No Small Change

Oxfam GB Malawi and Zambia Emergency Cash Transfer Projects: a Synthesis of key learning

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In response to predictions of acute food insecurity across parts of Southern Africa in 2005–2006, Oxfam decided to implement a relief response. As part of that response, the agency undertook cash transfer programmes as an alternative to emergency food aid in Malawi and Zambia. Evaluations carried out by ODI in April and May 2006 show that cash transfers should be considered more widely by other stakeholders in Zambia and Malawi in future relief responses. However, whether cash is appropriate or cost-effective in future interventions cannot be assumed. Instead, this will have to be judged on a case-by-case basis, using careful, context-specific analysis, particularly of prices and markets.

Cash transfers should be one of the tools in the armoury of possible responses to periodic acute food insecurity. Ideally, designing the mix of responses to food crises in Southern Africa should be part of a broader process of vulnerability assessment and analysis (carried out by Vulnerability Assessment Committees (VACs)), linked to explicit and open discussions about the relative cost-effectiveness and wider appropriateness of different options.

There is also scope to link Oxfam's experiences – particularly in terms of targeting and delivery mechanisms – with ongoing debates about the role of cash transfers in longer-term social protection and safety net strategies.

Overview of the programmes

In both countries, Oxfam's cash transfers aimed to enable people to purchase the equivalent of a standard food aid ration (90,000 kwacha in Zambia and 2,500 kwacha in Malawi). Cash was provided over five months in Malawi and four months in Zambia. In Malawi, an initial 4,000 households were assisted, rising to 6,000 after two months; in Zambia, 10,500 households were helped, increasing to 13,500 after two months. The cash transfer programme was Oxfam's primary relief response in Zambia, and in Malawi it was a small part of a much larger response, which also included food aid.

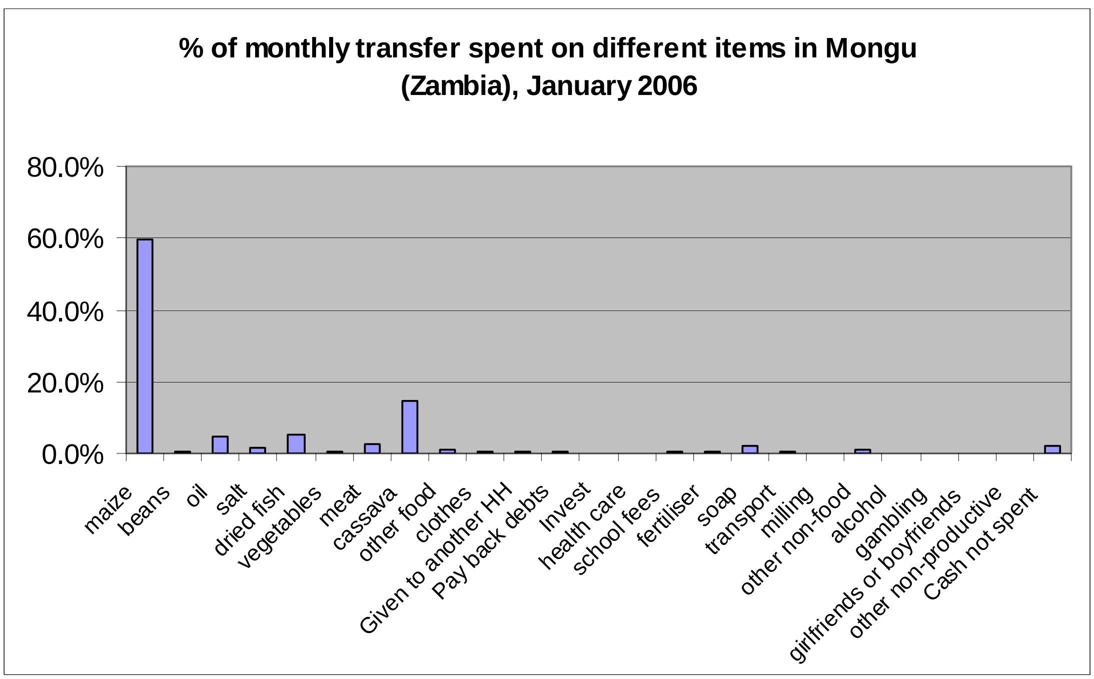
In Zambia, Oxfam signed an agreement with Standard Chartered Bank to deliver the cash, which in turn contracted a security company. Cash was pre-packaged in individual envelopes by the bank and transported to distribution sites by a security company vehicle. The cash was distributed to registered beneficiaries by two tellers hired by the bank, and by Oxfam staff. In Malawi, Oxfam distributed the cash itself, using existing

Oxfam finance staff. The system was modelled on that used by the government for paying its rural workers. Policemen were paid to accompany the distributions and provide security.

Both programmes were effectively implemented, in the sense that people received the cash that they were meant to, and were able to use that cash to purchase basic items, mostly food. Neither project encountered any major security problems: the cash was delivered and spent safely.

Findings of the evaluation

In both countries, the vast majority of the cash transfer was spent on food, mainly maize. People also made small but sometimes crucial non-food expenditures. In Zambia, spending on health and education was important; in Malawi, the cash enabled people to purchase the subsidised inputs provided through a government agricultural input voucher scheme.



Cash transfers in Zambia probably had greater positive impacts on local economies than food aid through boosting the profits of local traders, and increasing purchasing from local producers. In Malawi, the food purchased was more likely to be imported, limiting the local multiplier effects.

The appropriateness of cash in both contexts revolved around the prices at which people were able to purchase food, and the accessibility of food in local markets. In Zambia, prices remained relatively stable and markets were largely accessible. In aggregate terms, the cash transfers appear to have allowed people to buy amounts of food roughly comparable to a standard food aid ration, and therefore of similar nutritional value. A lack of maize grain in more remote areas, which forced people to buy more expensive maize meal, meant that, for part of the project, some households purchased less food than they would have received in a typical food aid ration. There were also concerns that access to markets in remote areas was difficult, and people had to walk for long distances to buy food. However, both of these weaknesses would need to be compared to the costs to beneficiaries of receiving food aid in remote areas, for instance transport and issues such as pipeline constraints.

Food prices in Malawi rose much more steeply than anticipated, particularly in the last two months of the programme, reducing the amount of food that people were able to access. The price of maize in local markets rose far above the levels planned for by Oxfam, but the project lacked data to see what effect this was actually having on beneficiaries' access to food. No coherent contingency plan was in place to make adjustments for such an event, such as increasing the size of the transfers or moving to food aid.

Is cash more difficult to target than in-kind alternatives? In both countries, targeting was carried out through a combination of geographic and community-based approaches. Both evaluations raised concerns about targeting, but these seem largely to have been a function of general difficulties, rather than problems specifically related to the use of cash. In Zambia, the main concern was inclusion errors and elite capture at village level. In Malawi, there were concerns about uneven coverage between villages.

There is also an unresolved question (not unique to cash transfers) about how to monitor anti-social use and corruption. Neither evaluation found any evidence of either, and nor did Oxfam's own monitoring. However, the evaluation teams were extremely unlikely to have been told about such sensitive issues during interviews and focus group discussions. Indeed, standard interview-based monitoring is arguably unlikely ever to pick these issues up. One option might be to ask independent local organisations to carry out more in-depth random interviewing and cross-checking with local bars or with people responsible for beer brewing.

There are similar concerns around the gender impact of cash transfers and the interpretation of beneficiary preferences. Women were the main recipients of the cash transfers in both countries. Both evaluations found that women had a say in how the cash transfer was used, and found no evidence that they were being disadvantaged by the use of cash. This does not imply that there were no disagreements between men and women over who should collect the cash, or over how it was spent. In one village in Zambia, for instance, women reported that, to avoid any potential disputes with their husbands in the home, women collected cash and went straight to the market. Again, these issues are sensitive and were difficult to explore in such a limited time.

The question of beneficiary preferences also needs to be dealt with carefully. Overwhelmingly, interviewees in both countries expressed a preference for cash over food aid. But it is important to filter this for potential biases. People are likely to express a preference for what the agency has previously provided in the hope of receiving further assistance. In the real-time evaluation in Zambia, people receiving food aid tended to say that they preferred food aid, and vice versa with cash. In Malawi, interviewees in areas that received food aid also expressed a preference for food.

One of the interesting questions in cash transfer programmes is whether beneficiaries share cash in a similar way as food aid is often shared within communities. Evidence on this was mixed. It seems that the cash itself was seldom shared, either formally or informally. However, informal sharing of the food purchased with the cash seems to have been widespread in both countries, and operated in much the same way as in food aid programmes. Households shared food informally with friends, relatives and other families seen as in particular need. Sometimes, this sharing took the form of gifts, and at other times households that had received cash were more likely to be able to employ other needy households in piecework. The net result in terms of how the benefits of cash and food resource transfers are shared within the community may therefore not be that different.

Is cash more cost-effective than food aid?

The evaluations attempted to compare the cost-effectiveness of cash transfers as against food aid. There is a great need for caution in making cost-effectiveness comparisons, so the figures should be used carefully. Because people spent most of the money on food, and most of the food purchased was maize, it was possible to compare the cost at which people bought maize with the cost of purchasing and transporting food aid. This involves estimating an average figure for the price at which people were able to buy food. This is necessarily inexact due to limitations in price data. It is also important to note what is left out of these calculations. The higher cost of cash transfers, for instance, does not take into account possibly greater multiplier effects within local economies.

In Zambia, the cash project appears to have been cost-effective at the time the project was designed, in terms of the cost of food locally compared to the cost of regional purchase and transport. However, the dramatic appreciation of the kwacha over the lifetime of the project affected this calculation, and in retrospect the cash transfer project appears to have been slightly more expensive than food aid. The non-cash costs of the project (Oxfam staff, transport and support) were high and, at over 30% of the value of the cash distributed, above what should be good practice for cash distributions. This can be partly explained by the fact that Oxfam was starting direct operations in the project areas, and partly by the need to invest more in a pilot project. It is nonetheless still a cause for concern, and skews any cost-effectiveness comparisons. In Malawi, at the start of the project when prices were lower, and when recipients were able to access some subsidised food from the national grain marketing board ADMARC, there may have been a cost advantage to cash transfers. But as ADMARC supplies dwindled and import shortages drove up prices, this advantage was probably lost.

Factors to consider in future cash interventions

The two evaluations throw up a host of interesting issues. Perhaps the main one is that cash transfers, just like food aid, call for effective targeting and distribution skills. There may be scope for Oxfam to learn from agencies with experience in large-scale food aid distributions, for instance in targeting and database management. Planning for cash projects needs to be integrated into disaster preparedness and contingency planning processes. This should encompass thinking about when and where cash programmes are likely to be appropriate, and implementation planning that includes cash delivery mechanisms and monitoring tools.

Good monitoring of markets and prices is key to understanding the impact and appropriateness of cash transfers. This monitoring needs to be timely to allow for adjustments if prices rise unexpectedly, or if people are unable to buy key commodities in local markets.

The Zambia project was more fully monitored than many relief distributions, with timely analysis helping to inform decision-making. This included post-distribution monitoring, a mid-term evaluation, market analysis by the University of Zambia and feedback from a real-time evaluation team looking at cash transfers and food aid. In Malawi, while the plan for the monitoring and evaluation system was thorough and fairly well-designed, its implementation was less successful probably because it was too ambitious in trying to capture quantitative data. As a result, much of the analysis that drew on it came too late to influence the project. Detailed quantitative surveys should only be carried out if they can be processed in a timely and useful manner. Qualitative focus group discussions and interviews should also be part of monitoring systems. In both projects, the main areas for improvement are in the monitoring of prices and markets. Neither country programme could confidently answer the critical questions of how much people were paying for food, and where they were buying it.

Oxfam and other agencies contemplating cash programmes need to design projects to be flexible in adjusting cash programmes to reflect changing circumstances. This might, for instance, include clearer contingencies in case rising prices necessitate an increase in the amount of the transfer, consideration of a switch to in-kind assistance or support to traders.

The evaluations also point to the need to guard against assuming that cash transfers are necessarily appropriate or cost-effective. In particular, it cannot be assumed that cash transfers will be cost-effective in remote rural areas with weak markets. Cost-effectiveness calculations based on plausible assumptions about prices could usefully be a more explicit part of the assessment process, and should probably also feed into decisions about the appropriateness of cash compared to food aid in responding to acute food insecurity. The huge discrepancy in implementation costs between the two projects (over 30% in Zambia and around 3% in Malawi) suggests that there may be a need to establish guidance for country programmes on what constitutes an acceptable cost range. Arguably, the Zambia programme was expensive, and the Malawi programme probably under-invested in management capacity and monitoring.

There is also scope to think more creatively about how to take advantage of the flexibility of cash. Both of these projects were conceived as alternatives to food aid, and like a food aid programme both were designed to start at the height of the hungry season and end before the harvest. However, cash may be particularly useful in rebuilding livelihoods *after* the harvest. Likewise, there may also be benefits in starting cash projects earlier, for instance to enable people to buy agricultural inputs.

Ideally, consideration of a range of options should be part of the VAC process, and should be linked to explicit and open discussions about the relative cost-effectiveness and wider appropriateness of different options. Whether cash is appropriate or cost-effective in future interventions will have to be judged on a case-by-case basis using careful, context-specific analysis, particularly of prices and markets. Cash transfers should, however, be a tool in the armoury of possible responses to periodic acute food insecurity. If cash was judged appropriate in a future crisis, then there would probably be a strong case for a cautious expansion in the scale of cash transfers compared to food aid – although careful contingency measures would need to be in place in the event of rapidly rising prices or market failures.

There is also an ongoing debate about the role of cash transfers in longer-term social protection and safety net strategies in Zambia and Malawi. Long-term cash transfers could help to alleviate poverty and make it easier for households to deal with periodic shocks. There is also scope to explore how relief responses could link with and build on long-term social protection programmes.