



World Food Programme

The effects, comparative advantages and limits of cash transfers
in lieu of food transfers in districts worst hit by food insecurity
in Malawi:

A Case Study for
Nsanje and Chikwawa Districts

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I wish to thank all the people that include food insecurity-affected persons, local traders, representatives of NGOs (World Vision & GOAL Malawi), The District Commissioner for Chikwawa, fellow WFP staff who spared their time to provide useful information and comments to write this report

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Executive summary

This pilot programme has generated initial useful insights of effects of cash transfers and how they can enhance household food and nutrition security. The assessment key findings are summarized below:

- ✚ *Cash transfer disbursed just after harvest were seen by beneficiaries as more beneficial because it enables them buy sufficient food when prices are still low than during the lean period when food is scarce.*
- ✚ *The impact of cash transfers on household food and nutrition security can also be enhanced if markets are well integrated. Where markets fail to function efficiently and effectively, food prices tend to rise to levels that make food unaffordable and if no mechanisms are put in place to protect the poor, direct food transfers would be a better option than cash transfers.*
- ✚ *A key lesson also learnt from this pilot programme was that cash transfers have much greater effect on household nutrition and food security if combined with other productive assets such as irrigation. The cash transfer serves a dual purpose- meeting the immediate food needs whilst building on the long term food security needs*
- ✚ *In terms of who should get the cash in the household, it was observed women are less prone to divert cash for other non essential items than men. However, with proper training, and sensitization for both women and men, household decision in allocating cash for food expenditures can be improved.*
- ✚ *Given that NGOs that collaborate with WFP have put low consideration of cash options in their normal programmes and that cash based programmes need different skill and mind-set, capacity building for NGOs' staff should be given highest consideration in designing cash based programmes. This was also recommended by the NGOs themselves.*
- ✚ *The communities, the donor and government counterpart staffs were all satisfied with the programme. The beneficiaries asked for a second phase of the programme, specifically linking it to irrigation development and there is interest shown by the donor in expanding the initial pilot with WFP/JEFAP partnership.*
- ✚ *It is the conclusion of this assessment that there is also an opportunity to combine cash transfers with food transfers in an emergency situation in a manner that it does not jeopardize the beneficiaries' food and nutrition security. Issues of seasonality of food production, market forces as well as inflation effects of the cash need to be taken into account.*
- ✚ *Further exploration and testing of cash transfers in lieu of food transfers would give WFP a much more in-depth understanding of its effects on household food and nutrition security and how it can best be adapted in an environment that is fast changing.*

1.0 Introduction

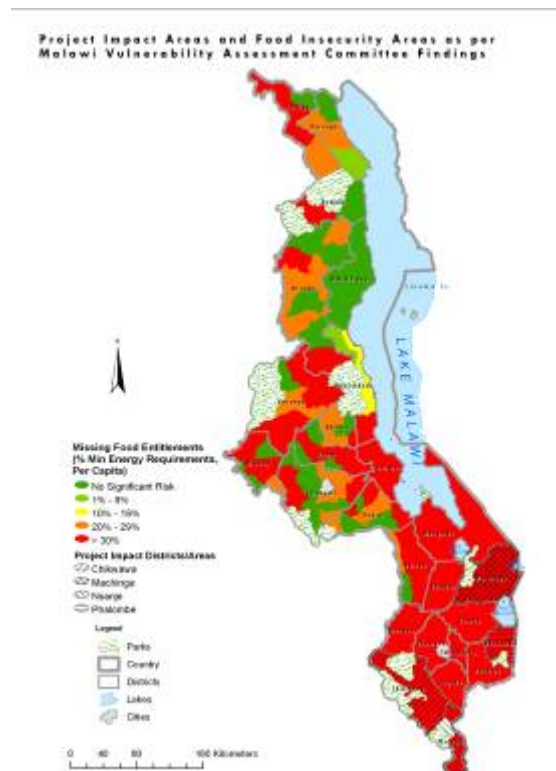
From February 2005, much of Malawi experienced severe dry spells that affected crop production, especially maize and key cash crops. The damage was so severe that in some parts of the country the poorest and most vulnerable households were even at risk of facing food deficits as early as April 2005. The worst affected areas were in the south.

At a joint meeting held in May 2005 between EU, WFP, the Department of Disaster and Poverty Management Affairs (DoPDMA), FAO and Ministry of Agriculture and Food Security, it was learnt that the Ministry of Agriculture was putting much effort to promote small scale winter irrigation activities to avert the situation. At this meeting, EU pledged to find some money to support a winter irrigation initiative with the idea of not only providing the affected farmers with appropriate inputs and irrigation technologies to enable them produce enough food to meet the food gap during the lean period but also a cash incentive to enable them buy food whilst working on labour intensive irrigation activities.

The donor requested WFP to manage and coordinate the activity with its NGOs working under the WFP/Joint Emergency Food Assistance Programme (JEFAP) partnership.

The winter programme was implemented between June and December 2005 in four most vulnerable districts which were hit by the food shortage and these were Machinga, Chikwawa, Nsanje and Phalombe. The programme impact areas are shaded in the map inserted.

It should be underscored that WFP could not have implemented this programme as a traditional Food For Work (FFW) programme because it had no food commodities to support the affected households. In addition, there was little hope that any donor could provide WFP with food resources to support the needs identified in this early MVAC food security indicative report, given the fact that the full Malawi Vulnerability Assessment Committee (MVAC) assessment results would not be available until sometime towards early or end June 2005.



Knowing very well that cash transfer is not WFP's traditional programme, the Malawi WFP Country Office after several discussions with the Regional Office took this as an opportunity to learn and get some insights about the merits and demerits of cash based programmes in an emergency context in the absence of food aid resources.

This report presents results of an assessment study that was conducted by WFP Malawi Country Office in two of the four districts where a cash transfer was implemented. The main objective of the exercise was to assess the effects of cash transfer on household food security and compare advantages and merits of cash transfers in lieu of food transfers under the context of an emergency.

2.0 Assessment Methodology

A normal monitoring and evaluation system as in the case of a systematic Beneficiary Contact Monitoring (BCM) was used in this exercise. The key questions and issues raised in this assessment can be seen from four perspectives, namely, (i) household level effects; (ii) market/community level effects; (iii) Asset creation effects; and (iv) the agency/operational level effects.

Three focus group discussions involving 200 participants in three irrigation sites were conducted. In all cases, over 75% of members were women. In addition, three households at each site were also interviewed separately to get a more in-depth understanding of household level resource allocation and household consumption decision making processes that could not be obtained from focus group discussions. Individual interviews were also conducted with key informants, such as local level senior district authorities, private traders as well as representatives from NGOs.

Graphical examination of monthly maize price data from secondary sources for 2005 in prior, during and after crop harvest was conducted for the two districts to provide visual impressions of the presence of seasonal price behavior.

This exercise was specifically conducted in Nsanje and Chikwawa districts. In Nsanje, the intervention took the model of a typical Cash For Work Transfer Programme but in Chikwawa, there was dual model- FFW (using NGO's own food pipeline) and Cash For Work with funds from the Malawi Social Action Fund (MASAF¹).

3.0 Assessment Results

3.1 Household level effects-decision making and improvements in food consumption

Basic issue: Did beneficiaries improve their food consumption because of the freedom of choice allowed by cash transfers?

The results of the assessment revealed that most beneficiaries bought less food than a normal FFW ration in Malawi of 50 kg bag of cereals and 5 kg of pulses. The main reason for the drop in quantity and quality of food was that most households used part of the cash to buy other household items other than food. Other reasons included increased maize prices during the period of implementation. At most, individual beneficiary interviews revealed that only about 50- 60% of the cash was used to buy food.

There were variations from one household to another on who controls cash resources in the households between men and women and the impact this might have on consumption decisions. In some cases consumption decisions were taken on the basis of pooled household incomes but in the majority of cases, the man was the final decision maker.

The assessment also revealed that some husbands forced their wives to hand over the cash they received so that they could settle old bills incurred by the husband in anticipation that the wife would bring some cash from the programme. Unfortunately, some of these old bills were on non-essential items such as beer. Women beneficiaries of both cash and food interventions

¹ Malawi Social Action Fund is a Government's Cash for Work Public Works based Programme. At the local level, MASAF agreed with WVI to give cash to some of the beneficiaries because WVI had no enough food to target them.

observed that food transfers are better because their husbands normally do not take the food away from them unlike cash.

Some women reported to have been given freedom of choice on how they used the cash although others spent part of the cash also on other non food items such as clothes for themselves and children. Only in a few cases did participants report that household decisions were jointly made between husbands and wives.

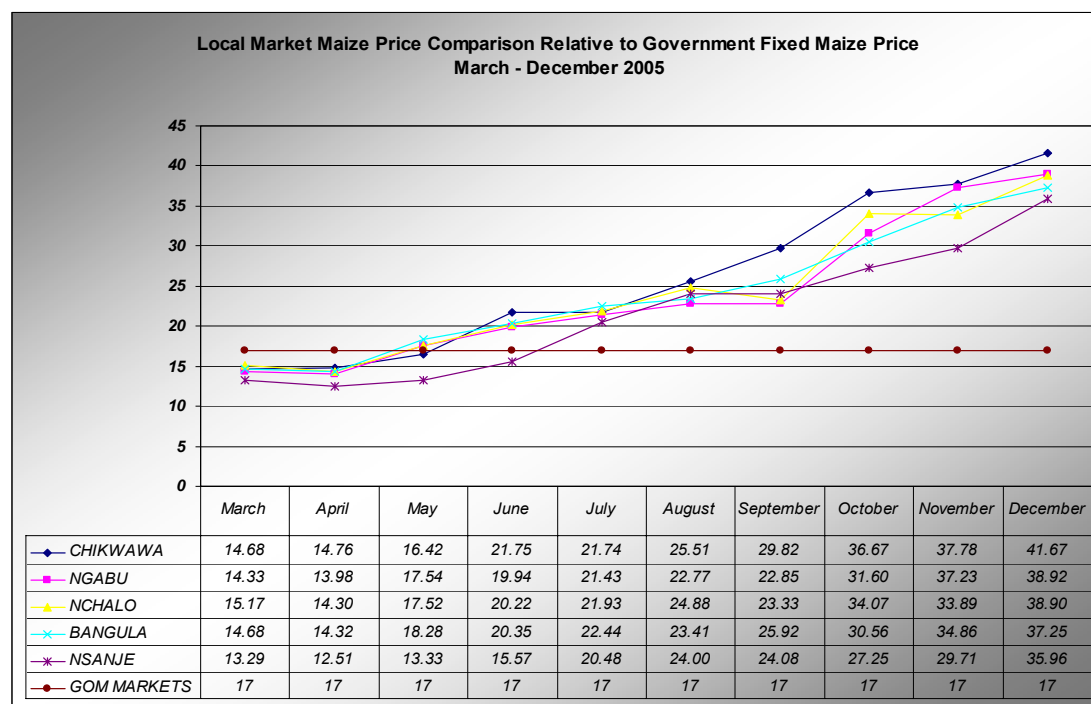
In conclusion, the beneficiaries unanimously agreed that they would have been better with food transfers than cash transfers especially the period when maize prices were skyrocketing. The major problem they cited was the failure by government to make the subsidized maize readily available in its market outlets. Vendors took advantage of the situation and pushed maize prices very high and rapidly to the extent that the cash received did not have the expected impact food security-wise.

3.2 Market/community level effects: Market response

Basic Issue: Did markets respond adequately to demand for food backed by cash transfers and provide salutary effects on the local economy?

During the pre-harvest (March) and harvest period (April-May), maize prices were either below or within the government's subsidised selling price of MK 17/kg. From June 2005 onwards, prices started rising beyond the government selling price. By December 2005 most local markets were over the government's subsidised price by a percentage margin ranging from 112% to 145%.

The price trends during the beginning and most lean period in local markets operated by vendors relative to the fixed government maize price for the two districts are shown in the graph below. Bangula and Nsanje market are in Nsanje district and Chikwawa, Nchalo and Ngabu markets are in Chikwawa district.



Source: FEWS NET Monthly Food Security Update Reports, various copies

In general, the markets did not respond adequately to rising demand in these two districts. The informal cross border imports from Mozambique which normally help to meet the high demand was unfortunately limited this year.

This situation was made worse by the fact that the bordering areas of Mozambique were equally affected by the crop failure which was experienced in Malawi. Vendors complained that maize prices at the border points continued to rise due to the increase in demand against scarcity of the commodity. In some cases, it was reported, maize prices tripled compared to same time last year. Beneficiaries indicated that a higher rate for similar future activities should be considered to cushion the rising food prices and other basic necessities.

The other problem observed during the assessment was that most of the beneficiaries have lost a considerable degree of income, having been under stress conditions for four consecutive years. It is not surprising that most beneficiaries used part of the cash to substitute for the lost incomes. With that scenario, there was no evidence that beneficiaries had additional demand for other food commodities when they could not even buy enough of the normal food commodities.

As a contingency for market failure, it was recommended to start this programme as early as possible so that beneficiaries could take full advantage of not only the little water that was fast drying up but also to give the beneficiaries cash at a time when some harvesting of food was still taking place and food prices were low. This was achieved to some extent but delays in starting the activities in some sites made beneficiaries miss this opportunity.

3.3 Asset Creation effects

The beneficiaries considered the irrigation asset they created as significant to the local economy which they said will assist communities for the rest of their life, including their children. The inserts below are pictures of some farmers who participated at Chitsukwa irrigation scheme in Nsanje district using treadle pump to irrigate their maize fields. These pictures were taken during programme implementation. The canal seen in the picture was dug by beneficiaries of cash transfer.



Photo 1: Individual farmer in his plot



Photo2: A canal, farmers using treadle pump to irrigate their fields

In all the sites visited, beneficiaries were satisfied with the programme and requested for another phase of similar interventions.

Scheme records from the NGO showed that each farmer at Chitsukwa irrigation scheme managed to harvest, on average, 500 kgs of cereals out of 0.102 ha of land whilst at Sapatongwe, each farmer harvested an average of 390 kgs from 0.13 ha given yields of **4,888** kg and **3,000** kg per ha respectively. Similar levels of yield were realised in Chikwawa. The food harvested is enough to take beneficiaries through up to the next crop harvest and also gave them an opportunity to spend their time farming in their own fields instead of looking for food. In total, the programme contributed a total food production of about 875 MT of cereals and 8 Mt of pulses.

Besides direct positive impact to household food security, the cash intervention also contributed to members starting their own savings scheme by providing them with a regular income for a short period. The account at one time had over MK 100,000. This was considered very important for sustainability.

3.4 Agency/operational level effects

Basic issue: *For the realization of the advantages of the cash transfer option, it was also necessary to have an efficient operational system for cash delivery and also considered issues such as costs of transfers, security, and type of delivery mechanism and the possibilities for reducing malpractices and corruption to take place.*

A critical analysis of expenditures related to the cash transfers by one of the Cooperating Partner was that there was limited cash savings that would be ploughed back and used as a top-up to assist the beneficiaries meet their nutritional requirements in the event that prices were skyrocketing. The implementation of the programme was according to planned activities.

On matters of security and accountability of the funds, it transpired during the assessment that the NGOs had put in place a system that ensured no losses and errors in the handling and disbursement of funds to the beneficiaries. Registers were provided to Committee Supervisors to tick on daily basis upon each participant completing his/her task. Supervision visits by the NGOs and Agricultural field staff were also made regularly to check progress and quality of work. At the end of the month, the NGO together with Agricultural field staff summarised all the daily labour registers and calculated the monthly payments per participant. These summaries were checked and verified by the Operations Manager before submission to the Finance department. Beneficiaries correctly stated what their cash entitlement was and that they correctly received their entitlements.

Payments were made by designated NGO staff member not involved directly with the project and from the finance department. All this was done in the presence of associated NGO and Agricultural field staff, the project committee, work supervisors and all the participants.

To ensure maximum security, the officer responsible for paying the money was provided with a vehicle for the safe transfer of the cash. Each participant was required to sign in person for the money on the cash payment sheet. This arrangement was put into place to ensure that the NGO finance officer could check any irregularities in the process before making payment. In addition, the Senior Agricultural Officer for the area was always informed of the payday. After the payment was made all signing sheets were properly reconciled and submitted to the NGO's Senior Finance Manager.

In as far as beneficiary targeting was concerned, it was reported by beneficiaries themselves as effective and fair. The targeted beneficiaries fulfilled all the membership criteria and showed great commitment to fight food security through irrigation. The only observation made was that there were much more people that wanted to participate in the activity but could not be accommodated because there were not sufficient funds allocated for the activity. The increase in the willingness to participate in the activities signifies how serious the food shortage was in the communities.

4.0 Donor & Government perception on the programme

Joint monitoring visits were organised for WFP, EU, FAO and government during the implementation of the programme. In one of such visits to two irrigation sites in Nsanje and Chikwawa, this is what the donor mission report said: *‘Even though only maize was planted and chemical fertilizers were used, the message of crop diversification and utilization of low-cost fertilizer methods (manure, compost) still needs to be developed more.*

The second schemes visited showed that the villagers were greatly relying on the Government to assist them, stressing the needs to carefully consider free food/cash distribution in order not to increase the dependency syndrome.

Cash for work projects that are enhancing winter cropping production through adequate training while, at the same time, providing some income and the possibility to produce diversified cash crops during the dry season in the most food insecure districts, are good means to solve the chronic food insecurity in Malawi and should be developed further.

Capacity to improved food security situation by providing training and some inputs was confirmed by the first irrigation schemes visited. The project has extended the scope of irrigated land beyond the initial objective, showing that physical demonstration and motivation are good ways to encourage farmers’.

Further follow-up discussions with the donor have shown that they were encouraged with the outcome of this programme and would consider funding similar proposals from WFP in future if approached.

The government field Government officers, including the District Commissioner also commended the achievements accomplished in this programme. It was reported that farmers now have a much positive attitude towards use of treadle pumps which had previously not been seen as a useful tool in the two districts. The government officials are determined to replicate and / or expand the programme in their districts.

5.0 Conclusion

There is widespread consensus that the effective use of cash is very context-specific. Different circumstances give rise to different possibilities and constraints and therefore, each situation needs to be carefully weighed. However, lots of useful experiences and insights have been gained from this assessment which is worth noting in the planning and implementation of cash transfer programme in lieu of food transfers. The most notable ones are summarized below:

- Cash transfers have a role to play in acute emergency but their impact can be improved if the markets are well integrated. If the markets fail, it leads to hyper inflation, making the food no more affordable to the vulnerable groups
- One option suggested by the beneficiaries was to have a combined approach of cash transfer and food transfer in a manner that takes into account inflationary effects, available market forces and seasonality of food production. For example, it was suggested that cash could be given during the less difficult period of the year when food is easily available and switch to food rations during times when availability of food stocks is limited such that having cash may have less significance than having food.
- Cash is liquid – and can disappear from the house for consumption of other goods than food. How cash is used in the household is an issue of mindset and responsibility. With proper sensitisation and training, clarification of the objective of the programme, the beneficiaries can make right decision on how to allocate their cash for household consumption. In general, women were found less prone to using the cash on non-essential commodities than men some of whom were reported to have used most of the cash for beer. This factor needs to be critically looked at when designing cash transfer programmes.
- Institutionally, most NGO partners that collaborate with WFP under the Joint Emergency Food Assistance Programme (JEFAP) have not much allowed for consideration of cash options in their normal programmes. Given that cash based programmes need for different skill and mind-set, capacity building for its staff should be given highest consideration in designing cash based programmes. However, it is pleasing to note that GOAL Malawi staff gave the best they could to make the cash transfer programme run effectively and efficiently.
- They were no major reported concerns from both the NGO and the beneficiaries on the implementation of the activities apart from the fact that there were some delays in starting the activities.
- Combining cash with other longer-term interventions such as irrigation was seen the most appropriate to assist the beneficiaries with immediate needs whilst building long term productive assets and enhancing their resilience to shock. In all the communities visited, members requested for an expansion of the programme to promote food security and that it should start in good time.
- Through joint monitoring of the programme, the donor expressed satisfaction with the manner in which the project was implemented and the results achieved. The donor has shown willingness to fund similar activities in future.