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CASH TRANSFERS

An innovative and context specific response to food crises

For four decades **Concern Worldwide** has been responding to severe food crises and long term food insecurity in the developing world. Concern is committed to improving livelihood and food security in rural communities and has been at the forefront of implementing innovative programmes in these areas. In 2006 Concern's pioneering Food and Cash Transfer (FACT) programme in Malawi introduced a new approach to an acute food security crisis. The Dowa Emergency Cash Transfers (DECT) project in Malawi built upon the lessons learned from the FACT programme and enhanced the effectiveness of Concern Worldwide's response to food crises.

Concern Worldwide Malawi designed and implemented the DECT project in response to a localised food and livelihoods crisis in Dowa District in central Malawi. Rather than giving food aid, Concern provided cash payments which varied according to household size and were also linked to the price of maize. This ensured that families' ability to buy food was maintained even when prices rose. Previous programmes of a similar nature run by Concern have shown that the beneficiaries generally prefer cash rather than food as it empowers them to make choices on how to manage their lives and livelihoods. Concern also found that injecting cash at the grassroots level can generate a significant "multiplier" effect that benefits the whole community and the local economy.

A New Response to Food Insecurity in Malawi

Dowa District lies in the centre of the "Kasungu-Lilongwe Plain" livelihood zone. In good years this zone produces surpluses of maize and vegetables that supply Lilongwe and other towns. This is also an important tobacco-growing area, with most smallholder farmers growing maize for consumption and tobacco for cash. Several large tobacco estates provide employment opportunities for tenant farmers and casual labourers (*ganyu*), most of whom are farmers who can not grow enough to eat and are among the poorest households in the zone.

Malawi as a whole had a bumper harvest in 2006 but some parts of the country experienced drought that destroyed large quantities of vital crops. In addition to this problem, the market value of tobacco fell significantly. Farmers in Dowa District

depend heavily on tobacco sales to provide cash income to supplement their food crop production. Low tobacco prices meant that many smallholder farmers were unable to generate much money from their harvest and subsequently could not afford to buy enough food to feed their families. Bowe and Madisi Extension Planning Areas (EPAs) in Dowa District were identified as having suffered a severe localised harvest failure. In June 2006, USAID's Famine Early Warning Systems Network (FEWSNET) estimated crop losses for farming households in these areas at between 40% and 100%, and warned that some areas would require emergency assistance.

Concern assumed responsibility for delivering humanitarian assistance to the affected population in Dowa District. Building on its experiences with the FACT project in Dowa, Lilongwe and Nkhonkhotakota districts the year before, and following an assessment of local markets, Concern decided to deliver assistance through cash transfers rather than food aid or a combination of food and cash. Accordingly, the DECT project had three objectives:

1. To enable over 10,000 households in Dowa District to obtain their missing food entitlement for a period of five months (December 2006 through April 2007) by providing direct cash transfers.
2. To develop and refine methods for the delivery of cash transfers in emergency food security contexts, including mobile banking and the use of technology (smart-cards and biometric recognition) for beneficiary registration and verification, and to draw lessons regarding these methods for longer-term social protection programming.
3. To explore market responses to cash transfers in rural areas, and to draw lessons both for potential market enhancement programmes and for longer-term social protection programming.

Innovative Features

DECT built on lessons learnt from the successful FACT project. FACT demonstrated the flexibility of cash as a transfer that meets a range of non-food as well as subsistence food needs. In some ways DECT was a conventional cash transfer project, but in other important respects it was equally innovative, sharing some of FACT's ground-breaking features and adding others. Two innovative features were shared by FACT and DECT.

Concern Worldwide Malawi designed and implemented the DECT project in response to a localised food and livelihoods crisis

Right: A specially designed vehicle served as a mobile bank, setting up station at each pay-point for one or two days, depending on the number of beneficiaries.



Transfers Adjusted for Household Size

During the FACT project, participant households were grouped into three categories (small, medium and large) with larger households receiving larger transfers. In DECT, transfer payment levels were directly proportional to household size – an improvement as this per capita approach ensured a more equitable access to food than a uniform payment per household. In practice this meant that a 10-person household received 10 times as much cash per month as a one-person household. The principle of varying transfer payments according to household size was generally accepted as fair by DECT participants because it took into consideration the reality that larger households face greater needs for food and have higher non-food expenses than smaller households.

Index-linking Cash Transfers

Cash transfers were index-linked and were adjusted to food prices in local markets. This unique feature ensured that poor purchasers of staple food were protected against price seasonality and, in particular, the extreme food price rises that are characteristic of food crises in Africa. Index-linking cash transfers to the price of local food prices ensured DECT participants had enough money to meet their missing food entitlements each month regardless of fluctuations in food prices.

The following new features were introduced to the DECT project, making it distinctive to FACT:

Use of Technology

A unique feature of the DECT project was the use of smart-cards that were provided to each beneficiary household by Opportunity International Bank Malawi (OIBM) as a delivery mechanism for the cash. Each household was issued with a smart card that was activated by their fingerprint to prevent theft and corruption. In order to reach the 10,000+ beneficiary population at minimum inconvenience to them, Concern mapped out pay-points using criteria of convergence and convenience throughout the project area. These points were then used to disburse cash once a month for the five-month duration of the intervention. On a pay-day, people would assemble at the agreed pay-point. OIBM procured a specially designed four-wheel drive vehicle to serve as a mobile bank. This vehicle moved around in a circuit and set up station at each pay-point for one or two days, depending on the number of beneficiaries – OIBM could process 750-800 beneficiaries per day. Two OIBM tellers disbursed cash from the back of the pick-up, with beneficiaries forming two queues, one on either side of the vehicle. Altogether, 88 pay-days took place, and a total of MK 66,883,330 (£230,000, or €338,000) was disbursed over the five-month period of the project.

Some especially vulnerable groups received preferential treatment on DECT pay-days, either from fellow community members or from Concern and OIBM staff. These groups included people living with HIV and AIDS, people with disabilities, older beneficiaries and some male beneficiaries. Typically, beneficiaries who were ill, disabled or elderly were treated to “fast track” processing.

“I prefer cash because in my condition, this was the best option. I did many things with the money. I was able to assist my children with food and clothes. I travelled to hospital and the like. I would never have done these things if I was given food only.”

Female DECT beneficiary (divorced, HIV-positive)

Right: The smart-cards provided to each beneficiary improved the efficiency and security of disbursing cash payments to DECT participants.

Cash Only

Concern’s decision to shift from “food plus cash” (FACT) to “cash only” (DECT) was based on information that national and local marketed food supplies were higher in 2006/07 than in 2005/06, so that regular cash transfers would allow beneficiaries to cover their missing food entitlement throughout the hungry season.

DECT was designed to help people in a localised food deficit area to meet 100% of their missing food entitlements. One of the arguments for cash aid in an emergency situation, particularly in a food crisis, is that this is the ideal intervention when the food market is functioning well in the affected area.

DIRECT IMPACT

Concern found that cash transfers are preferable to food aid because of their flexibility and versatility for beneficiaries and because of their multiplier effects on local markets. Cash transfers are also preferred by most beneficiaries, provided that food staples and other basic commodities are reliably available on local markets at reasonable prices throughout the “hungry season” or crisis period. If these conditions do not apply, beneficiaries expressed their preference for either food aid or a combination of food and cash transfers (the “FACT” model).

Most beneficiaries indicated a preference for pure cash transfers, arguing that cash provided them with the flexibility to decide what they want to buy, enabling them to meet a range of food and non-food needs, as well as the choice to spend according to their own priorities. As such, DECT cash helped in many ways, beyond ensuring access to adequate food.

Delivering Cash to Women

One of the main recommendations following the FACT project in 2006 was that future projects involving cash transfers should consider implementing the direct delivery of cash to women, in response to evidence that cash was wasted by some male beneficiaries. The decision to pay women instead of men was based on the assumption that women generally use cash transfers or food aid more for feeding children and caring for the family, and less for their personal needs and wants, than do men. The DECT project adhered to this recommendation; husbands were registered in male-headed households but their wives were given the smart-cards and collected the cash. Most recipients of DECT cash were women. Only in cases where the woman of the house was deceased, seriously ill, in advanced pregnancy or otherwise incapacitated was her husband delegated to go to the pay-point to collect the family’s DECT cash. Of the 10,000+ DECT cash recipients, less than 100 were men.

DIRECT IMPACT

The gendered impacts of DECT were generally positive. Concern’s decision to disburse the cash to women resulted in less resistance from men than might have been expected, there were very few (and only indirect) reports of gender-based violence around control of the DECT cash, and women generally managed the cash well and spent it wisely. The decision to pay women was usually endorsed by men, women and local leaders.

DIRECT IMPACT

The use of technology improved the efficiency and security of disbursing cash payments to DECT participants. Smart cards were easy to use by both literate and illiterate participants and gave all a sense of social status and security.

The delivery of DECT cash transfers was smooth and efficient. Most pay-points were located conveniently close to beneficiaries, pay-days were always announced with a considerable amount of notice, the mobile bank achieved 100% punctuality by March and April 2007, and waiting times fell steadily from month to month as disbursement procedures improved. Although a large sum of money was disbursed to over 10,000 beneficiaries over the five months of the project, there were no reports of security incidents, corruption or fraud. Every eligible beneficiary appears to have received their full cash entitlement, with zero over-payments or leakages to ineligible claimants.



“Before Concern came with the cash project, children went to school on an empty stomach but now they have breakfast before they go to class.”

DECT beneficiary

Social Education on Pay-days

At pay-points on pay-days, beneficiaries spent most of the time sitting and waiting for their turn to collect their cash. This provided Concern with an opportunity to raise awareness on various issues in the community, mostly related to financial management and health care. Concern hired local musicians and a drama group to compose songs and devise plays to communicate messages. A range of messages were delivered to DECT beneficiaries on topics as diverse as safe-keeping of smart-cards and how to use DECT cash, HIV and AIDS awareness, nutrition, family planning and winter cropping.

DIRECT IMPACT

When awareness-raising messages were delivered on pay-days, the people gathered at pay-points agreed that they were a highlight of the day, as they learned useful things and the teachers or facilitators were informative and entertaining.

Overall Direct Impact

DECT had a range of positive results at both household and market levels. DECT beneficiaries spent the bulk of the cash on food and essential basic needs that helped to alleviate hunger during the lean period, increased meals per day and enabled households to avoid adopting dangerous coping strategies. Moreover, DECT cash helped project participants to invest in agriculture and livestock, spend more time working in their own fields, and afford essential health care. At market level, the purchasing power of beneficiaries stimulated local markets and trade and also had a beneficial effect on rural labour markets. Finally, DECT cash transfers together with favourable market supplies and prices of maize combined to keep admissions of malnourished children to local Nutrition Rehabilitation Units in Dowa much lower than usual.

Food Consumption

DECT fully achieved its primary humanitarian objective, of ensuring that over 10,000 Malawian households covered their missing food entitlements during the 2006/07 hungry season. Post-DECT evaluations and surveys found that the project had unambiguously positive impacts on food consumption across all age-sex cohorts of the DECT beneficiary population.

One indicator of household food security that was monitored regularly was “meals per day” – the number of meals eaten by various household members on the day before the monitoring survey. When the DECT baseline survey was undertaken in November 2006, food consumption among the survey population was very low, with adults in most households eating substantially less than 1.5 meals per day and children eating slightly more than 1.5 times each day. After DECT cash transfers were received there was an immediate increase in meals per day across all households, by as much as 40% for adults in female-headed households (from 1.28 to 1.79 meals). This rising trend continued throughout the DECT project period, peaking in April at 2.5 meals in female-headed households (from a low of 1.3 meals per day just 6 months earlier).

Market Impacts

DECT had a considerable multiplier effect on the market in terms of volume of sales by traders, new markets opening up, job creation and increased labour costs. DECT strengthened the functioning of the local market by boosting the purchasing power of beneficiaries, who could not otherwise have managed to afford essential commodities such as maize, groceries and health care services.

Non-Food Related Impacts

Households in receipt of cash from the DECT project spent the cash on a wide variety of goods and services, principally maize but also tea, school fees, medicines, fertiliser, and other products. Over the entire five-month period of DECT, 64% of cash transfers were spent on food, and 36% were spent on non-food items. But there was substantial variability in this food/non-food allocation between certain months.

Household Emergencies and Health Impacts

One characteristic of poor people facing food shortages is their inability to meet non-food needs such as health care and urgent household emergencies (e.g. costs associated with funerals and bereavement), because they have to prioritise accessing food. Illness and death can act as big shocks for poor households, especially when these occur during a severe hunger season. DECT cash helped households manage better in these circumstances by enabling them to afford to pay for social obligations while not compromising on the money available to meet food costs. In addition, DECT enabled beneficiaries to access essential services such as health care, leading to overall improvements in health status and general well-being of household members. This was a crucial benefit since January to March is also the time of year when many illnesses and diseases are most prevalent in rural Malawi and hungry people have lowest resistance. This impact was also evident on individuals with chronic long-term illness such as asthma and AIDS.

Impact on Coping Strategies

An important objective of DECT, besides smoothing household food consumption, was to protect people against having to resort to severe and irreversible coping strategies, such as getting into debt, selling productive assets, or harvesting their crops prematurely. Evidence from the evaluation of DECT found that the project enabled households to avoid adopting dangerous coping strategies by improving food security and livelihood protection.

Indirect Impacts

Labour and Time Saving

DECT contributed to time and labour saving in beneficiaries' homes, especially for women and girls. The money households received was used not only to buy maize but also to pay for milling. Women contrasted food aid and cash, indicating that when they received maize as food aid, much time was spent pounding it to produce maize flour because there was no money for milling. The time and labour saved made it possible for women and other household members to spend more time on their own fields, other work and domestic activities.

Labour Markets

One of the most common coping strategies in rural Malawi is casual employment, commonly known as *ganyu*, for payment in either cash or food. During food crises in Malawi, many people are forced to go for *ganyu*, even if this means neglecting their own fields. A typical scenario is that the supply of casual labour increases through the hungry season months as granaries run empty, but the availability of *ganyu* opportunities falls because employers themselves have lower incomes to hire labour. The result is that less work is available when poor people need it most, and because there is excess supply of labour, wage rates tend to fall, reducing the amount of food that workers are paid or can buy with their wages – especially since food prices are highest at this time.

DECT had the effect of reversing some of these vicious cycles in rural labour markets in Dowa District. Because DECT provided enough cash to cover most or all missing food entitlements in beneficiary households, they had less need to go for *ganyu* than they would otherwise have done. In fact, DECT impacted on *ganyu* in several ways. Firstly, it reduced the number and frequency of people looking

for *ganyu*. Many DECT beneficiaries chose to concentrate on their own fields instead. Secondly, from the employers' perspective there were labour scarcities at critical times – highly unusual for this area. Thirdly, labour costs to employers increased as a result, since they had to pay more to attract labourers. Thanks to DECT, instead of falling during this localised food crisis, real wage rates actually rose, which is a positive outcome in terms of household food security for those households that did still depend on *ganyu* for their access to food and cash.

Social Cohesion

During the hunger period each year there is often a conflict in the home between husband and wife, who blame each other for failing to provide food. Some beneficiaries mentioned that DECT had positive social impacts in terms of promoting peace within the family at household level, and also dignity to the beneficiaries themselves at the community level. Indeed, in their communities DECT beneficiaries were able to uphold the respect of their neighbours since they had no need to beg for assistance as they often have to do in the period from January to March each year.

Recommendations

Following an assessment of the DECT project in Malawi, a Concern evaluation team raised the following issues and recommendations for similar projects or longer-term social protection programmes that could be implemented in the future.

1. For both emergencies and social protection programming of predictable social transfers, it is recommended that a "social minimum" should be calculated that guarantees a constant entitlement to basic food plus non-food items, and the cash transfer should never drop below this "floor" amount even if prices fall, so that essential goods and services are affordable.
2. Food price forecasting must be improved in future, because cash transfer projects depend on accurate food prices and because beneficiaries depend on the predictability of transfers, so they need to be adequately prepared for any changes in payment levels.
3. Consideration should be given to include fertiliser as well as cash in the first package delivered in future cash transfer programmes, to ensure a sustainable livelihood impact.
4. There was a perception that an opportunity was missed in terms of sensitising smart-card holders to possibilities of accessing savings facilities and other banking services after DECT ended in April 2007.

5. In order to make cash transfer projects like DECT more cost-effective it would be beneficial if the heavy initial investment that was required in smart-cards (at \$5 each), mobile banking, and technology (the biometric database of all participants) were subsequently used to deliver predictable social transfers, fertiliser subsidies, education or health waivers.
6. The evaluation endorses the decision to disburse cash to women even in male-headed households, and recommends that this practice is adopted as standard for any future social transfer programmes.
7. Cash transfers are preferable to food aid, because of their flexibility and their multiplier effects on local markets, and are preferred by most beneficiaries – provided that food staples and other basic commodities are reliably available on local markets at reasonable prices, throughout the "hungry season" or food crisis period – otherwise food aid or a combination of food and cash transfers (the "FACT" model) is preferred.

Continuing in its spirit of reflection, Concern Worldwide continues to build on its delivery of cash transfer projects in an effort to offer the most equitable and effective relief to those most in need of assistance. Despite the resounding successes of the DECT project, Concern Worldwide strives to improve on the design and delivery of its future emergency relief projects and to share its findings with relevant parties.



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This Concern briefing is drawn from:

Smart Cards for Smart Women: An Evaluation of Concern Worldwide's Dowa Emergency Cash Transfer Project (DECT) in Malawi, 2006/07

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A copy of the full report is available from the Concern website at:
<http://www.concern.net/site-links/resources/research.php>

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