



CaLP Case Study
**Support to Economic Recovery of Urban
Households in Karoi town, Zimbabwe**
Save the Children Zimbabwe



A cash transfer beneficiary shows off the produce from an urban garden. The Karoi programme combined cash transfers with support to income generating activities

In the urban area of Karoi, Zimbabwe, Save the Children combined cash for work with livelihoods support to meet the immediate food needs and support the economic recovery of poor families. The project used smart cards to transfer cash to beneficiaries, which proved to be an appropriate payment mechanism with longer-term advantages, despite technological constraints in the project area.

1 Humanitarian context

Background

In 2008, living standards in Zimbabwe reached humanitarian crisis proportions. Political instability, land problems and drought contributed to a sharp decline in economic activity, particularly affecting agricultural production and exports. The situation was worsened by the turmoil following disputed presidential and parliamentary elections in March. In July, hyperinflation was such that Zimbabwean 100 billion dollar bills had to be issued.

In 2008-2009, the country was struck by a devastating cholera outbreak. With insufficient access to safe water and poor sanitary conditions, the disease spread, infecting 98,440 people and killing over 4,000. With a health system eroded by the impact of the economic crisis and the HIV/AIDS epidemic (with a prevalence rate of around 16% of the adult population at that time), Zimbabwe had no other alternative than to declare a national emergency. At that point, almost every household in the country had a family member ill and requiring special care and nutrition.

How could a cash injection be considered in the Zimbabwean hyperinflationary context?

The project was initiated in 2010, one year after the introduction of the multi-currency regime that allowed the use of different foreign currencies. After the introduction of this regime in February 2009, inflation dropped dramatically from billions of percent to less than 1%, and it stabilised access to commodities in shops.

Assessment

In September 2009, a rapid urban food security, livelihood and market assessment conducted in the town of Karoi, in Hurungwe district¹, found that household food security was deteriorating, linked to the aforementioned long standing contextual issues and compounded by increased food prices and living costs and political instability. These shocks, in a context where there was a lack of livelihood and employment options, had eroded families' resilience. The study found that up to ¾ of the poor, very poor and medium poor households had access to 10% less food than the minimum requirements, and 35% of their diet was attained by unsustainable means, such as selling productive assets.

Meanwhile, the market assessment found that essential food and non-food items were locally available; however households had no liquidity with which to purchase goods.

In late 2009, the Famine Early Warning Systems Network (FEWS NET) predicted that the food deficit would be heightened by the depletion of cereal stocks from the April harvest in both rural and urban areas, leaving an estimated 2 to 2.8 million people in need of food assistance from January to March 2010.

2 Programme Overview and Rationale

To respond to this crisis Save the Children, with the financial support of the Office for Foreign Disaster's Assistance of the US Agency for International Development, developed a programme that was designed to meet immediate food needs and support the economic recovery of poor and very poor urban families in Karoi. The programme consisted of:

Cash for work (CFW)

Cash for work was chosen as the modality for this programme as it would increase the purchasing power of poor families, and give them choice and flexibility to access a wider range of basic commodities and services than in-kind provision would have allowed. The increased liquidity was expected to help families meet immediate food needs without having to resort to negative coping strategies.

Beneficiary households provided one adult individual (over 16 years of age) to work on public projects for an average of 12 days per month over a period of 9 months. Daily wages were initially set at US\$ 2 totaling a maximum of US\$ 24 per month and US\$ 216 over the course of the project.

Public works were chosen by a steering committee composed of representatives of key local authorities and local government technical departments². Aligned with local development plans, the works were designed to improve public hygiene and sanitation in order to reduce the risk of a further cholera outbreak (for example sweeping streets or building latrines), however, the project also provided alternative work in order not to exclude households who were not able to contribute to labour-intensive projects (see text box).

Implementing Partners:

Development Aid People to People (DAPP)
Karoi Town Council
Ministry of Health and Child Welfare
GOAL Zimbabwe



In order to include vulnerable groups such as HIV-positive, disabled and elderly people, the cash for work project introduced low-intensity or 'soft' activities. The idea was to avoid stigmatisation and ensure that people belonging to vulnerable groups felt valued and contributing. Therefore, they received the same amount as the other participants to perform either similar tasks for shorter hours or lighter tasks such as taking care of CFW programme workers' children, distributing water among these workers or cooking for them.

Save the Children also took the opportunity provided by the monitoring of ISAL groups to mainstream child protection and safeguarding themes, focusing on individuals engaged in child-care as part of the cash for work activities.

Training

The programme was implemented with light conditionality: in order to participate in the programme, beneficiaries had to attend training courses, for instance on health and hygiene practices, child protection and safeguarding. Training activities were conducted in collaboration with local authorities and the Ministry of Health and Child Welfare.

Internal Saving and Lending (ISAL) groups

Beneficiaries received training and support on how to form Internal Saving and Lending (ISAL) groups as a means to pool resources and improve access to other income generating activities. Further training for ISAL groups focused on financial literacy and household budgeting. Families were also encouraged to save a small amount of the monthly transfer amount, to help them replenish assets or make other investment in their means of subsistence.

3 Implementation

Beneficiaries

The project reached 1,000 families. One member of each family could participate in the cash for work activities. Considering the average family size, the project thus contributed to the food security of 8,000 people in Hurungwe district.

Targeting method

A community-based approach was used to target beneficiaries. Each location was visited twice: first for identification, then for verification and registration of beneficiaries. National IDs and birth certificates were used for identification and registration purposes. Those without formal identification documents were identified by community leaders.

- 75% of individuals were selected from the poorest families with a minimum of four people and at least two family members able to engage in manual labour.
- 15% of individuals were selected from families with limited manpower, i.e. child or elderly headed, single headed with young children, or headed by disabled or chronically ill adults. These individuals were offered low intensity activities and a reduced time schedule.
- 60% of beneficiaries were expected to be women.
- 25% of beneficiaries were expected to be aged 16-25.

Setting values and budgeting for inflation

The cash for work wages were set to meet 35% of the families' food needs. They were set at US\$ 2, at the upper end of the average wage in Karoi, and equivalent to the indicative wage fixed by UN agencies for the same kind of work in Zimbabwe. The programme budgeted an additional 4.7%³ to include seasonal inflationary changes. In February, monthly wages were adjusted from US\$ 24 to US\$ 25.50 to compensate for inflation. Although prices continued to increase after February, no budget was available for further wage increase.

Payment methods

Initial payment method through a security agency

The first two payments were made in cash through a security company which had an existing contract with Save the Children. It took only one week to agree an extension of the contract and to start cash distributions. The process was found to be safe, affordable and timely, with no reported complaints from stakeholders. However, the delivery method was costly, required an armed escort, and did not provide beneficiaries with any long-term linkages to financial services.

Payments through smart cards

In order to explore alternative payment methods and identify the most efficient, cost-effective and sustainable transfer mechanism locally available, Save the Children launched a comparative bid analysis. Based on the findings, a partnership was established with TN Bank Ltd, which proposed to use smart cards to transfer money to beneficiaries.

What are Smart Cards?

A smart card contains a memory 'chip' and is typically used to hold client account information and a 'balance' of money similar to a checking account. The card is inserted into a device that can 'read and write to' it, updating information appropriately.

Smart cards may also be used as electronic wallets. Its 'chip' can be 'loaded' with funds that are stored on the card (client side). Once uploaded, these funds can be used to pay vending machines or at various merchants without need of network connectivity.

TN Bank provided cash cards and PIN numbers to all 1,000 beneficiaries and Point of Sale (PoS) terminals to selected local merchants. After 2 weeks of socialisation and training, the system was

launched in January 2011 with the 3rd cash transfer payment. From then on, the cash cards were credited on a monthly basis and beneficiaries used them at retail outlets equipped with PoS machines to either purchase basic items or withdraw cash.

This was the first time electronic cash cards and Point-of-Sale terminals were used to deliver humanitarian relief in Zimbabwe.

Beneficiary satisfaction with the payment method

Despite being initially suspicious of the banking system, beneficiaries reported an appreciation of the cash cards as they became more familiar with their usage.

One of the main advantages of using smart cards over the direct delivery of cash was that the cards permitted beneficiaries to purchase small items without needing to have change – which is unavailable in Zimbabwe. Smart cards could also be used by beneficiaries to receive cash from other sources, like savings and remittances, and monitoring showed that some beneficiaries were already using them this way in March 2011.

Partnership with TN Bank

Negotiations with TN Bank took four weeks from signing the contract to loading the cards. The actual card production took 2-3 days, and sensitisation with beneficiaries and merchants also took 2-3 days each.



Smart cards could be used at local retailers to purchase items directly, or to get cash back.

According to the agreement, TN Bank responsibilities included:

- Training Save the Children staff and project beneficiaries on how to use the cards;
- Identifying merchants in the proximity of beneficiaries and installing Point-of-Sale devices;
- Training merchants on the use of the system;
- Distributing one TN cash card per beneficiary;
- Deploying officers to the contracted Points of Sales to assist beneficiaries on the day cards were issued;
- Transferring the money through the TN cash cards system;
- Monitoring the cash uploading process;
- Sending monthly reconciliations summarizing all the transactions.

Challenges with the Smart Card approach

Overall the partnership worked well, although some challenges led to changes in the implementation of the programme. It was initially intended that participating merchants should be responsible for crediting the cards on a monthly basis. However, they were not sufficiently trained to be able to do so, and in the end Save the Children staff had to travel to the project site each month to assist with crediting the cards with the transfer amount. Another challenge was that the IT department of the TN Bank was not able to provide disaggregated data on how much cash was spent on which items.

The main difficulty of using smart cards in this situation was the limited GPRS connectivity in the project area, which was needed for uploading monthly transfers onto the cards. Poor or intermittent connectivity meant that the time taken to upload cash onto the cards varied from 2 minutes with a good connection to 45 minutes per card with a poor connection.

Some problems were encountered when people lost cards or forgot their PIN numbers; however less than 1% of the cards (44 over 6 months) needed to be replaced.

Cash delivery costs

The costs of transferring cash to beneficiaries through smart cards varied between 4.5% and 5% of the total amount of funds distributed. Delivery costs included 1% of administrative fees over the total amount of funds disbursed and a production cost of US\$ 8-10 per card. There were no transaction costs for beneficiaries, regardless of the number of transactions carried out. Cost for replacing a PIN was \$1, a replacement card cost \$4.

Payment costs were slightly higher compared to similar projects globally, in which the cost per transaction tends to remain between 1.5% and 3%⁴. In reality, as the main cost (issuing the cards) was fixed, delivery costs largely depended on the amount of funds transferred, and they would have been lower, for instance, if the cards had been used for a longer period.

4 Impact of the programme

Baselines and monitoring

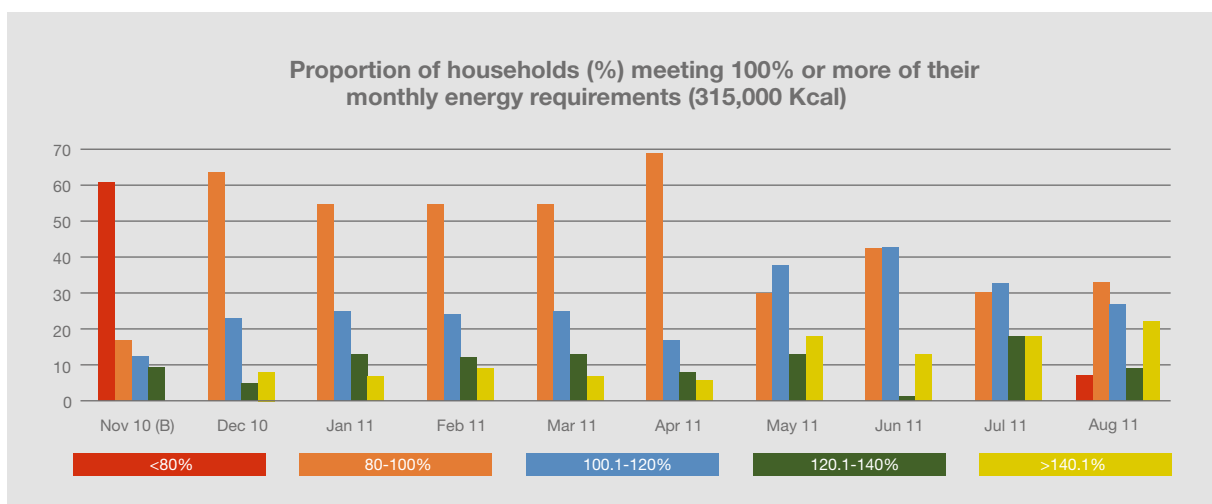
A baseline survey with 300 families was conducted in November 2010, prior to the first cash distribution. Throughout the project, monitoring included monthly interviews with randomly sampled families and two monthly focus group discussions held in different project sites. Moreover, market prices and households' income and expenditure patterns were closely monitored.

The project assessed impact on the percentage of households able to meet 100% of their daily energetic requirements (2,100 kcal per adult per day) and able to access to a diverse diet; and the number of beneficiaries with an improved economic situation.

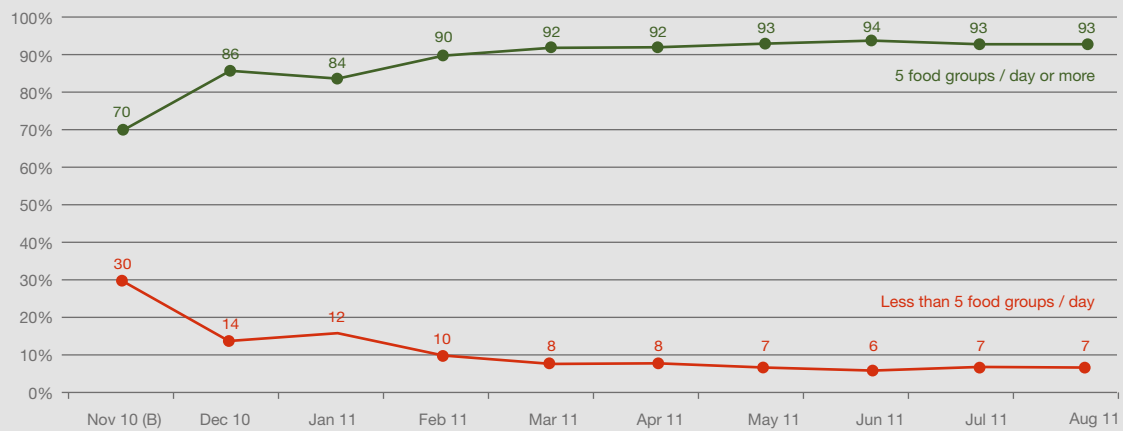
Findings

Food Security

In May 2011, 69% of families were accessing at least 100% of their minimum energy needs, compared to just 22% at the beginning of the project. Both cash transfers and seasonal changes in prices and food availability might have contributed to this change.



Dietary diversity: Proportion of beneficiary HH (%) meeting the target dietary diversity at least 5 food groups per day



The project contributed to an improvement of dietary diversity. The percentage of households able to eat five food groups per day increased from 70% in November to 94% in May. This increase was regular during the first six months of the project.

Economic Assets

At the beginning of the project, the average family monthly income was US\$ 82. Petty trade and self-trade contributed respectively 28% and 24% of the total. In the first month of project, the payment of wages (US\$ 24) produced an increase in the total family income of US\$ 8, from US\$ 82 to US\$ 90. This means that family income did not increase proportionally to the cash transferred, and that families reduced their

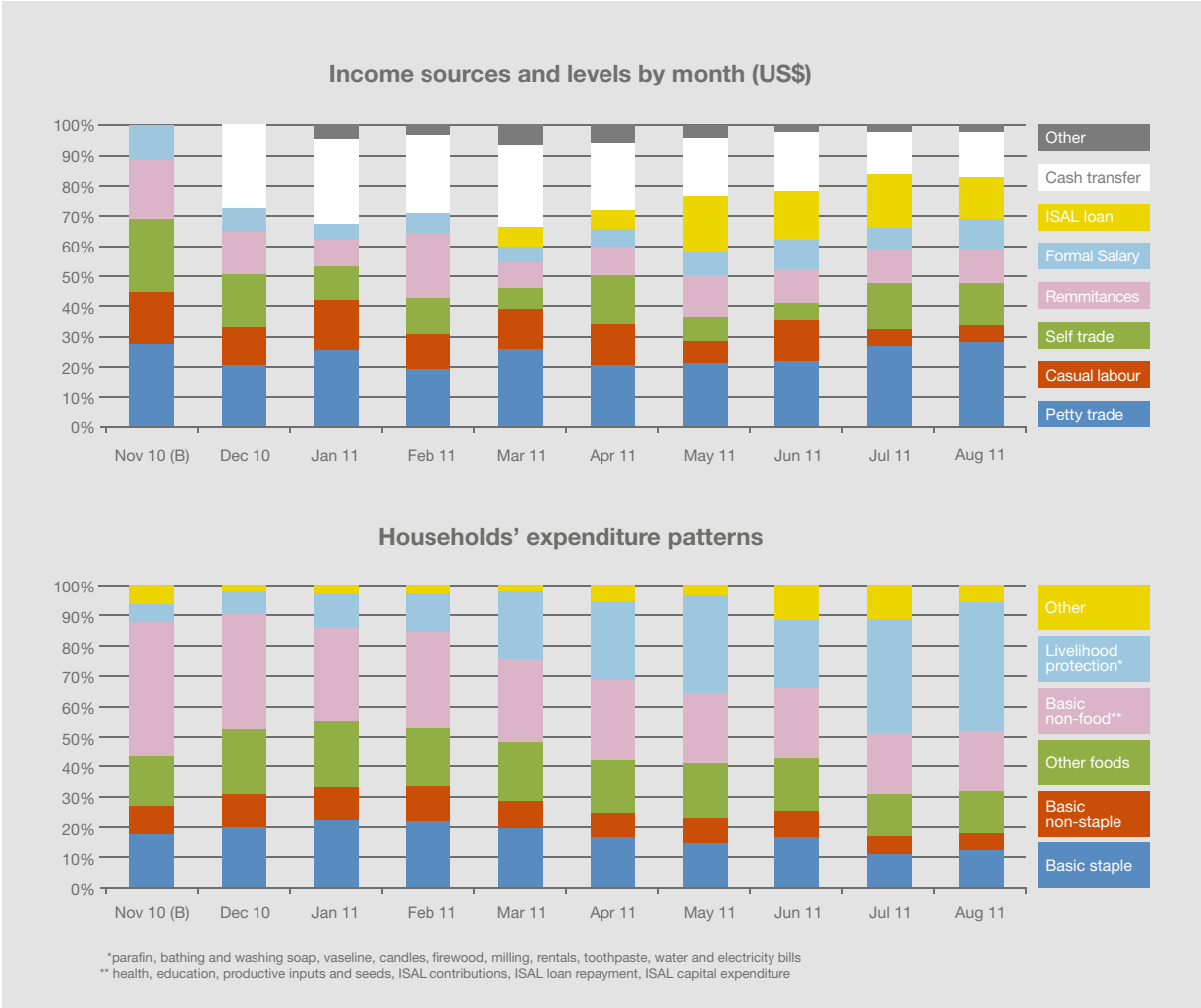
income from other sources, although it is not clear whether this reduction was attributable to seasonality or to a disincentive effect of the project, or both. It is possible that the involvement in cash for work activities might have competed for human resources and time against other sources of income, or that during the lean season beneficiaries might have found it more difficult to exploit other sources of income. Increased income and liquidity might also have acted as a disincentive for beneficiaries to engage in other activities, especially risky and dangerous ones. The baseline data was gathered in November, just before the start of the lean period, and the absence of seasonal data and historical trends impairs a definitive conclusion.



Each month, money was transferred to the cards using a wireless point-of-sale device

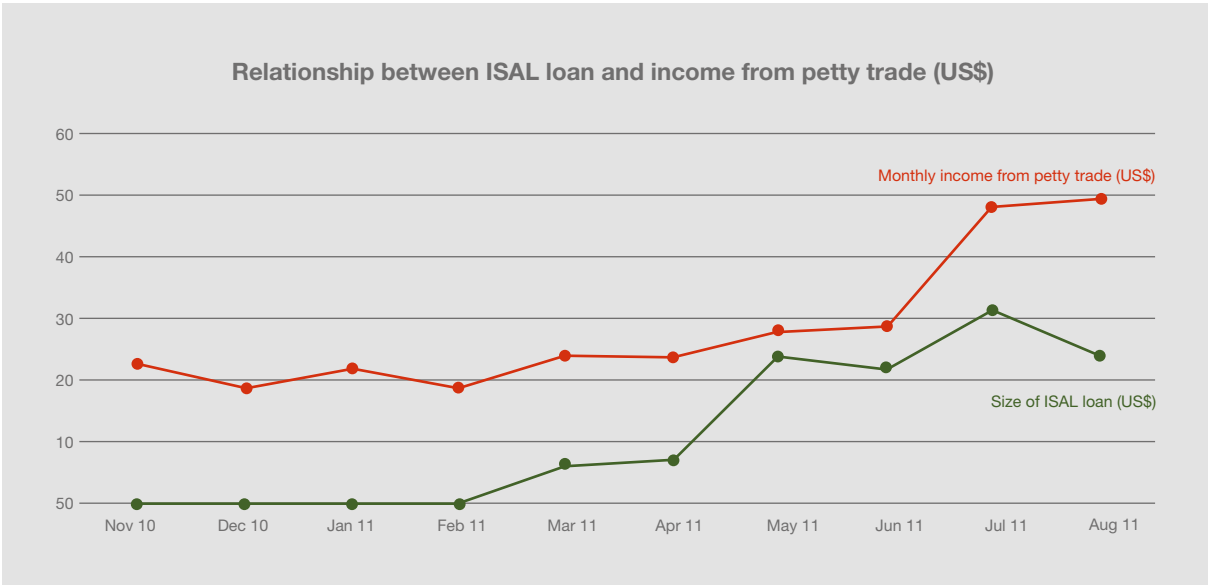


Cash for work activities were designed to improve public hygiene and sanitation. The works were chosen by a steering committee composed of key local representatives.



On the other hand, it is interesting to note that in June the average income raised from US\$ 82 to US\$ 134. This coincided with the disbursement of loans through ISAL project, which might have contributed to an increase in income-generating activities (self-trade and petty trade). It is possible that ISAL loans helped beneficiaries to

make investments and to get out of a poverty trap situation in a way that the wages provided through cash for work did not allow for. However it is also probable that some of the overall increase of income in May and June was linked to post-harvest seasonality, which increased trade and income opportunities.



5 Lessons learned

Delivering cash through smart cards and merchants⁵

- Sensitisation and training is extremely important when technological delivery mechanisms are selected, especially if recipients and merchants are unfamiliar with the system. Therefore, details on which type of training and which outputs are expected from the provider should be included in the contract, and adequate time must be allowed for these activities. Moreover, the agency must monitor the accomplishment of the training in order to guarantee the proper delivery of what has been agreed.
- When working with merchants it is important to be aware of local laws and requirements for traders and, when necessary, to assist vendors to acquire licenses.
- When working with merchants, it may be necessary to help them understand and plan for the potential impacts of the project in terms of increased demand as a result of the programme.
- In addition to adequate information and training to support project activities, beneficiaries should be informed on how to use the smart cards after the project has ended.

Setting the transfer value

- Project managers should budget for inflation and lobby donors to understand the need for this.
- When the primary objective is improving food consumption, strategies to permit bigger families to access larger transfer amounts should be considered.

Cash for work

- The selection of public works/assets created through CFW should be transparent and involve consultation with beneficiaries, the community and local authorities to ensure appropriateness and ownership of the assets created.
- The involvement of local government structures in planning the works to be undertaken is a crucial determinant for the acceptance of the project by the municipalities and for sustainable maintenance of the works.
- The primary purpose of CFW is to provide vulnerable households with an injection of cash, and therefore the design of the programme must facilitate participation and should not conflict with other livelihoods or income-generating activities. For instance:
 - CFW projects should include activities that are suitable for labour constrained households;
 - Hours required for cash-for-work should be revised if beneficiaries are expected to engage in other economic activities (e.g. working fewer hours more frequently) in order to allow for more time to be invested in other economic activities;

- A gradual phase out of CFW could also be considered as other income generating activities develop, or as seasonal variations to the work calendar occur.

Income Generating Activities

- A market analysis is critical as a tool to inform better decision-making on income-generating activities and to identify potential blockages and risks in the market chain;
- Capacity building on planning and managing new economic activities is vital;
- A longer timeframe (12-18 months) and adequate support is required in order to sufficiently ensure the sustainability of income generating activities.

Contact

For more information on this project, contact: Jerome Bernard, Food Security and Livelihoods Manager, Save the Children Zimbabwe (jeromeb@savethechildrenzw.org).

Further reading

The following documents are all available in the CaLP online library (www.cashlearning.org/resources/library):

CaLP (2011) *Delivering Cash Through Cards: A quick delivery guide to cash transfer programming in emergencies* (CaLP)

CaLP (2010) *Delivering Money: Cash Transfer Mechanisms in Emergencies* (Save the Children UK)

CaLP (2011) *Working With Banks: A field guide to cash transfer programming in emergencies* (CaLP)

FEG/Save the Children Urban HEA Baseline, Jan 2012

Harvey, P. and Bailey, S (2011) *Good Practice Review 11: Cash Transfer Programming in Emergencies*, (ODI/CaLP)

Notes

¹ Assessment conducted by Save the Children, DAPP, Agriculture extension services, social welfare, Das office, Hurungwe Rural District Council and Karoi Town council staff.

² The Steering Committee comprised of Karoi Town Council, Ward Development Committees, the District Administrator's office, Zimbabwe Republic Police, the President's Office, Social Welfare, Dept. of Women's Affairs and the Karoi NGO forum, to plan way forward, consult on public works, monitor the works, and provide dispute resolution. This was for transparency reasons especially during the targeting process, and to avoid elite capture of project benefits.

³ The budgetary contingency of 4.7% was calculated based of the IMF inflationary forecast that was expected to be comprised between 2.5% and 6.9%.

⁴ 'Delivery Money' (CaLP 2010) provides examples of charges by providers and banks in different countries.

⁵ For more details and recommendations on best practices in transferring cash using cards, see the CaLP Quick Delivery Guide *Delivering Cash Through Cards* (CaLP, 2011).



A young girl with the cash card. Since smart cards use a PIN number for identification, beneficiaries who are less mobile can send someone to receive the cash or make purchases on their behalf.



CaLP

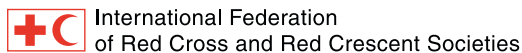
The Cash Learning Partnership (CaLP) aims to promote appropriate, timely and quality cash and voucher programming as a tool in humanitarian response and preparedness.

Originating from the will to gather the lessons learnt from the Tsunami emergency response in 2005, the CaLP is today composed by Oxfam GB, the British Red Cross, Save the Children, the Norwegian Refugee Council and Action Against Hunger / ACF International. The five steering committee organisations have come together to support capacity building, research and information-sharing on cash transfer programming as an effective tool to support populations affected by disasters in a way that maintains dignity and choice for beneficiaries while stimulating local economies and markets.

In 2010, the CaLP partnered with the International Federation of the Red Cross and Red Crescent societies (IFRC), with support from ECHO and Visa Inc.

For more information visit: www.cashlearning.org

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International Federation
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