A CASE STUDY OF CASH TRANSFERS IN THE RED SEA STATE OF SUDAN

CONTEXT (SHOCK AND PRE-EXISTING SITUATION - POVERTY, MALNUTRITION ETC.)

The Red Sea State is prone to harsh environmental conditions that largely contribute to the chronic poverty and persistent foods crises. In recent years (1982-2003), the state has experienced cyclic droughts and price inflations that have exacerbated the food insecurity situation in the state. Global malnutrition rates (GAM) despite annual food aid during the hunger gap (May- September) range from 19.7% in Rural Port Sudan to 30.8% in Sinkat locality, with the overall rate well above the emergency threshold of 15%, making Red Sea State both a chronic and acute emergency area. The local Beja economy has continually suffered from economic and political neglect, and though significant oil revenue trickles down to the state, the transhumant pastoral economy has lost its resilience to shocks and today there are fewer livestock assets to fall back on. This has been compounded by drop in crop yields and poor terms of trade that has led to increased impoverishment of the Beja community.

SITUATION ANALYSIS (RESULTS OF NEEDS ASSESSMENT + MARKETS + POLICY)

Following the failed summer rains of 2004, a needs assessment of Tokar and Rural Port Sudan localities revealed a high risk of food crises and high levels of chronic malnutrition. The food crises had led to huge rural-urban migration with 60% of the 800,000 Red Sea populations living in urban areas. Prior to the 1980s, most of the Beja community derived their livelihood from pastoralism and survived largely on a combination of milk and meat products, supplemented by sorghum and grain purchased with income from sale of livestock and charcoal. Climatic patterns, poor market access, trade patterns, conflicts and unfavorable government policies were reported to have affected the livelihood opportunities and contributed to the vulnerability levels. Secondly, the invasion of agricultural and pastureland was equally reported to have significantly changed the existing livelihood systems with charcoal becoming a major source of income.

Although the 1990s saw pro-pastoralist policies following the introduction of mobile veterinary clinics that strengthened the delivery of animal health services, these gains were quickly eroded by the introduction of a new tax regime that saw traders pay up to 20 different taxes on livestock trade. These taxes and other unfavorable trade regulations as well as prevailing government policies contributed to undermining the Beja pastoralists resilience, more so because the taxes were not ploughed back to improve infrastructure and service delivery in the pastoral areas.

RESPONSE ANALYSIS (GOVT., UN, AGENCY POLICIES AND STRATEGY, RESOURCES AND CAPACITY, PRIORITIES, FUNDS AND TIMING)

In 2005-2006 Oxfam GB piloted a cash transfer programme in Red Sea State, which was a response to an acute food deficit in North and South Tokar and Rural Port Sudan. It was intended to be one off season activity and the cash transfer followed 8 months of food aid and Oxfam GB distributed 300 SDG to 5,600 households through cash for work during the first phase and 450 SDG to 4,300 households as cash for recovery during the second phase. Analysis of the response using a household economy approach revealed that the amount of cash was sufficient to maintain the livelihoods of the middle and better-off households. However, for the poor households the available cash was 120 SDG short of protecting their livelihoods and maintaining a decent standard of living. But a few households managed some investments (2-3 goats), which will contribute towards their livelihood protection in the future. Though middle income and better-off households could have invested more, they spent most of the surplus cash on debt payment and luxury goods. Whether debt payment and social investment can be considered as productive investment, particularly in terms of livelihood resilience is a definition that needs some investigation.

Given the differential impact of the cash transfer between the poor and the well-off households, Oxfam GB could consider two options for a successful programme; either increase the low cash value (to 600SDG) to meet the expenditure deficit or increase the cash value to 1,000-1,500 SDG to test its impact as an investment. In terms of timing, it was noted that if investment was to be promoted then the cash transfer distribution be done between January and March. Alternatively, two transfer be made; one to meet basic needs and another to promote investment for livelihood resilience.

The market response to the cash injection was lowered commodity prices contrary to what was expected *because goods were bought with cash and not credit, which eliminated the uncertainty and risks for the traders resulting in lower operating costs that were passed on to consumers. The available cash also led to an increase in volume and range of goods on offer.*

RATIONALE FOR CHOOSING RESPONSE

The rationale for choosing cash transfer in the Red Sea State was three fold; to improve the effectiveness of an aid package so that beneficiaries could have freedom of allocating the cash to the different needs including non-food items, secondly, to stimulate the local economy with cash inputs and thirdly, Oxfam GB wanted to keep building experience in the cash transfer programmes it was implementing elsewhere as well as experiment on the positive experiences of cash transfers activities from neighboring Ethiopia.

PROGRAMME SUMMARY

Oxfam GB through DFID funding piloted a cash transfer project in Red sea state in 2005/2006 through cash for work intervention and cash for recovery, targeting 6,000 people in North Takor and 4,300 in South Tokar over a 3-month period each. The first phase project was designed to run concurrently with food aid during the 2005 hunger gap and was intended to minimize expenditure on food while the second phase, which ended in march 2007 was designed to support families make informed choices with their investment. Sample households were identified and their initial status, their decision-making processes and their actions after receiving the cash disbursement and changes thereon monitored and documented.

OBJECTIVES OF CASH PROGRAMME

The objectives of the cash for work intervention were two fold: a) support the targeted households secure immediate food and income needs and, b) explore the potential of cash transfer as a possible intervention for food security work.

PRACTICAL ISSUES

- To design cash intervention consideration must be given to the different livelihood zones and the existing opportunities.
- Operational challenges included lack of banking services

MONITORING SYSTEM

The monitoring system was in-built in the project design with the post cash distribution monitoring taking place after each distribution. The monitoring reports contributed significantly to the final evaluation report, especially since the consultant could not access some of the areas during the evaluation period due to flooding

PERCEIVED IMPACTS AND BENEFITS OF CTP (INCLUDING NEGATIVE BENEFITS)

- The combined package of 8 months food aid and 300SDG cash transfer kept household above survival threshold
- The cash transfer was sufficient to meet protection needs in the livelihood protection basket.
- Middle households spent more money on non-food items or on higher cost food items.
- The timing of the transfer in October-December, which is harvest season helped in promoting productive investments, which was Oxfam GB Strategy.
- Spending on high value foods was a drawback in terms of investment.
- Most of the cash transfer especially among the middle income was used to pay debts, which increased from an average of 50 to 187.
- Market response: Cash transfer brought down food prices due to debt repayment reduced the price of food contrary to what was expected
- Poor household had sufficient cash to meet food needs but fell short by 120 SDG in meeting their non-food items
- Middle income household managed to make some investments (46SDG)
- Cash transfers help both the merchants and the poor consumers, if used correctly, and could help in regulating rural economies from faltering,

LESSONS LEARNED

- Major livelihood security changes will not occur with cash transfer alone, a sustained impact will require a functioning commercial infrastructure

- More than one registration screening process is needed in nomadic communities to minimize errors of exclusion and inclusion for members who are away at the time of registration.
- Timing of the case transfer affects the relative value of the cash in terms of cost of commodities, for instance prices of sorghum are high before harvest and very low after harvest, projects need to take this into account.
- It was observed that a January-March transfer was good for promoting productive assets since June-December is high spending season due to festivities.
- A targeted intervention should have two transfers; one for investment and one for basic needs as a way to balancing the use for cash by households.
- Handling cost for cash transfer was only 0.4%.
- Evaluation findings concluded that in the Red Sea State a favorable tax regime would eject more cash into the economy compared to the cash transfer.

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