrative systems should be sufficiently strong and transparent to avoid fraud; and security should be adequate to protect households from theft of cash.

General Arguments in Favor of Cash Transfers: Firstly, beneficiaries achieve higher satisfaction from cash transfers than in-kind transfers due to the greater flexibility. Secondly, cash transfers can be more cost effective than in-kind transfers because of reduced transportation and associated costs. Thirdly, cash transfers have expansionary effects on local economies because the cash enters local markets, creating demand for goods and services. These general arguments are supported by empirical evidence summarized below:

a. *Beneficiary satisfaction:* Beneficiaries of cash transfers are found to have more meals per day while they depend less on damaging coping strategies such as begging. Households generally, but not always, indicate that they are happier receiving cash instead of food. In many cases they are able to pay off debts and work in their own fields more.

b. *Program costs:* Cash transfer programs appear in many cases to be less expensive in terms of program costs than in-kind aid, though in situations of high inflation this may not be the case. Also, length of the program must be considered; the initial costs of setting up a cash transfer program can be high and may not be justified for a single year.. The question as to whether a cash transfer program is more cost-effective (i.e., produces better results at a lower cost) than in-kind food aid has not been answered adequately to date. Studies conducted tend to have different results and in many cases the monitoring and evaluation methods employed are not as robust as they need to be.

c. *Expansionary (indirect) impacts:* It has been argued that in-kind transfers have a disincentive effect on agricultural production by depressing producer prices, whereas cash transfers represent direct cash injections into the food market by beneficiaries. For example, in Somalia households used cash transfers to repay debts to food retailers, thus enabling the

merchants to restock and continue operations. The Food and Cash Transfer (FACT) program in Malawi found that each dollar transferred had economic effects more than double the original value, and a Zambian study found positive multiplier effects through increased purchases of food and other goods and increased demand for labor. Notably, though, some have argued that cash transfers can cause a disincentive effect for beneficiaries to work and may cause inflation if food supplies are limited, leaving all consumers potentially worse off.

Design and Implementation Challenges: The above described benefits depend to a large extent on how well the cash transfer program is designed and implemented. Keys issues that must be addressed include:

a. *Cash disbursement mechanisms:* Many programs use local financial institutions to distribute cash, minimizing transaction costs with electronic banking and local disbursement. Frequency of distributions is an important consideration, as more frequent distributions can help programs to deal with inflation and ensure that money is more likely to go for food rather than nonfood items. Lastly, program staff may need training to support and administer cash transfer programs.

b. *Targeting issues:* Targeting must be correctly handled to avoid missing large numbers of the poor, and to keep from distributing to the less needy. In-kind programs can use the distribution of less desirable commodities to discourage non-targeted recipients from participating in the food distribution program. Cash is more fungible and may be more attractive to the non-poor than food aid, so the need to prevent corruption and have careful targeting tends to be greater with cash transfers than in-kind aid. Using communities to help select beneficiaries is one method that has been useful in ensuring that transfers go to the poorest in each community, although it is not without problems.

c. *Conditional transfers to focus development impacts:* The multiplier effects from cash transfer programs are documented. If a specific development goal is desired, it may be valuable to put conditions on cash transfers, such as child school enrollment. Cash for work programs or commodity voucher programs have been used successfully and reduce the chances of the cash transfer diminishing work incentives.

d. *Inflation:* Rapid inflation can reduce the impact of cash transfers, since the purchasing power of the transfer will be reduced over time. Policymakers can program for this possibility, both on the funding side and on the design side. Programs have successfully dealt with inflation by increasing the value of transfers when needed, based on indexing with food prices. In such circumstances, there are inherent tradeoffs between budgetary considerations and providing beneficiaries with support that is viewed as reliable and predictable. More frequent distributions also help households deal with the inflation by more frequent purchasing. In hyper-inflation environments, though, goods may gradually become unavailable on the market, and thus food distributions may be needed, rather than cash. There is also a discussion regarding the possibility that cash transfers will cause inflation through the increased cash flowing through the market and the higher demand increasing prices. The literature does not show significant evidence of this, but most of the programs analyzed to date are small-scale, short-term interventions that are less likely to result in inflationary impacts. When it comes to addressing inflation, cash-transfers alone may not be adequate.

Unanswered Questions: The donor community appears more accepting of cash transfers than in the past, yet many point out that the empirical evidence on cash transfer costs and impacts remains weak, suggesting that more rigorous monitoring and evaluation is needed. Suggestions for additional research include:

- Documenting the views of civil servants, politicians, aid organizations, and civil society in countries where cash transfers are being used or proposed in order to understand the degree of political support for such programs;
- Conducting more rigorous cost-effectiveness studies of cash transfers in comparison to food aid, (including recommendations for reducing costs or increasing effectiveness of each type of program).
- Better assessments of the inflationary impacts of cash transfers, as well as an assessment of how well they work when introduced on a large scale to economies that already have high inflation.
- Understanding how intra-household dynamics may influence the relative success of in-kind versus cash transfers and the extent to which these dynamics need to be taken into account during program design.

Conclusions: Cash transfers can be a more effective tool than in-kind food aid for fighting food insecurity in conditions where markets function well. A cash transfer program combined with other forms of assistance can lead to high beneficiary satisfaction and economic growth. Systematic monitoring of events and evaluation of impacts is needed to ensure that cash transfer programs have the desired impacts and are well integrated with other forms of food security assistance. Rather than assuming a rigid single response of cash only or in-kind only, a combination of response options for different households in different environments may be the most efficient strategy. This requires both capable administrators and flexibility of program implementation.

CONTENTS

ACRONYMS

CGIAR	Consultative Group on International Agricultural Research
CPRC	Chronic Poverty Research Centre
DECT	Concern Worldwide's Dowa Emergency Cash Transfer Project
DFID	Department for International Development
ENN	Emergency Nutrition Network
FACT	Concern Worldwide's Food and Cash Transfer Project
FAO	Food and Agriculture Organization of the United Nations
FCND	Food Consumption and Nutrition Division, IFPRI
GAPVU	Mozambique Vulnerable Population Support Cabinet (*Gabinete de Apoio à População Vulnerável)* food subsidy program
GTZ	German Technical Cooperation
HPG	Humanitarian Policy Group
IFPRI	International Food Policy Research Institute
INAS	Mozambique Food Subsidy Program (successor to GAPVU)
IRIN	The humanitarian news and analysis service of the UN Office for the Coordination of Humanitarian Affairs
KSh	Kenyan Shilling
KVCTP	Kerio Valley Cash Transfer Pilot
MCDSS	Ministry of Community Development and Social Services, Germany
MK	Malawi Kwacha
MSU	Michigan State University
MTN	Mozambique *Metical Novo* (currency as of 2006)
NGOs	Non-governmental Organizations
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OVC	Orphans and Vulnerable Children
PSNP	Ethiopian Productive Safety Nets Program
REBA	Regional Evidence Based Agenda Programme
RHVP	Regional Hunger and Vulnerability Programme
SDC	Swiss Agency for Development and Cooperation
UNICEF	The United Nations Children's Fund
WFP	United Nations World Food Program
ZMK	Zambia Kwacha

I. INTRODUCTION

> "At 923 million people, the number of undernourished in 2007 was more than 80 million higher than in 1990–92, the base period for the World Food Summit (WFS) hunger reduction target. This makes the task of bringing the number of undernourished to 420 million by 2015 more difficult, especially in an environment of high food prices and uncertain global economic prospects."

This description, from the UN Food and Agriculture Organization in The State of Food Insecurity in the World 2008 Report, describes the challenge faced by the many agents involved in food security interventions (donor and receiving governments, international development and relief agencies, non-governmental organizations and other civil society actors). In mid-2008, we saw international commodity prices for staple foods and energy skyrocket; by the end of the year, however, most commodities had declined substantially in price from the mid-year highs. Noting the unexpected price declines, the Director General of the International Food Policy Research Institute (IFPRI) nevertheless cautioned about complacency when he wrote that, "in the past few months, the prices of major cereals have fallen by about 30 to 40 percent as a result of the economic slowdown and favorable weather conditions, but they remain high compared with three years ago." (Von Braun 2008).

In much of Africa, the recent wave of rising prices has been met by civil disturbances in urban areas–a sign that in a context where 50% of the population fall under the poverty line, the task of ensuring food security has become more complex and politically sensitive. In the past, most food emergencies in Africa have been associated with production shortfalls due to wars and natural disasters. They have been addressed by mobilizing food supplies though local or international sources, moving them into place, and targeting delivery of food aid to the most vulnerable households or most vulnerable communities.

The 2008 African food security situation was complicated by several factors. First, it was difficult to mobilize supplies due to declining world stocks and trade restrictions adopted in some exporting countries. Despite recent price declines in response to concerns over global financial markets, food prices continued to be high. Thus, foods produced domestically in Africa as well as elsewhere in the world remained expensive throughout 2008 and into 2009. In addition, there was a broadening base of households sliding into the food insecure category due to declining purchasing power in the face of rapid inflation. Thus, the challenge posed by volatile commodity markets is two-fold: 1) ensuring that markets are stocked, preferably through domestic supply which will stimulate local production, and 2) identifying and responding to the needs of the *newly impoverished* as well as those of the *chronically poor*– neither of whom can afford to purchase minimum food needs when prices shoot up as rapidly as they did in 2008. The complexity of the problem, the difficulty and increased costs of purchasing and transporting food, and the anticipation that many of the vulnerable would be in urban areas led key actors (e.g., World Food Program (WFP), Care International, Save the Children) to suggest that cash transfers rather than more traditional food emergency responses be used to address the problem (IRIN 2008a; IRIN 2008b). The debate is often polarized into cash aid versus food aid, when in reality food, cash, and other measures might be combined in any given context. Flexibility has been introduced into some emergency programs recently such that there is a growing literature (both manuals on designing such programs and empirical results) that discusses the use of cash transfers in emergency

situations (e.g., Harvey 2005; Creti and Jaspars 2006; Rauch and Seuer 2007; Gentilini 2007).[1]

The objective of this paper is to synthesize the theoretical and empirical literature on the use of cash transfers in response to food crisis situations, with particular attention to their use in situations that are exacerbated by inflationary pressures such as those experienced in 2008.

The paper is designed for policymakers unfamiliar with the literature and discussions surrounding the cash vs. food debate who are wondering if cash transfers might be an appropriate instrument for their programs. The focus will be on the use of cash transfers in Sub-Saharan Africa, especially in urban settings, as that is the context for which they are being most strongly recommended at present. However, the review will also touch on the potential impacts of urban cash transfer programs on rural incomes as well as overall pros, cons, and design aspects of cash transfers in any setting. This paper is organized into the following sections:

1. introduction;
2. definitions and theoretical arguments for and against cash transfers;
3. highlights of experience with cash transfers;
4. design and implementation issues;
5. cash transfers in an inflationary context; and
6. unanswered questions.

[1] See special issues from 2006 of the journals Development Policy Review (Volume 24, Issue 5) and Disasters (Volume 30, Issue 3) with articles discussing the use of cash transfers, the first in a development context and the latter in emergencies. See also the website http://www.sdc-cashprojects.ch/en/Home/Experiences

II. DEFINITIONS AND THEORETICAL ARGUMENTS

The concept of a cash transfer (also sometimes referred to as income transfers or cash subsidies) is that a recipient is given *cash* (often in the form of checks, money orders, or sometimes vouchers) as a safety net to not only improve their ability to purchase sufficient amounts of food (Tabor 2002) but also enable them to retain productive assets or continue to make productive investments (Devereux and Pelham 2008; Farrington, Harvey, and Slater 2006; Tabor 2002; Standing 2008). Advocates of cash transfers argue that if the program is well designed and implemented the cash transfers can improve beneficiary satisfaction while also reducing program costs and contributing to general economic development.

2.1. Context for Cash Transfer Use

Various donors and non governmental organizations (NGOs) have established guidelines on the development and use of cash transfers (e.g., Harvey 2005; Rauch and Sheuer 2007; DFID 2005; Devereux et al. 2007; Creti and Jaspars 2006). These documents generally agree that the following conditions should be met before selecting cash transfers as a response to food insecurity:

a. the key problem is not supply of food, but rather ability of households to purchase food;
b. markets are functioning such that an increase in demand for food and other items will be met with sufficient supply to avoid project-induced inflation;
c. cash is a useful instrument in obtaining food;
d. administrative and financial systems function well enough for cash to be distributed without extensive fraud; and
e. households have basic security from theft and violence if they receive transfers.

2.2. Beneficiary Satisfaction

In theory, cash transfers provide flexibility to beneficiaries by allowing them to make their own decisions about critical needs (including the opportunity to make non-food expenditures), leading to higher satisfaction among recipients (Jaspars et al. 2007). This is in contrast to in-kind food distribution, which gives households specific commodities that may or may not meet their immediate needs (Creti and Jaspars 2006). Households can usually sell the received goods to obtain other goods, but that has time and other costs associated with the transaction. Another potential benefit of cash transfers is that they may reduce recipients' costs of obtaining access to assistance, if they can obtain cash from nearby financial institutions instead of traveling to distribution points. Cash transfers also save payment of food transport costs that occur with in-kind food aid when food distribution centers are not as close as their usual food markets (Devereux et al. 2007; Harvey and Marongwe 2006). If the local markets do not have sufficient supplies or food price inflation reduces the value of the cash transfer, then beneficiaries prefer receiving food.

2.3. Program Costs

Proponents of cash transfer programs argue that in terms of project costs it is generally less expensive and more efficient to distribute cash than food, if food supplies to markets are adequate (Creti and Jaspars 2006). Cash transfers are likely to require a tighter initial

administrative structure than in-kind food aid and, therefore, higher costs in the first project stages, but after the initial stages, they have been found to be more cost effective than in-kind food aid (Tabor 2002; Creti and Jaspers 2006; Standing 2008). The most obvious cost savings are in transport: food can be costly to transport, whereas money, even if sent in cash, is less bulky and less costly to transport; electronic transfer of funds renders transport costs inconsequential. Cash transfers, if well designed, also permit program flexibility because managers can change the amount of benefits, timing of disbursements, and number of participants quickly without the logistical costs of moving additional food around. It is important to note, however, that this administrative flexibility can be a drawback for recipients if it is used in a manner that significantly increases beneficiary uncertainty concerning the timing and the amount of payments.

Critics of cash transfers point to several potential sources of increased costs. There is the perception that the potential for fraud is higher with cash transfers. Since cash is highly fungible for the household, many more households may seek the funding, such that stronger targeting may be needed, using more costly identification methods. In-kind programs may select a self-targeting inferior food commodity to enable lower targeting costs and limit participation to the most needy. With a cash transfer program, the equivalent to an inferior good would be cash transfers of very low value and stringent requirements such that only the most needy will go through the tedious process to obtain the funds. Such requirements, however, reduces beneficiary satisfaction.

When comparing program costs, there is a need to go beyond a simple comparison of program budgets. Each program should be assessed by how well it meets objectives for improved food security (Gentilini 2007). If, for example, cash-transfer beneficiaries use much of the cash for non-food expenditures, program effectiveness in addressing malnutrition would be reduced compared to a food distribution program, despite the anticipated cost savings. A study of the efficiency of resource use in cash versus in-kind programs would need to look at both program administrative costs and impacts on beneficiaries.

2.4. General Economic Development

Cash transfers, by working through markets, are thought to have various positive effects on the economy over time. Beneficiaries stimulate local markets by using funds to buy goods (Gelan 2007; Gebreselassie 2006). This can lead to indirect effects, often referred to as *multiplier effects* whereby increased expenditure by recipients may contribute to income growth for non-recipients, expansion of markets for local goods, or increased demand for services (Farrington, Slater, and Holmes 2004; Harvey, Slater, and Farrington 2005). Cash transfers, for example, may stimulate food production and increased farm incomes if the transfers increase market demand for local products. If households pay off debts to traders, the traders can then purchase new stocks and continue supplying to the broader local community. On the down side, cash transfers may cause inflationary pressure if food supplies are limited, leaving all consumers potentially worse off.

In-kind food distributions are also thought to have positive and negative indirect effects. There is extensive literature on the potential disincentive effects of food distributions on agricultural production. The logic is the following; food aid enters the markets, lowers prices for the local commodities, and displaces local production. Recent trends shifting to the use of local purchase of food aid are designed to allay these fears for the producers, but the effect on markets of reduced food demand may have negative impacts on the incomes of private sector intermediaries.

The net indirect effects of either the cash transfer or the in-kind distribution program are not simple to determine. As will be seen in the discussion of research methods (section 6), evaluating the indirect effects requires much more investment in program evaluation systems than generally occurs.

III. HIGHLIGHTS OF EXPERIENCE WITH CASH TRANSFERS

Cash transfer programs have been resisted by some development policymakers due to fears of fraud and misuse. However, some donors are encouraging greater flexibility in the response options that can be used by humanitarian agencies to address food security needs. With that flexibility, there have been an increasing number of documented case studies for Africa (for examples, see RHVP 2008 and Harvey 2005). The appendix to this document provides a brief look at selected programs in Sub-Saharan Africa. Mozambique has implemented various cash transfer programs focused on the urban poor (Low, Garrett, and Ginja 1999). Among them are the *Gabinete de Apoio à População Vulnerável* (Cabinet for the Support of Vulnerable Populations known as GAPVU) of the 1990s and its successor, the current Food Subsidy Programme (known locally as INAS for the Institute which is responsible for the program). The 2004 Zimbabwe urban food program used food vouchers that recipients could redeem for food from supermarkets. In Malawi, Concern Worldwide instituted the Food and Cash Transfer (FACT) program with combinations of food and cash aid. Based on the FACT experience, Concern developed the Dowa Emergency Cash Transfer (DECT) project in the Dowa district of Malawi (Devereux et al. 2007). Oxfam has also implemented cash transfer programs in Malawi and Zambia. These are examples of documented experiences and represent just a small share of the large number of cash transfer programs that have been implemented in Africa during the past two decades. In addition, there is also a growing body of literature on the use of cash transfers in Asia (Dietz and Weighill 2005; Hofmann 2005) and Latin America (Lindert, Skoufias, and Shapiro 2006) from which we can draw lessons of some relevance to Africa.[2]

3.1. Food Security Benefits

In Malawi and Zambia, program beneficiaries exhibited higher consumption levels, shorter hungry periods and improved nutritional indicators after participation in cash transfer programs (Schubert 2007). A before-after comparison of cash transfers beneficiaries in the DECT project in Malawi showed an increased number of meals per day and less evidence of households using coping mechanisms such as food rationing or premature harvesting (Devereux et al. 2007). Similarly, the Zambia Pilot Program was found to reduce beneficiary employment of 'erosive' strategies that negatively affect their future viability, such as begging or skipping meals (Wietler 2007). Analysis of Mexico's OPORTUNIDADES found that households invested parts of the conditional cash transfers they received, and improved consumption by 34% after five and a half years (Gertler, Martinez, and Rubio-Codina 2006).

Surveys of beneficiary satisfaction for participants in the World Food Program's Malawi cash transfer program, however, suggest that a majority of beneficiaries would have preferred receiving food instead of cash because high food prices in the markets meant that the cash transfer bought less than the usual ration found in local food-for-work programs (Mwale 2006). The Mozambican GAPVU experience was subject to several different types of evaluations, including one impact evaluation that looked at both beneficiaries and non-beneficiaries (Bazo as cited in Low, Garrett, and Ginja 1998). That analysis found no difference in food consumption but did note other positive effects of the program.

The empirical evidence from these and other programs points towards benefits for the recipients of cash transfers in terms of food security. However, the empirical evidence is often weak because it is primarily based on *before program–after program* observations of

[2] See the website http://www.wahenga.net/index.php/evidence/case_study_full_reports/ for case studies of several cash transfer programs, as well as http://www.odi.org.uk/HPG/cashresources.html

participants. With a few exceptions, analysts do not use any type of control (*participant vs. non-participant* comparisons of similar households), making it difficult to determine definitively if the improved food security is due to the cash transfer or to a change in general economic conditions.

3.2. General Income and Expenditure Benefits

One of the disadvantages of in-kind distribution of food is that it may not address the unique circumstances and broad range of needs facing food-insecure households. By contrast, cash transfers can be used to address multiple needs while keeping absolute costs per beneficiary relatively low. In Mozambique, the transfer amounts in the GAPVU program represented relatively small transfers in absolute terms but accounted for 13% of beneficiary consumption expenditures (Datt et al. 1997), thereby enabling beneficiaries to resolve both food and non-food constraints. Large debts may harm a household's ability to achieve food security. Cash transfers permit beneficiaries who place a high priority on debt repayment to address both debt and food needs, as occurred in Somalia (Mattinen and Ogden 2006) and Malawi and Zambia (Schubert 2007). Additionally, cash transfers may allow wage earners to stay within the region to work rather than migrating, a result borne out in Save the Children's Meket Livelihood Development Pilot Project in Ethiopia (Standing 2008). In the Malawi DECT program, beneficiaries were less likely to feel the need to seek out casual employment, a practice which often means neglecting work in their own fields (Devereux et al. 2007). In cases where recipients face health problems, some cash may be used for health payments in addition to food consumption, both of which are needed if the food is to contribute to improved nutritional status.

3.3. Indirect Economic Development Benefits

While many of the direct benefits for recipients of cash transfers are fairly intuitive, it is less simple to measure the indirect effects on the regional economy. Cash transfer programs, along with other social protection measures, are usually implemented in emergencies and not incorporated into broader economic growth efforts; As a result, analysis of potential growth components across beneficiaries and non-beneficiaries is rarely incorporated into planning and implementation (Farrington, Slater, and Holmes 2004). This can mean benefits for the businesses and farmers from whom food and other goods and services were purchased. Households may use cash transfers to repay debts to merchants who had provided food on credit, thus enabling the merchants to restock and continue operations, as was found in Action *Contre la Faim's* cash for work program in Somalia (Mattinen and Ogden 2006).

A modified social accounting matrix approach estimated multiplier effects for the DECT program in Malawi, finding that each dollar transferred had economic effects more than double its original value; those benefiting the most from indirect effects were small scale farmers (Davies and Davey 2007). A study of the Zambia Pilot Social Cash Transfer Scheme also found positive multiplier effects from cash transfer distribution, which stimulated the market through purchases of food and other goods, as well as stimulating the labor market (Schubert 2005). There is a notable caveat, though, for countries that import a large portion of staple food, as they may not see local effects from cash transfers. The Oxfam Malawi program appeared to produce few multiplier effects, because the majority of beneficiary expenditures were on imported maize (Savage and Umar 2006).

The indirect effect of cash transfer programs on labor markets is important, but no consensus exists. If cash transfers are targeted solely at those who are unable to work, or those excluded

due to social factors, then there are likely to be few labor market effects (Tabor 2002). When poorly targeted, cash transfers can have additional adverse effects on the labor supply, by reducing beneficiary incentives to work (Abdulai 2004; Tabor 2002). In contrast, Gelan (2006) in his Ethiopian simulation models, found large percentage increases in both family and wage labor when food aid is replaced by cash transfers. Furthermore, if recipients use any of the cash transfers to invest in their farms they may create additional labor opportunities, such as in the Zambia pilot program (Farrington, Harvey, and Slater 2006).

3.4. Program Costs

The empirical evidence suggests variable outcomes concerning program costs of cash transfers compared to other types of food aid emergency programs. A literature review on costs and cost effectiveness of cash transfer programs compared to in-kind food distribution programs demonstrated the relative lack of empirical studies, and weaknesses in the empirical methods (Gentilini 2007). An analysis of aid programs in Zambia and Malawi compared the costs for cash or food delivery to beneficiaries with four types of programs: cash transfers, food aid, input vouchers, and food for work (White 2006). The assessment focused just on the program costs, comparing how much it costs to get cash versus a 50 kg bag of maize grain to a household using different instruments. Cash transfer programs tended to deliver more calories per dollar of total cost than others, but results were variable across projects and the author cautioned about over-interpreting the results given the challenges in estimating even the direct costs of the programs. The Oxfam project in Zambia was found to be more expensive than in-kind food aid, due to high inflation and high project support costs (Harvey and Marongwe 2006; Witteveen 2006). Brewin (2008) found that Concern Worldwide's Kenya pilot program, cash transfers delivered fewer calories per dollar than food aid, but that this was largely attributed to the costs of phones that were given to beneficiaries for cash distribution. Cash transfers were found to be more efficient once these costs were removed. Had the program term been analyzed beyond the pilot stage, the reduced impact of this investment may have led to a far more efficient outcome. Harvey and Marongwe (2006) introduce a similar caveat, that the costs of establishing support programs may have made cash transfers appear less cost effective in comparison to food aid.

Analyses of the performance of three programs in Malawi (DECT cash transfers, FACT food and cash transfer, and WFP food transfer) found that the relative performance of the different programs was influenced by maize prices (Devereux et al. 2007). The cash only program DECT had lower total program costs when maize prices were lower; but as maize prices increased, the combination FACT program had lower total program costs (Devereux et al. 2007). The authors of this study also noted the analytical challenges of doing these analyses, commenting that the key issue was to compare like to like.

IV. DESIGN AND IMPLEMENTATION ISSUES

As Barrett (2002) suggested with in-kind food aid, the details of design and implementation can make all the difference in program success or failure, and need to be adapted to the type of food security problem being addressed as well as to the broader socio-economic environment. While many of the design issues that need to be addressed by in-kind and cash transfer programs are similar, the implementation issues clearly differ. We look first at the design and then at the implementation issues.

4.1. Design Issues

Both in-kind and cash transfer programs need to have clear program design strategies concerning:

- whom to target; and
- how much attention to give to long-term development versus emergency response.

Cash transfer programs may require more specification and rigor in targeting than in-kind food aid programs because the likelihood of non-poor individuals attempting to obtain cash transfers is probably higher than the likelihood of them attempting to obtain in-kind aid in basic food staples. Poor targeting strategies can lead to *errors of inclusion*, where people are included in the program who were not intended to be beneficiaries. Some inclusion errors will be inevitable in any project, including not only cash transfers, but food aid as well (Taylor and Seaman 2004), and evidence has shown that most programs have indeed shown errors of inclusion (Harvey and Marongwe 2006). In fighting errors of inclusion, both in-kind and cash transfer programs have used varied methods of selection, including targeting by region, or by characteristics of household heads, such as gender, age, or income sources. For example, the average impact of cash transfers may be increased when a female household member receives cash as opposed to a male household member as research has shown that women tend to spend a larger share of their money on food and child care (Devereux et al. 2007; Farrington and Slater 2006; Khogali and Takhar 2001). It has also been established that the poorest households are often those without an adult wage earner, though it is important to attempt to distinguish between households without a wage earner and those where the wage earner has left the region for work and is sending remittances.

Often designers of cash transfer programs partner with communities to select beneficiaries, because community members generally have better knowledge of those in the community legitimately needing help (Tabor 2002). Regardless of how the targeting rules are established, the choice of rules may cause social discord within communities. Cash transfers are generally perceived as an income boost to beneficiaries and may seem unfair to non-recipient households whose income status is close to that of beneficiaries (Ellis 2008). Problems can also arise if transfers are tailored to household circumstances. For example, the DECT program in Malawi based the amount of the cash transfers on household size (315 Malawi Kwacha (MK) for a single person, up to 3150 for a ten person family) as it was thought that larger households would have been penalized by uniform transfers across households; smaller households saw this as unfair (Devereux et al. 2007).

In addition to establishing technical targeting rules, both in-kind and cash-transfer programs must be particularly vigilant against fraud. Nepotism and channeling of benefits to village elites are abuses both types of programs must avoid (Devereux et al. 2007). Programs in India and Bangladesh have documented evidence of elites capturing benefits when they are in the form of cash transfers (Conning and Kevane 2006). The Oxfam Zambia program found that non-targeted community members appropriated transfers, but concluded that this was likely a

generic problem, as opposed to one that stemmed from the nature of cash transfers (Creti and Jaspers 2006). In Somalia, cash transfers appear no more susceptible to corruption than other types of aid (Mattinen and Ogden 2006). Dietz and Weighill (2005) compared in-kind and cash transfer programs in Mongolia and found that cash was no more prone to misuse than in-kind transfers. In sum, empirical evidence confirms the need for cash transfer programs to include mechanisms to limit fraud and abuse, but the evidence is inconclusive on whether cash transfers are more susceptible to fraud than other types of programs.

Errors of exclusion, in which the program excludes those who should in fact be included, also represent targeting failures. Any aid program is likely to be susceptible to errors of exclusion, but cash transfer programs need to pay particular attention to the issue because of the potential for inflationary impacts. If cash transfers within a community cause rises in prices (an issue dealt with in a later section), this can have negative welfare effects for non-beneficiaries (Gelan 2006; Basu 1996). Even a small price rise can significantly reduce the food security of those living at or below the poverty line. With inflation, increasing numbers of people might need assistance and yet be excluded.

The second design issue–linking emergency response to longer term development strategies–results from concern about the limited ability of emergency response programs to link the short-term protection of food consumption with long-term improvements in food production and access (Maxwell et al. 2008). The most common critiques tend to apply to in-kind distribution programs such as the use of imported food, which reduces producer prices and incentives to develop the agricultural sector (Levinsohn and Mcmillan 2004), or the free distribution of seeds when there are well functioning seed markets that should be encouraged. The unique characteristics of cash-transfer programs described above lend themselves to more flexibility in terms of stimulating the local economy, but a cash transfer program does not automatically contribute to the local economy and longer-term development strategies. The qualitative assessment of four cash transfer programs in Sub-Saharan Africa by Devereux and colleagues (2005) noted that longer term, reliable cash transfer programs for social protection are more likely to support longer term objectives, such as investments in income generating or capital building activities, as compared to one-time emergency cash transfer programs.

As mentioned earlier, in the Malawi cash transfer program there were few multiplier effects on domestic production because the maize purchased by recipients of cash transfers was largely imported (Savage and Umar 2006), although the cash would have kept markets active when there was little domestic production. In such a situation, the cash transfers do not contribute as much to longer-term development but they could, nevertheless, remain a valid emergency measure. By contrast, broader economic development benefits have been associated with the cash transfer programs in Ethiopia (Gelan 2007) and Zambia (Harvey and Marongwe 2006) where the cash was spent on locally produced food crops, contributing to increased farm incomes and production.

A commonly used method of making cash transfers contribute more directly to specific development goals (rather than to general growth multipliers) is to make them conditional. There is an extensive literature on conditional cash transfers that goes beyond the scope of this paper (Rawlings and Rubio 2005; Creti and Jaspars 2006; Maluccio and Flores 2004), but a few illustrations make the point. If, for example, part of the development strategy is encouraging child education, it may be beneficial to impose school enrollment conditions on cash transfers, as has been done in Mexico's PROGRESA program. Mozambique has undertaken a program of minimum income grants conditioned on school enrollment; the program has shown some success, though the complexity of the program slowed its implementation (Massingarela and Nhate 2006). Similar conditions have been used to tie cash transfers to use of health services such as pre-natal care. Ethiopia's Productive Safety

Nets Program (PSNP) introduced in 2005 targets chronically food insecure households with support through food-for-work or cash-for-work. The *condition* is that the recipient must work. The choice between food and cash is based on the level of development of market infrastructure in each zone. The same program also offers free cash or food transfers for *labor-deficit* households–again using market development criteria to determine methods used (Devereux et al. 2006). The disadvantage of these conditional approaches is that they tend to be more costly to design and difficult to implement (in terms of both complexity and speed), and impacts tend to be felt at a slower pace (Creti and Jaspars 2006). In the current context they may not be able to stimulate the supply response needed to alleviate world-wide food shortages.

4.2. Implementation Issues

Due to the plethora of in-kind food aid programs throughout Africa, the structures for distribution of food are often in place before implementation; the same cannot be said for cash transfers. In a situation where cash transfers are to be introduced into an environment that has relied primarily on in-kind food aid distribution, there are a number of initial assessments and implementation issues that should be addressed, as was mentioned briefly in the earlier section on context. The most important include:

- Determining if the existing financial institutions have the capacity to distribute the cash transfers;
- Assessing the capacity of the personnel in implementing agencies to switch from current food aid programs to cash transfer programs;
- Scheduling the amounts and frequency of the transfers;
- Developing communications strategies to inform beneficiaries and other participants in the system; and
- Establishing or using a market information system to pinpoint possible problems with inflationary pressures or lack of a supply response in markets.

Cash-transfer programs must have a way to reliably and efficiently distribute money to recipients. This is made easier in urban areas, where already established financial institutions can be utilized for distribution. Many programs, including the Zambia Pilot program and the Concern Worldwide Malawi program, have used pay points and smart cards to distribute funds with success (Devereux et al. 2007; Schubert 2005). The Oxfam program in Zambia had banks prepackage amounts, but program staff distributed the money (Harvey and Marongwe 2006). If benefits are distributed in the form of checks or another redeemable paper, beneficiaries may turn to shopkeepers or others to redeem money, opening up opportunities for exploitation (Munro 2005). In urban areas (compared to rural areas), recipients will likely be closer to financial institutions and more familiar with them, making the transition from in-kind to cash assistance easier for beneficiaries.

Although the above examples suggest that the financial infrastructure needed to implement cash transfer systems exists in urban Africa, ensuring that the system in place can handle cash distribution without waste or corruption remains a challenge. In the case of the GAPVU program in Mozambique, the Ministry of Coordination for Social Affairs did not have adequate budget for administrative staff and strong emphasis was placed on having a high percentage of total programs funds disbursed directly to recipients. There was rapid expansion of the program and corruption was found among the government staff that was charged with distributing the funds. The program was dissolved in 1996, to be re-established as INAS. Initially, INAS covered fewer households and had greater administrative funding

and stronger supervision of staff and beneficiaries (Low, Garrett, and Ginja 1999; Massingarela and Nhate 2006). In addition, new cash for work and food for work programs were developed for those with labor availability, thus narrowing the target population for cash transfers. With the new administrative staff and programs, the beneficiary pool was gradually expanded without the occurrence of major fraud.

In countries such as Zambia and Malawi, cash transfer programs have been held back because the countries lacked personnel experienced in administering such programs (Schubert and Slater 2006). Aid workers, accustomed to in-kind food aid, may not be prepared to move towards cash transfers as the preferred method of aid (Creti and Jaspers 2006). Program designers need to take both staff abilities and perceptions into account; with particular attention to helping staff make the transition from current programs to cash transfer programs as easy and seamless as possible.

Another important cash-transfer implementation issue is deciding on the amount and frequency of cash distributions. In simple terms, the debate is between large lump sums distributed at infrequent intervals, or more frequent distributions of smaller sums. Just as large food transfers can be resold, large transfers of cash can be used for activities outside the aims of safety net programs (Harvey 2005; Devereux et al. 2005). Additionally, more frequent distributions are likely called for in cases of high or variable exchange rates, in that a program can increase funds when necessary to ensure that beneficiaries are receiving an amount that will have the desired impact. Urban areas are more suited to this approach, as beneficiary proximity to distribution centers will make frequent distribution simpler. Levy, Nyasulu, and Kuyeli (2002) found that in the Malawi Dedza pilot project, cash flow problems slowed the distribution of cash, severely reducing the impact of the program on improving beneficiary food security.

The literature also highlights the importance of communications when implementing cash transfer programs. Beneficiaries should be aware of the amount they are entitled to receive, as well as the reasoning for the amount selected. In the GAPVU program in Mozambique, for example, only 7% of beneficiaries were aware of the specific amount they were due in each transfer (Datt et al. 1997). Educating recipients on the amounts they are owed is important, as it increases program transparency, and may help prevent leakages (Farrington and Slater 2006). It is also helpful to alert beneficiaries of what the transfer amount represents, i.e., whether it is intended as a strong or weak supplement to their income. The impression of recipients should not be that they can depend on transfers to represent a full income replacement. Communication with recipients can ensure they do not place undue weight on the role of the transfers in their spending decisions and that they are informed well in advance of anticipated changes.

Communication with traders is also important, as they may hold back on moving food around the country or importing due to uncertainty about future aid flows; informing them of the particulars of a program can help ensure that they provide the supply necessary to meet increased demand (Harvey and Marongwe 2006). It may also be important to communicate to the broader community the criteria or reasoning for selecting households. Due to relatively small income differences in Sub-Saharan Africa, those excluded from the program may not understand reasons for exclusion, causing social tension (Ellis 2008). This effect may be lessened by explaining to community leaders, as well as the broader community, key aspects of program methodology.

V. CASH TRANSFERS IN AN INFLATIONARY CONTEXT

We have already mentioned the need to conduct appropriate market assessments and monitoring to ensure that the increased food demand from cash-transfer programs can be met through normal supply channels so that the program does not have an inflationary impact. While evidence from implemented programs has shown in some cases that cash transfers have increased prices (Brewin 2008), studies show that price rises have not been extremely large nor significant in local markets (Harvey 2005; Ali, Toure, and Kiewied 2005; Mattinen and Ogden 2006). Since these were all relatively small, targeted programs, it is not clear what would happen in the case of large scale programs.

In addition to problems of program-induced inflation, there are problems of using cash transfers in an inflationary situation caused by other factors–a situation much like the one prevailing in Africa in late 2007 and most of 2008 where rising prices in world commodity markets (primarily food and fuel) contributed to generalized inflation. If inflation increases at a fast clip, there are various effects on a cash transfer program and on the beneficiaries. First the value of transfers to the beneficiaries will fall in real terms. The Mozambique' INAS program values have not risen with inflation, and have gone from the equivalent of 33% of the minimum wage when the INAS program was established to about 5% of minimum wage (Devereux et al. 2005). Levy, Nyasulu, and Kuyeli (2002) noted that in Malawi, inflation meant that cash transfers lasted for a shorter period than intended, seriously compromising impacts on beneficiary food security. Secondly, cash transfer programs will oftentimes face the prospect of adding new beneficiaries while current beneficiaries may need longer periods of time before they can graduate from the program (Savage and Umar 2006).

Given the experience of Concern Worldwide's Pilot Zambia program, in which rapid inflation severely reduced the effectiveness of cash transfers, Brewin (2008) suggests that in the future, examination of early warning data may help anticipate inflation, plan disbursements more frequently, and budget accordingly. Tracking prices with market monitors and then indexing benefits to ensure a constant basket is a possible strategy. Earlier cash transfer programs in Malawi did not track prices and had developed no contingency plans for dealing with inflation (Harvey and Savage 2006). The more recent DECT program in Malawi indexed transfer amounts to local maize prices, to ensure that transfers were distributed at an amount that would continue to meet food needs (Devereux et al. 2007). Indexing in this manner will increase overall program costs, unless the number of beneficiaries is cut when the value of the transfer is increased. As noted above, cash transfers generally have the flexibility to make such adjustments in response to rapidly changing prices; but there will always be tension between the need for administrators to take budgetary considerations into account and beneficiaries' desire for predictable support levels.

Cash transfer program budgets should be based on realistic projections of future inflation, or from consultation with local aid agencies on subsistence wages and prices (Creti and Jaspers 2006). Poor market and crop production information systems make it difficult to develop reliable food price projections. Mwale (2006) pointed out in his assessment of the WFP's cash transfer project in Malawi in 2005 that the seasonal price rises could and should have been foreseen and households given less money in the period right after the harvest, before prices began to rise. In this case, the poor quality of crop forecasting in the region (including Zambia, Mozambique and Malawi) resulted in over-estimates of quantities of maize available and thus poor price forecasts for late 2005 into 2006 and again in 2008 (Jayne, Mangisoni, and Sitko 2008). Because reliable information can help projects plan for and reduce vulnerability to price shocks, designers of cash transfer programs should consider ways of supporting investments in market information systems. In situations of hyperinflation, the

budgeting and implementation challenges increase. There is evidence, however, that even in the Zimbabwe crisis characterized by hyperinflation, rapid disbursements followed by rapid household spending meant that cash transfers were still effective in enabling food purchases, provided that the stores had food on the shelves (Harvey and Holmes 2007, reporting findings based on discussions with local experts).

Just as it is important to communicate to program participants anticipated transfer amounts and what they represent, beneficiaries should know the reason for program adjustments. While the notion that transfer amounts are based on market monitoring may not communicate well, it may be worthwhile for recipients to know that transfer amounts are determined by changes in maize prices or some chosen food basket. This can help prevent beneficiaries from becoming confused about either the amounts they are owed, or over-estimating income supplement that the transfer is meant to represent. In evaluating the PSNP program, Stephen Anderson suggests a simplified procedure for adjusting amounts that takes into account beneficiary preferences (Anderson 2005). This type of approach incorporating beneficiaries' concerns can help to keep beneficiaries aware of and interested in the reasons for adjustments in transfer levels. Although inflation poses problems for cash transfer programs, the urban environment in which they are often implemented and the relative ease with which numbers of participants and values of transfers can be adjusted is an advantage when compared to in-kind food aid programs. Cash transfer programs, unlike direct food aid programs, can adjust distribution schedules often without factoring in difficult transportation issues. A schedule of smaller, more frequent transfers may keep up with inflation without becoming a burden; but it is important to understand adjusting distribution schedules and amounts will make it more difficult for beneficiaries to integrate the cash transfer into their overall food security planning. Program managers should temper their enthusiasm for altering distribution schedules in an effort to maintain some level of predictability in timing and level of transfers so beneficiaries can plan ahead.

A benefit of implementing cash transfers in urban areas is that the programs are less likely to stimulate inflation because there are already a large number of traders and working markets ready to respond with additional supply. The additional demand caused by the cash transfer program is likely to be small relative to the overall market demand in an urban area so market mechanisms should be able to keep project-induced inflation in check. Furthermore, if program communications are good, traders will be aware of cash transfer payment schedules and will be likely to stock food accordingly; this may mean that a more frequent payment schedule will stimulate constant availability of food within the market (Witteveen 2006).

VI. UNANSWERED QUESTIONS

The donor community today appears more accepting of cash transfers than in the past. As noted above, however, some donors continue to resist using cash transfers in lieu of in-kind food aid. Some of the reasons put forth include: perceived misuse of cash transfers by households, lack of public support for cash transfers, desire to use surplus grain for food aid, and difficulty in accessing donor funding that is independent of surplus grain. At present, the primary donor still favoring in-kind distribution is the United States (Maxwell et al. 2008), but one wonders if this will change if 2008's low world food stocks, pressure to use food grains for ethanol production, and rising transport costs worldwide continue into the future. With less surplus grain available in the U.S., plans for local purchasing of food aid supplies are in the works, and limited cash transfer programs may also be an option.

The views of civil servants, politicians, aid organizations, and civil society in countries where cash transfer programs are being proposed are less well understood than those of donors, but are also important in determining the extent to which cash is used. Because donor and local acceptance will play an important role in determining the extent to which cash transfers are used in the future, it is imperative that the research community, in collaboration with organizations implementing different types of food aid programs, improve the knowledge base. A first step would be to address two pertinent questions raised by Maxwell et al. 2008:

- How can impact measurement be significantly improved and incorporated routinely into program management?
- To what extent should resources be invested in assessing impact?

In answering the first question, our review of the literature suggests that improvements in impact measurement need to address the following key weaknesses:

- Evaluation methods that are inadequate to judge the relative cost-effectiveness of different types of programs under differing conditions;
- Lack of sufficient analysis of the experience with cash transfers and other forms of food security assistance under different economic conditions and system design;
- Poor documentation of the linkages between cash transfers, other forms of aid, and indirect growth linkages leading to pro-poor economic growth;
- Insufficient attention to intra-household dynamics and how they affect the cost-effectiveness of different types of food aid responses.

We elaborate on each of these needs in the next several paragraphs.

6.1. Research Methods

As Harvey notes "Further investment is needed in rigorous evaluation and documentation of cash- and voucher-based responses, in order to be able to make a clear case about their impact and effectiveness, and when and where they are appropriate" (Harvey 2005, page 4).

Much of what we know about the impacts of cash transfer programs thus far is based on internal project monitoring of selected indicators rather than on rigorous studies that control for the wide variety of factors that could influence results. Although these reports provide important descriptive information and insights, they often lack a discussion of methods used, making it difficult to judge the scientific rigor of the analysis (e.g., Ali, Toure, and Kiewied 2005; Witteveen 2006; Mwale 2006). Even in the case of independent evaluations, most are based on small programs from which it is difficult to extrapolate, and many rely primarily on

simple beneficiary and program information. The Malawi DECT program was evaluated in this way, with the limitations of such an analysis noted by the authors (Devereux et al. 2007).

As mentioned above, ex-post studies often use comparisons of basic welfare indicators which show whether beneficiaries are better off than before the intervention (e.g., studies cited by Shubert, 2007). This type of *before versus after* analysis fails to control for a range of confounding factors. For example, a simple before/after comparison of food consumption can risk attributing all changes in consumption to the program rather than taking into account general changes in the economy that might have also affected consumption patterns. In this type of comparison, analysts cannot estimate how the household would have been without the cash transfer, or in some cases, with in-kind aid rather than cash.

There have been several attempts to use general equilibrium modeling (Gelan 2006) or social accounting methods (Davies and Davy 2007) to trace the impacts of food versus cash aid. Ground truthing such work and better market data would contribute to validating the results of those model, which were in general favorable to cash transfers. Rigorous independent evaluation contributes much to the debates and can address some of the concerns raised by those who do not find existing evidence in favor or cash transfers methodologically adequate.

6.2. Cash Transfers, Market Development, and Inflation

Due to the lack of large scale cash transfer programs in Africa, there is little research regarding the inflationary impact of such programs. This is unfortunate. Although many cash transfer programs have operated without causing significant inflation, the same cannot be immediately assumed to be true for larger programs. This means that large scale cash transfer programs need to carefully monitor markets and prices, to determine if there is inflationary pressure from cash transfers. Experience from smaller projects suggests that a combined cash-food program may be more appropriate.

Furthermore, there may need to be some additional analysis on the impact of cash transfer programs on the long-term food security of recipients. Price inflation is a fairly steady, long-term problem, whereas the majority of cash transfer programs have been implemented in response to short term (in comparison to inflation) emergency situations. Researchers need to be able to advise policy makers on whether recipients will be able to graduate from programs in the face of continuing inflation, or if they will develop dependency relationships.

6.3. Cash Transfers and Pro-poor Economic Growth

There is a broad set of analytical issues that needs to be addressed if we are to better understand the strengths and weaknesses of cash-transfers and how they best fit into the overall toolkit of policy instruments for addressing food insecurity and pro-poor economic growth. For example, there has been little analysis of the impact of urban cash transfer programs on rural producers (who might benefit from increased demand for their food production) and on rural consumers (who would be at a disadvantage if increased purchasing power in urban areas raised food prices in rural areas). In addressing this question it will be particularly important to understand the extent to which cash transfers are spent on local versus imported products, as purchases of the former will have much greater indirect income effects than purchases of the latter.

6.4. Intra-household Dynamics

Comprehensive evaluation would also seek to understand the intra-household effects of the programs and how program implementation based on gender or role may have different effects. A few studies have attempted to look at how men and women use cash transfers, as well as asking men and women which resource they would prefer to have available to them, but this evidence is too thin and locally specific to generalize. Additionally, some research has been done on the impacts of cash transfers on different genders within the household (Khogali and Takhar 2001), but it would be informative to gather more data on the subject.

VII. CONCLUSIONS

The currently available empirical evidence supports the conclusion that cash transfers can be an effective tool in fighting food insecurity when the markets are able to respond to increased food demand. Cash transfers are potentially more effective than food transfers in terms of beneficiary satisfaction, multiplier effects, and cost effectiveness, however, the research basis is still weak for identifying the conditions under which cash transfers perform well in Sub-Saharan Africa for larger scale programs. Both theory and the experience of earlier programs demonstrate that recipients of cash transfers must be able to use their cash to buy food, and sellers must be able to respond to increased demand without creating inflationary price spirals and local scarcity. Urban areas, with numerous sellers and central markets, are more likely to fulfill these necessary preconditions.

The existing evidence found in the literature tends to allay fears of misuse of funds by beneficiaries, and there is some evidence that cash transfers given directly to women in households are quite effective at increasing food and education expenditures. There is evidence to support strong indirect effects of cash transfers, with local traders and businesses benefiting from the increased cash in the local economy. All these effects however are measured with imperfect methods, underscoring the need to have more systematic evaluation of impacts. This need is especially strong for larger scale cash transfer programs that extend beyond a single emergency and provide social protection over time to a large number of participants.

The literature indicates that how well markets function makes a critical difference in the effectiveness of cash transfers, not only in terms of meeting food security needs but also in terms of the efficiency of resource use. This means that market assessments will need to become a key input into humanitarian response decision making. Such assessments, combined with regular monitoring of markets during the implementation of cash transfer programs, can also contribute to improving linkages between emergency and development activities.

Experience shows that administrative skills and adequate financial management can be combined with modern communications and fund transfer mechanisms to create efficient transfer programs. An inflationary environment increases the demand on administrators and financial analysts to avoid the problems seen in Malawi, Mozambique and elsewhere, with the cash transfer amount gradually buying less and less food. Combining cash transfers with other assistance (food, agricultural inputs, etc.) may result in the highest beneficiary satisfaction and the greatest links to economic growth. Short term programs are less likely to have the economic growth impacts than longer term programs, which tend to be managed by the public sector. Policymakers will benefit by ensuring that program development includes impact assessment to identify critical relationships and to identify relevant tradeoffs and complementarities when selecting instruments form the diverse set of tools available for improving food security.

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APPENDIX

Appendix[3]

Concern Worldwide's Kerio Valley Pilot Cash Transfer Program in Kenya

Program size: 571 households (3747 people)
Transfer amount: 620 Kenyan Shilling (KSh) (approximately US$9.54) per household member (about 50% of nutrition needs for two weeks)
Transfer delivery schedule: every two weeks
Notes: Information comes from Brewin 2008. The program began in May 2008 in response to post election violence that damaged household food security in Kenya. The program targeted communities where livestock that was the main source of income had been lost. Cash was distributed by sending cash to cell phones (given to beneficiaries by the program), which could then be obtained in physical form through an agent.

Concern Worldwide's Dowa Emergency Cash Transfer (DECT) program in Malawi

Program size: 11,000 households
Transfer amounts:
1 person household: 370 MK (approximately $2.66)
2 person household: 740 MK ($5.33)
3 person household: 1,110 MK ($7.99)
4 person household: 1,480 MK ($10.66)
5 person household: 1,850 MK ($13.32)
6 person household: 2,220 MK ($15.98)
7 person household: 2,590 MK ($18.65)
8 person household: 2,960 MK ($21.31)
9 person household: 3,330 MK ($23.98)
10+ person household: 3,700 MK ($26.64)
Transfer delivery schedule: monthly
Notes: Information comes from Mvula 2007 and Devereux et al. 2007. The DECT program ran from April 2006 to December 2007 in reaction to uncharacteristically low food production. Targeting was achieved through an approach involving ranking of households by village members and public debate of household status. Cash was distributed using smart cards, and distribution amount was revised each month due to price increases.

The Kalomo Pilot Social Cash Transfer Scheme in Zambia

Program size: 1,027 households (3,856 people)
Transfer amount: 30,000 Zambia Kwacha (ZMK) ($6), equivalent to 50kg of maize
Transfer delivery schedule: monthly
Notes: Information based on Schubert 2005. The project was instituted by the Zambian government and began distributing cash in May 2004. The program distributed cash mainly to elderly headed households caring for orphans and vulnerable children (OVCs). For households living nearby the finance bank, funds were put into savings account, for more remote households, pay points were set up.

[3] Note: The figures in the appendix are based largely on proposed figures for programs, and for the longer term projects reflect specific years or periods.

Mozambique *Gabinete de Apoio à População Vulnerável* (GAPVU)

Program size: 68,985 beneficiaries
Transfer amounts:
1 person household: 24,000 MTN ($2.65)
2 person household: 38,000 MTN ($4.20)
3 person household: 48,000 MTN ($5.31)
4 person household: 54,000 MTN ($5.97)
5 person household: 60,000 MTN ($6.63)
6 person household: 66,000 MTN ($7.30)
7 person household: 72,000 MTN ($7.96)
8 person household: 78,000 MTN ($8.62)
9 person household: 84,000 MTN ($9.29)
10 person household: 90,000 MTN ($9.95)
Above 10 person household: 111,534 MTN ($12.33)
Transfer delivery schedule: monthly
Notes: Information comes from Datt et al. 1997, and should be considered unique to the year 1995. The GAPVU program was run by the Mozambique government, and included: households with malnourished children or pregnant women, and the elderly or physically disabled living in households without members of working age. In addition, the households had to earn less than 32,000 MTN per person per month. The program ran into problems, distributing smaller amounts than were stipulated and distributing payments at a less than monthly pace. It became corrupt and eventually gave way to the INAS program.

Mozambique Institute for Social Welfare (INAS)

Program size: 97,000 beneficiaries
Transfer amounts:
1 person household: 70,000 MTN ($2.90)
2 person household: 100,000 MTN ($4.14)
3 person household: 120,000 MTN ($4.97)
4 person household: 130,000 MTN ($5.39)
5 person household: 140,000 MTN ($5.80)
Transfer delivery schedule: monthly
Notes: Information comes from Taimo and Waterhouse 2007, and is unique to 2007. The INAS program targeted those without the ability to work, the elderly, the disabled, the chronically ill and malnourished pregnant women. The transfer amount was intended equal a third of the minimum wage, but in practice only equaled 10% of the minimum wage.

Oxfam GB Malawi's Cash Transfer Program

Program size: 4,000 households, increased to 6,000 soon after the project began
Transfer amount: 2,500 MK (approximately 20$), equivalent to 50kg maize, 5 kg pulses, and 1 liter of oil (note: amount increased from proposed amount of 1,200 due to price rise)
Transfer delivery schedule: monthly
Notes: Information based on Savage and Umar 2006. The project ran for five months between 2005 and 2006 in response to a poor growing season. Targeting of beneficiaries was applied through community based identification of poor households, targeting those with few

economic resources and disadvantageous situations including chronically ill family members or households taking care of orphans. Oxfam GB distributed cash personally at specific pay points.

Oxfam GB Zambia's Emergency Cash Transfer Program

Program size: 11,100 households, increased to 13,500 mid project
Transfer amount: 90,000 ZMK (initially this was equivalent to around $20, but the Kwacha experienced extreme appreciation over the lifetime of the project, inflating this amount to around $25)
Transfer delivery schedule: monthly
Notes: Information comes from Harvey and Marongwe 2006. The project ran for five months between 2005 and 2006 in response to a poor growing season. Beneficiaries were chosen who had at least 50% crop failure, as well as other contributing factors including no wage earner or child-headed households. Cash was packaged in envelopes by the standard chartered bank and distributed by bank tellers and Oxfam staff.

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