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Cash transfers

To condition or not to condition?

A cash transfer recipient's fingerprints are captured on a computerised database, Dowa district, Malawi. *Stephen Devereux, 2007*

Cash transfers are an increasingly popular social protection mechanism throughout Latin America, where conditional cash transfers are dominant, and sub-Saharan Africa, where unconditional cash transfers are more common. How can this difference in approaches be explained, and what evidence exists on their relative effectiveness?

At the London Summit in April 2009, the G-20 countries pledged to mitigate the social impacts of the global financial crisis, by providing "US$50 billion to support social protection, boost trade and safeguard development in low income countries" (in the Global Plan for Recovery and Reform: the Communiqué from the London Summit). Later in the same month, the World Bank announced that its lending for social protection programmes will rise from US$4 billion to US$12 billion by 2012. Their press release said, "This lending includes rapid social response programs and conditional cash transfers, where families are granted money transfers in exchange for sending their children to school and for regular medical check-ups".

In response to the food price crisis of 2008, the World Bank established a US$2 billion Global Food Crisis Response Program (GFRP), which supports social protection interventions such as food- or cash-for-work schemes and school feeding programmes. Following their July 2009 meeting in L'Aquila, Italy, the G-8 countries issued a Joint Statement on Global Food Security, which urged support for a range of social protection measures - including cash-based social protection systems - to assist millions of people affected by the global food crisis.

Initiatives such as these represent a massive escalation of social protection, already a highly fashionable development agenda. But conditional cash transfers, public works and school feeding programmes are three highly controversial social protection instruments. This issue of *insights* examines the case for and against the first of these – conditional cash transfers.

Unconditional cash transfers are given to poor and vulnerable people with no restrictions on how the cash is spent, and no requirements beyond meeting the eligibility criteria (for example, being poor, an orphan, or over 60 years of age). The primary objective is to protect current consumption or

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food security. By contrast, conditional cash transfers (CCTs) are delivered only on condition that recipients meet certain requirements, such as that their children should be enrolled in and attending school, and must be immunised. These programmes aim not only to alleviate current poverty through income transfers, but also to reduce future poverty by encouraging investments in human capital – education, health and nutrition.

Each variation of cash transfers is strikingly geographically concentrated. Large-scale national CCT programmes are currently operational in most countries of Central and South America. Conversely, although numerous small-scale pilot projects and some national cash transfer programmes are found throughout sub-Saharan Africa, very few of these are conditional.

The debate over whether cash transfers should be conditional or unconditional is partly empirical and partly political. The empirical case for CCTs is based on evaluations in several Latin American countries, confirming that they deliver both well-being benefits to recipient households and improved education and health outcomes for children in these households (see **John Hoddinott**). CCTs also achieve significant impacts on poverty reduction, especially poverty gap and poverty severity measures (see **Emmanuel Skoufias** and **Vincenzo di Maro**). The empirical argument for unconditional transfers is based on evidence from several African countries, confirming that recipients invest some of their cash transfers in education and health anyway, so there is no need to compel them to do so (see the article on the **Basic Income Grant** and the piece by **Michael Samson**).

The political argument for CCTs is that domestically financed social protection requires buy-in from the tax-paying middle classes, who typically object to 'welfare handouts' and prefer to support programmes that ensure poor children are educated and receive adequate health care. The political or ethical argument against CCTs is that conditionalities are paternalistic and interfere with the people's right to choose how they allocate their resources.

There are other arguments against conditionalities. Linking social transfers directly to public services requires well-functioning services - but especially in rural Africa, education and health facilities are often weak, or even non-existent. This is not an argument against CCTs in principle, but it is an argument for prior investment in the supply of services, before stimulating demand with conditionalities. Also, there are complaints that the burden of adhering to conditionalities falls disproportionately on women, since it is mainly mothers and other female carers who take children to clinics and ensure they go to school (see **Sarah Bradshaw**). Unconditional cash transfers do not add to pressures on women, but they can contribute to intra-household tensions, unless the programme is carefully designed (see **Rachel Slater** and **Matseliso Mphale**).

Finally, the global food crisis highlighted a risk that is faced by all cash transfer programmes, whether conditional or unconditional – that their purchasing power will be undermined by inflation. In some cases this has undermined the popularity of cash transfers and led to a resurgence in beneficiary preferences for food aid (see **Rachel Sabates-Wheeler**).

This issue of *insights* asks three questions about CCTs:

- Do CCTs reduce poverty?
- Do cash transfers discourage work?
- If conditionalities do work, do women pay the price?

…and four questions about unconditional cash transfers:

- Is a universal Basic Income Grant feasible?
- Can cash transfers reduce inter-generational poverty?
- Can cash transfers improve gender relations?
- Are cash transfers susceptible to high food prices?

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Large-Scale Interventions to Enhance Human Capital, the International Food Policy and Research Institute
http://tinyurl.com/y9755ts

Topic guide on Social Protection, Governance and Social Development Resource Centre
www.gsdrc.org/go/topic-guides/social-protection

Social Protection Programme, Overseas Development Institute, UK
www.odi.org.uk/programmes/social-protection

Are conditional cash transfers the way out for poor people?

Conditional cash transfers (CCTs) have been promoted as innovative poverty reduction programmes because they combine income support to poor families with investments in human capital. But have they delivered on these promises? Comparative research across four countries in Latin America suggests that they have.

More than a dozen countries in Latin America have introduced CCT programmes since the mid-1990s. A new book from the International Food Policy Research Institute (IFPRI) reviews the impacts of four of the best-known CCTs: Bolsa Alimentação in Brazil, the Programa de Asignación Familiar – Fase II (PRAF-II) in Honduras, PROGRESA in Mexico and Red de Protección Social (RPS) in Nicaragua. IFPRI examines the political and economic aspects of implementing these programmes, and assesses how they influence – and are influenced by – gender, other social relations and community dynamics.

Drawing on a range of methodologies, from randomised longitudinal surveys to qualitative techniques at community, household and individual levels, the research finds significant positive impacts in education, health, nutrition, food security and gender relations.

- Schooling indicators such as enrolment, attendance and grades completed all improved significantly: estimates for PROGRESA showed a 9 to 12 percent increase in enrolment and an additional grade of completed schooling. RPS showed a 13 percent increase in enrolments and a 20 percent increase in attendance.
- Health services were used more for young children in Honduras and Brazil, though not in Mexico.
- PROGRESA and RPS had a significant effect on children's nutritional levels, as reflected in their height measurements.
- In three countries, CCTs helped to raise the caloric intake of the poorest third of households: by 5.6 percent in Mexico, 6.9 percent in Honduras and 12.7 percent in Nicaragua.
- CCTs had positive impacts on gender relations: although women still had to get their husbands to agree before making certain purchases, the programme provided them with money they could spend independently and household tensions over resources reportedly reduced.
- Families and communities were more aware and acknowledging of women's equality, the importance of women's roles and the value of girls' education.

Despite these achievements, improvements can be made to CCT programmes.

- Age groups which most require better nutrition, health and education need to be carefully considered when conditions are set; this will allow for more effective use of resources.
- The quality of schools and health care facilities need to improve greatly, to maximise the impacts of the conditionalities.
- Programmes need to improve their communications and mechanisms to allow feedback from communities, particularly on controversial issues such as conditionalities and targeting.
- Approaches to service delivery, opportunities for community participation and efforts to strengthen women's empowerment could move beyond health and education objectives.

Finally, a better understanding is needed of the pathways through which CCT programmes achieve certain impacts in each country, as well as the socio-cultural and economic reasons why people do not always respond as predicted.

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Do cash transfers discourage work?

Despite the growing popularity of Conditional Cash Transfers (CCTs), some policymakers remain concerned that these programmes create disincentives to work. Evidence from a large programme in Mexico shows that cash transfer do not discourage recipients from working.

Research from the World Bank and University College London, in the UK, assesses the impact of Mexico's PROGRESA programme on poverty and adult work incentives. The research draws on survey data collected from 24,000 households across seven states, between 1997 and 1999.

Started in 1997, PROGRESA (since renamed Oportunidades) offers cash transfers to poor rural families in Mexico, conditional on their participation in health and nutrition programmes as well as their children's school attendance. By 2004 the programme reached nearly 5 million families, providing an average monthly payment equivalent to 20 percent of pre-programme spending on consumption.

With such sizeable transfers, PROGRESA has the potential to provide eligible households a disincentive to work. At the same time, families who are not eligible may be encouraged to work less in order to become eligible. On the other hand, the income effect of the cash transfer may be weakened by the direct and indirect costs of complying with the programme's conditions – for example, eligible families are required to stop receiving benefits from other government programmes.

Key research findings on PROGRESA include:

- The programme has no significant effect on adults' choices regarding work, and this is true for both eligible and non-eligible households.
- Some programme beneficiaries may have used part of their transfers, at least initially, to seek salaried work and reduce their participation in low-paid work in family businesses.
- Programme participants do not use their transfers to 'buy' more leisure time.
- The programme leads to a substantial reduction in current poverty levels.
- The effects are stronger for reducing the poverty gap and the severity of poverty, rather than reducing the total number of poor people (poverty headcount), suggesting that the largest impacts are achieved in the poorest of poor families.

The success of conditional cash transfer programmes in reducing current poverty depends on whether, and to what extent, the transfers affect adult work incentives. In the case of Mexico's PROGRESA programme, this research shows that it has no effect on people's work choices.

The researchers conclude that:

- PROGRESA's cash transfers have not discouraged people from working.
- The programme has succeeded in reducing poverty in poor rural communities in Mexico.
- The programmes' poverty impact was correctly estimated in a simulated impact assessment before the programme started.
- This suggests that such simulations can provide a reliable indication of a programme's likely impact on poverty.

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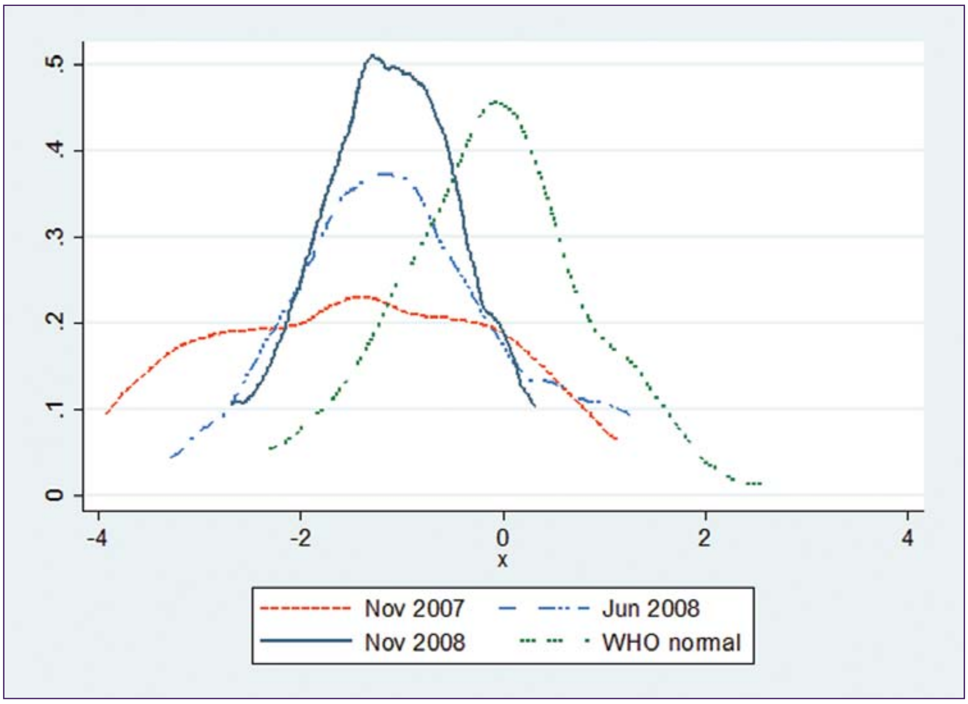
Is a universal 'Basic Income Grant' feasible in Namibia?

The campaign for a 'basic income grant' is based on principles of equity and social justice. But critics argue that cash transfers for all are unaffordable, especially in poor countries. A pilot project in Namibia demonstrates that a universal Basic Income Grant (BIG) could be both effective and affordable.

Namibia's Basic Income Grant (BIG) pilot project is the world's first universal unconditional cash transfer. It transfers N$100 (US$13.5 approximately) every month to all residents under 60 years old of the Otjivero-Omitara area near Windhoek. People over 60 years are excluded only because they already receive a social pension from the government. Unemployment, hunger and poverty were very high in this area when the BIG project started.

The pilot project is for two years, from 2007 to December 2009, but this could be the first step towards a BIG for everyone in Namibia. Funds for the project were raised through voluntary contributions. An evaluation conducted after the first year of implementation combines data from a baseline survey in November 2007, panel surveys in July and November 2008, as well as qualitative data from key informants and a series of individual case studies. It finds that:

- The community responded positively by establishing its own 18-member committee to advise residents on how to spend the BIG money wisely.
- Family members who lived outside the area moved into Otjivero, attracted by the BIG, even though they were not eligible for the grant.
- Household poverty dropped significantly: residents below the food poverty line fell from 76 percent to 37 percent within one year. Amongst households who did not host in-migrants, food poverty dropped to 16 percent.
- People engaged in income-generating activities rose from 44 to 55 percent, and productive incomes increased by 14 percent. A local market was created as a result of increased buying power.
- Child malnutrition reduced significantly: the number of underweight children fell from 42 percent to 10 percent.
- Before the introduction of the BIG, almost half of school-going children did not attend school regularly. Pass rates stood at 40 percent and drop-out rates were high. Many parents were unable to pay school fees. After the introduction of the BIG, nearly 90 percent of the parents could pay fees, non-attendance due to financial reasons dropped by 42 percent, and drop-out rates fell from 40 percent to almost zero.
- Access to health services improved, as local residents reported they could now afford to pay the user fee charged of N$4 (US$0.5) for each health visit.
- Average household debt fell from N$1,215 to 772 (US$164 to 104 approximately), and savings increased, as reflected in increasing ownership of large and small livestock, and poultry.



BIG helped to reduce child malnutrition significantly. The number of underweight children fell from 42 percent in Nov 2007 to 17 percent in Jun 2008. *(Source - Making the Difference! The BIG in Namibia, Basic Income Grant Pilot Project Assessment Report)*

All residents under 60 years old in the Otjivero-Omitara area near Windhoek receive N$100 every month under the Basic Income Grant pilot project. *Dirk Haarmann, BIG Coalition photos, 2008*

Could the pilot project be scaled up?

The costs of a national BIG in Namibia are substantial – estimated at N$1.2–1.6 billion per year (US$160 –214 million approximately), or 2.2–3.0 percent of GDP. However, a moderate increase of value added tax (VAT) and income tax rates could finance this. Other options include re-prioritising the national budget and introducing a special levy on natural resources. Namibia's tax capacity exceeds 30 percent of national income, but the current collection rate is below 25 percent. This excess capacity to raise tax revenue exceeds the costs of a national Basic Income Grant, making it fiscally affordable.

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See also

Making the Difference! The BIG in Namibia, Basic Income Grant Pilot Project Assessment Report, April 2009 (PDF)
www.bignam.org/Publications/BIG_Assessment_report_08b.pdf

Can cash transfers prevent inter-generational poverty in South Africa?

Cash transfers reduce current poverty by enhancing poor people's access to food and other basic needs. Claims for long-term impacts can also made, based on recipients' investment of cash grants in their farm, business or human capital. Evidence from South Africa confirms that cash transfers achieve positive education, health and nutrition outcomes – even without attaching conditions.

The 'irresponsible' behaviour of poor people is sometimes blamed as the cause of their poverty, and 'conditioning' this behaviour – by giving them cash inducements to invest in their children's education and health – is therefore proposed as a solution. An alternative view is that poverty is a consequence of social and economic structures, and unless these underlying causes are addressed then imposing conditions on cash transfers is unnecessary and potentially counter-productive.

Several evaluations of social cash transfers show that conditionalities are not necessary to improve poor people's lives. Studies in South Africa have found that unconditional social grants reduce hunger among both children and adults, by increasing household food expenditure and dietary diversity, and measurably improve children's height-for-age and weight-for-height indicators. Where women receive the grants, these food security impacts are often gendered, with girls achieving faster anthropometric gains than boys. Similar positive nutritional outcomes were recorded among beneficiaries of Zambia's pilot cash transfer programme.

Unconditional programmes also improve school attendance and enrolment rates significantly. A review of case studies from 15 African countries found that cash transfers ensure that children in AIDS-affected households remained in school rather than being withdrawn, and are less likely to engage in child labour. Programmes where these educational gains have been documented without conditionalities include Ethiopia's Productive Safety Net Programme, social pensions in Lesotho and Namibia, and social grants in South Africa, where the positive effects are particularly pronounced for girls.

South Africa's Child Support Grant (CSG) is the country's largest social cash transfer programme and is regarded as one of the government's most successful social protection interventions. Research from the Economic Policy Research Institute, in South Africa, analysed panel data constructed from the General Household Survey (2002 to 2004), and compared eligible children who received the CSG in 2003 and 2004 with those who did not receive it. The study found robust evidence that the CSG is improving nutrition and education outcomes for children.

- Hunger fell among both CSG recipients and non-recipients over the study period, but the reduction in hunger was 2-3 times larger for children receiving the grant.
- Children under seven years of age who were eligible for the CSG were significantly less likely to be attending school in 2002 than those not receiving the CSG, but after receiving the CSG for two years there was a 6 percent increase in their pre-school and early grades enrolment by 2004.

The study concludes that these effects are likely to be sustained over time among households receiving the Child Support Grant, with cumulative improvements in children's nutrition and educational attainment in the future, and spill-over effects in terms of improved labour market outcomes and lifetime earnings for beneficiary children in adulthood. These long-term gains clearly have great potential to break the inter-generational transmission of poverty in South Africa – the same claim as is made for conditional cash transfers in other countries.

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See also

Quantitative Analysis of the Impact of the Child Support Grant, Report from the Economic Policy Research Institute, Cape Town, by Michael Samson, Carolyn Heinrich, Martin Williams, Sheshangai Kaniki, Tendie Muzondo, Kenneth Mac Quene and Ingrid van Niekerk, 2008 (PDF)
www.unicef.org/southafrica/SAF_resources_qachildsupport.pdf

Several evaluations of social cash transfers show that conditionalities are not necessary to improve poor people's lives

A woman paying school fees in the Otjivero-Omitara area. Payment of school fees more than doubled after the Basic Income Grant was introduced. *Dirk Haarmann, 2008*

Red de Protección Social had a profoundly positive impact on women and their children but they have had to bear the burden of programme implementation

Even if conditionalities work, do women pay the price?

Conditional cash transfer programmes often transfer cash to women, on condition that they meet the health, education and nutrition targets for their children. Evidence from Nicaragua suggests that the Red de Protección Social programme may not have had sustainable impacts, and may even have negatively affected women participants.

Research from Middlesex University, in the UK, and the Centro de Información y Servicios de Accesoria en Salud, in Nicaragua, explores the extent to which social protection programmes such as conditional cash transfers (CCTs) benefit poor people, particularly women. The authors use the Nicaraguan Red de Protección Social (RPS) as a case study.

Nicaragua's RPS began as a pilot project in 2000, expanding to cover more than 22,000 families through 2006. Cash transfers were made for three years to the mothers of the children enrolled in the programme, conditional on the fulfilment of targets related to child health and nutrition. Key findings include:

- The pilot RPS met its goals for education, with increases in enrolment, particularly among the poorest groups, but there was no specific focus on girls' education.
- Other studies warn against over-optimism about long-term impacts, citing drops in school attendance after CCT programmes end and a lack of employment opportunities.
- Academic performance did not improve among RPS children, and the programme seemed to have created social divisions by the exclusion of ineligible children.
- In terms of health, achievements included a 5 percent decline in the number of children with stunted growth.
- It was assumed that cash transfers were used to improve child nutrition, though this was not tested, and reports suggested that the extra food was not always of 'ideal' quality.
- Health services were contracted out to private providers, who met the 98 percent coverage target, perhaps influenced by the Pay for Performance basis of the contracts. Use of services remained high once RPS ended.

It is unclear whether lasting changes were achieved in household behaviour, or if providing services without imposing conditions would be sufficient. Whilst one evaluation finds that RPS had a profoundly positive impact on women and their children, they have had to bear the burden of programme implementation.

- Women had to ensure that their children attended school and met health targets.
- Women had to attend awareness sessions on health, though it is unclear whether they benefited, and their attendance may have been at the expense of other activities.
- The active role of the *promotoras* – local female community facilitators – cast doubt on the autonomy of women in the programme.
- RPS changed how women see themselves and their ability to manage money, but its short-term nature undermined their ability to fulfil their increased responsibilities.
- RPS reinforced and drew on the idea of 'traditional' family values, including women's assumed altruism towards their families.

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Celia is a beneficiary of pilot Conditional Cash Transfer (CCT) programme in Philippines. This programme has been inspired by the successful models in Mexico and Brazil, and with technical assistance from the World Bank it will cover 300,000 households nationwide until 2013.
World Bank Phillipines, flickr, 2009

See also

Women Beneficiaries or Women Bearing the Cost? A Gendered Analysis of the Red de Protección Social in Nicaragua, *Development and Change*, 39(5), pages 823-844, by Sarah Bradshaw and Ana Quiros Viquez, 2008

Conditional Cash Transfers: A 'Pathway to Women's Empowerment'? Working Paper 5, Pathways of Women's Empowerment RPC, by Maxine Molyneux, 2008 (PDF)
www.pathwaysofempowerment.org/PathwaysWP5-website.pdf

Can cash transfers improve gender relations?

Evidence on the gender impacts of social protection interventions is mixed, with variable outcomes depending on programme design and local culture. A cash transfer project in Lesotho found complex but generally positive impacts on relations between men and women.

A mother and child receive food aid from an aid worker in Lesotho. Food aid has been the main response to humanitarian crises in Lesotho, but cash transfers are now being seen as an alternative. *Neil Cooper, Panos Pictures*

Cash transfers can be an appropriate response to both chronic poverty and emergency food insecurity. Recipients of cash or in-kind transfers are often household heads – typically men. Two common concerns are that men may spend cash irresponsibly – for instance, on alcohol and cigarettes – and that women are likely to have less control over cash transfers than food aid. Lesotho's experience shows that these concerns may be unfounded, or can be avoided through adjustments in project design.

Historically, food aid has been the main response to humanitarian crises in Lesotho. But, in response to rising questions about the effectiveness of food aid, donors and non-governmental organisations have started looking at alternatives, including cash. Research by the Overseas Development Institute (ODI), in the UK, examined the impact of the 'Cash and Food Transfers Pilot Project'- a cash transfer programme piloted by World Vision in the Maseru and Mohale's Hoek districts.

ODI analysed and compared findings from field research on cash only, food only, cash plus food beneficiaries and non-beneficiaries, to explore the impact of cash transfers on gender relations. Major findings included the following.

- Gender relations in Lesotho are closely tied to shifting employment opportunities. Many men have been retrenched from the mines in South Africa, and some women have found jobs in the textile industry, where wages are much lower. This shift in economic power and reduced household income has led to increased economic pressures and intra-household conflicts.
- During crises such as food shortages, the coping strategies of men and women differ. This often creates tensions and can undermine women's needs.
- Cash transfers appear to reduce conflicts between men and women over how money is spent within the household, but not between households. Men are more willing to give cash loans to friends and neighbours, while women tend to share food and cash with neighbours.
- Anti-social expenditure by men (alcohol and cigarettes) leads to conflict within households, but the shift from food to cash transfers did not significantly increase this.
- Managing and allocating income from cash transfer programmes is done in a very systematic way – household expenses are shared more equitably than is normally seen with wage incomes and social pensions.
- Conflicts between children and care-givers due to cash transfers are of a greater concern than gender conflicts. These are particularly acute in households where older people are taking care of orphans and vulnerable children.

World Vision's pilot project has had positive impacts on households. Although the amount of cash transferred was relatively small, generally when extra money comes into the households, it reduces conflict. As a result of the sensitisation by World Vision, the cash received is seen as a 'gift' to the entire household than to an individual. People were also made aware about how resources could be shared equitably. Although the intervention was a short-term response to drought, it could have a long-term positive effect on intra-household gender relations.

Cash transfers appear to reduce conflicts between men and women over how money is spent within the household, but not between households

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See also

Cash Transfers, Gender and Generational Relations: Evidence from a Pilot Project in Lesotho, Report from the Humanitarian Policy Group, Overseas Development Institute, London, by Rachel Slater and Matšeliso Mphale, 2008 (PDF)
www.odi.org.uk/resources/download/1922.pdf

Are cash transfers susceptible to high food prices?

Like many issues in social protection, the 'cash versus food debate' remains unresolved. Although cash appears to enjoy many advantages over in-kind transfers, the recent global food crisis has shown that cash transfers might be inappropriate in weak economies, and most cash programmes have been unable to raise payment rates in line with price inflation.

Typically, cash transfers provide just enough purchasing power to buy food and basic groceries, and perhaps make a contribution towards school fees or health costs. On both unconditional and conditional programmes there is no restriction on what cash recipients can buy. However, participants are usually sensitised about the purpose of the programme, to encourage food purchases, for instance, if the objective is to protect household food security.

The use of cash transfers to achieve food security goals raises two important questions:

- Food prices vary between global and local markets, and also within countries. So which prices should be used to set the cash transfer level?
- Prices can fluctuate due to regular inflation, seasonal cycles, or 'price spikes' associated with food crises. What happens if prices change after the cash transfer level is set?

The Institute of Development Studies, in the UK, analysed panel data on Ethiopia's Productive Safety Net Programme (PNSP), which surveyed participants and a non-participant control group, in 2006 and 2008. The PSNP is one of the few social protection programmes that delivers both cash and food transfers to participants, providing a rare opportunity for comparative analysis. Econometric methods were used to compare the impact of different payment modes.

Although the cash transfer was set equivalent to the cost of a standard food package when the PSNP was launched in 2005, Ethiopia has experienced high inflation rates, especially since 2007, which reduced the real purchasing power of PSNP cash payments relative to food transfers. This was confirmed by the current research, which also found that:

- The PNSP has had a positive effect on income growth and food security, especially for 'food only' and mixed (cash plus food) payment households.
- PSNP food recipients enjoyed higher income growth relative to 'cash only' recipients, whose income gains were partially undermined by inflation.
- PSNP participants are starting to favour food over cash transfers – between 2006 and 2008, the proportion of survey respondents who expressed a preference for food increased while those who preferred cash transfers fell.
- Food transfers or 'cash plus food' packages enable higher levels of income growth, livestock accumulation and self-reported food security.

This evidence raises important issues for global humanitarian response and social protection policy. Can cash transfers respond quickly enough to dramatic price rises, seasonality or even to regular food price inflation? Do policymakers have the budgetary flexibility to adjust cash transfer amounts frequently? What is the optimal mix of cash and food transfers at times when food prices are unpredictable?

Programme participants would benefit from receiving adjusted cash payments or extended payments during drought years, or when prices rise. But this would require a more flexible programme design, delivery and (especially) budgeting, which is extremely challenging for administrators. The PSNP cash transfers budget would have needed to treble in two years, just to keep pace with food price inflation in Ethiopia between 2006 and 2008.

Any social protection programme that aims for household food security, therefore, must buffer social transfers against shocks such as high food prices. This implies a design phase that includes:

- inflation forecasting
- assessing local markets
- building a contingency fund into programme budgets, and
- taking into account characteristics of different beneficiary groups, before choosing between alternative payment methods.

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Cash versus food transfers: advantages and disadvantages

Food	Cash
Advantages	
• Donor food surpluses are available • Immediately increases food availability • Directly addresses nutritional deficits • Can be self-targeting • Usage favours women, children, older persons • Lower security risk	• More cost-efficient than food • Beneficiaries choose what to spend on • Encourages production • Stimulates the market
Disadvantages	
• High transport and storage costs • Losses from spoilage and theft • Less easily exchanged than cash • Might discourage local production • Competes with local markets and trade	• Limited donor resources are available • Losses from inflation • Can be used for non-food consumption • More difficult to target • Usage favours men • Heightened security risk

See also

Cash Transfers and High Food Prices: Explaining outcomes on Ethiopia's Productive Safety Net Programme, Future Agricultures Consortium Working Paper, by Rachel Sabates-Wheeler and Stephen Devereux, 2009 (forthcoming)
www.future-agricultures.org/EN/publications.html

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