Food Transfers and Food Insecurity

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1 Introduction

In a recent paper, Stephen Devereux noted that '… the "cash versus food" debate has become unnecessarily polarised, even acrimonious. It is also spurious and misdirected' (Devereux 2006). While there are solid reasons to agree with Devereux, this note argues that there is scope to make the debate productive – and even turn it into an opportunity – by adopting a more balanced, context-specific and evidence-based approach.

This brief article conveys three simple and interlinked messages. First, cash and food are just instruments and not strategies. Sustainable food and nutrition security gains can only be achieved if instruments are coherently nested within broader emergency preparedness, food security and social protection strategies. Second, instrument selection should not be the input, but rather the natural output of sound context-specific assessments. Finally, cash and food can be complementary and mutually reinforcing instruments. Even within a country, conditions in markets and capacities (e.g. distribution of banking facilities) may vary considerably, hence suggesting that there are opportunities to combine them more creatively.

2 When is food appropriate?

Food transfers, cash transfers and food stamps have both common and specific features. All these features should, however, be interpreted in the light of local conditions. Appropriateness cannot be assumed *a priori*. Whether cash and/or food transfers are the most appropriate instruments hinges, for example, on programme objectives, markets, capacities, beneficiary preferences and cost efficiency (Gentilini 2007).

Before briefly exploring some of these domains, a caveat should be kept in mind, namely that methodological factors may sometimes hinder comparisons between food and cash transfers. These factors may include, for example, the simultaneous implementation of cash in contexts of larger-scale food transfer programmes,[1] methods employed for calculating the cash transfer size, and a 'natural selection' of areas thought to be suitable for implementing cash transfers.

That said, programme objective is one of the issues that should be given utmost attention in transfer selection, as overall the effectiveness and efficiency of transfers relate – by definition – to whether and how objectives are met. While it is always complicated to make cost comparisons, studies have estimated that transferring cash is less costly operationally than distributing food (e.g. 5–10 per cent less than locally procured foods). In some other cases, cash transfers have been found to be more efficient in the design phase, but not in the implementation phase (Harvey and Savage 2006).

An effective and efficient programme, however, is not just a cheaper one. For example, in a maternal–child health programme in Honduras, it cost 1.03 lempiras to deliver 1 lempira of income transfer in the form of a cash-like coupon, while it cost 5.69 lempiras to deliver the same income transfer in the form of food. However, the cash transfer had no effect on child calorie consumption nor on the use of health centres, while the food transfer increased both (Rogers and Coates 2002). Programme objectives should always be clearly set out in order to facilitate programme evaluation.

2.1 Economics

In economic theory, cash is a more appropriate instrument because consumers' utility increases as the result of more choice and fungibility (i.e. resulting in a parallel shift of the whole budget line). If, however, a programme objective is to increase food consumption, evidence shows that appropriateness depends on the size of the transfer: if the food transfer is extra-marginal then food is more effective than cash; if infra-marginal then they are economically equivalent.[2]

Cash leaves to traders the supply of commodities, hence it becomes crucial to understand how markets function in a given context. In this sense, cash provides people with choice but it also transfers to them the risk of supply failures. Such a risk is minimised by providing cash in situations where markets work reasonably well, but providing food where market risk is high, i.e. where markets work poorly or are temporarily disrupted. However, there are also cases where food may be an appropriate tool even where markets work well (e.g. fortified foods for therapeutic nutrition). Conversely, cash may also work when markets are not perfectly integrated, but niches of vibrant economic activity do exist. Perfect markets do not exist in practice, and a more pragmatic approach could be to identify the 'degree of imperfection' of markets, rather than a 'yes/no' approach against a hypothetical benchmark.

The issue is further complicated by the need to understand not only how markets work in general, but also the extent to which they work for the poor in particular. In the words of Donovan *et al*. (2005), 'markets only serve those who have effective demand – reinforced by purchasing power. [This excludes] the destitute – those who have real needs but lack the purchasing power to make their needs felt in the market'. In emergencies, traders may or may not have the incentives to respond to cash injections, basically depending on their risk and cost calculations. Moreover, in the immediate aftermath of an emergency, markets are almost always disrupted, especially in a chronically food insecure context. Hence cash may not be the right tool in those times and circumstances.

Multiplier effects do also relate to markets. Three issues need to be clarified here. First, possible market distortions revolve around programme design and additionality, and not necessarily around the type of transfer. Second, quantifying multipliers needs information which often is simply not available, especially in emergencies. For example, in Malawi and Zambia 'neither [cash] country programme could confidently answer the critical questions of how much people were paying for food, and where they were buying it' (Harvey and Savage 2006: 6). Third, multipliers are not generated by transfers *per se*, but by the way transfers are provided. Especially crucial are the size, frequency and predictability of transfers, which are likely to impact significantly on investment behaviour.

2.2 Nutrition

The multidimensional nature of nutrition suggests that the impact of transfers on nutrition depends on many factors, which are often difficult to control for statistically. Moreover, it is crucial to define how nutrition is measured, and whether transfers are conditional on attendance at health centres (e.g. as with *Progresa/Oportunidades* in Mexico). If we measure the anthropometric impact of unconditional emergency transfers, then evidence of cash transfers' impact is very scarce; rather, there are documented examples of positive impact of food transfers on child growth and nutrition (Yamano *et al.* 2005; Quisumbing 2003).

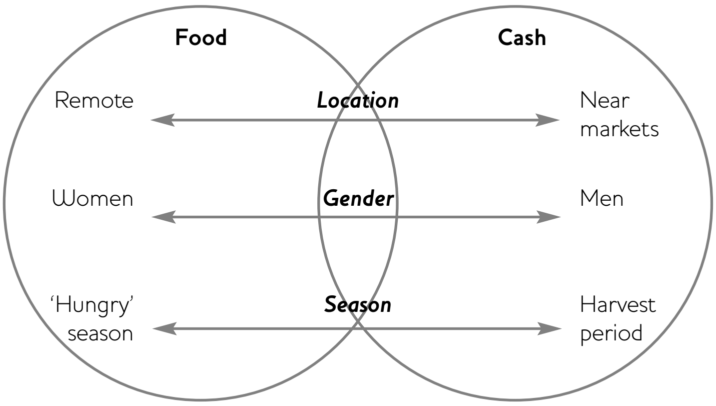
If the proxy for nutrition is kilocalorie availability at the household level, than cash can translate into nutritional gains if people buy calorie-intensive foods such as eggs and meat. The extent to which this happens depends on the specific compensations across the board between foods in the household, and whether households are liquidity-constrained (Sharma 2006). If nutrition is measured with the marginal propensity to consume food, than there is unambiguous evidence that food is significantly more effective than cash (Barrett 2002).

While it is documented that households generally spend cash transfers wisely – devoting around 50–60 per cent of it for food – more research is needed to understand its impact on nutrition, although the short-term nature of most cash pilot projects makes this task difficult. Future pilots should seek to address this key knowledge gap.

2.3 Social protection

The discussion over cash and food transfers is also intrinsically linked to the design of longer-term social protection strategies, and cash is increasingly becoming the 'central plank' of some donors' social policy. For example, DFID is committed to 'significantly increase spending on social protection in at least ten countries in Africa and Asia by 2009 …[and in Africa] to double to 16 million the number of people moved from emergency relief to long term social protection programmes by 2009' (DFID 2006).

Figure 1 **Beneficiaries' preferences**



The commitment is about reducing the need for large volumes of recurrent relief, whether in food or cash. It would not change much if recurrent appeals for food transfers were to be replaced by recurrent appeals for cash transfers. Social protection is about addressing predictable needs with predictable and institutionalised resources. In Ethiopia's Productive Safety Net Programme (PSNP), over the 2005–2006 period, many of the beneficiaries initially receiving cash transfers opted to switch in favour of food transfers, hence warning against bold and preconceived ideas about how cash-intensive social protection systems should be.[3]

While there is nothing esoteric in social protection strategies that enshrine a general 'cash first principle', it is also important to be pragmatic and patient; addressing the structural causes of food insecurity takes time, and policy innovations should be sequential and progressive.

Meanwhile, heterogeneous intra- and inter-country market conditions and capacities call for dynamic and complementary roles to be played by both food and cash transfers. This is also coherent with what beneficiaries seem to prefer, which is not fixed but tends to vary according to location, season and gender (Devereux 2006; Figure 1).

3 Politics and attitudes

We often hear questions about 'why isn't cash on the agenda'? Good question: cash seems underutilised and should be more widely considered in both emergency and development programming. However, despite Harvey (2005) cautioning us to 'beware of cash evangelism', certain forms of cash advocacy seem to fuel an anti-food movement, questioning 'why is food on the agenda'? I am exaggerating here, just to make the point, but there is some truth in there.

It is certainly positive that cash transfers are given more visibility and it is encouraging that agencies may be better placed in the future to respond flexibly to identified needs. It is of concern, however, that some cash proponents have got ahead of the evidence. It is scientifically proven, for instance, that claims about negative affects of targeted food transfers tend to be based on anecdotes and superficial analysis, rather than on systematic and detailed evidence (Abdulai *et al.* 2005; Barrett and Maxwell 2005; Del Ninno *et al.* 2005). Similarly, a recent review by the Regional Hunger and Vulnerability Programme (RHVP) on the impact of food transfers on markets in Southern Africa finds 'either no effect or a positive effect on production [and] the conclusion seems to be that, in the absence of food aid, the decline of African agriculture might have been even more precipitous' (Maunder 2006). In other words, unfortunately fears often prevail over evidence.

4 Conclusion

Transfer selection needs to be subordinated to context analysis, and to be well nested within broader emergency preparedness, food security and social protection strategies. Table 1 provides three reasons for prudence, and three for optimism for the future of the cash and food arena.

Table 1 **A 'prudent but optimistic' approach to the cash and food debate**

Reasons for *prudence*	Reasons for *optimism*
Robustness of the evidence: With the exception of a few cases, cash transfers have been self-evaluated and often lack panel data and multivariate quantitative analysis.	**Complementarities**: Wide variation in programme objectives, market conditions and capacity levels in most countries suggest that cash and food can be creatively combined both spatially and temporally. An 'either-or' approach is unnecessarily extreme.
Micro cash pilots: For the most part, cash transfers are implemented as small-scale and short-term pilot projects, therefore lessons cannot be generalised, whether positive or negative.	**Social protection**: Both cash and food transfers require a whole set of common processes, such as needs assessments, monitoring of markets, emergency preparedness mechanisms, contingency plans, targeting and exit strategies. This common platform is a key component of social protection strategies, which further strengthens and facilitates complementarities in a more coordinated way.
Capacities: Pressure is rising to scale-up small cash pilots, but limited capacities on the ground are often a binding constraint for managing larger cash programmes. There are no substitutes for *ex ante* capacity-building efforts.	**Outdated dichotomies**: Both cash and food transfers seem to work in both emergency and development contexts, although with some caveats.

Debating the appropriateness of cash and food transfers with a more balanced, context-specific and evidence-based approach may be an opportunity to translate the possible reasons behind optimism into facts, and to archive reasons for prudence as myths.

Notes

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1 For instance, Adams and Kebede (2005: 29) noted that in Ethiopia '… the mixing of cash and food relief within an area means that the cash pilots have not really tested the inflationary potential of cash and the ability of markets to respond'.

2 A transfer is 'extra-marginal' when it is greater than the amount the recipient household would have consumed without the transfer (a transfer for an amount less than the normal food expenditure is said to be 'infra-marginal'). It should be noted that the extra-marginal argument holds to the extent that resale is prohibited or if it entails high transaction costs.

3 In early 2005, cash covered around 70 per cent of the 8.2 million Productive Safety Net Programme (PSNP) beneficiaries, while by the end of 2006 cash beneficiaries constituted around 45 per cent of the caseload.

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