

HPG Background Paper

Breaking the poverty cycle

A case study of cash interventions in Ethiopia

Researched, written and published by the Humanitarian Policy Group at ODI

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About HPG

The Humanitarian Policy Group at the Overseas Development Institute is dedicated to improving humanitarian policy and practice. It conducts independent research, provides specialist advice and promotes informed debate.



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About this paper

This background paper is part of a research project by the Humanitarian Policy Group into the use of cash and vouchers in emergencies. This work seeks to assess the impact of such interventions, and examine the extent to which cash and vouchers – rather than in-kind assistance – are practical, appropriate and cost-effective. It considers the particular implementation challenges inherent in cash interventions, and how these are addressed. The project also investigates attitudes towards cash and vouchers on the part of aid agencies, donors and governments, examining institutional factors which influence the decision to use cash.

The research includes case studies from a number of countries. This case study focuses on Save the Children in Ethiopia, an agency which has been pilot-testing approaches to assessing and addressing livelihood insecurity for many years. The study reviews assistance for populations living in a perpetual state of ‘chronic emergency’ – in an environment where many households never make ends meet without external assistance, and where additional households become food insecure when faced with rain failure, conflict, market failure and the like.

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List of acronyms

AMC	Agricultural Marketing Corporation
ANRS	Amhara National Regional State
CFW	Cash for work (priority is for the works being undertaken rather than provision of cash)
CRS	Catholic Relief Services
CSA	Central Statistics Authority
CSB	Corn Soya Blend (relief food for children)
DFID	Department For International Development
DPPC	Disaster Prevention and Preparedness Commission
EC/EU	European Commission/Union
EFSRA	Ethiopian Food Security Reserve Administration
EGS	Employment Generation Scheme (priority is income transfer for food insecure households)
EGTE	Ethiopia Grain Trade Enterprise
ETB	Ethiopian Birr (the exchange rate was approximately ETB 8.5 per US dollar)
FEWS-Net	Famine Early Warning System Network
FFW	Food for work (different from EGS in that the priority is for the works being undertaken rather than provision of food)
FHI	Food for the Hungry International
FSCO	Food Security Coordination Office
GDP	Gross Domestic Product
GoE	Government of Ethiopia (Government of the Federal Republic of Ethiopia)
GoNL	Government of the Netherlands
GR	Gratuitous Relief (relief assistance provided without requiring labour exchange)
HDI	Human Development Index
HEA	Household Economy Analysis
JEOP	Joint Emergency Operation Programme
MLDP	Meket Livelihood Development Project
MoARD	Ministry of Agriculture and Rural Development
NCFS	New Coalition for Food Security
PA	Peasants Association (see kebele)
PNSP	Productive Safety Net Programme
REST	Relief Society of Tigray
RRC	Relief and Rehabilitation Commission
SCUK	Save the Children UK
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme
USAID	US Agency for International Development
WFP	World Food Programme
WVI	World Vision International

Glossary of key terms

Belg	Secondary rainy season starting around February
Bellmon	A USAID-led analysis of national food production to determine whether monetization of specific quantities of certain imported food commodities will have a negative effect on production
Dega	Altitude zone over 2,500-3,500 meters above sea level
Kebele	The level of government below woreda
Kolla	Altitude zone below 1,600 meters above sea level
Kremt	Main rainy season (starts in late June)
Meher	Harvest period Nov/Dec (cereals) and Jan/Feb (pulses) following main kremt rains
Monetisation	As used here, relates to US PL 480 Title II food aid provided from USDA through USAID. Under this system, private voluntary organisations (PVOs) receive food donated by the US government, transport it to the recipient country and sell in markets in that country. Prior analysis is required (known as Bellmon) to verify whether there is adequate storage facilities in the recipient country; and that the distribution of the commodities in the recipient country will not result in a substantial disincentive to or interference with domestic production or marketing in that country (Deloitte Consulting 2005). Funds are used to offset administrative costs and sometimes for programmes
Spot monetisation	Sale of food commodities from a donor country to local traders
Talla	A local beer
Timad	A local measurement of land: roughly 0.25 hectares
Woinadega	Altitude zone between 1,600-2,500 meters above sea level
Yerbee	Animals watched over by poor households to get a share of the offspring and by-products

Executive summary

This case study looks at cash interventions in Ethiopia. It focuses on the work of Save the Children UK (SCUK) in the Ethiopian Highlands, but also considers the work of other NGOs. The cash interventions studied are those traditionally classified as ‘relief’, but some incorporate a developmental approach. In practice, the categorisation of assistance programmes and their target group is not clear-cut.¹ The case study therefore examines the role of cash interventions both in relief and in more developmental contexts, and the interactions between them. It reviews the process through which cash interventions were designed, implemented, monitored and evaluated, summarises the impact of cash on households and the wider community, highlights key issues of concern to implementing agencies and suggests recommendations for improving cash-based programming. While the focus is on cash transfers in general, the particular situation in Ethiopia at the end of 2004 (major change in relief/food security programming) presents a unique backdrop against which cash interventions have been, and will be, implemented that merits attention.

The cash interventions reviewed in this case study come from the Highlands of Ethiopia, where a large proportion of the population fails to make ends meet year after year. The Destitution Study (Sharp et al 2003) described determinants of destitution, highlighting lack of access to key productive assets as the binding constraint that undermines destitute households’ efforts to make a viable living. The authors differentiate between the ‘labour-constrained destitute’ and the ‘working destitute’, and suggest different categories for assistance (those that promote enhanced access to assets, and those that promote more productive livelihoods). These households exist in a state of chronic emergency, requiring continual assistance to merely make ends meet, and needing additional assistance when climatic and other conditions reduce production. Under the Meket Livelihoods Development Project (MLDP), some of the assisted households were able to take advantage of cash transfers to build and exploit productive assets; further research about the household profile of beneficiaries is needed to determine who these households were and how they were able to achieve a change in livelihood patterns, while others were not. The rationale for cash relief was that cash would better enable beneficiary households to diversify income sources and build asset levels, and that the increased cash supply in rural communities would stimulate the rural economy benefiting everyone, including the destitute.

Save the Children’s cash projects have grown incrementally. Each project has been internally monitored and evaluated, and some subject to external review; the evaluations of the MLDP have been particularly useful in measuring the impact of cash. The most comprehensive data sets have come from SC project staff and consultants, and while this is a limitation to this case study it is reflective of the fact that in-depth and detailed impact information is rarely sought using other methodologies.

The advantage of cash transfers for implementers/donors includes the greater cost-efficiency of cash compared to locally purchased or imported food aid. Using two cost-efficiency analyses, cash transfers were found to be between 6% and 7% cheaper than local food purchase, and between 39% and 46% cheaper than imported relief food.

Efficiency for beneficiaries was reported through focus group discussions. First, the quicker distribution process and decentralised distribution points for cash meant that recipients spent less time and money collecting their entitlement; second, households purchased cheaper grains, spending surplus cash on other items; third, food relief entails households incurring a ‘value loss’ when exchanging their food ration for other commodities; fourth, centralised food relief incurred higher transport costs for beneficiaries than cash payments.²

Effectiveness of cash transfers was considered through impact assessment at household level. SC’s evaluations found that, when cash payments exceeded minimum needs, and when the timing coincided with critical times in the seasonal calendar, some households made strategic investments which had far-reaching consequences. For instance, cash distributed at harvest time allowed some to renegotiate contractual agreements for crop sharing for the next season. Some households purchased small stock and benefited from higher income/asset levels and social benefits (children remained at home). At the other extreme, between one-sixth and one-third of households purchased an ox (or share of a plough ox), which enabled them to plough their own land and therefore retain the entire production. The practice of renting out land also changed for poor households, with one study finding that 16% fewer households rented out land as a result of the cash intervention. These changes are significant for two reasons:

- the degree to which the livelihoods patterns of some households has been transformed, at least for now; and

¹ The conceptual debate regarding ‘acute’ vs. ‘chronic’ food insecurity is discussed in Box 1.

² With cash, households tend to purchase grain closer to home, and so costs of transport are likely to be lower.

- the scale of the change (number of households) is significant when it is remembered that target households were among the poorest.

Further investigation is needed to determine whether these gains have been sustained, to explore vulnerability to future 'shocks' and resilience, and to identify factors which enabled these households to make these decisions – compared to households that did not. Moreover, further research is needed to determine how non-beneficiaries have fared – particularly those who used to 'rent in' land: has the gain for the poor merely been achieved at a cost to the better-off, or have the better-off benefited indirectly from opportunities presented by an increased circulation of cash in the local economy?

Other benefits included an improvement in dietary diversity, improved caring practices, and improvements in access to social services – with more families reporting sending their children to school.³ However, one assessment also found that a minority of children had been taken out of school in the intervention year. The evaluation team identified two causal factors: first, the faulty EGS targeting policy (see Box 3: Exclusion inherent in EGS guidelines); second, that the phenomenon occurred during critical agricultural periods as labour-poor households who were cultivating land on their own for the first time made up for lack of adult labour.

Over the history of SC's cash projects, the potential disadvantages usually anticipated for cash interventions were rarely noted. These risks include excessive control or misuse of cash received (men wasting it on alcohol was a concern), corruption among implementing agents, and excessive increases in the price of staple foods. In fact, few problems related to intra-household disputes over cash were reported, and those that were were resolved within communities. In fact, spending on alcohol consumption (e.g. *talla*) was reported to have gone down as the short time for distribution of cash markedly cut the time spent waiting around in markets – where most *talla* sellers are found. Households consistently received the cash they were entitled to (an improvement on food relief where the ration is usually shared with non-targeted households), and no corruption in cash disbursement or accounting was identified: financial systems were designed with accountability in mind. Prices for wheat and other cereals increased, but the prices were not deemed excessive and beneficiaries requested continuation of the programme. The MLDP project anticipated an average consumer grain price of ETB 1.7 per kg and the threshold price for 'contingency' action was ETB 2. In Mekete the average⁴ price of grain turned out to be ETB 1.8 per kg, with wheat averaging ETB 1.9 per kg and sorghum ETB 1.7.

³ Change in access to health care was not measured as quality of service influences the decision to seek health care.

⁴ Jan-Dec 2004.

The 'multiplier effect' of cash on the wider economy received less attention in programme design and monitoring. However, visits to *woreda*⁵ markets revealed an apparent increase in the number of traders operating there, and an increase in volumes traded. Some 'older' traders reported reduced profits as a consequence of the new competition, but an additional contributory factor may have been the lower profit generated by the commercial grain trade compared to the relief grain trade. Information on positive impact on local production and production in surplus areas was not routinely collected, although one study noted no change among beneficiaries in investment in agricultural inputs or veterinary drugs (SCUK 2005a). It could be that such changes – as well as possible increase in area planted and production retained – may come during the course of the 2005/6 production season. Monitoring systems which measure impact on the wider community, on traders at all levels, and on producer areas are needed to evaluate these kinds of multiplier effects.

Delays in cash disbursements were noted in several projects, including the MLDP. While initial delay is a feature of all programmes requiring tripartite approval (NGO, government and donor), subsequent delays in disbursement appear to be a feature of cash interventions rather than food interventions, because of the distribution and targeting systems and tighter monitoring and accounting systems. Key activities where delays can creep in are listed in Table 5: Administrative and financial systems: activities and potential for delay. To some extent, systems could be rationalised to require, for instance, fewer staff in observer/verification roles (e.g. during cash distribution) and increasing community participation. Other factors which are beyond the control of the programme include lack of rural banks and inadequate government staff at *woreda* and *kebele* levels.⁶ Delays in the disbursement of assistance to beneficiaries are avoidable, unacceptable and risky for beneficiaries in cases where coping strategies are limited and assistance is set to meet minimum needs only. A certain level of financial risk is inherent in any programme and systems need to consider equally risk for beneficiaries if there are long delays in cash assistance.

Agencies managing cash relief in Ethiopia tend to incorporate strong systems for monitoring the implementation aspect of cash interventions, but are weaker in terms of monitoring impact at household level⁷ and on the wider area. Save the Children has made efforts to monitor and evaluate the impact of its projects, with regular monitoring of markets, traders and beneficiaries. Less attention has been paid to non-beneficiaries, and this should

⁵ The *woreda* is the lowest level of government at which all (or most) government bureaux are represented, similar to 'district'.

⁶ *Kebele* is the structure closest to what is elsewhere known as 'village'.

⁷ Many agencies monitor what households do with their cash (% spent on different items), but they do not measure the implications of this for livelihoods.

be an area of focus in the future if the changes identified in Meket are found on a larger scale. Impact on households is one of the most complex aspects of evaluation and the MLDP was subject to three separate evaluations which each took a different approach. In fact, the three evaluations complement and corroborate one another in terms of methodology and findings. However, to date no final reports are available. A rationalising of monitoring and evaluation would be useful to facilitate triangulation of data sources, to increase confidence in the data, and to optimise use of field research to inform programming. Impact assessment requires both quantitative approaches, which measure the extent of change (and this requires information on household income and expenditure), and qualitative approaches, which explain the dynamics and implications of change. Market monitoring needs particular attention, with efforts to integrate government and NGO market monitoring systems to avoid duplication, inconsistency in approaches and omission. Baseline market information should include data on trading capacity at all levels where a change is expected resulting from the intervention. This therefore includes *woreda* traders, as well as small-scale traders within communities, who might be encouraged to start trading when villagers have greater purchasing power. NGOs should consider a role in market monitoring – perhaps supporting the government to analyse, share and use market information for programming decisions, rather than creating their own data sets and taking on responsibility for market monitoring and analysis.

The value of the transfer is an important issue. With food relief, the value should meet *only* the deficit faced by the household. With cash the value can be set at filling this gap, or providing *additional* resources aimed at asset replacement or creation. Earlier SC projects distributed cash equivalent to the value of the household 'food deficit'. The MLDP – which had more ambitious goals – distributed a larger amount of total assistance per household (in comparison to need) than before, distributing seven months' assistance in what was a relatively good production year (2003/4).

Save the Children's interventions have shown that, where the transfer is set at 'filling the food gap', households find little scope for much else. The MLDP achieved major change for poor households largely because of the relatively high amount of cash paid to poor households (surplus to the food gap). The government of Ethiopia's 2005-2009 food security programme (of which the Productive Safety Net Programme (PSNP) is a key component) aims to reduce vulnerability and attain food security for approximately five million chronically food-insecure households through food and cash transfers which will be equal to the 'food gap'. If the programme is to achieve the impact anticipated, provision of the additional components of the food security programme (livestock interventions, seed, fertilizer etc.) to PSNP

beneficiary households will be necessary. Alternatively, this study suggests that providing cash for these other items where the market is strong would allow greater choice and potentially a greater chance of success. Assumptions that the 'provision of [cash] grants rather than food will enable small-holder farmers to purchase inputs (e.g. fertilizer)' (World Bank 2004) seem unfounded if the cash value is for the 'food gap' only.

Thus far, NGO-led cash interventions have mostly been small-scale. Most NGOs play a major role, with a minor role played by government (in some cases the role of government was facilitative or was for observation/verification). The scale has been small because of the relatively limited funds available for cash interventions, because of the limited capacity of NGOs to manage larger-scale projects, and because of a reluctance to expand too quickly.

Deciding what transfer is the most appropriate is a major challenge, and in Ethiopia the relatively weak *woreda* committees are expected to make this decision. While donors will undoubtedly retain an influence, the *woreda* team is tasked with analysing the context to come up with the recommendation. While there are key criteria that can help in this process (see Chastre & Levine 2004), the challenge for Ethiopia lies in the difficulty of anticipating a future outcome when nothing of this kind has taken place on the scale foreseen. Pilot projects so far have demonstrated no significant adverse impact on prices on a small scale, however most pilots have been implemented alongside food transfers in neighbouring areas, and relief grain has usually been available in markets. Large-scale cash distribution – with a concomitant and simultaneous reduction in food relief – could result in increased consumer prices.

Strategies to minimise the risk of consumer price inflation need adequate consideration. Monitoring systems which are able to detect early signs of problems are critical if timely interventions are to be successful in remedying the problem early on. Preparatory work should include: comprehensive market analysis throughout areas of intervention (including supply areas); identification – at regional and *woreda* level – of likely scenarios; fixing locally appropriate 'triggers' for contingency (price, supply); and identifying and planning effective strategies to address any problems that occur. Strategies to address inflation of consumer grain prices should include not only the option of shifting from cash to food relief (the most commonly considered option), but also provision of support to traders to help them shift the grain, local purchase and perhaps spot monetisation⁸ (see Deloitte Consulting 2005, which briefly discusses this option as part of the PSNP).

⁸ Spot monetisation is a localised variation of monetisation. Monetisation (relating to US government PL 480 commodities) is the selling of donated food commodities within a recipient country.

Under the new 'safety nets' programme (PSNP), the government is driving a considerable expansion of cash-based assistance. Partnerships are critical in such a complex and ground-breaking programme. The PSNP, led by the Food Security Coordination Office (FSCO), would benefit from greater involvement of key line departments – notably the bureau of Agriculture (particularly the grain marketing section) and the bureau of Trade, Industry and Urban Development, as well as private trading networks (e.g. the Ethiopian Grain Trade Enterprise).

Capacity: the joint donor-government appraisal mission conducted in September 2004 to determine readiness highlighted a number of key areas of concern. These were: financial management systems, monitoring and evaluation, implementation capacity, procurement, linkages and questions about cash transfers. Considering that the financial management system for cash was a challenge even for a joint NGO/government cash project (see Table 5), the decision of most donors to provide all funds directly through the government means that the role of NGOs will be limited to capacity-building on request, rather than management support. NGOs cite this as an area of concern, notwithstanding the low targets for success.⁹ Other weaknesses include market monitoring and analysis, and very little adequate livelihood baseline analysis to guide interpretation of monitoring data, programme design and targeting.

The best strategy in cash interventions is surely to err towards caution in estimating market potential and the capacity to implement, to start in areas where success is more likely (access to markets, capacity to implement) and to incrementally scale up and expand in other areas. A smaller-scale first year (say with 20% of *woreda* distributing cash) would be a sensible way of proceeding, such that the pilot scale would implement and at the same time test finance and administrative systems, assumptions and monitoring systems, develop capacity and identify areas for expansion. Well-planned and implemented cash interventions have been shown to result in advantages for households and implementing agencies. The minimum requirements for implementation should not be under-estimated: skills and knowledge; prior experience of cash interventions, flexible, tight and efficient administrative and finance systems; resources; and sufficient lead-time to allow for staff development and establishment of systems and protocols.

In summary, the findings of the MLDP evaluation have particular relevance for Ethiopia. First, the evaluation highlighted the importance of the timing of cash relief – both in helping households meet minimum expenditure needs, and facilitating the strategic use of cash to address structural constraints. Related to this is the issue of 'graduation'. At what point are households said to have

'graduated' out of chronic food insecurity – such that they no longer need the cash assistance. The government of Ethiopia anticipates removing beneficiaries from safety net assistance (food or cash relief) when they are able to meet their basic needs (although this is not defined); at this point the household becomes eligible for 'productive' household packages that enhance crop and livestock production. After building assets, the household would be removed from this assistance as well. Around one-sixth of the MLDP beneficiaries managed to progress directly to the attainment of asset levels sufficient to be withdrawn from both relief and food security assistance interventions. Save the Children argues the need to continue supporting the same beneficiary group for a period of three years to ensure that benefits are sustained, rather than risk losing them with the first difficulties of the subsequent year. Ultimately, 'graduation' from both the relief programme as well as other food security programmes should be only upon achievement of 'sustainable livelihoods'. More attention to analysing what defines sustainability in Amhara region is needed before households are removed from beneficiary lists.

Second, delays were an inherent part of cash interventions due to a number of factors: (i) excessive bureaucracy in admin-finance systems caused small delays which, when accumulated, led to relatively lengthy delays in disbursement – therefore admin-finance systems need to be devised which both enhance efficiency and enable timely detection and correction of any incidents of corruption and mismanagement; (ii) the absence of rural banking networks in food-insecure *woreda* is a constraint to efficiency that could be addressed in the future – cash distribution on a larger scale is likely to increase demand and potential for rural banking services; (iii) capacity constraints were present even in Meket *woreda*, where the cash programme has been running for several years. Capacity constraints include: weak analysis of food insecurity, risk and vulnerability and therefore difficulties in determining appropriate response for different categories of households; the weakness in monitoring and analysis of local and regional market performance; and inadequate numbers of staff – and high turnover – at *woreda* level.

Third, the resettlement programme (which forms part of the government's food security strategy) has as its main objective 'to enable up to 440,000 chronically food insecure households attain food security through improved access to land [through] voluntary resettlement' (GoFDRE 2003b). While there are no specifications in the resettlement document (GoFDRE 2003b) on who, precisely, constitutes the 1 million 'food insecure' households in Amhara region expected to volunteer, the MLDP has shown that some of those who might have been targeted (long-term beneficiaries of food relief) can be assisted to exploit the land that previously they had been unable to farm if given cash of a sufficient value and at a specific time.

⁹The target for the proportion of *woreda* presenting 'accurate and complete financial reports' is 50% (World Bank, 2004).

Chapter 1

Background and context

This case study is part of an HPG research project looking into the use of cash and vouchers in emergencies. It focuses on Save the Children in Ethiopia, an agency which has been pilot-testing approaches to assessing and addressing livelihood insecurity for many years. The study reviews assistance for populations living in a perpetual state of 'chronic emergency' – in an environment where many households never make ends meet without external assistance (Sharp et al 2002), and where additional households become food insecure when faced with rain failure, conflict, market failure and the like.

The case study field research was conducted over a period of three weeks in November and December 2004 by a consultant ODI research associate, an ODI research fellow and Save the Children's Emergency Manager. Methods included secondary data review and key informant (KI) interviews. KI interviews were conducted with project and partner staff in Meket woreda, with grain and non-food market traders in several local markets, with government representatives (at the regional level in Bahir Dar and at

federal level in Addis Ababa) plus donors and NGO representatives in the capital. Additional information was gained from a workshop with NGOs involved in cash programmes. This workshop aimed to gather as much information as possible about the experiences of cash interventions of other NGOs working in Ethiopia. The case study coincided with an external evaluation commissioned by SCUK (Aklu & Haile Kiros, 2005) and with the analysis of results from the Meket Livelihood Development Project (MLDP) team's impact assessment (a quantitative survey and focus group discussions) (SCUK 2004e). The ODI study benefited also from the recent publication of a report on the impact of cash on caring practices (SCUK 2004d). This case study draws on all three of these evaluation reports.

1.1 The relief context in Ethiopia

Figure 1 shows Ethiopia's main regions, a sub-division which roughly follows ethnic boundaries. North Wollo is marked on the map in the eastern part of Amhara region – in the Highlands.

Figure 1: Map of Ethiopia



Source: WFP Vulnerability & Mapping Unit, Addis Ababa

Ethiopia is characterised by a diverse agro-ecology and climate. The highlands are temperate, while the lowlands vary between temperate and tropical. A significant proportion of land is mountainous. The rift valley and its mountain cross the centre of the country from north to south.

The population is estimated at 69 million (84% rural) with an annual population growth rate of 2.7% (UNDP 2004). Per capita GDP was around \$110 in 1997, but by 2001 had fallen to \$100 (World Bank 2002). The 'Destitution Study' (Sharp et al (2003)) attributed this level of poverty to the high dependence on low input, low output and shock-prone agriculture among rural households. Ethiopia has a skewed distribution of annual household income, with about 44% of the population living below the poverty line. According to UNICEF's *State of the World's Children Report 2004*, 47% of young children in Ethiopia are underweight and 52% are stunted. Ethiopia ranks number 168 out of 173 countries in UNDP's Human Development Index (UNDP 2004). Life expectancy at birth is 44.5 years, adult literacy is 41.5% and per capita GDP is \$780. Poverty is widespread and exacerbated by HIV/AIDS.

Agriculture, which is the mainstay of the economy, contributes about 45% of national GDP, with some 84% of the population earning a living directly or indirectly from rain-fed agricultural activities – only 2% of the total arable land is irrigated. The sector is also plagued by pests and disease, soil erosion in the highlands and low input use which brings high variation in annual agricultural production. While production is a problem in some areas and with some crops, in others production is good. However, national food security is hampered by the weak market system – or perceptions of a weak system. However, prices following the above-average 2000/2001 *meher* harvest fell to a seven-year low. A FEWS report (Asfaw 2001) attributed this to a number of factors: low purchasing power; farmers forced to sell more at lower prices to pay off loans; substitution of cash crops with maize; risk-averse traders lacking financing; food relief; and reduced national capacity for regulating grain prices.¹⁰

The national economy registered a growth rate of 6.5% following the government's economic recovery project in 1992. Multi-year droughts, conflict with Eritrea and the toll of HIV/AIDS have, however, prevented economic progress in recent years. Factors related to the land tenure system coupled with high population growth have remained concerns because of negative influences on rural agricultural economies. As a result, Ethiopia has imported on average 700,000 MT of food aid per year over the last 15 years to meet the food needs of an estimated 6.2

million chronically and acutely food insecure people (GoE 2003, chapter 1). Overall, food relief has been increasing in Ethiopia (FAO/WFP 2004).

The nation has a history of food insecurity, with famines occurring often through a combination of several factors (for instance rain failure and conflict). The government's early warning and response system has provided food relief to help people make ends meet, assisting those who are acutely food insecure as well as the destitute. Chronically food insecure households (approximately 10% of the population) are assisted under the Food Security Coordination Office (FSCO), while additional cases of transient food insecurity will be managed by the Disaster Prevention and Preparedness Commission (DPPC). The DPPC deals only with emergency food provision and the logistics for the food transfer under the PSNP; the FSCO will manage cash transfers. See Box 1 below for a discussion about terminology relating to food insecurity.

1.2 The policy environment

Over the last ten years, the government has been engaged in various policy, strategy and project reformulation activities. The 'Poverty Reduction and Sustainable Development' project, 'Agricultural development-led industrialization', the 'Food Security Strategy' and rural development policies and strategies have brought about the establishment of a coalition of government and development partners in taking forward national development.

The core agenda for this national coalition is food security. The food security proposal's goal is a major turn-around in the food insecurity challenges within three to five years. The main sources of food insecurity identified include recurrent drought, limited sources of alternative incomes, population pressure, limitations in technology, lack of product diversification and market integration, limited capacity in planning and implementation, environmental degradation and limited access to credit. The document also specifies the requisite enabling environment to achieving objectives – availability of food, access to food, health and access to land (GoE 2003a: 45).

Long-term national development efforts include civil service reforms within a process of decentralisation. The civil service reform intends to promote the principles of federalism and democracy, while the decentralisation process is opting for power and financial devolution to the regional governments to enable them to implement the economic policies and development projects through *woreda*. The *woreda* is the ultimate target for the empowerment process.

The Productive Safety Nets Programme (PSNP or 'safety nets' for short) (GoFDRE 2004) (a new programme due to start in 2005), and the resettlement programme (GoFDRE

¹⁰ Largely because of the demise of the Agricultural Marketing Corporation (AMC) and its replacement, the Ethiopian Grain Trade Enterprise (EGTE), which used to have a major role in market intervention to stabilise prices. The number of local grain purchasing centres across the country has fallen from 2,013 to 80 (Asfaw, 2001).

Box 1: A note on food insecurity terminology

The use of terminology which classifies food insecurity – and interventions to address the different classifications – is the subject of much debate,¹¹ particularly in Ethiopia in early 2005. It is important to consider here because analysis of types of food insecurity should shape intervention design such that root causes, not just the symptoms, are addressed. This debate is therefore relevant for cash interventions. The distinction usually hinges on whether food insecurity is ‘chronic’¹² (and associated with structural constraints such as a fragile ecosystem, unproductive and inadequate land, labour poverty) or ‘transitory’ (temporary inability to maintain consumption in the face of a ‘shock’). An additional dimension is the degree of severity of the ‘shock’. In Ethiopia, classification of households as one or the other presents a challenge for relief agencies because the needs assessment process merely calculates the deficit in production compared to consumption needs for a given population. Moreover, this figure comprises two elements which are difficult to differentiate: numbers with a deficit, and duration of the deficit. A further complication is the task of identifying households (e.g. in the absence of an asset survey) as the beneficiary numbers calculated for the *woreda* say little about targeting within each *woreda* and *kebele*. In theory, there are some households who require their ‘usual’ relief allocation plus an (unspecified) additional few months, and others who require only an amount to meet the deficit from the current ‘shock’. Food relief often attempts to provide assistance for the poorest for longer than for the ‘less poor’. However, the practice of spreading the food distribution wider than the targeted number undermines any attempt to target according to need. The MLDP broke from this practice by providing cash for the same duration for all beneficiaries.

In the past in Ethiopia, all types of food insecurity – identified through the annual assessment and appeal process – have been assisted with food relief. In the future the ‘chronically food insecure’ will be addressed either through cash or food transfers through the safety net programme, whereas the ‘transiently food insecure’ will be assisted through the DPPC’s relief structures with food relief only.¹³ Again, identifying households as one or the other will be a challenge.

2003b) are two elements of a broader national food security programme (FoFDRE 2003a). These address the problem of chronic poverty. Under the multi-annually-funded PSNP, the government proposes to help food-insecure households to meet their basic food needs mainly with cash but also with food assistance. The primary target

group of the PSNP is resource-poor households vulnerable to shocks, who fail to produce enough food even in normal years. An estimated 5.1 million people¹⁴ will be addressed in 264 chronically food-insecure *woreda* in non-pastoral areas.

The resettlement proposal is aiming at resettling up to 440,000 chronically food-insecure households over three years from areas where land is limited and of poor quality to areas with surplus arable and fertile land. In 2002/3, about 45,000 households were resettled in Amhara, Oromia and Tigray regions. Voluntarism, availability of underutilised land, consultation with host communities and proper preparation are the four major pillars of the programme, which targets the regions of Tigray, Amhara, Oromia and Southern Nations, Nationalities and Peoples (SNNP) (GoE 2003b: 5–6).

1.3 History of assistance for vulnerable populations

The history of early warning in Ethiopia goes back 30 years. After the 1974 famine an inter-ministerial working group recommended the establishment of an early warning (EW) department within the then Relief and Rehabilitation Commission (RRC). Donors provided strong support at the establishment phase, but funding was cut considerably as donors disagreed with the policies of the socialist *Derg* regime. In the famine of 1984/85, early donor response was limited.

Until the National Policy on Disaster Prevention and Management (NPDPM) was formulated in 1993, EW data were used to provide information to the government, donors and NGOs to guide relief provision. Around the mid-1990s, the Disaster Prevention and Preparedness Commission (DPPC) replaced the RRC and established and led the multi-agency annual needs assessment and appeal process. This strengthened the government’s capacity to provide timely responses in case of harvest failure. The Emergency Food Security Reserve Administration (EFRSA) was also established to strengthen the emergency preparedness capacity of the DPPC.

Needs assessment in Ethiopia is done through a number of assessment methods. Crop production data comes from two government sources: the Ministry of Agriculture (through the Development Agents (DAs) and the Central Statistics Authority (survey teams)). Amhara region’s Bureau of Agriculture decided to use the CSA statistics for the first time in 2004/5 because the CSA’s methods are considered to be more scientific than their own. With any method, however, there are potential sources of error – e.g. the inaccuracy of data on area of land cultivated is a limitation of any approach. Regardless of the source of

11 See Frankenberger (WFP, 2003) for a review of definitions, assessment approaches and interventions for the different classifications.

12 See Sharp et al 2003 for a description of destitution in the Ethiopian highlands.

13 World Bank, Ethiopia, pers. comm..

14 As at December 2004 (source: USAID).

data, relief figures are derived from subtracting the consumption needs of the population from the national production – the difference is the deficit estimate. Critics of this approach have argued that off-farm production is inadequately considered. In some *woreda*, officials try to accommodate an estimate for off-farm production – e.g. income from livestock sales being important in livestock-producing areas – but this is neither rigorous nor standardised. Income from off-farm activities such as casual labour, petty trading, livestock products and livestock sales is often underestimated.¹⁵

Because of the methodological problems in assessment and a focus on production rather than access, there has been a *de facto* emphasis on food relief as an intervention to fill a food gap. This problem is ascribed to the ‘food-first bias’ linked to use of a ‘food availability decline’ model for food security analysis (Sen 1982, Lautze et al 2003¹⁶). The dominance of food distribution agencies in the annual appeal process (DPPC and WFP) is a further factor in the dominance of food assistance as an intervention. While the entitlement theory of food insecurity (Sen 1982) has gained considerable ground in Ethiopia, the term ‘food relief’ (rather than ‘relief assistance’) continues to predominate in annual appeal documents.¹⁷

In early 2004, the government of Ethiopia was restructured.

15 The methodology is under review by the DPPC, supported by SC and other agencies (FEWS-Net, WFP) to try to incorporate other livelihoods information into the calculation. The scale is a major constraining factor in improving the methodology.

16 Lautze et al. (2003) argued that ‘leading humanitarian agencies in Ethiopia theorize famine as the outcome of food shortages leading to starvation. Termed a “food first bias” this has been the prevailing model of famine theory in Ethiopia since the 1970s’.

17 For instance, the 2004/5 appeal document gives details on food needs and continues to refer to ‘food requirements’ for the needy population.

The new structure combines the previously distinct sectors of agriculture and rural development, and the new, more powerful Food Security Co-ordination Office (FSCO) is better placed to address chronic food insecurity. The DPPC retains responsibility for addressing transient food insecurity. The government’s Productive Safety Nets Programme for 2005-2009 (PSNP), under the FSCO, calls for cash to be provided for approximately half of all relief beneficiaries – on a national scale.

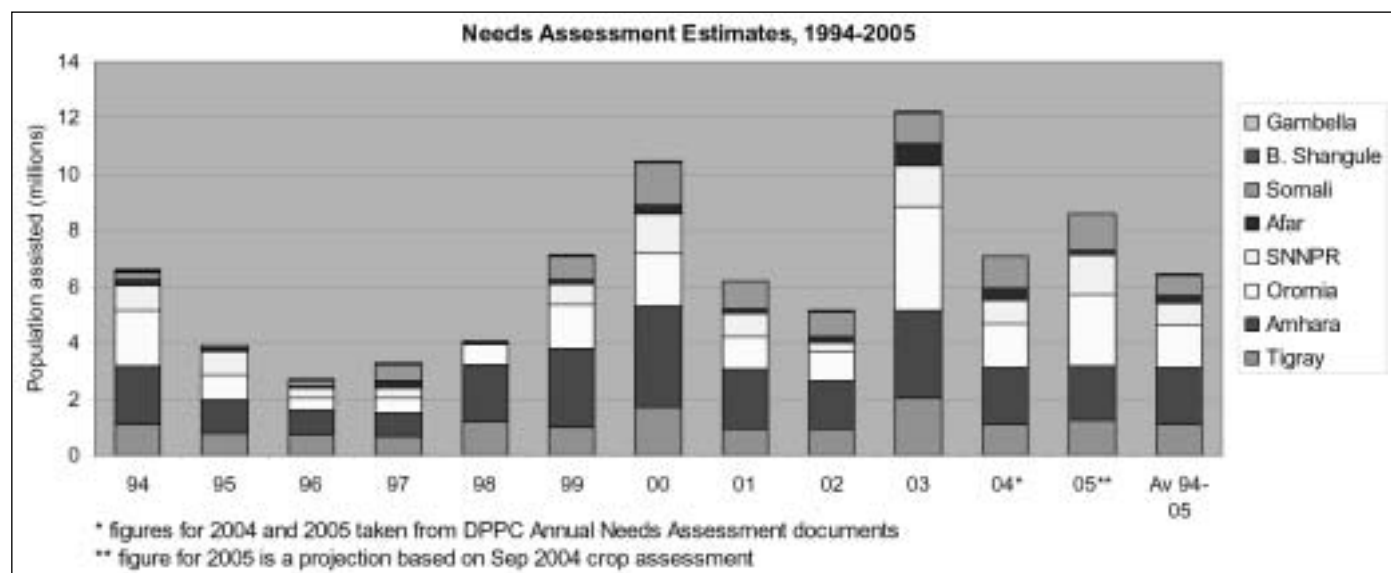
Ethiopia’s relief-assisted population has been extremely high in recent years – in 2000 (following the drought of 1999/2000) and in 2003 (following the drought of 2002/3).

Figure 2 shows the relative distribution of food insecurity among the different regions of Ethiopia. On average, the population classified as needing assistance has been around 10% of the national population.

A large part of the population has been assisted on a continual basis year after year, but only with the 2004/5 harvest has the DPPC disaggregated the figure into those who are chronically food insecure and those who are transiently food insecure. While the task of quantifying and distinguishing these two categories is problematic, donors have welcomed the initiative as an indication of the government’s recognition that a high proportion of those dependent on relief need a different approach if they are to ‘graduate’ to becoming food secure in the future.

Until now, assistance for the chronically vulnerable population has been almost entirely in the form of food and is described as food relief or food aid. This assistance has been distributed through various mechanisms: GR, EGS, FFW (see Box 2 for an explanation).

Figure 2 Population in need of relief assistance, Ethiopia, 1994–2005



Box 2: Safety net assistance options in Ethiopia

Gratuitous Relief (GR) is the term used for those who are unable to participate in public works for reasons such as ill-health, old age etc.

Employment Generation Schemes (EGS) are those public works projects which satisfy the dual objectives of providing assistance to the needy, while at the same time creating/rehabilitating community assets (avoiding provision of free relief to avoid what is perceived to be 'dependency')

Food for Work (FFW) or Cash for Work (CFW) are untargeted or self-targeted community asset-building and income-enhancing projects which provide payment in return for labour. These can be undertaken at any time of the year, they cost more, require more capital inputs, and are better supervised. This is because the main objective is to build high-quality physical structures, rather than to assist the vulnerable. The payment rate is usually higher, the work is not restricted to certain members of the community, and there is no ceiling on the amount of work a person or household can do. FFW/CFW projects are outside the scope of this study.

According to government policy, past beneficiaries have been those affected by natural and/or man-made disasters, and who cannot subsist without external assistance.

Until recently, government guidelines stipulated that, of the 'chronically vulnerable' households assisted through these projects, no more than 20% should be 'gratuitous relief' beneficiaries, and at least 80% should be assisted in return for labour (EGS). However, in practice the proportion assisted varies from area to area. In most cases, the proportion of beneficiaries receiving GR is higher than 20%. See Box 3 for a critique of the inappropriateness of the 80:20 rule for targeting.

Beneficiaries are supposed to receive a monthly food ration (or cash equivalent) for each member of the household for a number of months, determined by the multi-agency assessment team. The general food ration varies, but if resources permit, it comprises 15kg of cereals, 0.5kg oil and 1.5kg pulses. In practice, the non-cereal foods are often not provided. The food ration is further revised during distribution – when it is common practice for the individual ration to be reduced to allow a greater number of people to benefit. Hence, 12.5kg or less of cereal is provided per person, rather than 15kg, and the number of people benefiting per household may be limited arbitrarily. An SC study noted targeting inconsistencies from month to month, reporting that only 40% of beneficiaries in a North Wollo *woreda* were 'consistently assisted' during the four months of the intervention period. Inconsistency arose from changing the number of household members who were

Box 3: Exclusion inherent in EGS guidelines¹⁸

The 80:20 rule (80% of beneficiaries receive rations only in exchange for labour; 20% – incapable or unavailable for work – are eligible to receive it gratuitously) is stipulated in EGS guidelines. In practice, it is impossible that 80% of any population – let alone the poorer sections of society – can be available to work: children under 18 years make up about half of the population; nursing and pregnant mothers, the elderly and the physically and mentally impaired may constitute a further 25% of the total population. In reality, therefore, the proportion of those able to work compared with those who need gratuitous relief is more like 25:75, almost a reversal of the EGS policy ratio.

This error has created a major problem for households classified as 'EGS'. If they are to receive the ration equivalent to their household size, the able-bodied adults are required to make up the household's work quota. If not, the household is denied its full entitlement. It appears that many stakeholders are unaware of this.

It should be noted that this problem is related to both cash and food distribution programmes.

assisted from month to month, or substituting another family from the one on the list (SCUK 2004b). Guidelines for planning and implementing EGS in the past have also limited the number of people who could be assisted in a household to around five, putting larger poor households at a disadvantage. Moreover, several studies have shown that the food saved through allocating smaller rations than planned to beneficiaries goes to middle-income households who should not qualify (Adams 2004; King 2004).

Relief has historically been tied to public works programmes, such that food-insecure households benefit from the relief and the wider community benefits from more productive environmental resources. Community asset creation is often considered to be a critical aspect of efforts to rescue people from poverty. Some agencies¹⁹ claim that it is the community asset itself that leads to 'graduation' out of poverty, and the choice of food or cash as an assistance option is inconsequential. Other agencies argue for cash transfers to complement community asset development, because the additional purchasing power stimulates trade and brings greater economic impact.

1.4 Relief and cash in Ethiopia

Cash interventions in Ethiopia are not new. SOS Sahel ran an employment programme starting in 1992 in Koisha *woreda* which provided cash for work (1995, 1997 and 1998) and food for work over seven years. However, the agency's

¹⁸ Source: Melaku (2001).

¹⁹ Such as WFP Addis Ababa (pers. comm.).

detailed evaluation showed that neither food nor cash transfers were successful in reducing poverty in the *woreda*.²⁰

Apart from this experience, cash interventions on a significant scale have been largely ignored in Ethiopia. Food distribution has continued to dominate both relief and development interventions, and cash transfers make up a very small proportion of the total relief assistance in Ethiopia. Certainly the weak market infrastructure has been a common concern in addition to a 'food first' bias in needs assessment and implementation.

Since 2001, several donors have been arguing for a new approach to relief and food security programming. A key problem has been the 'merry-go-round' (USAID 2001) of the annual appeal process – that has largely met acute needs but has achieved little in terms of poverty reduction. The issue of cash as an alternative to food relief has been considered, but many donors have been unable or unwilling to consider it on a significant scale. The agency's Ethiopia office demonstrated its interest in testing a cash approach by providing \$4.4 million to fund cash pilot projects in 2003 (SCUK, CARE, World Vision and Ethiopian Orthodox Church). These projects were positively evaluated last year (Brandsetter 2004).²¹ However, as USAID's own Addis Ababa staff point out in frustration, a change from food to cash for USAID is impossible without a change in Washington on PL480 food aid policy.²² Other donors, which have de-coupled international aid from domestic agricultural policy (Barrett & Maxwell 2004a),

20 An evaluation (Jenden, 2002) found that, while the proportion of poor households had not changed, the proportion of the completely destitute had increased. The project was frustrated by the impossibility of securing development funding for such a programme – it was continually and unpredictably funded through emergency funds. The agency was also burdened with the responsibility of addressing chronic needs as well as scaling up to double these numbers in a drought year. Moreover, because beneficiary numbers were less than those who needed assistance, the labour was shared and targeted beneficiaries received less than intended.

21 Providing cash for relief instead of food relief using proceeds from monetised USAID food commodities was proposed by an agency in the consortium that uses monetised food aid. USAID policy prevented use of funds in this way.

22 For a useful commentary on the political background to PL480 food aid and arguments for policy modification, see Barrett & Maxwell 2004a and 2004b.

have flexibility to provide cash. Britain's Department for International Development (DFID) has funded SCUK's cash interventions since 2001, and the government of the Netherlands (GoNL) has been funding the MLDP since 2003 as part of its strategy for promoting rural economic development. The EC supports cash interventions at regional level through direct budgetary support.²³

In terms of the scale of cash assistance, cash interventions have been tested on a very small scale compared to the overall beneficiary population (see Table 1, which lists interventions in 2004 in 17 *woreda* out of a total of around 260 drought-prone²⁴ *woreda*).

NGO cash relief interventions have generally been pilot projects, targeting *woreda* with relatively good market access, and most INGOs which usually provide relief first intervened with cash only in 2004, and had not secured funding to continue.

23 The EU's cash interventions through bilateral direct budget support employ technical advisors to work alongside regional government implementers. The scale of intervention is large in terms of area covered, but relatively small (i.e. pilot scale) in terms of the proportion of total *woreda* or *kebele* distributing cash rather than food relief. The total budget is €22 million over three years for four regions, and the project includes a number of other initiatives to improve national food security. The EU has also been the major implementer of local purchase of food for relief distribution through the DPPC.

24 The number of drought-prone *woreda* varies slightly according to what measure is used to define 'drought-prone'. WFP's VAM unit has been leading an inter-agency effort to use objective indicators to classify *woreda* as drought-prone. Risk and vulnerability analysis is part of this process, although the limitations inherent in national-level analysis without adequate local-level analysis is recognised by participating agencies. For instance, the limitation of using livestock numbers to determine vulnerability stems from the fact that numbers and species carry different meanings and implications in different cultures, environments, seasons and periods of time – not to mention the difficulty of getting accurate figures for ownership.

25 CRS ran a similar cash relief project to FHI under JEOP in 2004 but no information was available. REST had an additional programme which provided cash grants for drought emergency and rehabilitation – for restocking, asset creation and water harvesting technology. Oxfam has a cash component as part of their development programme. They do not provide cash for relief, and have avoided relief food distribution as the organisation believes that it inadequately addresses chronic food insecurity. All food relief in the *woreda* is handled by an Ethiopian NGO. The EU and the World Bank have direct-support cash programmes. Many agencies had additional cash interventions as part of development programmes which provided cash for seed, livestock purchase etc. Information here relates to INGOs involved in the assistance to chronically poor households.

Table 1: Agencies with cash interventions in 2003/4

Agency ²⁵	No. <i>woreda</i>	Proportion of total <i>kebele</i>
World Vision	5 <i>woreda</i>	62 <i>kebele</i> out of 197
Ethiopian Orthodox Church (EOC)	1 <i>woreda</i>	9 <i>kebele</i> out of 47
Save the Children	3 <i>woreda</i>	104 <i>kebele</i> out of 134
CARE	1 <i>woreda</i>	7 <i>kebele</i> out of 25
FHI	3 <i>woreda</i>	9 <i>kebele</i> out of 90
REST	4 <i>woreda</i>	17 <i>kebele</i> out of 142

A meeting to share cash approaches and experiences (involving the agencies listed in Table 1) revealed considerable variation in the details of their interventions (ODI 2004). Variation was found in:

- Intervention goals and objectives (to meet immediate food needs; to enable food relief recipients to purchase a balanced diet; to protect assets; to build assets and resilience; to stimulate markets; to promote diversity in rural livelihoods).
- What factors informed the decision to undertake a cash intervention.
- How the cash ration was determined; agencies anticipated five days' work per week (with the same sum paid 'gratuitously' to those who could not work).
- SCUK followed government policy and derived the cash value according to the food ration that was being distributed (ETB 25 per month), omitting the costs of pulses and oil.
- EOC considered other food components and the cash ration was significantly higher at ETB 38.
- JEOP²⁶ partners calculated the cash transfer value from the cost of a balanced diet – and paid between ETB 5 and ETB 8 birr per day – and added ETB 4 per month to allow 'savings' (ETB 40 in total).
- CARE calculated the amount required to complement the food ration to buy a balanced diet (ETB 20 per month).
- The value of the cash ration and the average received by beneficiary households: e.g. World Vision allocated higher cash rations to small households, and also considered education expenses. Save the Children had a ceiling of nine people per household; CARE had a ceiling of 12 household members and JEOP had no limit. Standard government policy restricts the total number of beneficiaries assisted per household.
- Targeting criteria (e.g. most agencies targeted according to standard definitions of vulnerability; World Vision targeted according to prior participation in supplementary or therapeutic feeding programmes,²⁷ SC followed the government's targeting criteria for vulnerable households).
- Scale of intervention, total cash injected into the area and proportion of total *woreda* population provided with cash (SC's intervention *woreda* (MLDP) distributed cash to all *kebele* in the *woreda*; other agencies reached less. Concern was raised over the amount of cash that can be injected into an area without significant adverse price effects).
- Partnerships: all NGOs except SCUK handled the cash themselves, and government staff played a facilitative and observation role. SC's strategy focuses on capacity-building of *woreda* partners – therefore *woreda* staff had responsibility for managing the cash – including planning, disbursement and accounting.

The government's Productive Safety Nets Programme²⁸ for 2005-2009 calls for cash to be provided to beneficiaries in addition to food relief, on a national scale. The restructuring of the government in early 2004 has been followed by a subdivision of responsibilities within the PSNP and *ad hoc* emergency relief, such that the FSCO will deal with cash interventions (under the PSNP only), and the DPPC will deal with all food relief provided for chronically food insecure households under the PSNP, and for the transiently food insecure under emergency responses.

1.5 Livelihoods in Meket *woreda*

The following section includes background details on the livelihoods found in Meket *woreda*. This information is provided for two reasons: first, because it partly explains why cash was deemed to be a viable option for relief; and second, because it helps in the interpretation of impact evaluation, and in change at household level in particular. Figure 3 shows in more detail the zone of North Wollo. Meket – where cash projects have been undertaken since 2001, and since 2003 in all *kebele* – lies to the west.

Meket is typical of *woreda* which have relatively good market access, since the improvement of rural infrastructure, particularly the trunk road which runs from Addis to Bahir Dar through Dessie and Woldiya. The towns marked on the map are market towns.

Communities in Meket are predominantly *meher*-reliant, although some rely on the *belg* season as the main or secondary crop. The majority (80%) are situated in the *woina dega* (midlands) and *kolla* (lower land) agro-ecological zones, and the minority are *dega* (highlands). The major crops include barely, wheat, *teff*, beans, peas and chickpeas, while farmers in the *woina dega* and *kolla* areas also grow sorghum. An estimated 65% of cereal in the *woreda*'s main markets comes from Gojjam – a surplus-producing *meher* area west of North Wollo, on the road to Bahir Dar.

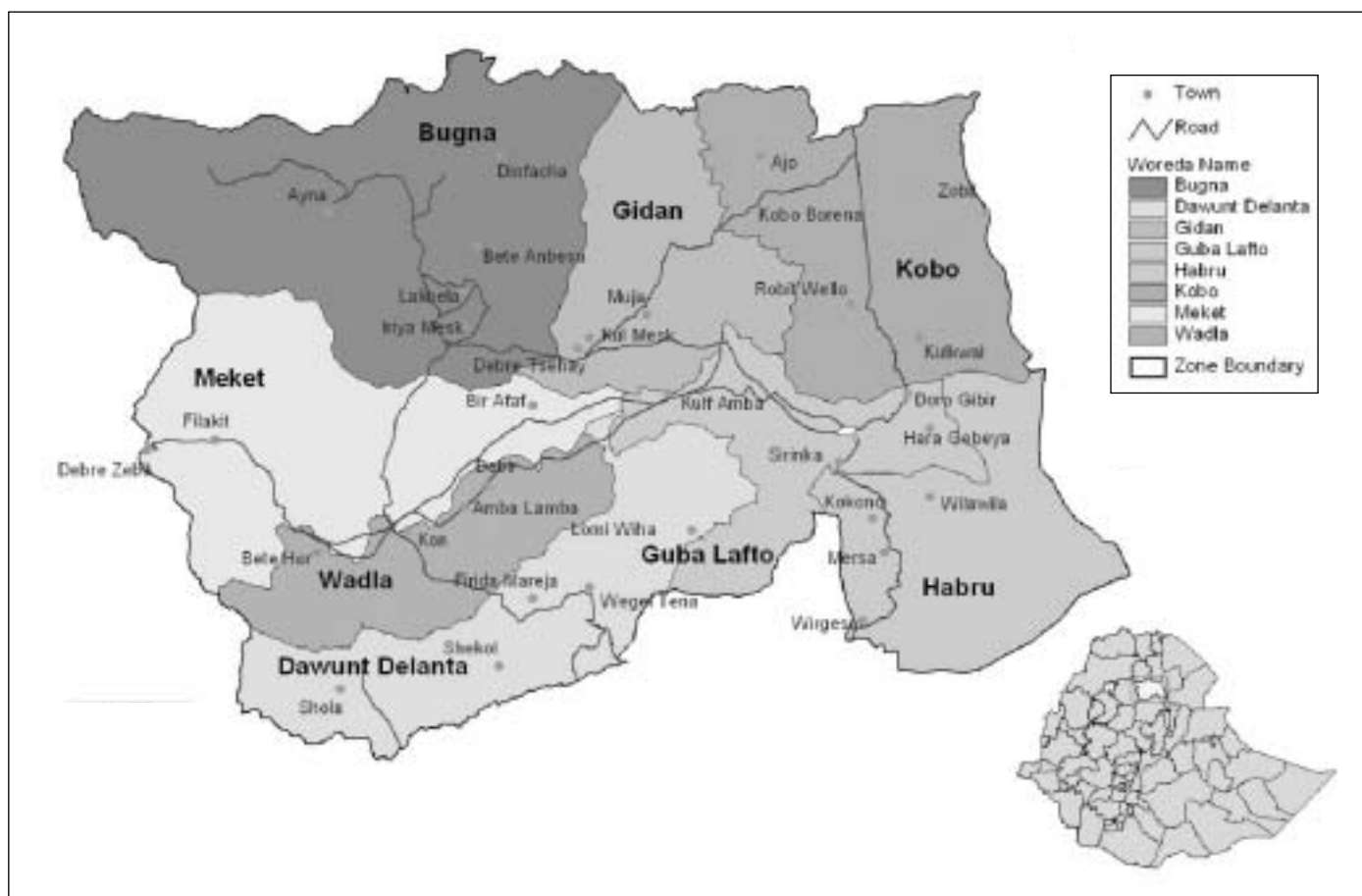
A study of livelihoods in the *woina dega* areas (Chapman et al 2001) described a *meher*-dependent community farming relatively fertile soils, with wealth defined by ownership of animals (particularly plough oxen), amount of land cultivated and the availability of household labour. It should be noted that the poor (the poorest of whom were the beneficiaries of the Meket project) owned no livestock except a few chickens. The profile of the different socio-economic groups is described in Table 2.

Ownership of livestock, household size and amount of production retained are key factors which determine whether a household is food secure – and sustainably so –

²⁶ Joint Emergency Operation Programme.

²⁷ Such a targeting policy risks excluding vulnerable households without children under five years old.

²⁸ Issues relating to the government's controversial policy of linking safety net assistance to the resettlement programme will not be dealt with in this case study.

Figure 3: Map of North Wollo zone, Amhara region

Source: WFP VAM Unit, Ethiopia.

or not. For instance, land ownership is equal regardless of the wealth of the household; however, labour-poor households are unable to cultivate the land without assistance from the better-off, and this requires the establishment of contractual agreements (see Box 4) between the better-off and the poor families. These

contractual agreements – while they prevent poor households from starving, trap them in a cycle of poverty as they lose a large proportion of their crop production to service the agreement. The middle households' production (see Table 2) shows how much can be produced and retained from a plot of land if the household is able to

Table 2: Characteristics of different socio-economic groups in Meket prior to intervention

	'Poor'	'Middle'	'Better-off'
% of population	45–50%	30–40%	15–20%
Average household size	4–5	5–6	7
Land ownership (hectares)	0.75–1	0.75–1	0.75–1
Cereal production [§]	1.5 Q	7.5 Q	10.5 Q
Oxen owned		1	2
Cows		1	2
Mother shoats		5–10	10–20
Donkey		1	1
Horse			1
Mule			1
Chickens	2–4	2–4	2–4

[§] Amount in quintals (1Q=100kg) retained after adjusting for crop-sharing agreements and seed

Box 4: Contractual agreements in Meket

The land redistribution programme in 1991 allocated land on the basis of household size. Poor households therefore have more land than they can cultivate, and richer households have less. Farming requires capital for tax, inputs, tillage and labour. Contractual agreements are mutually beneficial arrangements drawn up at the start of each agricultural year (usually in February for *Meher* areas). While contractual agreements help the poor, they also keep them in the vicious cycle of low production, borrowing and debt. The poor household gets only half the crop, effectively cultivating less than two *timad* – a plot size described as a ‘starvation plot’ by Dessalegn Rhumato (cited in Sharp et al (2001)).

The main contractual agreements²⁹ are:

- *Yekul*: a sharecropping agreement through which labour,

seed and oxen are provided by better-off households ‘renting-in’ land. The production is shared equally except the straw (which depends on who provided the labour). An initial fee, paid to the landowner to secure the agreement, is returned later. Land tax is paid by the better-off household.

- *Yegulbet*: hiring-out one’s labour for two days in exchange for the use of a pair of oxen for one day. The poor household is responsible for all other inputs, and therefore retains the entire harvest. If the household has limited labour availability it will not be able to send a migrant away for seasonal labour.

The majority of poor households reported being involved in both of the above arrangements, dividing their land into two, ploughing a portion through *yekul* and the rest through *yegulbet*.

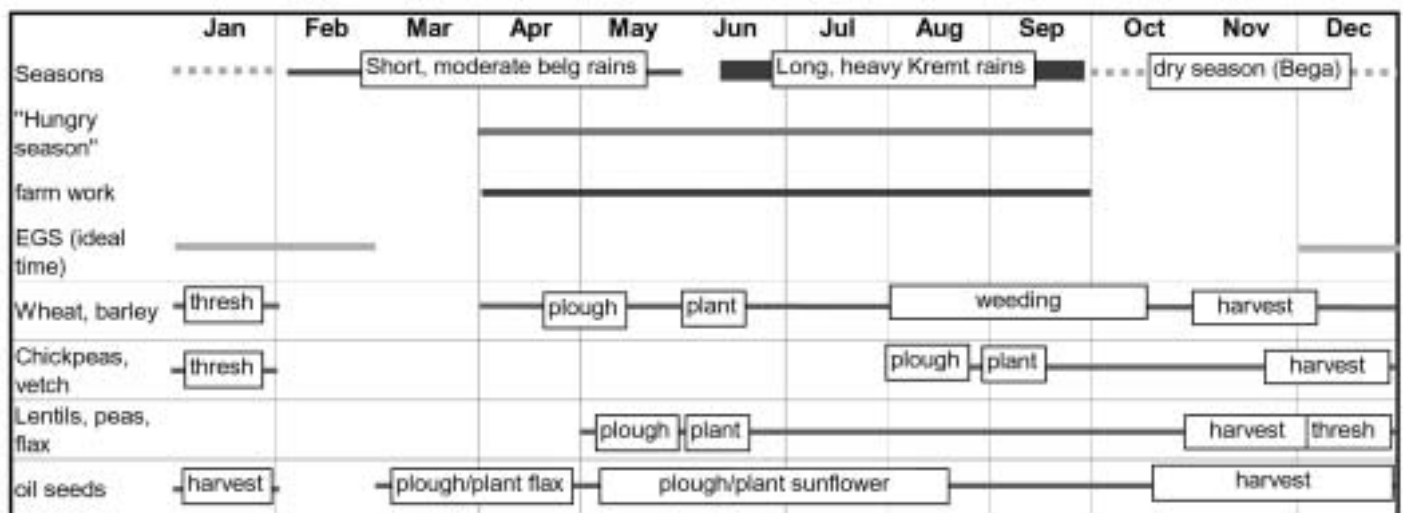
cultivate it on their own. The ‘better-off’ households’ production shows how much is gained through own-production and a share of the production of the ‘poor’ households, whose land they plough.

The seasonal calendar (described in Figure 4) shows the timing of agricultural activities in a *meher*-dependent area. It is important to note the timing of the main periods of

agricultural work – ploughing, planting and weeding (March to July for cereals). This is the period of time when farmers are encouraged to focus on their farms, and a period in which EGS is discouraged. EGS activities are encouraged during the slack period after harvest (December to March).

²⁹ Source: Chapman et al (2001), pp. 7–8.

Figure 4: Seasonal cropping calendar



Source: Chapman et al 2001

Chapter 2

Evaluation findings

2.1 SC's cash transfers

SCUK's cash pilot projects in Ethiopia aim to demonstrate the effectiveness of cash in particular contexts, and at a global level contribute to the organisation's global advocacy campaigns, which call for improved needs analysis and consequently more appropriate interventions for different contexts (SCUK 2004a; Chastre & Levine 2004). See Box 5 for the Ethiopia programme's advocacy messages.

Box 5: SC's advocacy on cash

- Cash supports local markets and acts as an incentive for surplus producers.
- Cash-based programming is more sustainable if the approach identifies and develops systems for government management of cash relief resources.
- Asset protection requires the provision of adequate relief resources, and this level of assistance provides value for money.

Why cash?

SC embarked on cash following calls by the DPPC commissioner in 2001 to consider cash. The GoE suggested that agencies 'support a gradual shift towards cash in place of food assistance where appropriate' (SCUK 2003a). A review of government policy documents notes the government's call to cease food aid imports (Teshome 2002). The federal 2002 food security strategy included market-oriented inter-ventions to 'assist in the diversi-fication of the household economy and eventually realise the transformation from subsistence farming to commercialization ... This implies shifting assistance from in-kind to financial flows and shifting procurement of food for relief distribution away from imports to domestic supply. This provides for a transition period within which food entitlements will be increasingly met by self-provisioning of food, and increased purchasing power of the food insecure themselves' (*ibid.*: 14).

As the meher harvest in January 2001 had been good, food was available across the country (Knox-Peebles 2001), and cereal prices in general were extremely low (Asfaw 2001). Hence, SCUK obtained permission to replace relief food with cash, using remaining funds from a recently completed DFID project.

Objectives of SC's cash interventions

Save the Children's cash projects have evolved since the

first pilot in 2001; the MLDP Phase II project (which was due to start early in 2005) aims to provide cash relief to vulnerable households to help them meet 'essential food expenditure' in bad years, and to invest in assets in better years; outcomes include cash transfers to 40,000 beneficiaries over three years, diversification of household economies, improved community assets, stimulation of the rural economy and changes in policy, practice and funding.

SC's experience to date

Table 3 shows the projects in which SCUK has been testing cash interventions. In 2001, the agency piloted cash in four *woreda* of North and South Wollo zones, targeting a total of six *kebele* (5% of the total number). The following year, the agency scaled up to 16% of *kebele* in four *woreda*, and in 2003, the third year of implementation, the agency targeted all *kebele* in one *woreda* (Meket) and 69% of *kebele* in another two (Sayint and Debresina). Cash interventions in 2004³⁰ targeted all *kebele* in four *woreda* in North and South Wollo.

The agency's approach to cash has been cautious yet incremental, in consideration of risk. Programme guidelines (Jenden 2001a) stipulate that pilots should be small scale in low-risk areas (close to markets, accessible for monitoring etc.). Staff were required to brief both beneficiaries and traders in advance about cash transfers, and monitoring systems should be established to consider financial management, access to food and market performance. A contingency plan is stipulated as a requirement, but the guidelines do not give details about this. Importantly, the guidelines call for transparency and openness in sharing lessons learned – both 'failures and successes'.

Project details

The MLDP phase I project incorporated a number of components. These included cash relief, public works, micro-projects³¹ and advocacy. A study on nutrition was included to determine the impact of cash on child nutrition and caring practices (see SCUK 2005a).

Payment rates followed DPPC guidelines – a monthly cash payment of five days per person at ETB 5 per day. The ETB 5 rate was established because of its approximate equivalence to the cost of 3kg of grain (the daily rate paid in grain in the

³⁰ Phase II of the MLDP, which again covered 100% of PAs in Meket, has been delayed due to political and policy deliberations unrelated to the cash element, but relating to the PNSP.

³¹ Improving access to markets; community-based tourism; grain and seed banks; water harvesting and small-scale irrigation; urban interventions; small-scale enterprise development.

Table 3: Save the Children's cash interventions in Ethiopia

Year	Type of intervention/ donor	Operational areas	Coverage	Cash distribution	Total cash in Birr ³²
2001	Cash for relief pilot in N/S Wollo; DfID	Bugna/Meket (NW), Mekdela/Legambo (SW)	6 <i>kebele</i> out of 128 (5%)	4 months: April–July '01	1,382,780
2002	Cash for relief pilot in N/S Wollo; GoNL	Meket/Wadla (NW), Legambo/Mekdella (SW)	30 <i>kebele</i> out of 187 (16%)	4 months: Nov '02 to Feb '03	5,259,603
2003	Cash for relief pilot in S Wollo; OFDA	Sayint and Debresina ³³ (SW)	67 <i>kebele</i> out of 97 (69%)	5 months: Oct '03 to Feb '04	7,876,035
2003/4	Livelihood Development (MLDP); GoNL	Meket (NW)	37 <i>kebele</i> out of 37 (100%)	7 months: Dec '03 to June '04	7,000,000
2004	Cash for Relief; DfID funding	Wadla (NW), Debre Sina/Legambo (SW)	97 <i>kebele</i> out of 97 (100%)	4 months: June to Sep '04	14,350,000

food relief programme). The decision anticipated therefore that grain prices would average ETB 1.7.³⁴

A key component of SC's cash projects has been the establishment of a *contingency system* for particular types of risk. The contingency which related to escalation of grain prices in the market was a threshold grain price of ETB 2 per kg. Price and supply of grain was monitored through *woreda* DPP offices, the bureau of agriculture and SC's staff. In the event of prices rising to 'unaffordable levels', the *woreda* had the option of recommending a switch from cash to food distribution. The triggers for this were either of the following: (1) grain supply at the local market lower by 5–10% compared to normal supply for the season and if the deficit continued for two consecutive market days; (2) if grain exceeded ETB 200 per *quintal* (100kg) following a cash distribution and remained high for two weeks.

In cases of financial mismanagement, SC-UK's Regional Relief Coordinator (a member of each contingency committee) was responsible for reporting problems to the *woreda* committee, and calling for SC's cashiers to take over cash management.

The other potential problem was mismanagement of cash at household level (the worry was that women might not be adequately consulted in decision-making and the money would be squandered on alcohol). In case of any such incidents the system would report the case to the

local authorities, who would intervene with the family concerned; if that failed they could transfer receipt responsibility from the man to the woman.

Activities

The first stage of programming was to introduce the project and gain support from stakeholders, followed by staff recruitment and familiarisation/training about the cash intervention and the roles and responsibilities of partners. Next came the drawing up of beneficiary lists for each *kebele* – identified by elected targeting committees – and community-level action planning. The number of beneficiaries for the MLDP were the 40,000 identified in the previous year by the DPPC as food-insecure. Of these, 34,111 beneficiaries were EGS, and the remaining 5,859 were GR.

Table 4, adapted from Aklu & Haile Kiros (2005), gives details of activities carried out by the different project partners. Table 5 presents in detail the activities in the cash management system: requesting, disbursing and accounting for the cash received.

Market monitoring was done separately by three stakeholders (SC, agriculture and DPP), but SC was given the role of analysis because of limited capacity within the *woreda* DPP office.

Households received around ETB 25 per month per household member, and a maximum of nine people per household were assisted. Given an average family size of five people, beneficiary households received around ETB 125 per month for seven months, or a total of ETB 875 over the year. Targeting followed national guidelines (see Box 3).

Out of the total *woreda* population of 236,151, the proportion of direct beneficiaries constituted about 17%.

³² Exchange rates for comparison: 2001: £1 = ETB12.25; 2002: €1 Euro = ETB8.8; 2003: \$1 = ETB8.2; 2003/4: granted in birr; 2004: £1 = ETB 14.58.

³³ This project gave part food (grain) and part cash (to enable household to use the cash to improve their diet).

³⁴ This assumption was not unreasonable – price monitoring from North and South Wollo showed that grain prices rarely exceeded ETB 1.5 for 1kg. The cash payment should, therefore, have been sufficient to be able to purchase around 3.3kg of grain, compared to the food ration provided of 3kg.

Table 4: Responsibilities of project partners

Persons/Institutions	Activities
Head of Agriculture and Rural Development Office (WARDO)	Final Approval of the monthly cash distribution list/report containing names and types of beneficiaries, EGS work outputs, amounts for distribution etc. Cashing SC issued checks at Woldiya (zone capital) and transporting and safekeeping the money at Flakit (<i>woreda</i> capital)
Agriculture Desk of WARDO	Reviewing and approving the results of the EGS implementation, which was the basis for the cash distribution to the beneficiaries.
<i>Woreda</i> DPP Committee	Reviewing the cash distribution list to check the consistency of the list for the proportion between EGS and GR beneficiaries
WARDO Finance Head and the Finance Office	Checking the accuracy and completeness of the cash distribution list Playing the lead role during cash payment distribution to beneficiaries (<i>woreda</i> cashier) Submission of the paid distribution list together with next request for payment to SC Custody of the financial records
DPP Desk	Participation during cash payment to the beneficiaries Monitoring market prices
Police	Security during money transit from Woldiya Bank to Flakit (there were times when this did not happen) and at cash payment centers
Development Agent (DA)	Playing the lead role in the preparation of cash distribution report in close association with EGS foremen and group leaders; participation during cash distribution.
PA leadership	Facilitation of the compilation of the beneficiary lists and cash payment.
Community leader	Facilitation of the compilation of the beneficiary lists and cash payment.
SC-UK (Woldiya and Meket Office)	Reviewing the distribution list before and after payment for completeness, accuracy and internal consistency Issuing checks to WARDO Participation in cash payment to beneficiaries Supporting WARDO finance – provision of a safe and office supplies; recruitment of an accountant and cashier Monitoring market prices Monitoring cash distribution process

Source: Adapted from Aklu & Haile Kiros (2005)

Nearly ETB 7 million was distributed over the project period. The total project budget was ETB 9.8 million (€898,260), of which 72% went directly to the beneficiaries through the monthly cash payment. Capital expenditure on training and credit shared about 11%, while project monitoring and evaluation costs were 5%. Other administration and staff costs were 10%, and 2% of the budget was put aside as contingency.

Challenges for the project which relate specifically to the cash intervention include the restructuring of local-level government, which pooled support services. In the past, each department had its own cashiers and accountants. In 2004, the one cashier in Meket *woreda* was shared within the pool system, making it difficult to facilitate payment

on a regular basis to beneficiary communities – which is the cashier's role according to the project agreement.

Save the Children's monitoring and evaluation information system is based on DFID's Sustainable Livelihoods Framework (SLF) and the Household Economy Approach (HEA) – see Box 6 for details. This information is presented because the analysis allows agencies to identify interventions which address root causes of vulnerability, while ensuring a response that fits the context.

According to SCUK, the advantages of HEA, in particular for cash programmes, stem from two methodological factors. First, HEA allows the systematic quantification of changes in income and expenditure compared to the pre-intervention

Box 6: Sustainable livelihoods and household economy analysis frameworks

DFID's **Sustainable Livelihoods Framework** (DFID 1999) is based on the work of Robert Chambers and others. It aims to improve the effectiveness of poverty reduction programmes through better understanding and analysis of the livelihoods of the poor.

SC uses the **Household Economy Approach** (HEA) (SCUK 1999) – an approach to livelihoods analysis which is close to DFID's SLF. It is based on Amartya Sen's entitlement theory (Sen 1982). Baseline analyses document the risks and vulnerabilities of assisted populations, breaking the analysis down into risks and vulnerabilities for different groups within the population. This includes documenting how people live within different livelihood zones, and within different wealth groups within these zones. Baseline profiles describe how people usually live – their assets, their production (crops, livestock), how they earn cash, what they spend their money on, what they do in a bad year to get by. The profiles include a comparison of the assets and activities of different wealth groups in a community. Both these sets of data are useful in detecting change in livelihoods over time if the reference or baseline year is relatively recent, or if it is agreed that the situation prior to an intervention is similar to the older baseline profile.

period (and the potential to investigate the likelihood of these being due to the project or other factors). Second, HEA disaggregates by agro-ecological zone and socio-economic group. This is useful because households in different zones are subject to different risks, vulnerabilities and opportunities, and project impact will also vary between zones; thus, disaggregated sampling and reporting are useful.

The baseline used in the MLDP evaluation (Aklu & Haile Kiros 2005) was compiled in 2001 and covered a 'normal' agricultural year (1996/7) (see Chapman et al. 2001). A revision of this baseline was completed in 2003 by the 'caring practices' research team (SCUK 2004d), which found similar asset levels.

SC does not usually conduct quantitative baseline surveys at the start of projects, mainly due to time and personnel constraints. Staff say their projects are so much delayed by the process of government approval or donor funding that there is no time to do surveys before the assistance is due. However, the caring practices study and the project team's study incorporated quantitative assessment of change at household level.

The Meket project was monitored/evaluated through several mechanisms:

- MLDP staff monitored impact through regular discussions with market traders and beneficiaries.

- MLDP staff conducted a quantitative survey at the end of the cash distribution period (July 2004) of 264 households to evaluate the project and to provide lessons for the next phase. The evaluation also included focus group discussions.
- The nutrition component was monitored through quantitative interviews with beneficiaries (average 50 households per month). The plan was for longitudinal monitoring of the same households throughout, but some households were removed from the sample because their children grew older than five years of age. Twenty-six households were monitored throughout, and this information – although the sample size is small – is therefore useful for evaluation of the impact of cash on household incomes and asset levels.

At the start of the project, a detailed market baseline was drawn up (Kebede 2003) which included information on business activities in main trading centres in Meket, to be used as a baseline for ongoing monitoring. Information included in the baseline is listed in the Box 7.

However, project staff were unable to give adequate emphasis to this, and market monitoring was restricted to price monitoring and discussions with traders.

This ODI case study used internal and external monitoring and evaluation reports from all of SC's cash projects to date; market prices were obtained from SC's *woreda* office in Meket.

2.2 Findings

The following section includes references from evaluations of all of SC's pilot projects since 2001. The main difference between earlier projects and the MLDP is the total amount of cash provided, the MLDP having provided around double that provided in earlier interventions (consistent with the MLDP's additional objective of demonstrating the value of larger amounts of cash for poverty alleviation).

Box 7: Market baseline information collected for MLDP

- Commodity flows into and out of the area (estimated through counting pack animals, vehicles).
- Market structures – numbers of wholesalers, retailers, petty traders and brokers.
- Frequency of traders' visits and volume traded.
- Sources of grain and other key commodities.
- An estimate of market transactions: head counts for those coming to market to sell commodities.
- Community maps describing market access.
- Historical prices for grains and livestock from 1997/8 through to 2003.

Implementation

The following section gives findings about project implementation, using information from project monitoring and external evaluation reports.

The distribution process for cash was said to be more 'respectful' – communities said there were no disputes with government officials or among themselves (SCUK 2002). Government capacity and confidence in cash management was reported to have increased (Aklu & Haile Kiros 2005).

Cash distributions were quicker than food distributions. With the latter, households had to wait around for several days at the distribution site. Cash distributions generally took less than a day (cash was distributed in 37 sites in the space of one week). The Meket team's evaluation (SCUK 2004e) reported that 12% of households saved one day, 32% of households saved two days, 40% of households saved three days and 7% of households saved four days or more, compared to food distributions.

No mismanagement of cash was reported, and beneficiaries received the full entitlement (SCUK 2002, SCUK 2001a). With food aid the ration was often reduced to allow distribution among a larger number of households – a practice described by beneficiaries as 'theft' (SCUK 2001d).

A limited number of cases involving intra-household disputes were reported. Early monitoring reports stated that, although men received the cash for their own or their wife's labour, the women were well aware of the amount they were due, as well as the date of the payment (SCUK 2001a). In some cases, women who complained were allowed to receive the cash themselves (SCUK 2001d). The Meket team's evaluation (SCUK 2004e) found that 26% of households reported the wife making the decision regarding how cash is spent; in 27% it was the husband, and in 42% it was both. However, 33% reported problems when only one person controlled the decision.

Systems to help disabled or elderly households to collect their cash entitlements (or food after purchasing it from the market) were not in place in some areas as they had been for food. While food relief programmes had included a system for collection of rations on behalf of households who could not attend distributions, a similar arrangement for cash was either not in place, or was more complicated. The strict system organised for beneficiaries to nominate another person to collect their ration (requiring various signatories) was not well received – communities felt it undermined the principle of trust.

Payment delays were noted in some cases (Knox-Peebles 2001, SCUK 2001a, SCUK 2001d, Aklu & Haile Kiros

2005), and delays of several weeks sometimes occurred. Under the MLDP the tight administrative and financial systems established to avoid mismanagement resulted in bottlenecks in some parts of the chain. The sources of potential delay are listed in Table 5.

Project staff, aware of these problems, believe that they stem from a number of issues:

- the cumulative effect of relatively small delays at every stage;
- the absence of a banking network in rural *woredas* such as Meket – hence a day's travel is required every month to collect the cash;
- poor telecommunication infrastructure means that e-mail links may be down; SC does not have e-mail in Meket *woreda* and the telephone is intermittent.

Other constraints include inadequate *woreda* staff (particularly 'mobile' finance officers), inadequate material resources (e.g. computers, safe boxes) and lack of transport (they use SC transport).

Flexibility in payment, however, was reported in one *woreda* in an early project. A delay in payment meant that the first payment would have taken place just at the time when seeds were needed. Beneficiaries requested double payment (the delayed cash and the cash due for that month) to enable them to purchase the seed they required (SCUK 2001d).

Monitoring studies questioned beneficiaries about the acceptability of cash. In early projects there was a majority preferring cash, but some reports stated that beneficiaries preferred food. In one case, prices had increased because cash was distributed in three neighbouring *kebele* sharing a common market, and one market suffered poor availability of food grains. A later meeting of the contingency committee noted that, after a short time, traders brought in grain and the price recovered; the cash distribution therefore continued (SCUK 2002). Richer households (assisted in an early project) who had high animal holdings and high cash income preferred food (SCUK 2001d).³⁵ The Meket team's evaluation (SCUK 2004e) found that 85% preferred cash, while 15% preferred food relief. Forty-four per cent of these preferred cash because it was more flexible, 7% because distribution was quicker and 33% because it allowed them to buy cheaper grain and to save money. Seven per cent, however, reported the grain being greater in value and this could have been because of high prices locally.

Households reported that cash was easier for them to collect than food – and the relatively easier logistics meant that distribution points were brought closer to each community.

³⁵ This comment came from households in the first pilot project who were not cash-poor – largely because of the community's proximity to a popular tourist destination. Such households preferred food as they already had relatively good cash incomes – for instance from renting mules for tourists and guides, or a salary from the church (for church guards).

Table 5: Administrative and financial systems: activities and potential for delay

Preparatory phase: project approval	
(1) Donor approval	Delays dependent on donor's requirements and proposal
(2) Agreement with the government	Delays caused because of clarification of proposal, budget queries, policy issues
(3) Preliminary activities: agreeing targeting criteria, action planning (<i>woreda</i> level)	All relevant people are required and are difficult to gather together; opinions on targeting and registration (particularly) delay the process
Routine budget projection and request for funds: SC	
(4) Field project manager (at zonal level) sends in advance cash projection for next month for all programmes	Delays might be possible as the project manager requests funds for a number of projects, and the projection might vary from month to month
(5) Cash transfer from Addis to zonal capital bank (Woldiya)	Delays possible if certain key people are not present in Addis to sign (programme director, finance manager, one of the senior managers)
Requesting and processing payments for work	
(6) EGS work planning: 1 project per <i>kebele</i> x 37 <i>kebele</i> in Meket <i>woreda</i>	<i>Woreda</i> agriculture experts and <i>kebele</i> development agents have to plan the EGS projects. They usually "have off-the-shelf" projects but these might need some revision. Delays likely because of inadequate staff: while there is 1 or 2 DAs for every village, <i>woreda</i> technical expertise are insufficient (around 5 for all sectors) to visit and review projects (considering their workload)
(7) EGS activities	Work is supervised by village foremen, supported by DAs. No delays likely
(8) After completion of the work, the DA prepares and submits a report on EGS on a monthly basis to <i>woreda</i> agriculture desk experts	Delay possible if DAs submit this report late; so this might affect the scheduling for the others
(9) <i>Woreda</i> agriculture desk approves the report (and checks if desired) and submits to DPP committee to approve payment requests.	Delay possible if a reported problem requires a visit or if the expert is not there (e.g. water engineer for water projects)
(10) <i>Woreda</i> cashier and accountant compile a list of the total funds to be withdrawn; travel to zonal capital (Woldiya – 2 hours away) and withdraw funds.	Delay possible if cashier/accountant have other priorities
(11) Cash dispersed by <i>woreda</i> mobile cashier accompanied by a <i>woreda</i> accountant; accompanied by relevant members of <i>woreda</i> partners (minimum presence required of 4 members).	Payment in all <i>kebele</i> (37) takes 1 week total; delays possible if the minimum number of <i>woreda</i> representatives (including either the cashier or the finance officer) are not available
(12) Financial reporting: <i>woreda</i> accounts office to Save the children	This report takes some time to prepare, and <i>woreda</i> finance staff may have other priorities
(13) SC area finance team (in Woldiya) verifies finance report from <i>woreda</i> cashier and checks cash request for next month is in order and complete → (4) next cycle starts	See (4)

Moreover, cash payments were a lot quicker than food payments (half a day's wait compared to up to five days). This was better both for households living near the old food distribution points (relieved at not having the burden of accommodating relatives from distant places) (SCUK 2002), as well as for the beneficiaries who avoided having to spend money on transport,

accommodation and food away from home during the food collection period (SCUK 2001a).

Cash allowed beneficiaries flexibility in how they spent the money – across all projects and project areas, households reported having the choice of spending money on different types of grain (cheaper than the price of grain

used to calculate the cash ration), pulses, land tax, seed, clothes and shoes, school materials, chilli and coffee,³⁶ as well as loan repayment (Knox-Peebles 2001, SCUK 2001a, SCUK 2002). Moreover, with food relief households lost out when they exchanged the grain for other items.

Cost-efficiency

Three evaluations of efficiency are presented here. They compare the cost to the implementing organisation of delivering assistance to beneficiaries in the form of imported food, locally purchased food and cash. While the comparison is complicated by many factors, and although these analyses do not go into the level of detail required to get a precise comparison, there is a consistency in the broad conclusion: that cash interventions are considerably cheaper than importing food.

The figure below shows graphically the comparison between the different transfer options. Note that the total cost is not important here (particularly as different assistance levels were compared, and the intervention was for different years); what is important is to note the relative cost of each transfer option calculated within each study.

Using these analyses, cash transfers were estimated to be between 39% and 46% cheaper than imported food, and 6–7% cheaper than local purchase. Table 9, Table 10 and Table 11 provide the original data for review.

Other factors that should be considered include logistics: local purchase carries the additional burden of transport, tendering, quality control etc; cash distributions carry an additional challenge regarding financial monitoring and accountability.

³⁶ The importance of coffee in Ethiopia to social and mental well-being means that households will always purchase coffee even in disasters.

It should be noted that, for the cash distribution, there were more distribution points (six rather than two), and therefore distribution took place closer to the community. In terms of staffing, more monitoring staff were used for cash distributions, but as the distribution process and monitoring took a shorter time overall, fewer person-days were required for this task. The cash intervention required more input and work from finance staff than food relief, and fewer general staff. The insufficiency of finance staff – particularly cashiers – and computers etc. was a constraint to disbursement.

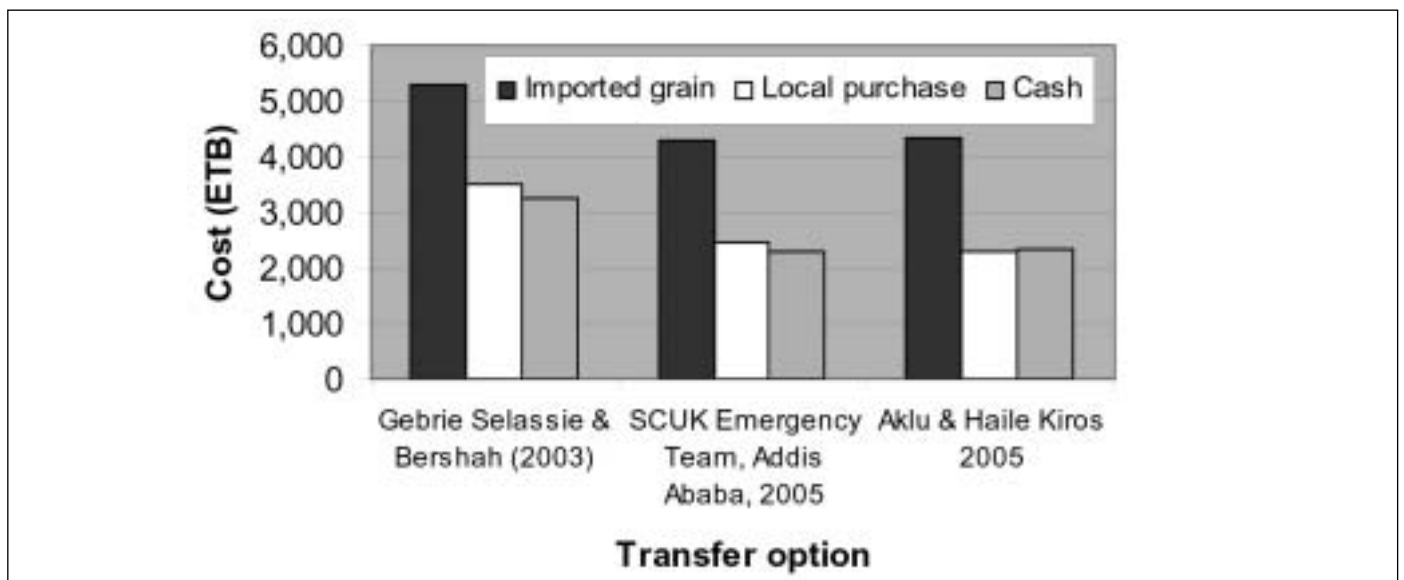
Cost-efficiency is the relative cost for, in this case, supplying the food or cash. It does not take into account what households do with the food or cash. This latter issue is included in the evaluation of effectiveness, and it involves analysis of the actions beneficiaries take and the knock-on effects of these actions. This is very difficult to evaluate from a cost perspective because of the diversity and complexity of decision-making and external influences on the final outcome.

Impact of cash on households

This section draws on the monitoring and evaluation reports that have been produced since the first pilot in 2001; information on the MLDP comes from three sources:

- Aklu & Haile Kiros (2005) – which evaluated the MLDP implementation process and impact, using HEA to monitor impact at household level and key informant interviews to measure change at a wider level – sampled five kebele, and the sample included communities from all food economy zones; a draft report was available.
- SCUK (2005), which evaluated the nutrition component of the MLDP and used HEA and quantitative monitoring information (average 50 households per month) to

Figure 5: Cost-efficiency comparison



monitor the impact of cash at household level in six *kebele* selected as typical of the *woina dega* food economy zone; a draft report was available.

- SCUK (2004), which used focus group discussions and a quantitative post-implementation survey of 256 households from four *kebele* to measure change at household level across the *woreda*. A preliminary tabulation of the raw data was available.

Efficiency

The evaluations which have compared food with cash have not tried to systematically quantify the expenses people have when receiving food or cash, or the additional advantage for cash recipients of buying cheap grain. Such an analysis would enable the estimation of the net value of the cash or food that they receive.

Focus group discussions among households who in the past received food reveal that, out of the total food a household receives, some will be lost through a number of reasons, as shown in Table 6.

The 'cash chain' for the MLDP would differ from food in that none was lost because of 'forced' sharing; moreover, households do not lose a proportion of the value because of selling unwanted grain to purchase other items; on the other hand, they can gain (or lose) if the price of cereals is lower (or higher) than the anticipated price;³⁷ they do not incur high subsistence expenses while waiting for the distribution; and transport costs are often lower because they are more likely to be able to take their cash and buy nearer to home (one report from a household that was unable to collect their cash ration noted that systems in place for the collection of food had cost the beneficiary nearly half the ration).

Choice and decision-making

Table 7 summarises the potential impact of cash at household level when provided at a particular time of the year (from the harvest period through to the land preparation period). The table attempts to show that a significant cash transfer benefits households not just because of the monetary value obtained,

³⁷ Price used for planning the entitlement.

but because it allows choice – enabling households to balance meeting basic needs and using surplus for productive activities – which carry knock-on 'multiplier' effects for the household. Timing is a critical factor.

In earlier projects, investment in livestock was limited, but it was reported by a few households (sheep fattening, small businesses (SCUK 2002)). Use of cash for strategic investment (asset creation or livelihood diversification) was found to be possible only with higher grants and/or longer intervention; many beneficiaries of the earlier projects felt the cash distributed was insufficient even to cover basic needs. SC's project in 2003 (in Sayint and Debre Sina) provided a higher amount, and the evaluation noted a real change in the household economy, with households being able to meet a wide range of non-food needs as well as food (Haile Kiros 2004).

The MLDP provided a higher value of cash. Quantitative evaluations of the project made the following findings:

- The proportion of households renting out land went down from 50% last year to 34% this year. Respondents cited purchase of an ox for ploughing (21%), or seed (26%), as the main factors that enabled them to cultivate their land this year (SCUK 2004e).³⁸
- Households purchasing livestock³⁹ were reported in all surveys: SCUK (2004e) found that, of the 51% of households who purchased livestock, 13% purchased on ox, 50% sheep, 13% goats and 8% chickens. The caring practices study found that 30% purchased an ox or share of an ox, around 40% purchasing sheep or goats and around 60% purchasing chickens (SCUK 2005a). The HEA assessment corroborated this with focus group discussions which highlighted the phenomenon of changes in the contractual agreement.

Contractual agreements

The cash, coming when it did, meant that households either enjoyed a better bargaining position when

³⁸ Reasons for renting out land in the past include: lack of oxen (22%), seed or labour, or because they were unable to manage it by themselves (89% in total).

³⁹ Households purchasing livestock bought one or more types of animal.

Table 6: Losses incurred in food relief between receipt of entitlement and arriving home

Amount allocated	A	15kg per month x 5 people: 75kg
Amount lost through sharing	B	x kg
Exchange	C	x kg lost through exchanging cereal for other item (e.g. coffee)
Cost of loading and transport	D	Transport: x kg paid to transport household ration.
Cost incurred (waiting for distribution)	E	x birr for y days (food distribution usually takes several days)
Net grain retained		(A-B) – (C+D+E)

Table 7: Implications of cash (i.e. choice) in strategic decision-making

Strategy	Beneficial Impact
Buy cheaper grain	Save money or use on non-food items, education, clothes etc. Buy more oil- and protein-rich foods
Higher crop prices	Higher revenue (prices higher because cash pushes up prices)
Keep harvest for longer	Get better prices when finally sold
Pay off loans	Withdraw from crop-sharing arrangements and retain all of harvest
Continue crop sharing; but with better contracts	Rich farmer pays land tax (poor farmer saves money); or Higher proportion of harvest retained
Buy seed/ox	Retain all of harvest rather than one-half
Buy sheep or goats	Animals bought, fattened, sold: new cash income Livestock assets increase resilience to disaster Children who used to leave with rich families (herding) remain at home
Work locally	Men remain with their families
Use savings in a <i>equb</i> (group savings scheme)	Have a larger lump sum of cash available for strategic investment More chance of getting a grant from microfinance institution Start up a business
Higher incomes	Can invest in agricultural inputs to improve production

Summary: increased income breaks the poverty cycle by addressing constraints which have in the past forced households into contractual agreements which result in halving their income from crop production

negotiating the contract, or the cash enabled them to avoid having to make a contract entirely. As the HEA team (Aklu & Haile Kiros 2005) noted: 'in the past the agreement has tended to favour the richer man, but now the poor found themselves with a strong bargaining base – enabling them to demand additional benefits. A case in point is the offer of incentives [in return for land use], where the better-off now provided cash for tax payments, as gifts, and offered no-interest loans. This is a new phenomenon that emerged as a result of intensification of competition amongst the rich households for land to share-crop' caused by a shift in the proportion of households who rented-in and rented-out land. The cash intervention enabled some households to buy plough oxen (in most cases they shared the cost with another household) and disengage themselves from the agricultural contract.

Another change related to the provision of a loan in exchange for use of the poor man's land until the debt is repaid. The evaluation noted: 'such loans are often shrewdly negotiated such that the interest is either extremely high, or the amount is too much to be re-paid easily. In some cases the cash intervention has brought such agreements to an end, at least for now' (Aklu & Haile Kiros 2005).

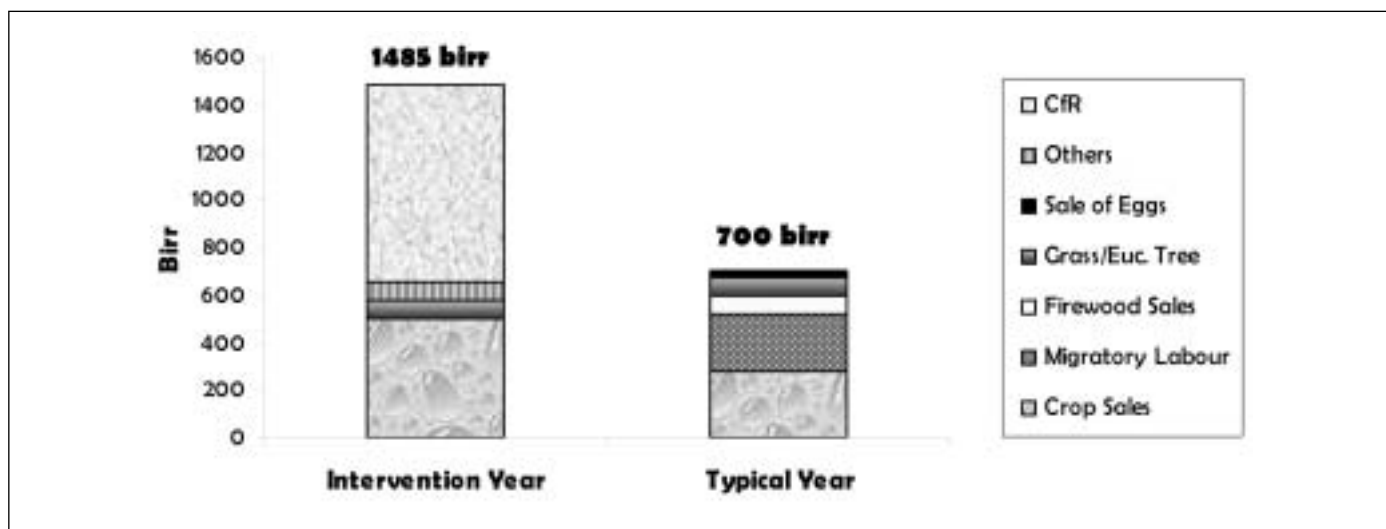
Another type of contractual agreement that has changed is *yerbee*. Under this agreement a poor man will agree to look after the smallstock of his richer neighbour, in return for half the offspring. This arrangement benefits the rich man because he maintains an asset base, but takes advantage of

someone else's pasture land – a major constraint to asset ownership in the highlands. In some cases, beneficiary households used the cash to purchase their own shoats, and have withdrawn from the *yerbee* agreements, which has caused the rich households to sell some of their livestock, or offer better contractual agreements to others (allowing them a higher proportion of offspring in return for herding and pasture). The Meket project team's evaluation noted the social benefits of this: 'children of the very poor households have been able to live with their parents; before they used to be sent to live with the better off family for shepherding' (SCUK 2004e), a coping strategy which brings hardship for such young children.

Household income

The impact of cash on income-generating activities was striking. Income levels rose for several reasons. If we exclude the effect of the cash grant (which was required to purchase food), households still benefited from higher income as a result of strategic decisions which helped them capitalise on their assets.

The household economy analysis concluded that income from crop sales was almost double that of the baseline year (Aklu & Haile Kiros 2005) because households who withdrew from crop-sharing arrangements retained a higher proportion of their crop. This information needs qualification: if, as the quantitative surveys noted, about 15% of beneficiary households had managed to disengage from the crop-sharing agreements, the increase in

Figure 6: Change in beneficiary households' cash income

Source: Aklu & Haile Kiros (2005)

production was less prevalent than claimed. Moreover, favourable climatic factors in the 2004/5 harvest season may have been a contributory factor. As the reports do not analyse change in production levels compared to previous years, it is difficult to draw concrete conclusions.

Aklu & Haile Kiros (2005) also noted that households were able to diversify their income sources and cease activities which were socially or environmentally disadvantageous. For instance, income sources in the baseline year included seasonal labour migration, sale of grass and firewood sales. In the intervention year households did not have to migrate,⁴⁰ and they did not have to sell firewood. Grass, instead of being sold, was exchanged for the use of an ox for ploughing. A new source of income, aside from the cash transfer, was the sale of eucalyptus. Previously, this was confined to households living close to the main road which links Woldiya

with Bahir Dar. This income source is now prevalent in remoter communities, suggesting that households have benefited because of the opening up of roads in the area.⁴¹

Crop sales is the only common source of income in both the typical and intervention years. Livestock purchase is not listed as this strategy was not followed by the majority of households.

⁴⁰ In terms of the suspension of migration, this should be seen as a positive thing rather than part of what is sometimes referred to as the 'dependency syndrome'. Migration remains an option for very bad years, but it carries negative consequences for the migrants: it takes them away from their families, it exposes them to a risk of malaria, and they are treated with a lack of respect in areas to which they migrate. Indeed, in the place where Wollo migrants go to seek for labour, beggars are sometimes referred to as 'wolloye' a perjorative term stemming from the association of drought in Wollo and migration to seek opportunities elsewhere.

⁴¹ This may have been because communities sampled were close to the main road.

Table 8: Variations in income options between the typical and intervention years

Income options	Typical year		Intervention year	
	Status	Income	Status	Income
Crop sales		275		500
Seasonal labour		245	Missing option	
Firewood sales		80	No need to do so	
Sale of grass/eucalyptus		70	Used for ox exchange	
Sale of eggs		30		
Cash for relief	Not available	–	New option	825
Eucalyptus tree	Confined to roadside		New option	80
Others				80
Total	700 Birr		1,485 Birr	

Source: Aklu & Haile Kiros (2005)

Expenditure

The benefit of cash in terms of expenditure on basic services (primarily health and education) is extremely difficult to gauge and/or attribute to the cash itself. Aklu and Haile Kiros (2005) reported households saying that the cash intervention meant that they were able to cover the full value of health costs themselves, but it is difficult to gauge quantitatively how health expenditure has changed – this is due to limitations with the methodology,⁴² the complexity relating to health-seeking behaviour and access to services⁴³ as well as the lack of complementary secondary data. Increased enrolment of children at primary schools and reduced dropout rates were reported to be the direct results of the cash intervention as households had sufficient cash to adequately feed their children and cover school expenses (SCUK 2005a). However, other factors are likely to have contributed to this – such as a WFP school feeding programme in primary schools in six *kebele* in the Meket *woreda* – so it is difficult to ascribe cause for this change to the cash transfer. Other changes noted for household expenditure included the ability to purchase clothes and soap.⁴⁴

Focus group discussions (conducted at the end of the project) on use of cash found that households used the cash to purchase food items, clothing and other domestic items, livestock and seed, and to repay debt.

Use of cash at household level (expenditure on small items) is a challenging aspect of impact evaluation. The caring practices study (SCUK 2005a) monitored monthly spending among beneficiary households, and compared the final expenditure against the baseline average expenditure among the poor. The results were inconclusive, and methodological constraints (different samples, different periods of recall etc.) are a contributory factor here.

Quality of diet, caring practices

The following section evaluates issues of dietary quality and diversity and child care practices.

Cash allowed households to buy their preferred grains. Food aid sometimes included 'bad quality of grain (infested)' (SCUK 2002). Households receiving cash were able to purchase a better-quality diet. Cash-receiving households

purchased higher-quality pulses and cereals, and more sauce items (Knox-Peebles 2001), whereas food-relief beneficiaries purchased vetch (grasspea) – a locally produced, drought-resistant pulse discouraged for production because it causes paralysis if eaten in large quantities (Getahun 1999).

The caring practices study (SCUK 2005a) found positive impacts of cash on caring practices. All mothers reported feeding their children more frequently; most mothers reported giving a wider variety of grains and pulses to their children; they also reported increasing the amount of livestock products and oil given to children, and some mothers bought more vegetables. In addition, the ability to purchase soap and clothes improved, households were able to access medical care sooner when they got ill, and mothers spent less time collecting firewood or dung (they were no longer dependent on this income source), thus enabling them to spend more time at home caring for their children.⁴⁵

While the evaluations all noted an increase in households' ability to pay for children to go to school, one evaluation noted that, in some households, there was a risk of children being withdrawn from school. In some cases this related to the problematic EGS targeting policy (see Box 3) – provision of gratuitous relief to households classified as 'EGS' encouraged larger households with a high number of dependants to present for work in order to qualify for payment. This problem applies to both cash for work and food for work projects. However, where the cash intervention enabled households to cultivate land that was previously cultivated by a wealthier household, there was a risk of children being withdrawn from school to work on the farm. It is not clear how extensive this effect was among the estimated 15% of households whose purchase of seed or oxen allowed them to cultivate land for the first time. However, both the 'Destitution Study' (Sharp et al 2003) and SC's own household economy baselines (Chapman et al 2001) note that labour poverty is a key constraint to utilising farm land, the cash intervention may have encouraged households to cultivate land for which they did not have sufficient adult labour. This suggests that the cash transfer addressed one of the constraints (capital), but not the other (labour). As Aklu & Haile Kiros (2005) explain:

the household level division of labour in general and role of children in particular would definitely be different whenever there is a shift in the asset base of the household. Depending on their age, children are required to take part in a wide range of agricultural activities including shepherding, ploughing, weeding, harvesting and threshing. In the most common contractual agreement (share cropping) no labour input is required from poor households. [For households who have been able to purchase draught power, the consequent cultivation of their land on their

42 HEA methodology focuses on 'typical' expenditure patterns among representative households in each wealth group. Since disease and health expenditure is anything but typical, and is influenced by factors other than economics, the change is difficult to measure or attribute. The authors noted variables influencing expenditure on health care as well as information that would be necessary in order to measure change (intra-household costs of medication, prevalence of morbidity, subsidies on health care).

43 A project which sought to improve health-seeking behaviour as a result of cash transfers among poor households found that there was little change in health facility use. The conclusion was that the quality of health care was a major constraint.

44 Hygiene promotion activities were noted to have contributed to the increased awareness of good hygiene practices.

45 Mothers do not take children with them when they collect dung or firewood.

own] will necessitate the use of family labour to fulfill all agricultural labour requirements. This can negatively affect school enrolment and attendance especially when there is other source of adult labour. (Haile Kiros 2005).

There are several issues that need to be considered here. A revision of EGS guidelines is required to classify dependants within EGS households as 'GR', and therefore entitled to gratuitous relief (without labour). To what extent can traditional community support systems (kinship, *debbo*, *wentel*) address this constraint? Could the off-farm sector be strengthened to allow labour-poor households options for using their cash other than labour-intensive farming? Could these groups also access micro-credit for activities that do not require high labour input? To what extent would the promotion of savings clubs (*equb*) (promoted by some agencies) have helped here?

The 'Destitution Study' noted that, for the estimated 15% of the Wollo population who are destitute, 'it is difficult to imagine how such small households could make a viable living within the smallholder farming economy of rural Wollo where there are currently very few alternative livelihood opportunities at which very small households can succeed. At the household level, labour shortage is a critical constraint on family-based small-holder farming' (Sharp et al 2003).

Impact on other households

Better-off households would have been affected by the changes in *yerbee* agreements for livestock herding (see Box 4) if the poor households who used to herd purchased their own sheep or goats and terminated the agreement. Further exploration of this issue is warranted to determine whether the sustainable expansion of livestock holdings is a reality for poor households, and the social and environmental consequences of this if it is the case. The impact on better-off households in the cessation of crop-sharing agreements is an issue for further research. Did these households take advantage of opportunities offered by the increased circulation of cash in the local economy, or was the gain among poor households merely achieved through a loss among better-off households?

When looking at the impact of the project on the wider community we are concerned with the impact on market prices and production.

Market monitoring

Market monitoring is undertaken by a number of institutions within Ethiopia: the Central Statistical Authority, Ethiopian Grain Trading Enterprise (EGTE), monitors more than 100 markets; the Bureau of Agriculture (through extension agents – usually the main markets in each *woreda*); the Bureau of Medium and Small Enterprise and Industry Development (BoMSEID) (26

markets are monitored in Amhara region alone by their staff at *woreda* level); and DPPC monitors the main *woreda* markets through its *woreda* staff. These organisations monitor prices nationally; in addition, NGOs and UN organisations monitor prices in their project areas.

These market information systems are not integrated; they comprise different types of information and commodities for monitoring, and they are rarely complete. INGO systems run as long as projects run; government systems run as long as staff are in post, and the government restructuring process has led to data gaps (for instance with the Amhara Bureau of Trade & Industry data set).⁴⁶ Moreover, at *woreda* level trends are not properly analysed or graphed, and price projections are rarely made. While *woreda* staff can always explain what happened in a certain month when the price of a specific commodity increased to a certain level, this kind of analysis is not done routinely and local price hikes will take the *woreda* teams, and regional teams, by surprise.

Major improvements would be achieved in the market information system if *woreda* teams were provided with computers and received basic training in Excel and database software packages. Market prices should be graphed and circulated for discussion. The market analysis department of DPP needs strengthening in terms of staff numbers, and should incorporate staff from line departments who currently have their own system. Since the finance function of the line departments has been pooled at *woreda* level, so too should the market monitoring function, with clear identification of lead agency. Very basic analysis can be made if similar commodities are compared (e.g. grains, pulses, small stock, large stock) and the comparison is made of trends over different periods, and in light of the seasonal context. Projections can then be estimated which can assist the contingency committee with a number of different scenarios that it can plan around.

Market prices

In general, no significant adverse price increases were noted (price increases were noted but were not reported to be excessive). In earlier projects, the prices were extremely low: Knox-Peebles (2001) noted that prices for wheat in 2001 (the intervention year) were 40% lower than in the previous year.

Market supply in most areas was reported to be good, even in cases of low production. Grain was reported as coming reliably from Gojjam, Gayint, Gonder and Dessie (SCUK 2002, SCUK 2001a), and traders from nearby *kebele* were encouraged to supply markets serving the cash-receiving *kebele* (SCUK 2001a, SCUK 2001c). In one project site (*kebele*

⁴⁶ For instance, the market monitoring section of the Amhara region's Bureau of Micro and Small Enterprises and Industry Development is missing data from April to August 2004 when the restructuring was taking place.

14 of Bugna), 'the two main markets were 12–25km and 42–55km away from the villages. Despite the poor access to markets prices were reported as stable; the cash had attracted 'grain inflows from neighbouring areas by the surrounding local traders who are more than 20kms from the market. Local markets supplied those weak people who can't travel to distant places' (SCUK 2001d). Increase in grain volume traded was also noted, although this could not be attributed to the cash intervention alone (SCUK 2001c).

For the MLDP, focus group discussions and key informant interviews noted an increase in prices (particularly between April and the end of the cash distribution in July), but it is not clear whether the price increase was abnormal as this period, approaching the 'hungry season', usually

features price increases. Beneficiaries wanted the cash to continue, traders did not complain⁴⁷ and non-beneficiaries did not make any complaints.

Analysis of the price data (see Figure 7 and Figure 8) shows that, in the intervention year, prices in Meket were high but were not outside the normal price range. However, it should be noted that the cash intervention – while originally planned to address food insecurity following the poor 2002/3 production year – in fact coincided with a good 2003/4 harvest. It is possible that prices would have risen further if the harvest had been poor.

⁴⁷ Despite benefiting from lower profit margins under the cash programme (source: market trader).

Figure 7: Wheat price in Meket *woreda*, 1997–2004

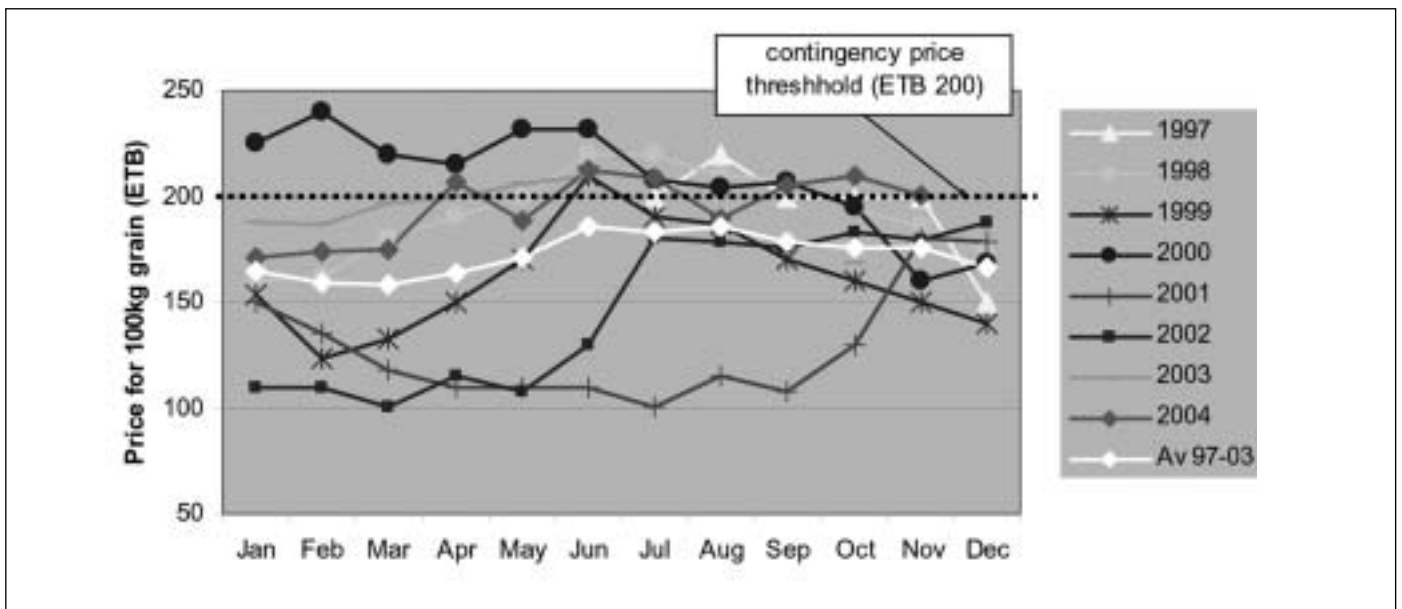


Figure 8: Sorghum price in Meket, 1997–2004

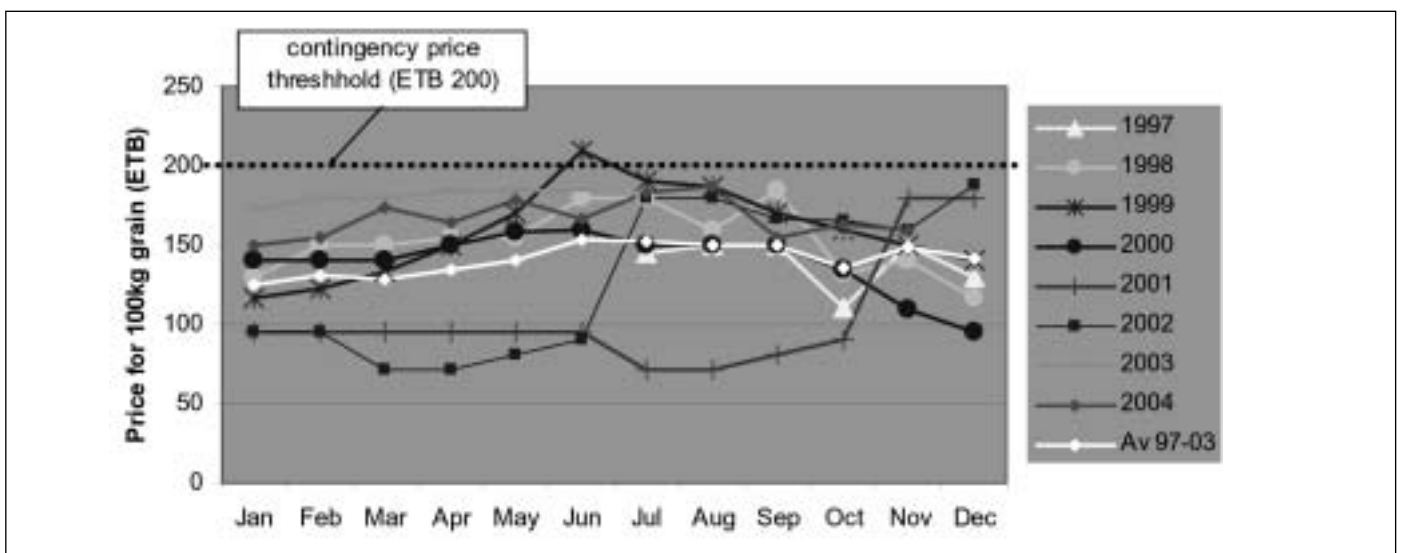


Figure 7 shows monthly prices of wheat over a seven-year period, plus the seven-year average. Raw market data came from *woreda* Bureaus of Agriculture (pre-2004) and SCUK (2004). The data is an average of the wheat price in the main markets in Meket. The very low prices of 2001 – when relief distribution coincided with good production – are notable (see Asfaw 2003). The graph shows that the prices for 2004 (during the cash distribution period) were not the highest over the seven-year period – prices were higher in 2000 and in 2003, and similar in 1998. However, the wheat price was regularly above the threshold of ETB 200 per *quintal* (during three months of the intervention period), which was the price established as the contingency threshold.

Figure 8 shows the prices for sorghum, one of a number of cheaper grains. It is clear that throughout the intervention period grain was available at an average of ETB 160 per *quintal*, which explains why households did not complain about market prices as the payment rate was calculated on an expected maximum price of ETB 200 and average of ETB 1.6. Maize and millet prices were cheaper still.

In terms of grain trading activities, the cash intervention had an impact in terms of the number of traders. In one market, a number of new grain retailers had started up, and a number of retailers had become wholesalers. However, traders complained of low profits, and that the increase in the number of traders meant that individual traders did not benefit greatly. Traders also mentioned that they generated greater profits under the food relief programme, reportedly because beneficiaries had weak bargaining power when selling grain, and also because some food used to be diverted to the market – which is possible when targeting policies and practices are revised and amended locally.

Production

The information from the various evaluations is mixed in terms of impact on production. A limitation to the evaluation conducted by Aklu & Haile Kiros (2005) is the absence of analysis of difference in production, so conclusions about production are tentative at best. Moreover, Aklu & Haile Kiros (*ibid*) asserted that the cash intervention, for most poor households, had enabled them to cultivate their own land and retain the entire harvest. The HEA baseline data (Chapman et al 2003) stated that most poor households were crop sharing and retained only half the crop. In fact, within this ‘poor’ group there are important differences relating to cultivation of land. Information from a quantitative survey (SCUK 2004e) found that, even among the ‘destitute’ (the MLDP beneficiaries), a full 50% did not usually rent out their land as they were able to cultivate it themselves. Moreover, the change from renting out land to not renting out land (cultivating it using household labour and plough oxen purchased through the MLDP) was noted among 15% of beneficiaries.

The surplus areas frequently mentioned – Gojjam in particular – are likely to have benefited from households in Meket having greater purchasing power and demanding grain from western parts of Amhara region, but the amount in 2004 was insignificant and would have had little impact. With a larger-scale programme, a benefit in surplus areas should be felt, but the impact will not be known until the 2005/6 production season, when potentially higher profits will be invested in production. The other unknown is who will feel the benefit most – the farmers, or the traders? This depends on the degree of competition in the market – and suggests supporting traders so that there are sufficient to make prices competitive and avoid the establishment of cartels.

Chapter 3

Discussion: cash programmes in Ethiopia

3.1 Consumer and producer price inflation

One issue that needs to be flagged is that agencies implementing cash interventions worry about increases in grain prices, while wishing for an increase in producer prices. These two expectations conflict with each other, suggesting a conceptual confusion. Perhaps the debate – which is currently focused on the question ‘has the grain price risen too high?’ – should also consider ‘what is the ideal price that is good for producers and for consumers?’ and ‘should we provide a higher cash ration or a longer duration of payment such that consumers can afford the higher prices? For instance, while it is arguably problematic for the local labour market if the cash wage exceeds local wage rates, households could instead be allowed an extra few days’ labour in a month.

3.2 Comparing cash and food interventions

Very rarely is a comparison between food and cash interventions in Ethiopia ‘pure’. Some cash projects managed by NGOs last year followed on the heels of food distributions in the same agricultural year. Moreover, many *kebele* receiving cash shared the same markets as *kebele* receiving food relief, and some of the food relief will have found its way into the market, perhaps balancing the possible inflationary effect of the cash.

Moreover, the comparison includes consideration of implementation issues which might be directly or incidentally related to the fact of cash. For instance, targeting policy: with cash, the amount allocated for each individual is received and retained by him/her, whereas food was reallocated among a wider group of individuals. The difference in targeting practice appears to stem from a combination of two factors: differential perceptions about entitlements under a food compared to a cash intervention; and the fact that cash systems are designed to be much ‘tighter’ to prevent modification – as modification provides an opportunity for corruption. A question raised by this issue is: would it be possible to rigorously enforce targeting guidelines with food relief? SC’s experience suggests that this is impossible without measures to enforce accountability and transparency: these include signing for receipt and – since the commodity is food – weighing rations. And while this would be possible, would it be manageable or enforceable? The food distribution process, instead of taking the best part of a month as it currently does, would take considerably longer – resulting in higher costs and losses for beneficiaries, and higher costs for the programme. Enforcement of targeting guidelines would also

require a government-led enforcement system that carries the same legal sanctions as the mismanagement of cash. Indeed, charges of ‘mismanagement’ (or prosecutions) are rarely levied at officials who ‘pocket’ diverted food, or distribute it more widely than intended. With food relief programmes, complaints are either less likely to be lodged, and/or are less likely to be heard.

Other issues that make comparison difficult include differences by geographical area in production, baseline livelihoods patterns, market access, project duration and timing and the food/cash mix within the *woreda* and neighbouring *woreda*/zones.

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. While Meket *woreda* received cash in all *kebele*, relief food still found its way onto the market because of proximity to food relief *woreda*.

Another factor is that *woreda* for cash interventions have tended to be specifically selected for their good market access – ensuring the best possible chance of success. Food relief programmes have not in the past selected remoter locations for food distribution – they were the only option for remote *woreda*, as well as those along the main road. It is difficult to predict the effect if cash was distributed over a large area (e.g. all *kebele* in many *woreda* in one region), with no adjacent food distribution projects.

The cash pilots all succeeded perhaps partly because the price of locally available grain turned out to be lower than, or equal to, that used to calculate the cash allocation per beneficiary. Inflation above the price used in the calculation would result in less purchasing power for beneficiaries, and would put them at nutritional risk, and in the difficult position of deciding whether to prioritise food or long-term needs.

Comparison of cash with food is also problematic because of the way that the cash ration is calculated. While food rations are calculated according to what is needed to meet minimum food needs, cash rations are calculated using market prices equivalent to this. The choice of price for the calculation is important – if the prevailing market price is high, the cash ration will be excess to meeting food needs, and vice versa. Most cash programmes are implemented when production has been good – so prices are likely to be low. In fact, a cash price has to include an estimate of the increase in grain prices that is potentially caused by the cash

intervention. Moreover, this year the cash ration has been increased to allow households to purchase non-cereal food, whereas food relief programmes often do not supply a full and balanced ration of locally appropriate food.

An important point to note is that the amount of cash received by most households was greater than the food they had received before. The reason for this is that Save the Children and its DPPC partners agreed that beneficiary numbers would not be limited within a household. Previously, poor households received less than their household size. Moreover, the targeting policy (which is linked to the above point) was strictly adhered to, which meant that better-off households did not receive any cash, and more went to the poor who were targeted. Therefore, the cash intervention was more favourable than the food intervention which it replaced in terms of the amount that households received. Moreover, large households benefited from economies of scale. All these factors contributed to the beneficial impact of this project.

While the comparison between food relief and cash is not straightforward, the fact remains that an excess of cash provides an economic advantage to beneficiaries (with exponential returns if surplus is invested wisely), while an excess of food does not (transport costs are proportional to the amount of food received; excess food causes prices to exponentially decline, reducing the net value). Moreover, cash relief assistance designed to meet minimum needs will be cheaper for the implementing agency than food relief, and the costs and losses to the beneficiary will also be less than with relief food distributions. Cash transfers increase the amount of money circulating in communities, which means that there should be more opportunities for small businesses (off-farm activities), and increased purchasing power helps to link rural areas with 'urban' areas, a recommendation highlighted in the Destitution Study as key to rural economic development.

3.3 Timing of cash interventions

Cash relief is said to be more appropriate (and generate maximum benefit) during the season when households have just harvested their crops; food relief is said to be more appropriate during the period when household grain stocks have been consumed or sold and grain is purchased from the market. The basis for these arguments relates to the availability, and therefore the cost, of grain in the market.

Government policy in Ethiopia stipulates that labour-intensive public works projects can only take place during the 'slack' period (around harvest time and up to the next cultivation period), and are less appropriate during the busy farming period (coincidental with the 'hungry period', when households have exhausted their stocks and buy grain

from the market). The term 'hungry period' tends to refer to availability of grain at household level, and while it is a difficult time for households, it does not necessarily mean that they have no other sources of income. Off-farm sources of income are likely to be available during this period, but there is generally inadequate attention to this kind of information in Ethiopia.

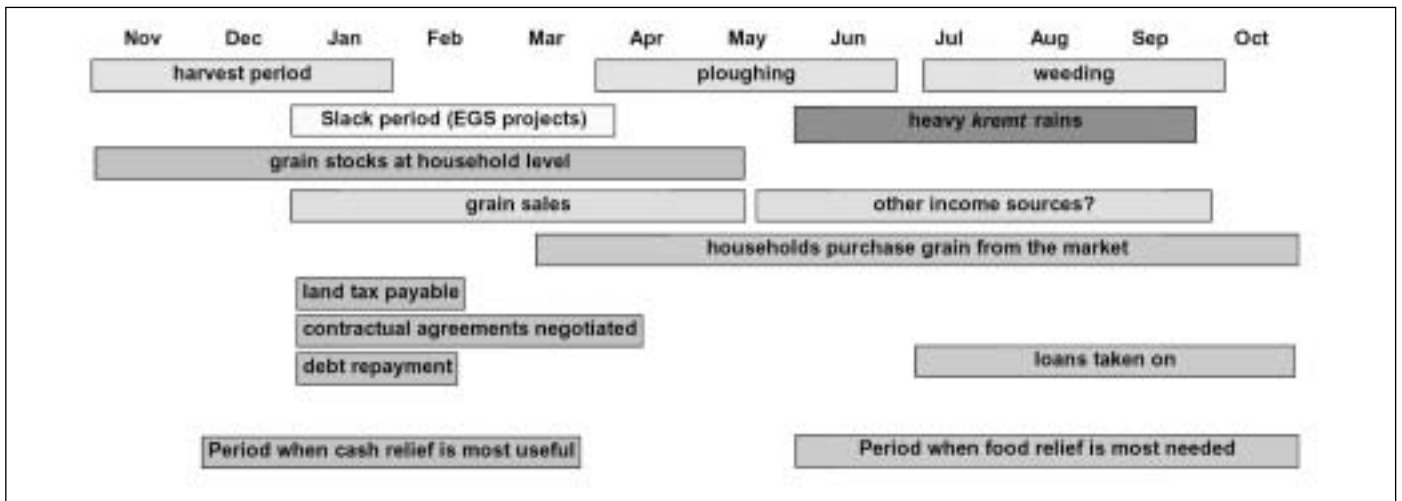
The implications of the differential timing of food and cash relief and public works activities (for meher areas) are indicated in Figure 9 and summarised below:

- Food insecurity at household level has historically been addressed through food relief during the 'hungry period' – generally the 3–6 months before the next harvest – and longer if there was drought.
- If cash is distributed at this time it is likely to increase already high prices of grain in the market when households have few other income sources; moreover, the price may already be high because heavy rains hamper traders bringing in grain.
- This period is not the time of year when public works projects can be carried out – as it partly coincides with the busiest time of the year for farming (labour-intensive public works projects have historically been done in the slack period between January and April).
- Cash interventions gain most advantage for beneficiaries if the cash is paid around harvest time – a time when land tax has to be paid, seeds have to be bought, debts repaid, and when contractual agreements are negotiated for the following year. Moreover, cash allows households to retain grain stocks or to sell a smaller proportion as the price gained is likely to be higher.

So, there is a conflict in timing. SC did not make any modification to their programme to accommodate this issue (and evaluations have not uncovered any complaints). The government, however, has proposed addressing this clash in one of two ways: splitting the payment such that the work takes place in the slack period and the payment is divided between the slack period (cash) and the 'hungry period' (paid in coupons at the same time as the cash payment); or providing cash in the slack period and food in the hungry period (this however would double the administrative/logistic burden).

Alternatively, a *woreda* might opt for 100% food relief. In such cases, the food is usually distributed at the time of the work (the slack period, also the harvest period). Food relief agencies argue that distribution of food at harvest time does not in fact reduce local producer prices, as the total amount is too small and is sufficient only to meet immediate needs. It is difficult, however, either to refute or confirm this claim, as there is no reliable analysis available.

Figure 9: Timing of cash and food interventions in *meher* areas



The problem of timing cash such that it is not distributed around the hungry period was not raised under the MLDP, perhaps because the cash provided was more than in the past, and was more than the annual food deficit. However, for cash interventions where minimal sums of cash are provided to meet households' deficit only, this might be an issue.

Another issue that the MLDP will explore with phase II is the issue of grain banks. SC's projects included grain banks, which were to be used to store grain that previously was sold at low prices at harvest time. The grain banks were intended to enable households to retain the grain and sell it later, or to sell less and use more for home consumption. In theory, if a household has no crop-sharing obligations (as is the case for middle households and beneficiaries who managed to cultivate their land themselves), crop production will be 7.5 quintals (see Table 2 for details on crop production in the baseline year). Although households are still likely to sell some, even with a cash programme, the stock is likely to last a family of five for most of the year. The grain bank element of the MLDP has yet to be evaluated, as grain banks were not completed in time to stock the 2004 harvest. The government of Ethiopia is anticipating cooperatives taking a role in purchasing grain locally and storing it. This would be a good thing, but it will not happen on its own – support is needed for co-operative development.

3.4 Bureaucracy in cash programmes

The administrative procedures which have been a feature of SC's cash interventions are an advantage (transparency, accountability, proper management of funds), but capacity limitations among project implementers resulted in some disadvantage to beneficiaries (lack of staff to manage the work caused delays in cash distribution). Food distribution has always been less formal: a bag of grain is allocated to households, and no-one is required to sign and no signed

receipt forms are required in order for the next distribution to take place. Other constraints include a lack of electricity, equipment (photocopier, computer, telecommunications) and skills and experience to handle the administrative requirements.

This programme required several people to sign/be present at particular stages of activities. These requirements need to be rationalised to allow a more efficient system. For instance (see Table 5: Administrative and financial systems: activities and potential for delay), is it really necessary to have four *woreda* experts accompanying the cash distribution process every month? Certain checks and balances are required under agency financial audit rules, but where reducing such participation does not carry significant risk the involvement of partner staff should be rationalised. Some level of risk is always inherent in a programme, and the systems here seem to be over-cautious.

What needs to be done to make the system work better? As with most programmes in Ethiopia, the DAs take on a heavy burden with this programme, as well as the cashiers and finance officers. These are issues that the *woreda* teams need to consider – what staff do they require in order to do this? How can processes be streamlined and tasks delegated without losing accountability and transparency? This information needs to be fed through to the national government system. It is difficult to see how the government can take on the work that NGOs have been doing on a small scale and replicate it in many new *woreda* when the existing government partners at *woreda* level have been unable to fulfil the roles originally agreed.

3.5 Non-cash interventions for cash beneficiaries

Households receiving cash under the MLDP were not directly targeted for support with micro-enterprise development or promotion of savings, although other agencies

paid some attention to promotion of traditional savings clubs (*equub*). While the MLDP had a microfinance component – allowing households to apply for loans – the business development support which microfinance recipients get is also useful for recipients of cash transfers, particularly when the sum is substantial, as in the MLDP. More attention needs to be paid to encouraging off-farm businesses among cash recipients, particularly as enterprises have an increased chance of success due to increased cash flows within the community.

3.6 Information systems

Information systems are critical to design appropriate responses to food insecurity, and to avoid problems with a cash intervention which need to be detected early enough for appropriate and timely intervention. While baseline analysis and evaluation is usually an important component of Save the Children's programming, monitoring systems have been weaker. Monitoring generally in Ethiopia is weak because of the absence of a comprehensive and unified national price monitoring system.

A methodological challenge is that of measuring – and ascribing cause for – change in livelihoods.

Baseline information

Baseline livelihoods information is used by Save the Children in designing interventions, and in describing and quantifying impact. SC uses methods that enable it to both describe and quantify livelihoods patterns, and to link household-level and macro-level information. The Household Economy Approach (see SCUK 2005b) has particular advantages over other tools in this respect. Two key advantages are that it allows quantification of household income and expenditure, and disaggregates the population according to risk and vulnerability. However, the quality and depth of understanding gained through HEA has to be considered in light of the disadvantages: it does not quantify the proportion of a population that exhibit a certain behaviour or possess a certain asset – it provides rough percentages only. A further perceived disadvantage is that it is usually resource-intensive. Rapid versions of the approach can provide a useful summary of the dynamics of livelihoods patterns sufficient for planning interventions (see SCUK 2005b for more information on the approach).

Baseline livelihoods information can also be sought through quantitative surveys. These are useful in generating numbers against which change can be measured. However, quantitative surveys are limited as they rarely explain the dynamics of livelihoods: the What? Why? When? How? and Who? which is needed in programme design and evaluation. The MLDP demonstrated that a combination of qualitative and quantitative methods is effective in measuring change.

Needs assessment and assistance planning

The needs assessment process remains a critical element of the success of any intervention – whether it be cash or food. With the choice of cash or food, the assessment process has to incorporate not just estimates of numbers affected, but also decisions on what kind of intervention is most appropriate. In theory, the *woreda* has the choice of each option, although in practice this will be determined by the overall balance of resources for cash compared to food distribution. Most donors have a funding commitment for three years or more, but are planning to support existing proposals for two years before reviewing process and outcomes. USAID has committed to three years' assistance, with two years' food relief planned, on the grounds that after two years it is possible that the country will request 100% cash assistance. It is not clear whether USAID will provide the equivalent in cash of what it used to donate in food, and it is also not clear what USAID will do if the food-relief *woreda* (some of which are signed up under multi-year agreements) opt for cash.

While donors have certain levels of funding which they are willing to commit, in theory *woreda* make the decision and will consider market dynamics, production, community preference and capacity. The question remains whether government *woreda* teams (or even regional bureaus) have the information at their disposal to make such a decision, and/or the analytical skills and experience to use it. The multi-donor assessment of readiness to manage a cash programme highlighted key areas which needed addressing. The assessment report – published in September 2004 – set out an ambitious and probably unachievable timeframe for addressing these constraints by the planned PSNP launch date (January 2005).

Various initiatives within Ethiopia have worked towards strengthening the early warning system with information on livelihoods. An on-going initiative seeks to strengthen the needs assessment process with baseline livelihoods analysis.⁴⁸

Monitoring and evaluation methodology

Most agencies have used qualitative approaches to monitor change (focus group discussions), but complementary quantitative assessments have been shown in the MLDP to be useful in monitoring change over time, and in measuring final impact. Whereas household economy analysis (Aklu & Haile Kiros 2005) was able to describe how poor households had managed to opt out of crop-sharing arrangements, the team was unable to say what proportion had opted out. The quantitative studies (SCUK 2004e) reported that the change was experienced by around 15% of households, and

⁴⁸ Save the Children has worked with government in Somali region and Amhara region to build capacity in livelihoods analysis and to develop livelihoods data sets. The work is continuing through FEWS-Net and the Emergency Preparedness Strengthening Programme.

provided estimates of the proportion of beneficiaries purchasing different kinds of livestock. The household economy baseline – in describing relatively large groups within the community (e.g. 50% poor) – misses important differences within the group which have been shown to be important in measuring the impact of cash at household level. Questions that can be better answered through a combination of qualitative and quantitative methodologies include: ‘what proportion of poor households managed to purchase a share of a plough oxen and what factors enabled this?’; ‘what proportion were able to retain this advantage for future agricultural seasons and why?’; ‘what proportion purchased sheep or goats and what proportion therefore terminated their *yerbee* agreements and what are the implications of this?’; ‘what proportion of richer households used to benefit from crop sharing agreements with their poorer neighbours and what implications has the loss of such an opportunity had for them?’.

In determining the impact of cash, it is often difficult to state whether the same changes would have happened without the cash, or with a food intervention. The problems relate to the difficulty of finding a *control* group which is unaffected by the intervention. Moreover, food relief is managed very differently from cash assistance, so the comparison is false. Detecting longitudinal change is more feasible, but this requires pre-intervention information to detect such change; moreover, information needs to be collected on other factors and interventions that could have resulted in the change (e.g. what other assistance packages the household benefited from; production statistics for the *woreda*).

The routine monitoring system for the MLDP was weaker than previous cash interventions partly because of capacity constraints. One factor for SC was the recruitment of a completely new team, with staff who had relatively limited experience of implementing or monitoring a cash-based programme. Under the MLDP, market monitoring focused on monitoring market prices and consulting beneficiaries. Little comparison with previous years appears to have been done, and no graphs (such as those presented in Figure 7 and Figure 8) were constructed to compare trends. The monitoring system appears to have been successful because local staff (*woreda* government and SC) were keeping an eye on things, and they know whether a certain price is low or high for the season. However, if a monitoring system is expected to detect the likelihood of high prices *before* they occur, a more sophisticated (but still relatively simple) market monitoring and analysis process is necessary (including price projections). Contingency options should be well thought through in advance, with a range of possible scenarios discussed and options for action identified and agreed upon for each; triggers for action and roles and responsibilities need to be clearly defined and ascribed. It should be noted MLDP staff

identified the need to monitor markets further afield, and SCUK staff planned to monitor supply area markets in phase II (SCUK 2004f) in collaboration with the *woreda* team.

Monthly monitoring was a lot stronger in the four *kebele* under the caring practices study. In these *kebele*, detailed information was collected each month from around 50 households on household expenditure and caring practices. Monitoring of households was intended to be longitudinal, but because the focus was on households with children under five, roughly half of the households sampled in the first month no longer had a child under five years by the end of the seven-month period, in which case the original household was replaced by another one. A total of 23 households out of an average of 50 sampled each month were followed from the first month to the end. Statistics on livestock purchase therefore have to come from this sub-sample,⁴⁹ and the small size, and potential bias of selecting only households with young children, limits confidence in the data.

The decision over whether to invest in stronger longitudinal monthly monitoring or to wait until the final evaluation depends on how important the information gained from each is thought to be. The MLDP could have monitored beneficiary households longitudinally, and could have selected the original sample purposively (getting a sample which includes households of different size, with different dependency ratios, different livelihood profiles at the outset, or female-headed households), or randomly. A purposive sample would have given very useful information about livelihoods dynamics and the seasonality of options for different types of households. A random sample would have given data more representative of the larger group of ‘poor’, and if household data is also collected at the beginning it could be broken down by household profile. The caring practices study was conducted primarily to test assumptions about how cash affects caring practices, which is why the investment in field research was greater, with research staff hired specifically for this project. The MLDP had few field staff – only three relief assistance monitors – and was focused on implementation. Advantages of longitudinal monitoring include the possibility of getting a better understanding of seasonality and how seasonality affects household options and decision-making, and using the information to inform/revise the intervention. The same information could in theory be gained in a final evaluation if the household is asked, in addition to what assets they bought, the month in which they bought them. This brings problems with recall, however, and the information cannot be integrated into ongoing programming.

⁴⁹ If households under study are replaced with new ones, a monthly monitoring system will not be useful to provide annual statistics for livestock purchase. Hence longitudinal monitoring is necessary particularly for non-routine (monthly) expenditure.

3.7 Contingency

What would happen in the case of price increases is unclear. It is often assumed that a switch will be made to food relief, but no details are available about how this should happen. Nor is there any indication of where any contingency grain stock should be held – at *woreda* level, regional level or in Addis Ababa. The implication is some kind of strategic grain reserve, for which there is already a national (albeit imperfect) system operating at federal level. Does this mean that there might be decentralised grain stores as part of this reserve, or separate? Will the existing reserves present in certain hubs (e.g. in Kombolcha, where the EFSRA provides a grain store for the food relief programme in Amhara region) be adequate? The system for accessing food from the existing EFSRA is relatively quick, but will it remain efficient at a larger scale, e.g. if the PSNP requires a large-scale injection of food relief due to suddenly high grain prices and lack of grain in the market?⁵⁰

Other options are rarely considered. Increased payment rates were suggested by some individuals, but no debate seems to have taken place on the practicalities of this, or on the mechanisms for flexibility in wage rate setting. Local purchase is also an option.

One option that has not been considered by implementing agencies, but which was mentioned in the Bellmon report (Deloitte Consulting 2005), is spot monetisation. The authors discuss strategic options and note the risk of negatively influencing trade and production if spot monetisation occurs when the price is already low.

It is worth noting that contingency plans for food relief operations are rarely given the same emphasis as contingency plans for cash interventions. The risk of food relief negatively affecting producer prices is present when food relief is surplus to need, coincides with ‘bumper’ production in areas which could supply deficit areas, and where relief is poorly targeted.

3.8 Targeting

Ironically, it is the poorest (the ‘destitute’) who have benefited from the policy change for relief (replacing food with cash) in Ethiopia. The ‘not so poor’ or ‘transiently food insecure’ are not likely to be assisted with cash. Because of institutional factors, it is anticipated that these households will be assisted with food under DPPC’s food relief programme in the event of disaster, regardless of what is needed, what is more efficient or effective in addressing short-term food insecurity.⁵¹

Officials and community members reported exclusion of those who should benefit. The beneficiary figure of 40,000 individuals constitutes 17% of the total *woreda* population. There are a number of reports that suggest that the real figure of food-insecure households (i.e. that cannot meet their food needs, let alone their non-food needs, without assistance) is considerably higher. While the destitution study reported around 14% as ‘destitute’ (Sharp et al 2003), a further 55% were classified as ‘vulnerable’. In Save the Children’s own baseline (Chapman et al 2001), the ‘poor’ – who were dependent on relief to meet more than 20% of their annual food supply in any year – was estimated at 45–50%. Methodological issues are a factor in the discrepancy⁵² between these estimates of food insecurity and the proportion of households targeted under relief operations. It is possible that the number of food-insecure households is actually higher than those targeted, and that the level of intervention required to meet basic needs is lower per household. The issue is important with cash interventions because cash is not shared – officially or unofficially – among a wider group of beneficiaries, whereas food relief is shared.

The fact that cash is better targeted, and exclusion therefore becomes a serious issue, highlights the following areas for exploration:

- Are more households in need of assistance even in normal years than are currently being assisted? Is the number who need assistance in fact larger, and is the level of assistance less for each household, or some households?
- Was the historical practice of sharing food resources wider than was intended because needs were greater than assessed, or did the redirection of resources target some who did not need aid, and was done because of pressure and the feeling that everyone has a right to food, that it is a sharable commodity, a gift rather than an entitlement?
- Should assistance in non-emergency situations be formally extended to include all vulnerable households, including the non-destitute poor? Are these assisted with other packages not in need of the cash transfer? Would a cash transfer be more efficient than these other packages? Would a combination be both more efficient and effective?

⁵² Household Economy Analysis – which reviews how households lived in a year in the past representing ‘normal’ or ‘typical’ conditions – has difficulty in determining whether the food relief received was necessary – households do not need to find other sources of food or income because the relief is provided annually. Moreover, the classification of the ‘poor’ as a large group hides diversity within this group – of the 50% described as poor, some might have been able to cope without food relief, even though they received it. While this is not to suggest that food relief has not been needed, it is a limitation in livelihoods analysis, whereby the provision of something makes it impossible to know how households would have survived without it – a common problem where relief is a permanent feature of livelihoods patterns.

⁵⁰ SCUk Emergency Manager, pers. comm.

⁵¹ The issue, according to the World Bank (pers. comm.), relates to the need to not overburden the emerging programme with additional complications.

3.9 Implications of the transfer value

SC's intervention provided considerable assistance to beneficiary households. Households received on average ETB 725, which more than doubled their income. It is likely that the intervention covered more than the 'deficit' of food needs, and this factor is likely to have contributed to the success of the project. The point that has to be made is that increasing cash brings no disadvantage to the household or community. A higher amount of food than is needed, on the other hand, brings no extra advantage as the value reduces when exchanged for other needed items, and a surplus of food relief risks resulting in a disincentive to production.

3.10 Agency approaches to cash interventions

Cash interventions implemented by non-governmental organisations in Ethiopia differ greatly. Of the agencies who attended a meeting to discuss cash-based programming, most had just implemented their first pilot project and had not secured funds for a repeat/scale-up, despite positive results (Brendsetter 2004).

The projects vary in terms of type of programme (recovery, relief, development, learning); purposes (meeting basic needs, filling a food ration gap, asset protection, recovery, road building); the target group (families with malnourished children; the chronically poor); the way the amount of cash per person or per household was calculated (some gave a higher per capita allowance in smaller households because they do not have the economic advantage of scale); limits to total number per household assisted; the decision as to whether people should work for the ration or should get it without having to work; and, finally, the roles and responsibilities of the different members of the partnership. Consistency of approach is hindered by the fact that some agencies do not work closely with the government, and there has been little collaboration in designing and evaluating these programmes.

3.11 Institutional factors influencing the use of cash

Amhara region government representatives are resigned to the fact that donor policy will be the critical factor in determining the proportion of beneficiaries who receive food compared to cash, and that the determination of what is appropriate might come second.

USAID continues to provide the bulk of relief assistance in Ethiopia as food – mainly Title II food aid through what is known as the 'PL480' system. The rationale behind this programme is explained in a report for Congress by the Foreign Agricultural Service of the US Department of Agriculture (USDA 2001), which states: 'while not the reason for undertaking a food aid program, US food aid

may help to expand US exports in the short term and can build the foundations for future sales'. Barrett & Maxwell (2004) term this a 'misuse of food aid' and argue that food aid is 'demonstrably ineffective' in achieving these goals (p. 2). The authors argue for a change in USDA policy as the linking of relief with donor country interests undermines the potential for food aid to be effective in saving lives where food is unavailable and inaccessible. The US government's policy still limits the amount of cash projects USAID can fund – despite positive reviews of cash pilot projects initiated by the USAID Ethiopia country team (Brendsetter 2004).

Other donors are flexible. The EU and DFID are supporting the cash element of the PSNP, and favour a cash-based response where appropriate (the EU also supplies food aid procured through local purchase). The Dutch government's country strategy is based around a principle of rural economic development, and cash programmes are seen as important in achieving this.

Meanwhile, the government has seized the initiative to intervene with cash relief on a large scale, and donors are supporting it. Cash donors (DFID, Development Cooperation Ireland, the EC, the World Bank and CIDA) are providing funds for the cash transfer element, and USAID is funding the food component. At the end of 2004, donors anticipated a roughly equal split between food and cash across all food-deficit areas.

However, with a programme that ostensibly gives responsibility for choosing the most appropriate intervention to *woreda* teams, the number of beneficiaries for cash or food will take time to get to the donors; at the same time, the donors may have pre-determined maximum or minimum limits for the food or cash assistance they are willing to provide. USAID is likely to have a minimum number of beneficiaries that it would like to assist: food is already in country, or in the pipeline.

From the Ethiopian government's point of view, USAID food aid would appear to be a relatively sure thing – US government policy supports continued supply. If cash was chosen on a larger scale, would USAID replace food with cash in the future? Moreover, can the Ethiopian government be equally confident of continued support from the 'cash' donors? Most have signed up for three years, but will they commit to this for the longer term? The government of Ethiopia will not be able to cover the costs on its own for some time to come, even if the anticipated 'graduation' of a large proportion of beneficiaries from poverty occurs.

Another institutional factor that may feature in the choice of intervention could be the relatively generous allowances for administration cost recovery for USAID Title II

programmes. If these costs are not equal across donors or intervention strategies, such influences might tip the balance in favour of food relief.

Finally, institutional specialisation also influences the decision. In addition to USAID's institutional bias, WFP has historically been tied to food (although it is reported that the agency is increasingly looking at cash-based interventions to address food insecurity – such as in the Indian Ocean tsunami response in early 2005). Within the government of Ethiopia, the DPPC continues to be restricted to food relief largely because the department has considerable experience and expertise in food distribution logistics. What is needed is to enable government departments, UN organisations, NGOs and donors to intervene with flexibility such that the intervention considers the cause of food insecurity, and drives economic development concurrently with enabling households to meet their basic needs.

3.12 Relief or development?

The relief to development continuum is an interesting and complex concept. There are agencies that believe that public works projects that create or rehabilitate community assets are the key factors that rescue people from poverty, and that the cash or food transfer is inconsequential. Then there are those who think the very fact of food relief creates dependency – as in the old adage about giving a fish, rather than a fishing rod, to a fisherman. So while there remains a difference of opinion on the value of a cash transfer compared to a food transfer, what is widely accepted in Ethiopia is the need to bridge the gap between relief and development, and multi-annual funding aims to accomplish that. However, institutional factors mean that the transiently food-insecure will be assisted with food relief (in the short/medium term at any rate), while the long-term poor will be assisted with cash. However, there is no reason why cash assistance should not be an option for addressing transient food insecurity. Indeed, if the right conditions prevail, it should be more effective.

Cash interventions have the potential to combine the stages of relief and development because cash allows households to meet their immediate needs while making strategic decisions to improve livelihoods in the longer term. It takes the decision-making out of the hands of programme managers – usually desk-based, urban dwellers who do not necessarily know the most efficient assistance to alleviate food insecurity – and gives it to those most likely to know what's good for them – the farmers themselves. This case study has drawn on evaluations of strategic investments made by households which could not have been replicated with in-kind interventions because of the specificity and uniqueness of each household situation.

The greater efficiency of cash – while difficult to accurately calculate – is obvious. The considerable operating costs of international food distribution agencies have hitherto not been factored in when planning a food relief intervention. Where trading networks exist – or potentially exist – cash encourages traders to supply the new markets. Distribution costs are relatively low as they are based on local labour and vehicle hire rates.

The MLDP findings suggest that cash contributes to economic development in rural Ethiopia in a way that food assistance could not. The Destitution Study (Sharp et al 2003) argued that the most effective way to help people escape poverty is to facilitate urban–rural linkages. Cash transfers help to make this link, as traders from towns are encouraged by increased purchasing power in villages to move grain closer to the demand. Small traders from remote villages now have an incentive to go to a nearby market and bring grain back to the village in small quantities. Cash frees income that would otherwise have to be spent on food and thus can stimulate investment. However, cash relief on its own – provided for relatively small numbers of people and, under the PSNP, in relatively small quantities – is unlikely to do much to solve the more deep-seated and intractable problems of chronic poverty and destitution. As many authors have noted, a comprehensive and well thought-out range of interventions is necessary.

Chapter 4

Conclusion

Is cash relief appropriate in Ethiopia? This review finds that cash is appropriate both for poverty alleviation, as well as to address acute food insecurity, so long as markets can respond and there is capacity to implement. At a very simplistic level, why should agencies go to all the trouble and expense of delivering food to a household when the beneficiaries could go out and buy it themselves (if given the cash)? The same argument applies for in-kind development assistance compared to cash: agencies who undertake 'restocking' projects⁵³ mention the difficulty of deciding what the beneficiary wants, as choice is influenced by age, sex, reproductive status, body condition, timing and price of the animal. Why not give them the cash and trust them to make the decision that is right for them?

Food relief programmes tend to get distracted by too much attention on local production. With assistance for food-insecure households, the key issue is not whether local production is adequate for the *woreda*, but whether grain from anywhere else will be brought in. Cash in most cases will make the chance of this happening more likely. The highlands of Ethiopia are known for low per capita crop production. However, areas to the west, where surplus production is the norm, have 'moved closer' with the construction of trunk roads. Traders have been able to respond year after year in pilot projects that have operated on a small scale. Given adequate additional support to traders, a realistic scale of intervention, and capacity to implement, cash interventions should stimulate 'the development of rural markets' (World Bank 2004).

The goals of NGOs and the PSNP include poverty alleviation, not just famine prevention/relief. The preliminary evidence presented here suggests that relatively generous cash assistance may address some of the structural causes of poverty and shift the balance of power in contractual relations between rich and poor households. The potentially greater multiplier effects of cash assistance, when provided in sufficient amounts, compared to in-kind approaches may also enable relief to simultaneously meet basic needs and begin to address poverty alleviation goals. Some of the projects reviewed in this case study have demonstrated that cash interventions apparently have the potential to break the poverty cycle that currently prevents the poor from prospering. The MLDP found that some households have been able to invest in assets such that they have achieved a certain level of food security; however, it is not clear what level this is, as no projection has been made of expected income given the newly acquired assets. Moreover, the evaluation findings beg the question: what about the 'better-off?'. Research is

needed to determine how the changes for the poor have affected their previous patrons.

The concept of 'graduation' is an issue for contention. Save the Children intends to support the same group of households with cash or food relief for a three-year period – to give them the greatest chance of achieving sustainable livelihoods.⁵⁴ The government proposes to remove households from the safety net beneficiary lists (i.e. the cash/food transfer) once they are deemed able to 'fill the food gap'.⁵⁵ Households will remain eligible for assistance under the food security programme (with household packages etc.) until a household reaches a certain level of income and assets (determined with reference to local norms and livelihood systems). At this stage, they will be deemed to have graduated. Graduation is defined as: 'a household no longer requires support from the food security program, based on its level of income and asset possession maintained over a period of time'. Such issues remain vague in project documents (___ 2004, Annexe 3).

The projects also demonstrated greater cost-efficiency than the alternative of imported food, and greater potential to strengthen markets than another alternatives – local purchase.⁵⁶ The implication of the lower cost of cash interventions has clear benefits for beneficiary communities so long as donors appreciate that the overall level of support should continue in some form, rather than be returned to donors and/or redirected to another country. Interventions complementary to cash assistance are under-funded, such as support to the development of markets.

Contingency options need to be discussed prior to engaging in cash interventions, as the logistical and administrative implications need to be incorporated into plans. Contingency options tend to comprise only one choice: switching to food. Other options warrant consideration, including spot-monetisation, increasing the cash ration, subsidies for traders and local purchase. However, remedial actions are unlikely to be sufficiently rapid, specific or sensitive to address a sudden escalation in prices. No decision or action is made quickly in national programmes

⁵⁴ SC's original plan was to maintain the same caseload for three years – regardless of whether they have purchased livestock – as the agency fears temporary gains will be wiped out if the support is not continued for a sufficient length of time. The government would prefer to exclude those who have invested in livestock and target others.

⁵⁵ The lack of explanation for how this will be done, and lack of capacity/protocol for such an assessment is likely to cause problems in the six-monthly registration process.

⁵⁶ Local purchase helps producers, and because of its sizeable tenders, helps mainly large traders. Small traders and cooperatives, however, can rarely compete in the bidding process with the major traders.

⁵³ SCUK R2D staff member, pers. comm.

where communication and distance is problematic and bureaucracy constrains flexibility. Implementation agencies should ensure that sufficient contextual analysis is done to identify the most appropriate intervention. Early stages of a national programme should learn from NGO programmes and proceed on a pilot basis, scaling up incrementally and erring on the side of caution.

Market monitoring systems are important to enable programme managers to detect abnormal or worrying price trends so that, *before* the price hits an unaffordable level, a contingency action has been set in motion. M&E systems need to be strengthened to include, in addition to price monitoring mentioned above, the ability to determine impact on non-beneficiaries and the wider community, as well as impacts on surplus supply areas. In areas of surplus production, farmers are likely to benefit from increased prices, which will help them achieve greater yields, with the ability to purchase inputs for the next season.

Food relief is likely to be needed in the foreseeable future. Nevertheless, it is critical that selection of the most appropriate response mechanisms is driven by an analysis of which strategy is most likely to achieve economic development, by the food security situation within Ethiopia, by the potential for markets to shift grain across the country, and by an analysis of government capacity.

The government of Ethiopia has taken a bold step to push for cash from donors, and most have responded. Lessons have been learned from pilot cash intervention projects in Ethiopia, but the PNSP is moving ahead without having adequately drawn from these experiences. SC's reviews have highlighted some key constraints in cash programmes, including capacity at *woreda* level, bureaucratic systems designed to minimise financial risk but not operational efficiency, and the lack of a strong market information system. Some evidence of price inflation has been noted, but on the small scale of interventions to date it has not been sufficient to warrant contingency action. It is impossible to determine what will happen on a larger scale because cash interventions so far have been negligible compared to food relief; moreover, the success of cash interventions has been affected by food relief in neighbouring areas, by good production, by the purposive selection of *woreda* with good market access etc. The critical issue for food-insecure households in Ethiopia is whether the government has the capacity to undertake such a large-scale transformation in programming on its own, to meet its own deadline, and to anticipate and address any negative consequences that might arise because of the sheer scale of the operation. There are numerous opinions on what might happen, often varying within organisations.⁵⁷ The critical issue will be whether the

government is prepared to efficiently manage the programme as it stands, to detect problems early on, and to efficiently manage any eventuality.

Recommendations

The following recommendations relate to the identification and implementation of an appropriate mechanism to address food insecurity in emergencies and development contexts. They do not relate to Ethiopia's PSNP.

- Cash interventions are appropriate and cost-effective where otherwise food-deficit populations have good access to markets, and where traders are available to move grain from surplus areas to these deficit areas. Support to traders and improvements in rural infrastructure are needed alongside cash interventions, and should bring reciprocal beneficial impact.
- Calculating the value of a cash 'ration' is a complex issue that has been over-simplified: the cash ration is usually derived from the cost (at prevailing market prices) of the food that would otherwise be distributed. Realistic estimates – locally determined – of the *projected* price over the course of the implementation (in consideration of a large cash injection and reduced food relief) are needed if the cash ration is to be appropriate (price increase should be *anticipated* – this is after all one of the benefits anticipated for *producers*). The use of one value across a country as big and diverse as Ethiopia is likely to cause problems as a standardised grain price – and cash ration derived from this – will be excessive in places where production and supply is good (and grain prices are usually lower), and artificially low in places where production and supply is poorer and grain prices are usually higher. Beneficiaries in these latter areas would suffer from inadequate purchasing power. Inflation in grain prices should be anticipated – after all, improvement of producer prices is one of the beneficial impacts of a cash intervention.
- Clarification would be useful on how managers should calculate the cash entitlement, and the objective of the transfer. Is the transfer intended to enable households to meet minimum *food* needs, or minimum *household* needs? Furthermore, does meeting minimum food needs incorporate the cost of a *balanced diet*? Ideally, the cash ration would be established through an assessment of the 'entitlement deficit' faced by households in a given year/area, rather than a 'food deficit' estimate converted to cash (households need more than just food). The improvement in needs assessment methodology (incorporation of income-earning options, disaggregation by wealth group and livelihood group) is useful, but capacity to collect and analyse such information is not common. Perhaps a more realistic option is to set the cash entitlement equivalent to the cost of the minimum food basket.

⁵⁷ The Ministry of Agriculture, for example, has been worried about low prices because of reports of 'bumper crop production' (Grain marketing dept, Addis Ababa, pers. comm.).

- Organisations distributing cash should determine realistic criteria for removal of households from relief assistance such that any asset gains are not wiped out with the first minor ‘shock’. There are differences of opinion on what constitutes a status of ‘food secure’, and what constitutes ‘sustainably food secure’. In an environment as fragile as the highlands of Ethiopia, one year’s success for households previously dependent on relief for the past one or two decades is unlikely to be sustainable without continued assistance.
- Voluntary resettlement programmes, while fraught with implementation challenges (GoFDRE 2003b, Sharp et al 2003 pp. 147–150), ‘must be seriously considered as offering a potential solution to the severe land constraint highlighted in the Destitution Study’ (Sharp et al *ibid.*). The MLDP shows how cash interventions can efficiently and effectively help some destitute households become productive once more (and able to farm their own land in their home area). The duration of such productivity depends on attainment of reduced vulnerability to future shocks, and this needs to be properly defined and assessed before removing households from relief assistance and associated food security interventions.
- Collaboration between all stakeholders is necessary for a strong intervention; cash interventions should start small and incrementally scale up after sufficient capacity is established to implement, monitor and manage such programmes. Involvement of private traders as well as cooperatives is critical – including prior warning of a cash injection – such that they can make arrangements to respond.
- Information systems: strong information systems and data sets are necessary in order for decision-makers at all levels to be able to make an informed choice of the most appropriate transfer (cash or food) and to monitor the cash intervention (see Box 8: Information requirements in cash-based assistance).
- Market monitoring systems need to be harmonised, with clear roles and responsibilities identified for the different agencies collecting market data; skills for analysis, interpretation and acting on market data need to be strengthened. In fact, market monitoring and analysis could be improved considerably without being very

Box 8: Information requirements in cash-based assistance

For practical purposes, a strong monitoring and evaluation system is critical for cash interventions – particularly when the scale is large. Key areas are:

Mapping supply and demand areas for grain; establishing whether the local and larger trading network can meet the demands. This could simply be a map showing supply areas, demand areas, markets and infrastructure joining them. More detailed data would include production surpluses, production deficits and a broad estimate of whether production surplus is sufficient to meet demand.

Analysis of historic market prices and identification of locally-relevant threshold prices. Determination of contingency options.

Establishing practical steps relating to contingency: switch to grain: where is the grain to be held if a switch to food might be decided? How ‘local’ should such a contingency stock be? (If every *woreda* had a month’s food contingency, this would be unmanageable and impractical on a national basis.) What would happen if there is also a drought necessitating the mobilisation of large volumes of food? What would happen to any contingency food reserves if the situation does not warrant substitution of cash with food? What would spot monetisation involve as a contingency action for the PSNP as opposed to how it is usually used? Is there sufficient capacity for such a complex undertaking?

Determining impact at household level requires information on:

- Amount of cash received, timing of cash receipt
- Use of cash at household level and implications of each activity/strategy.
- Intra-household issues: decision-making; impact on children and other vulnerable groups.
- Targeting: inclusion or exclusion errors.
- Impact on non-beneficiaries.
- Intention to purchase inputs for the following season; and post-harvest change in yield.

Baseline livelihoods information is necessary if the agency wants to detect change. Such information can in theory be collected at the same time as the evaluation but is more useful when collected in advance as its primary use should be in informing programme design, including targeting.

Determining multiplier effect at the wider area requires information from:

- Areas of surplus production – historic yields, prices, use of inputs etc.
- Labour migration areas – impact on labour rates of lower levels of migration, impact on production in these areas if labourers are more difficult to find. (Are the areas of surplus production and areas of labour migration the same?)
- Traders – numbers of people engaged in petty trading in the village and *woreda* (food and non-food), and numbers of small traders who bring grain from local markets back to the village; numbers of cereal retailers in small towns and wholesalers (there will be a progression from retail to wholesale) and changes in volume traded/capacity.

complicated. A market baseline study should collect information from traders and commodities that might be affected by a cash intervention in order to detect impact of the cash intervention at the wider level. Market baseline information does not have to be complex or detailed: basic information which would be sufficient information on numbers of traders at different market levels, typical volume traded per week).⁵⁸ Basic knowledge of Excel spreadsheets would help in storing data in such a way that it is easy to graph, and the compilation of graphs that compare the same commodity in different markets, the same commodity over the same season in different years, and graph both grain, livestock, labour and terms of trade (labour: grain, livestock: grain) would throw up issues for discussion. Terms of trade is useful to compare food security status when prices have increased, i.e. increase in grain price is only a problem if those who are net purchasers of grain do not benefit from an equal or greater increase in the commodity they are selling (e.g. labour or livestock). A very easy first step for enhancing market monitoring and analysis is the organisation of a forum which brings together people who, owing to the nature of their work, their expertise, and their knowledge and experience of the area, are well placed to interpret such graphs and discuss the implications for the future.

Information on impact of cash on beneficiaries as well as non-beneficiaries within target communities needs to be able to detect beneficial and negative impact, as well as 'knock-on' impacts of cash. Thus, not just what people spend their money on, but what changes do these investments/expenditures bring to the household in the medium term? Evaluations need to do justice to the intervention and capture the full benefit. At the same time, negative consequences need more attention, particularly impact on non-beneficiaries who may have been affected by higher prices while not benefiting from the cash transfer. In some cases, these will have been rightly excluded; in some cases, exclusion might be unintended but caused by limitations in assessment methodology of political considerations. Impact of cash on the wider area needs strengthening: multiplier effects (both positive and negative) on trade and production warrant greater attention; agencies need to think through when such changes are likely to be noticed, and how such information should be sought.

Evaluation of efficiency is needed to clarify the full (and hidden) costs of each type of intervention for the implementing agency. At the same time, efficiency studies which compare cash and food from the perspective of the beneficiaries need to compare the net value of the transfer for beneficiaries – how much actually reaches home, not just how much they are given.

Support to development of off-farm activities, including micro-finance and enterprise development support, is needed for recipients of cash interventions, in addition to those benefiting from specific microfinance programmes.

Finance and administration systems need to be planned in consideration of the workplan and timing. Bottlenecks need to be identified and solutions sought. Greater involvement of elected community representatives and supervisors could shift the responsibility and accountability to communities. Monitoring systems rather than supervision are a more rational way of detecting problems, but a balance between financial risk reduction and efficiency of the disbursement process is necessary so that beneficiaries do not suffer as a result of delayed payments. This is more critical when the provision equates with minimum needs. In addition, local bank accounts are needed for transfers of project funds, say, on a quarterly basis, with appropriate control mechanisms. And the government should consider opening up rural banks in *woreda* where the cash transfer is likely to create a new demand for savings facilities and to facilitate project finance. The MLDP Phase II (due to start in January 2005) should seek to make the cash systems more efficient and test different approaches to cash disbursement and monitoring. Greater involvement of village representatives (who are given clear roles and responsibilities and information on sanctions in the event of mismanagement) may be a practical solution given existing capacity constraints at *woreda* level. More efficient systems may be possible if fewer staff are used in delivery and more are used in monitoring and random checks.

Cash transfers have the potential to enable diversification of livelihood strategies, but only with sufficient levels of support; where additional support is more efficient than additional provision of commodities 'in kind' (such as livestock), it makes sense to increase the cash payment.

Since cash transfers have strictly followed targeting guidelines, the problem of exclusion of non-targeted, but needy, households warrants greater attention, with studies on the household economies of those excluded and a revision of the needs assessment method which currently defines estimates of food insecurity. Other issues that need consideration are culturally-appropriate but transparent systems for the proxy collection of entitlements, and support to households that have difficulty accessing markets because of disability or old age.

Contingency systems need to be considered prior to intervention to determine locally appropriate triggers for intervention review. Scenarios and risk analysis, and concrete plans for addressing any problems need to be articulated.

⁵⁸ See Box 7: Market baseline information collected for MLDP.

Comparison of food and cash transfers is rarely simple as the existence of one affects the other. For this reason, data has to be interpreted with caution when evaluating and planning future interventions.

Consideration should be given to determine whether the organization has the requisite capacity to implement a cash intervention, and what capacity building is needed. A short checklist is provided in Box 9.

Box 9 Capacity for cash checklist

Policy: Is the policy appropriate and well designed? Is there need for regional or more local adaptation for certain elements (e.g. the value of the cash entitlement?) Do local teams have the knowledge, understanding and skills to make policy revisions?

Appropriateness: Is food available in the market (and will it be available for the whole year)? Could traders bring food in from other areas if deficit households were given cash? Could traders be assisted to bring food in from elsewhere?

Is there sufficient knowledge within the project team about local livelihoods, and the risks and vulnerabilities of different households within the different food economy zones? Is there knowledge and information about how deficit production areas link with surplus areas?

Have the project stakeholders identified assumptions and risks associated with the intervention? These relate particularly to grain and labour markets, security, and financial management. Does the monitoring system cover all of these risks and assumptions?

Is there a contingency system to deal with the most likely negative scenarios? (Have these been identified?)

What ration is appropriate? Does the ration match the objective? Should the objective be revised? Are key pieces of information available? E.g. the cost of the minimum household food basket (balanced diet) – factor in inflation due to the impact of cash.

Is the targeting system appropriate; does it need revision?

Is there a strategy for monitoring and evaluating the cash intervention (standard log-frame analysis)? Does the monitoring and evaluation system identify issues related to implementation as well as to impact? Does it pick up direct and indirect impact? On those included and those excluded? Does it seek out evidence of positive change as well as negative change, intended and unintended? Have you got information from prior to the intervention on income sources and the value of these to the household? And on assets and how they were used?

Is there a strong and integrated system for market price monitoring, with prices graphed for key commodities and the price/trend compared to previous years and seasons? Is there a regular forum for sharing and discussing market information and for identifying factors influencing the trends and their implications? Can teams make ‘best guess’ projections of what is likely to happen to prices in the future, developing scenarios of the most likely outcomes? Is there a baseline market analysis showing trading activities at all levels where the programme is expected to have impact?

Steering committee: clear terms of reference are required for the chair and secretary such that regular meetings can be organised with useful items on the agenda. The responsibility then lies with the chair to ensure that contributors of the information have adequately prepared their information in advance, and to moderate the discussion on the information presented. Attention should always be paid not just to process issues about implementation, but information on positive and negative impact.

Human resource requirements should be estimated, taking into account scale and logistics. For instance, how many people are required to attend cash distributions given the number of distribution sites? Is this necessary? If necessary, is it realistic given staff numbers? Do you need to recruit additional staff or can you identify other stakeholders who could take over these roles? Have you factored in community participation?

Material resources required for managing/operational stakeholders include: computers and printers, stationery, telecommunications equipment, transport and running costs. Is there a staff development programme which includes training sessions and resource packs available in the appropriate language, summarising key information about the programme and systems?

Are resource materials available summarising the policy? Are there formats for reporting/registration formats to be used for different activities, roles and responsibilities of stakeholders, guidelines on targeting, information about risk and vulnerability, information on deadlines for submission of reports, schedules for disbursement of funds, market monitoring and analysis guidelines?

Annexes

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NGOs managing cash intervention projects in Ethiopia, 2003/4

Agency name	Objective amount spent	Target pop. and total partnerships	Cash amount, duration	Scale	Project
JEOP partners (CRS, WW, FHI, REST)	Relief (basic food needs met) Build resilience (asset creation); CFW, cash for livelihood training, and free cash grant planned (cash grant not distributed due to government fear of dependency) Savings encouraged (promoting savings in <i>equub</i> system) Agency-specific objectives – e.g. nutrition (FHI); and for most of them a link to family planning Food provided to cover beneficiaries over the period of delay	Those in DPPC's annual appeal cycle (around 5% of the total population in FHI's South Gonder project) Total \$1.1 million or ETB 9.7 million disbursed by all JEOP agencies	4 months, August to November 2004 (planned April to July 2004). With change in timing there was fear of inflation – anticipated lack of grain in the market. However the contingency plan (to switch to food) was not used as grain was locally available Amount calculated using cost of a complete food basket and adding small saving potential. Daily wage varied but was roughly ETB 8, based on the monthly cost of 15kg wheat, 1 litre oil, and 1.5kg pulse (total ETB 36–37) plus ETB 3–4 per month for savings (total ETB 40). Daily rate is this cost divided by 5 EGS days. JEOP payment rates ranged from ETB 6 to 8 per day. 5 household members would receive ETB 240 per month.	Variable; FHI in S Gonder reached 9 <i>kebele</i> out of 90 in 3 <i>woreda</i>	Local district authorities but NGOs managed payment system
CARE (CARE withdrew from the JEOP cash project but continued with the JEOP general food distribution) ¹	Relief: to provide cash <i>in addition</i> to food relief to cover for the inadequate relief food ration; Development: to protect household and community assets; to revitalise markets by injecting money to increase demand; other: pilot-scale learning EGS and GR (conditional on awareness sessions)	8,000 out of the 50,000 receiving food relief were selected for cash intervention Total cash \$553,000 or ETB 4.9 million	September 2003 to February 2004 (6 months) awareness creation education Cash provided: 20 Birr per person per month, calculated on results of baseline survey / needs assessment which found average family spends 100–120 Birr each month to fill the gaps of the food distribution	1 <i>woreda</i> of W Harghe zone and 7 out of 25 <i>kebele</i> .	Local authorities with CARE managing cash. Lists prepared by CARE and partners

NGOs managing cash intervention projects (continued)

Agency name	Objective amount spent	Target pop. and total partnerships	Cash amount, duration	Scale	Project
EOC – USAID/OFDA	Drought recovery (2002/3 drought) (food relief provided prior to cash) but geared towards asset replacement. 6 months February to July including the 2003/4 harvest period (which was good). Gratuitous relief – people were considered unable to work	Destitute households headed by female, elderly, disabled or with no other sources of income, and orphans; \$259,700 or 2,235,700 Birr	Calculated according to cost of grain (a high 3 birr/kg) for large households, with additional cash added on top for smaller households because of the higher per-person living costs for small households. At the two extremes a 1-person household received 80 birr per month; a household with 6 people and above received 200 Birr. No work required	9 kebele out of 47 (19%) in 1 woreda of SNNPR	Partnership with woreda staff but project and cash managed by EOC
World Vision – USAID/OFDA	Relief and recovery: to help families with previously malnourished children to retain assets. 3 months October to December (over the 2003/4 harvest period) Cash distributed gratuitously but JEOP food distribution programmes operating in same area	Nutrition assessment targeted those discharged from feeding programmes (i.e. mainly households with children under five). \$620,953 in total distributed over a three month period (ETB 5.5 million)	Price analysis conducted prior to disbursement to determine amount. Cash provided depended on household composition: \$8 per head for each under-five; \$10 for each child aged 6-18 years (to cover education expense); two-parent households received \$23; single-parents \$18. The average household size was 5, average total cash per household was \$57 (around 500 Birr), an average of 170 Birr per month) 50% of the allocation was given in month one, and 25% in months two and three	5 woreda in SNNPR and covering 52 out of 107 kebele (37%)	Collaboration with district officials, though the cash itself was handled by WV staff.

NGOs managing cash intervention projects (continued)

Agency name	Objective amount spent	Target pop. and total partnerships	Cash amount, duration	Scale	Project
Oxfam	Development (livelihoods) (ORDA does food relief). Improve market access through road building. (This project is therefore “CFW” rather than “EGS”; no GR)	Around \$40,000 or ETB 355,000 (includes cost of tools)	12 months: May 04 to May 05 (ongoing) ETB 8 per person per day, no GR	1 <i>woreda</i> in N Wollo; 6 out of 44 <i>kebele</i> (14%)	<i>Woreda</i> agriculture office (technical assistance)
SCUK	Emergency: to help beneficiaries meet their immediate food needs following 2002/3 harvest failure. (Cash intervention was preceded by DPPC-distributed food relief) Recovery: to facilitate asset creation Development: to experiment with rural economic development strategies for diversification and to advocate for policy changes and better practice in linking relief and development 88% of targeted households were classified as EGS and 12% were GR.	Chronically vulnerable (DPPC provides food for acute caseload) \$790,000 or ETB 7 million	7 months: December 03 to June 04 The cash payment rate was equivalent to the estimated cost of purchasing the monthly grain ration (15kg wheat). The price for conversion was ETB 1.7 making the full payment ETB 25 per month. This payment was for GR beneficiaries or in exchange for 5 days labour for a worker (see text box for a critique of the GR/EGS rule). Maximum 9 people per household could receive cash Future projects agreed ETB 6 in order to allow for purchase of additional food items	1 <i>woreda</i> all 37 <i>kebele</i> (100%); 17% of total <i>woreda</i> population	All relevant <i>woreda</i> departments
DAP (Development Assistance Project)	Monetisation of commodities provided by USAID to generate cash for programme running costs. DAP agencies were refused permission to distribute cash to beneficiaries				

SC cash interventions to date

Year	Donor, title	Implementing <i>woreda</i>	No. of <i>kebele</i>	Proposed project period	Actual project period	Months when cash distributed	Total cash distributed to beneficiaries population	Pop. assisted out of total <i>woreda</i>	Remarks
2001	DFID-CFR	Bugna & Meket – NW Mekdela & Legambo – SW	6/128 (5%)	Nov 00–Sept 01	Nov 00–Sept 01	April 01–July 01	£112,880 (approx \$160,000)	20,341 (3% of the total pop.)	Total pop. in the four <i>woreda</i> is about 800,000
2002	SC-NLS CFR	Meket & Wadla – NW Legambo & Mekdela – SW	30/187 (16%)	Sept 02–Dec 02	Oct 02–Feb 03	Nov 02–Feb 03	€597,415 (approx. \$600,000)	52,303 (7% of the total pop.)	Total pop. in the four <i>woreda</i> is about 724,000
2003/ 04	GONTH MLDP-I	Meket-North Wollo	37/37 (100%)	June 02–March 03 June 03–March 04	June 02–June 03 June 03–June 04	Dec 02–June 03 Dec 03–June 04	ETB 7 million (approx \$820,000)	40,000 (17% of the total <i>woreda</i> pop.)	<i>Woreda</i> pop. is about 236,000
2003	OFDA CFR	Sayint & Debre Sina – SW	67/97 (69%)	July 03–Jan 04	Oct 03–Jan 04	Oct 03–Feb 04	ETB 6.6 million (\$773,087)	107,500 (26% of the total pop. in the two <i>woreda</i>)	Total pop. in the two <i>woreda</i> is about 407,321
2004	DFID CFR 2004	Wadla – NW Sayint & Legambo – SW	97/97 (100%)	June 04–Oct 04	June 04–Dec 04	June 04–Sept 04	ETB 1.6 million (approx \$188,000)	102,500 (17% of the pop. in the 3 <i>woreda</i>)	Pop. in the three <i>woreda</i> is about 590,659
2004	GONTH MLDP-II	Meket-North Wollo	37/37 (100%)	July 04–July 07	Started in Jan 05	–	–	–	Three-year project

Cost-efficiency comparison for implementing agency of 3 different relief options

The following tables give details of the cost-efficiency comparisons that have been done for two of SC's cash interventions. Note that the cost of imported grain is the same for all – and is the Ex-Djibouti wheat price in October 2003 (WFP, Addis Ababa, cited in Aklu & Haile Kiros 2005). Comments below each table discuss the analysis. Generally, these studies have taken certain project-related costs as equal – because of the absence of disaggregated data, perhaps. These include costs for personnel, capacity building and support, monitoring and evaluation. While these budget lines will in fact vary between the three types of intervention, it is very difficult to get details because of the different salary costs of

government officials and NGOs, for example, and because project reports do not have the required level of detail.

Comments

Local purchase cost (ETB 2,000/MT) not referenced; cost used for calculating the grain cost for cash beneficiaries is the same as for local purchase, yet cost of grain for local purchase should be cheaper as it is bought in bulk from supply areas. The justification and detail for the different costs for M&E and personnel are not given by the consultants.

Source: Gebrie Selassie & Bershah (2003)

Table 9: Estimated costs for CfR and FfR to serve one hundred beneficiaries

Description of costs for delivering food or cash assistance for 100 beneficiaries (12.5kg ration per person)	Costs for food aid (ETB)		Costs for cash relief (ETB)		
	Imported food	Local purchase	HQ expenses	Field office expenses	Total cash expense
Purchase of cereals (1.25MT)	3,110 ^a	2,500 ^b		2,500	2,500
Freight/shipping (597 Br./MT)	746	–	–	–	–
Port clearing and handling	70	–	–	–	–
Transportation: port to main warehouse	375	12.5	–	–	–
Transport: warehouse to distribution sites (0.70 Birr/MT/km)	250	250	–	–	–
Handling (loading/unloading/warehousing) (16 Birr/MT)	20	20	–	–	–
Personnel and related costs	348	348	174	174	348
Capacity building & support to the partners	190	190		190	190
Monitoring and evaluation	160	160	80	100	180
Others (Bank charges, insurance)	3	3	12.5		12.5
Total	5,272	3,483.5	266.5	2,964	3,230.5
Comparative index (imported food = 100)	100	66	61		

^a Cost per MT = ETB 2,488; ^b cost per MT = ETB 2,000

Table 10: Estimated costs for CfR and FfR to supply 1 MT

Description of costs for delivering 1 metric tonne of food (or cash equivalent)	Relief food		Cash
	Imported	Local purchase	
Purchase of wheat	2,488	1,680 ^a	1,780 ^b
Freight/shipping	617	–	–
Port clearing and handling	56	–	–
Transport – port to Meket	534	–	–
Handling (loading & unloading)	27	–	–
Personnel and related cost	300	300	300
Capacity support for implementing partners	190	190	190
Monitoring and evaluation	128	128	128
Miscellaneous expenses	3	3	112 ^d
Total	4,343	2,301	2,339
Comparative index (imported food = 100)	100	53	54

^a 11-month (2003/2004) average wheat retail price, Meket

^b 11-month (2003/2004) average wheat retail price, Meket assuming opportunity cost of Birr 100/MT to counter the advantage CfR has due to payment at the PA level;

^d Covers insurance cost while cash is in transit

Comments

Local purchase grain cost is the local price in Meket, but in fact local purchase would buy at lower prices from supply areas, so this price may be exaggerated. The cost for cash is the 11-month average for Meket, which is a realistic cost for cash beneficiaries to purchase grain. However, the consultants added ETB 100/MT to reflect what they describe as ‘opportunity cost’ – to ‘counter the advantage CfR has due to payment at the PA level’. This justification for addition of this amount is not clear (distribution costs are factored into project costs). The cost for miscellaneous expenses (insurance) for cash was described as excessive by the project team.

Source: Aklu & Haile Kiros (2005)

Table 11: Estimated costs for CfR and FfR to serve one hundred beneficiaries

Description of costs for delivering food or cash assistance for 67 beneficiaries (15kg ration per person)	Cost ETB/MT		Costs of cash aid operations
	Costs of food aid		
	Imported	Local purchase	
Purchase of Wheat (1MT)	2,488	1,520 ^a	1,675 ^b
Freight/shipping	617	–	–
Port clearance and handling (incl. bagging/packing)	56	–	–
Local-level bagging and packing	–	12	–
Primary Transport (Port to Main Warehouses and loading/unloading (central warehouses or EFSRA))	300	–	–
Secondary Transport: main warehouse to distrib. Sites ¹	96	280	–
Loading/unloading (to and at sites)	12	12	–
Quality inspection and analysis	2.93	2.64	
Personnel and related costs	300	300	300
Capacity support for implementing partners	190	190	190
Monitoring and evaluation	128	128	128
Miscellaneous expenses ^c	3	3	15
Total	4,293	2,448	2,308
Comparative index (imported food = 100)	100	57	54

^a Cost taken from the recent Local Purchase Contract Agreement, Gonth 4076, SCUK;

^b the cash amount value of 1 month's assistance for 67 people (67 x 25 birr);

^c covers insurance and other costs related to cash transit and distribution

Comments

Local purchase grain cost is derived from local purchase agreement, therefore more realistic. The cost for cash (purchase of wheat) is in fact the cash grant per household for 67 people – this to ensure the comparison is up to the beneficiary but does not include beneficiary behaviour.

Source: SCUK Emergency Team, Addis Ababa, 2005



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