

CASH TRANSFERS AND HIGH FOOD PRICES:

Explaining outcomes on Ethiopia's Productive Safety Net Programme

Presentation at the CPRC Conference:

Ten Years of War against Poverty

Manchester, 8 September 2010

Research Issue

1. Cash transfers are increasingly popular as a social protection instrument – deservedly so.
2. However – given thin and imperfect markets we argue that cash transfers are likely to face problems due to:
 1. Inflation – reduces purchasing power of cash transfers
 2. Seasonal price variability
 3. Locational price variability
3. This paper examines evidence from Ethiopia's PSNP and considers implications for social protection programming.

Ethiopia's “Productive Safety Net Programme”

~ to provide predictable transfers for predictable needs

Four conceptual shifts:

1. Annual emergency appeal \Rightarrow predictable multi-year plan
2. Food aid (= “dependency”) \Rightarrow cash transfers (= “growth”)
3. Chronically food insecure separated out from transitory
4. “Breaking the cycle of dependency”: cash + work requirement + community assets + extension packages = graduation

Data

- A two-round panel survey: 2006 and 2008
- Four regions: Amhara, Oromiya, SNNPR, Tigray
- 8 districts, 960 households

Beneficiary status

Non beneficiaries:	16%
>70% food payment:	30%
Mixed payment	36%
>70% cash payment	18%

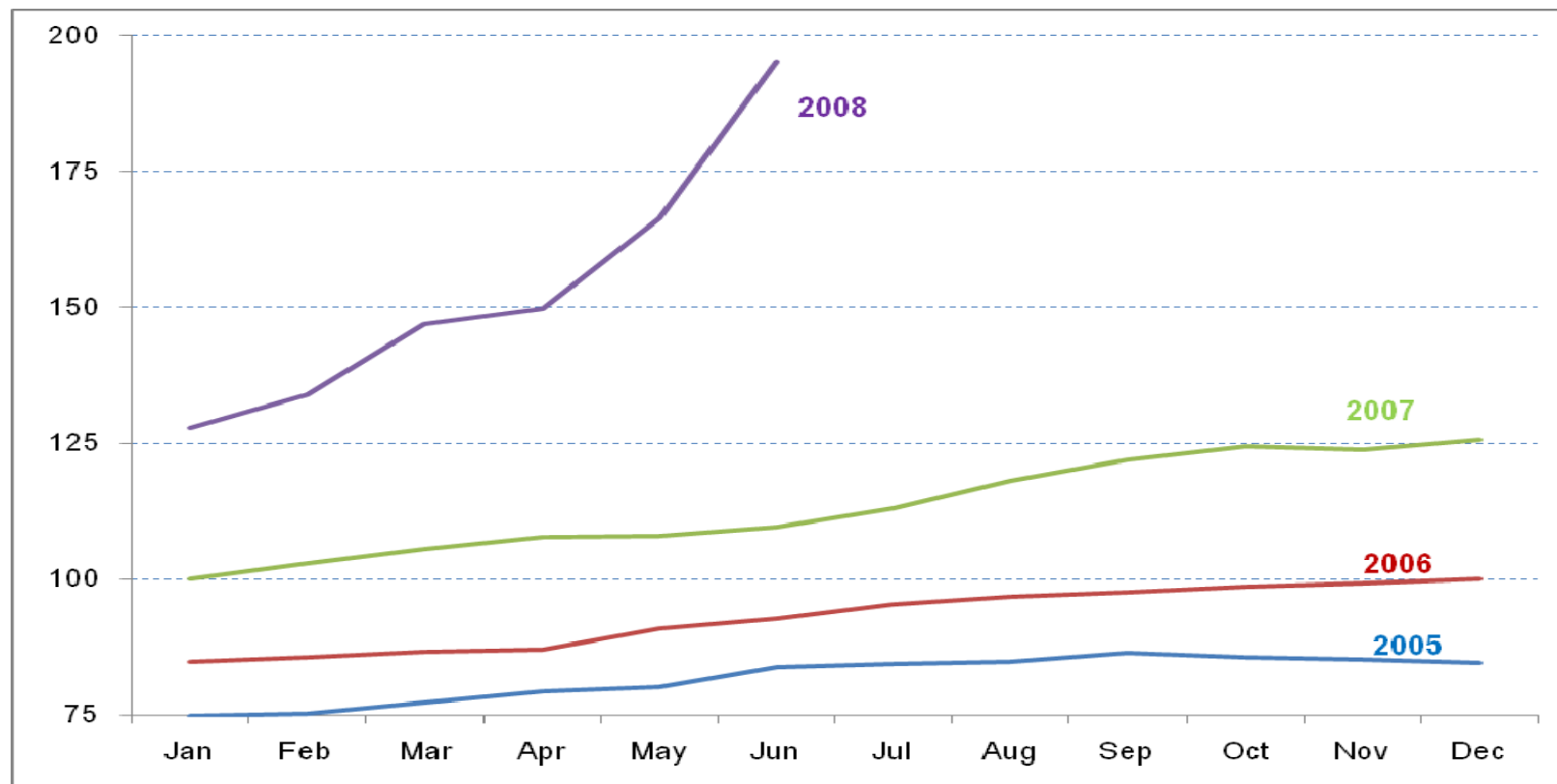
Outcome

change in income (with transfer)
change in income (no transfer)
change in assets
food gap



Changes in Food prices: inflation

Food price index, 2005-2008, Ethiopia



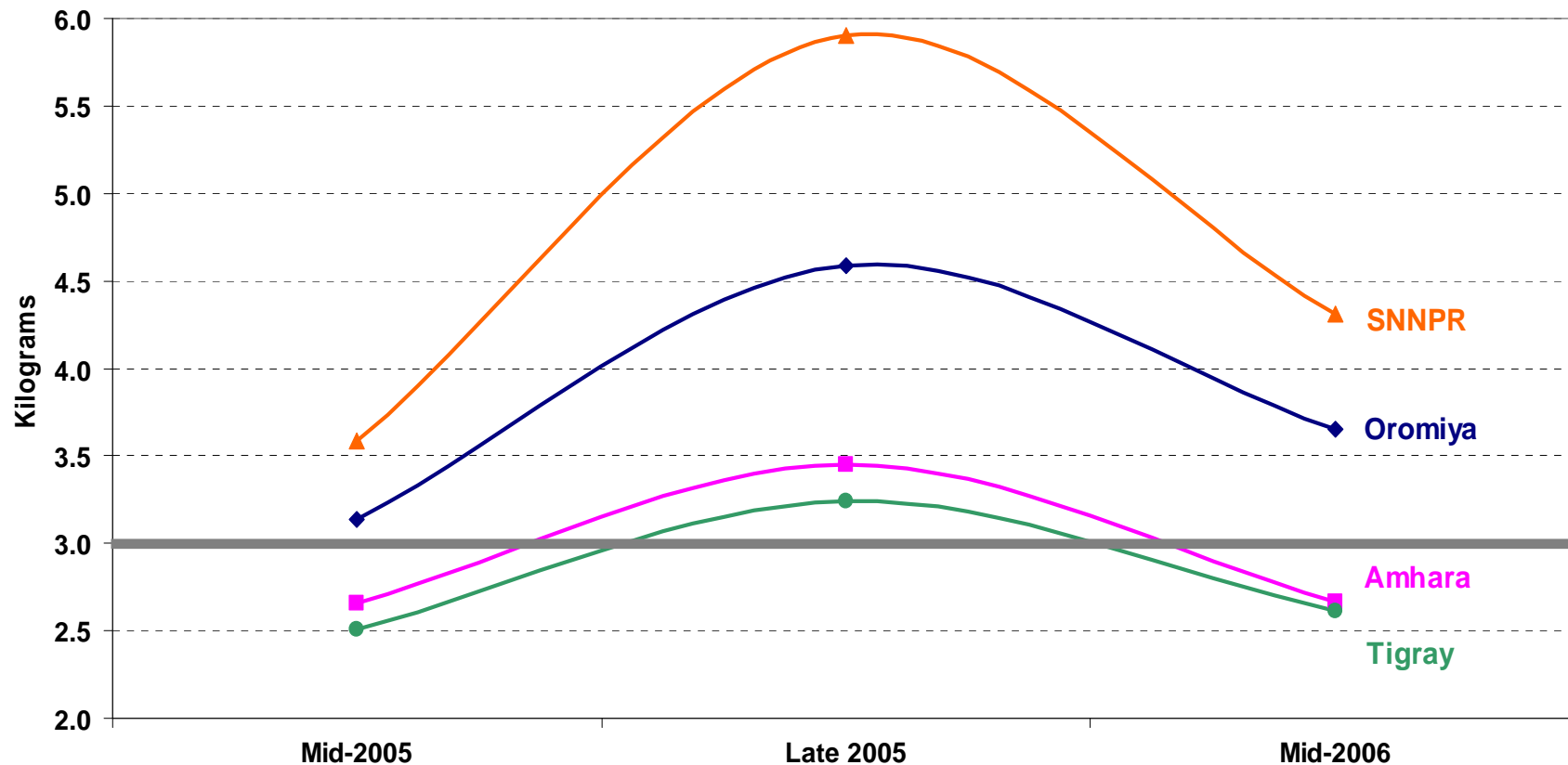
Programme Insights:

(1) Price inflation

- value of cash transfer collapsed to less than half of its initial purchasing power within 4 years.
- mid-2008 the average price of staple grains in Ethiopia was almost three times higher than when PSNP started, but the PSNP cash transfer level had increased by only 33%
- Changing value of cash/food affect ‘entitlements’:
 - 30 days a year = 240 birr
 - Cash only received 2/3 rds of their entitlement
 - Mixed received 30% more
 - Food received 100% more

(2) Seasonality and (3) Location

Value of PSNP cash transfer in staple food by region, 2005/06 (kg for 6 Birr)



Programme insights: *Receipts and Preferences*

Transfers received and preferences of PSNP households, 2006 and 2008

Transfers	Received		Stated Preference	
	2006	2008	2006	2008
Cash only	15%	21%	9%	3%
Food only	19%	26%	55%	84%
Mixed (cash + food)	66%	53%	36%	13%
Total households	100%	100%	100%	100%

Source: Authors' calculations; PSNP 'Trends in Transfers' dataset, 2006/2008

Estimation Results

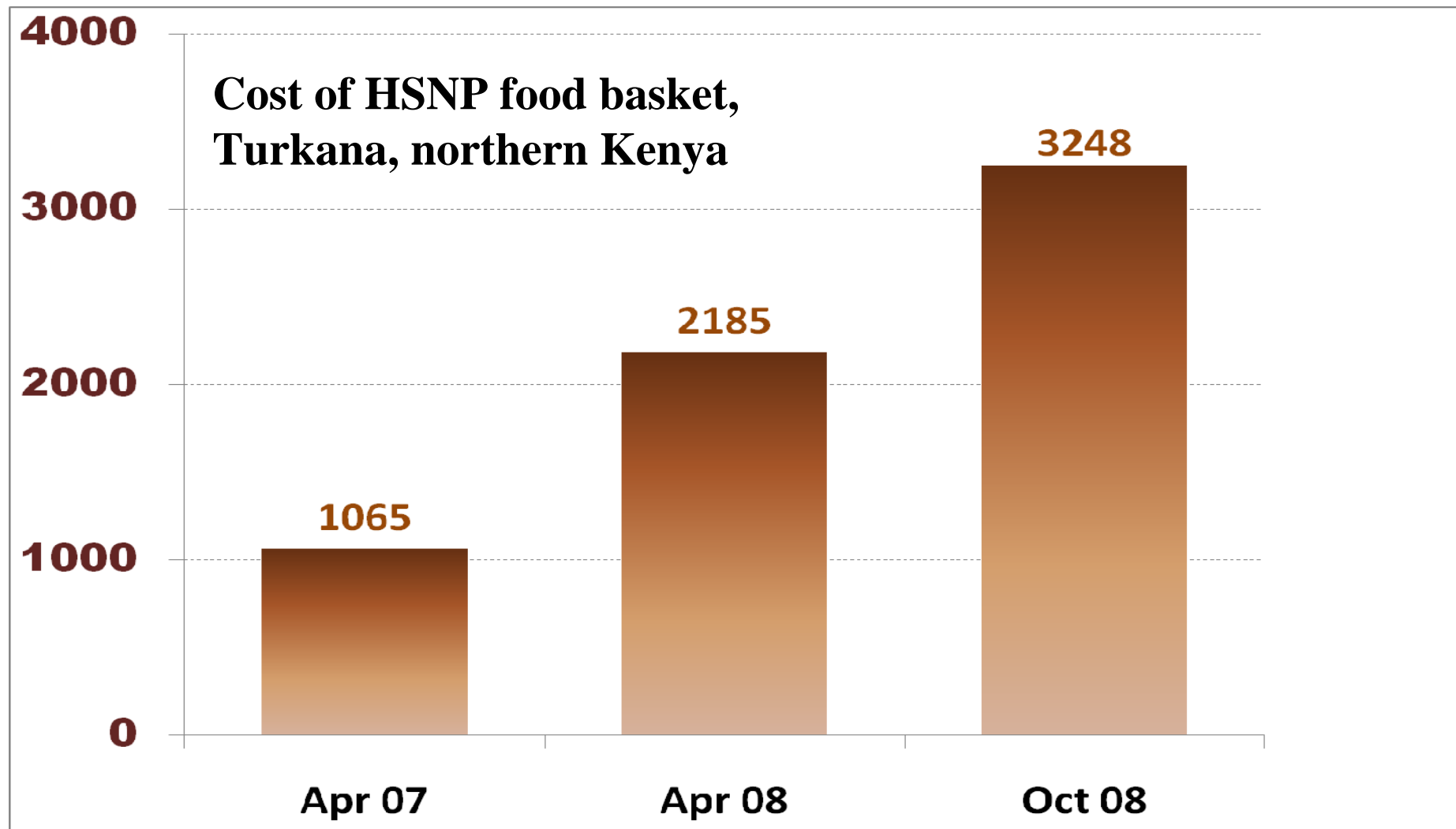
Beneficiary status	Income (transfer)	Income (no transfer)	Livestock	Food gap
<i>Food</i>	+***	+*	+***	-***
<i>Mixed</i>	+***	ns	ns	-***
<i>Cash</i>	ns	ns	ns	ns

Summary of Results

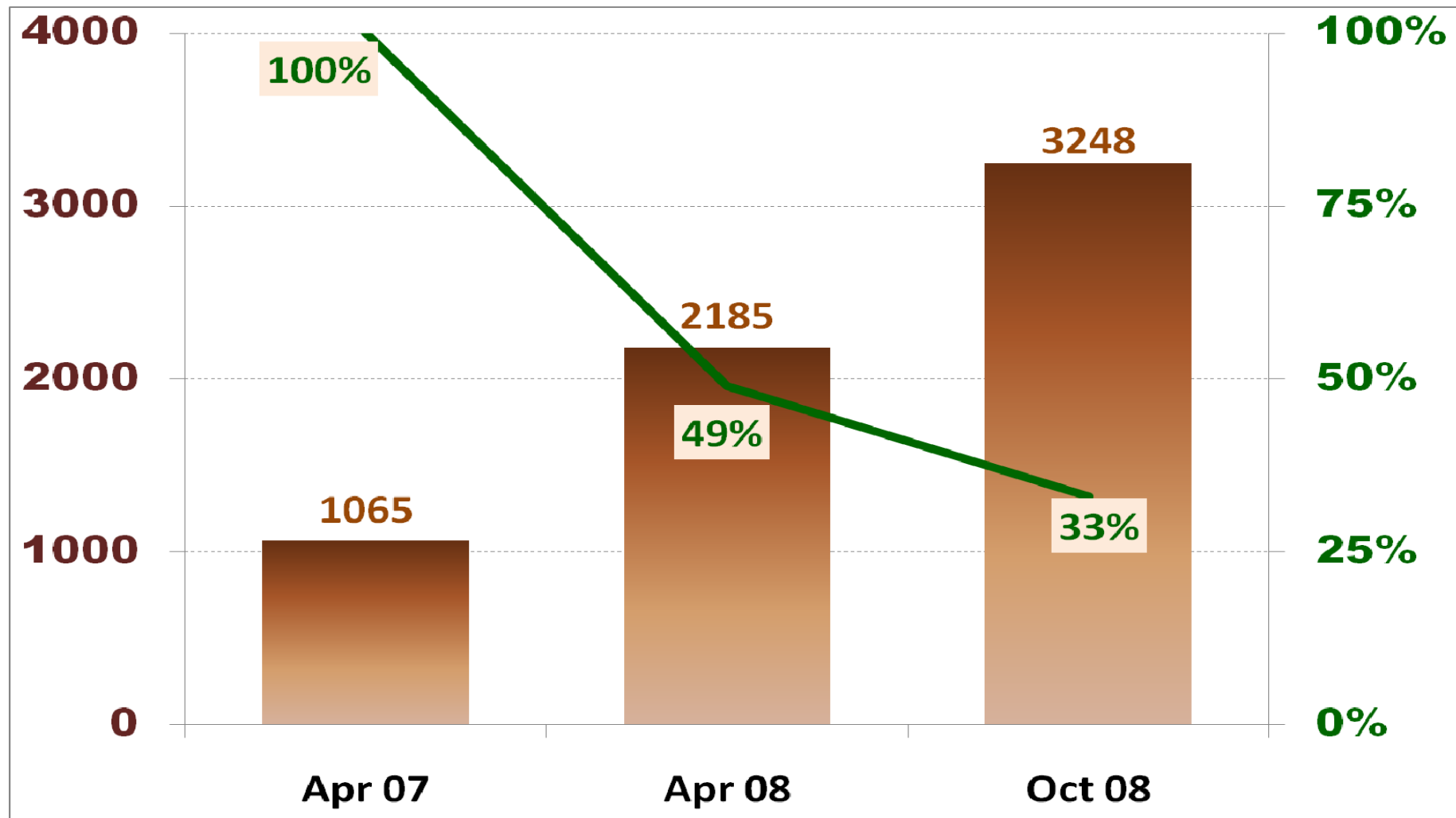
- Income growth is substantially higher for food and mixed payment recipients, relative to non-participants and cash only.
- Evidence of a multiplier effect for food only households, over and above a safety net effect
- Growth in livestock for food only households
- Reduction in food gap for food and mixed
- Magnitude of results



Ethiopia is not an isolated case...



Value of HSNP cash transfer, Kenya

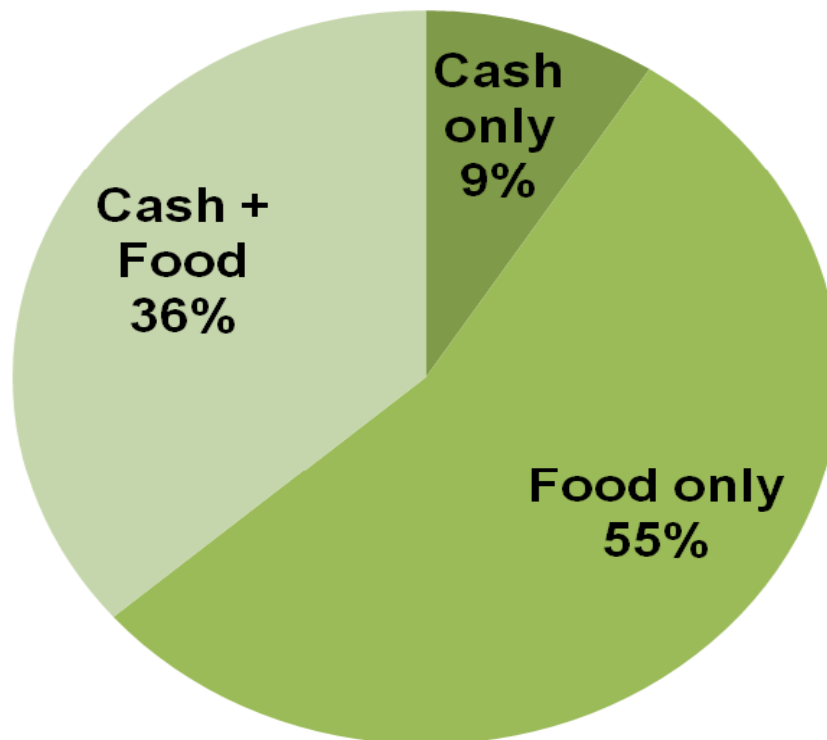




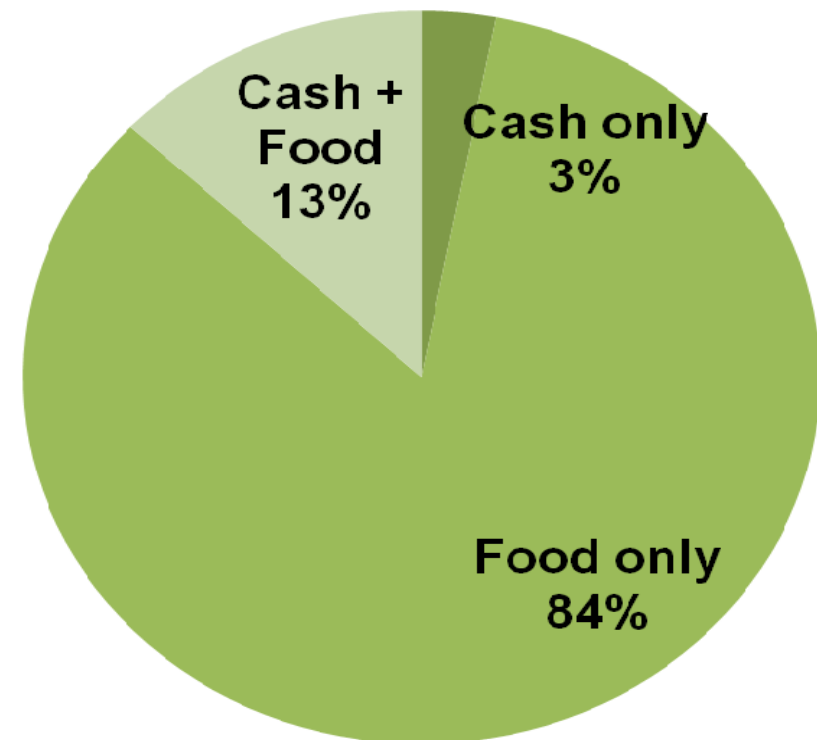
What to do? Principle #1:

Try to respect beneficiary preferences...

2006



2008





... even if beneficiary preferences vary!

GENDER

Women	Men
FOOD	CASH

LOCATION

'Remote'	Near Town
FOOD	CASH

SEASONALITY

Planting	Hungry Season	Harvest
INPUTS	FOOD	CASH

Principle #2: ***Insure beneficiaries against high or variable prices***

Option 1 [Ethiopia]

Give up on cash transfers; revert to food aid.

Option 2 [Ethiopia]

Transfer cash when food prices are low;
transfer food when food prices are high.

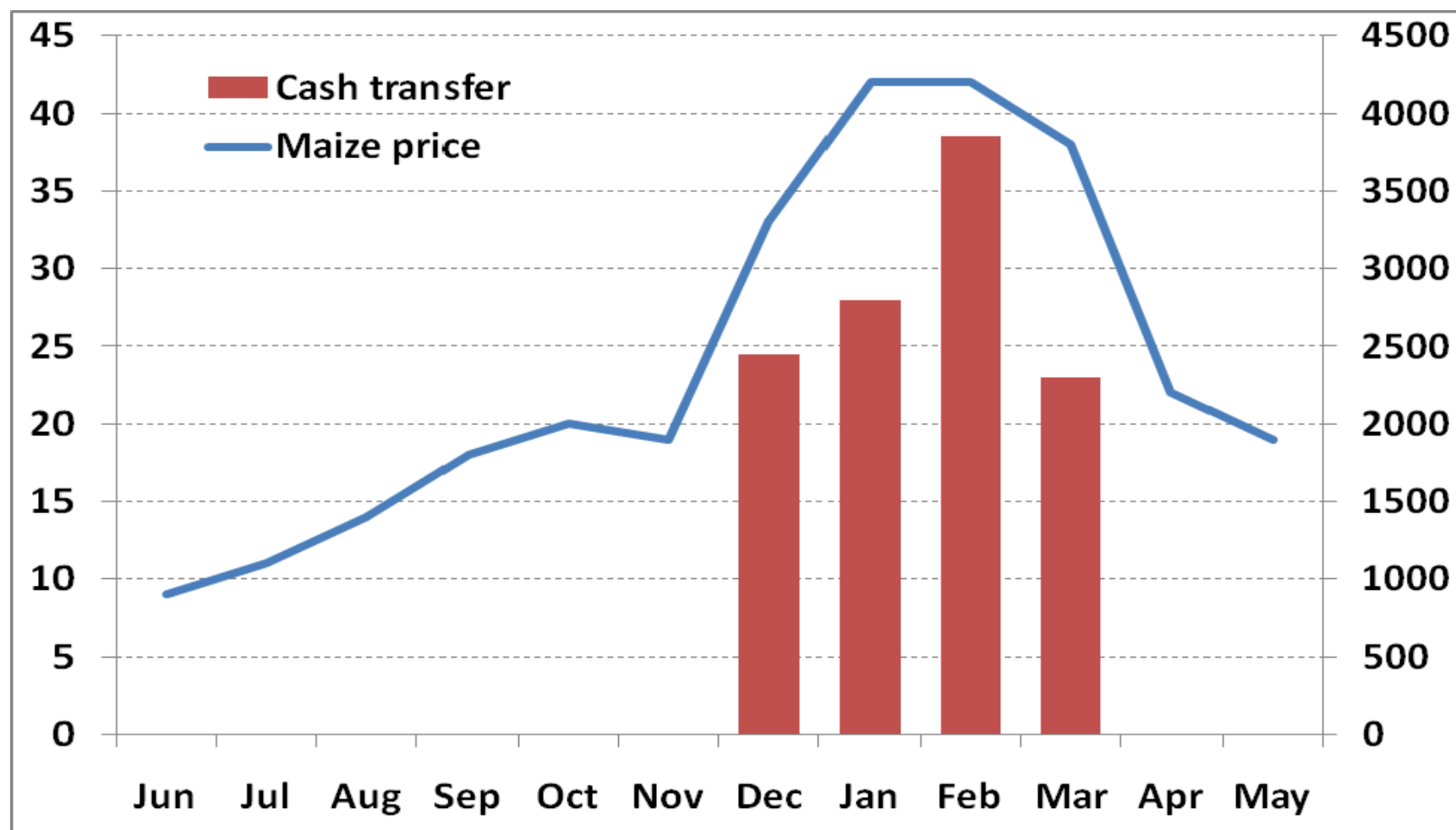
Option 3 [Swaziland]:

Deliver social transfers half in cash + half in food.

Option 4 [Malawi]

Index-link cash transfers to local food prices.

Index-linking cash transfers in Malawi



Implications for programming

- **At the *market level*:**
 - Are food supplies adequate and responsive to demand?
 - Is there significant price seasonality in local markets?
 - Will cash transfers exacerbate inflation or smooth seasonality?
- **At the *beneficiary level*:**
 - Ask programme participants about their preferences.
 - Ask women about their preferences.
- **From the *government or donor's perspective*:**
 - Accurate predictions of future food prices are essential for planning, budgeting & delivering social transfer programmes
 - Build a contingency fund into social transfer budgets.

Thank you!

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