

Determining the Value of Cash Transfers – Preliminary Insights from LIME

In 2009, the multi donor funded Protracted Relief Programme (PRP) adopted LIME (Longitudinal approaches to Impact assessment, Monitoring and Evaluation) as the approach to be used both for establishing a PRP baseline and for on-going analysis of monitoring data in order to evaluate the effectiveness of PRP, to assess its impact and to contribute towards programme re-design in the context of the socio-economic changes taking place in the country.

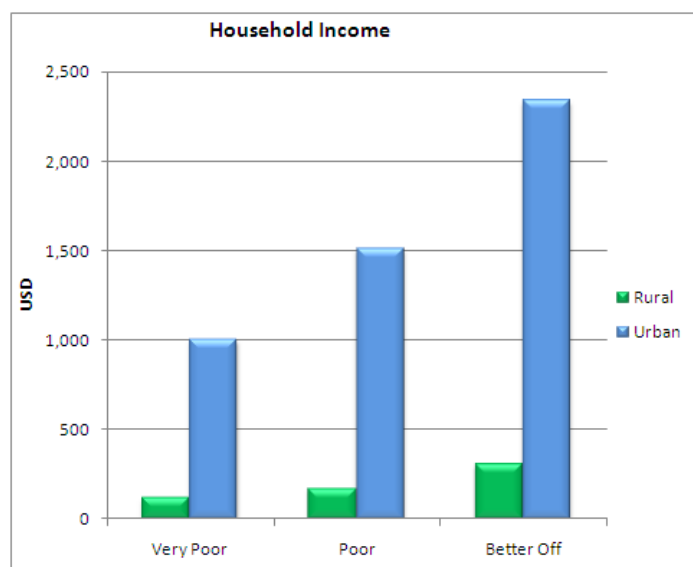
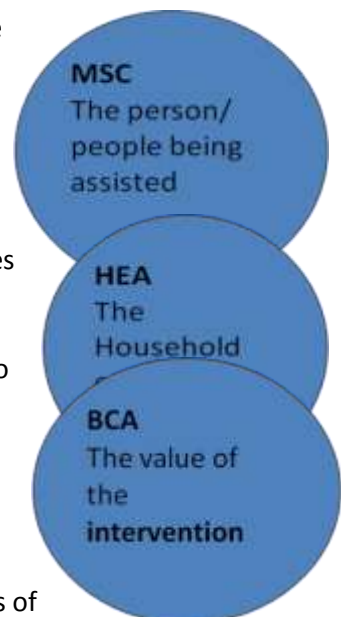
LIME is based on 3 pillars depicted, Most Significant Change (MSC), Household Economy Analysis (HEA) and Benefit Cost Analysis (BCA). Collection of the baseline data from households and communities at 26 sites took place in a series of 4 visits to each site between July 2009 and June 2010.

Detailed information about household livelihood strategies, household access to food, and household income and expenditure is available from the baseline and lends itself well to the current discussions around realistic values to be recommended for cash transfers to poor households in Zimbabwe.

The presentation begins with a look at the range of household incomes across the LIME sites. Gaps in household food requirements are then assessed in terms of cash equivalents, and finally priorities in household expenditure are briefly discussed. All results are presented in terms of wealth groups, (very poor , poor and better off), which were identified at each LIME site via community discussions.

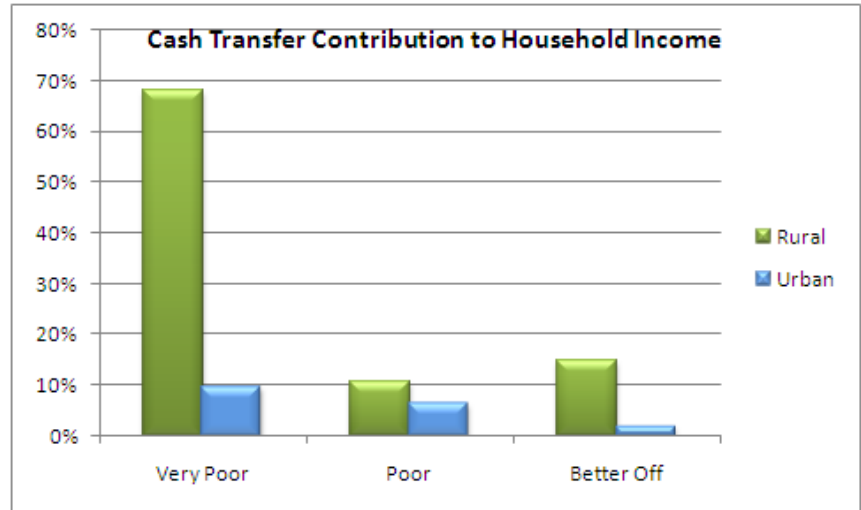
Household Income

Households in rural areas have realized minimal cash income during the past year, with averages ranging from as little as \$115 in very poor households to \$300 in better off households. Annual cash income in urban households in high density suburbs is much larger and averages range from \$1,000 in very poor households to close to \$2,350 amongst the better off. In all areas contributions to household annual cash income were recorded in detail, including contributions from cash transfers provided by various agencies, both PRP and non PRP.



Information to hand indicates that most agencies providing monthly cash transfers to rural and urban households have set the monthly level of transfer at \$20, or thereabouts. In the light of the above income summary, it is to be expected that the contribution of the cash transfer to household income is going to vary substantially both across wealth group and across the rural urban divide.

The graph shows that whilst a monthly \$20 cash transfer to very poor rural households translates to close to 70% of annual cash income, the same level of transfer in an urban setting translates to only 10% of annual cash income for a very poor household and less than 5% for a better off household. Moreover, the graph should be interpreted in the light of global

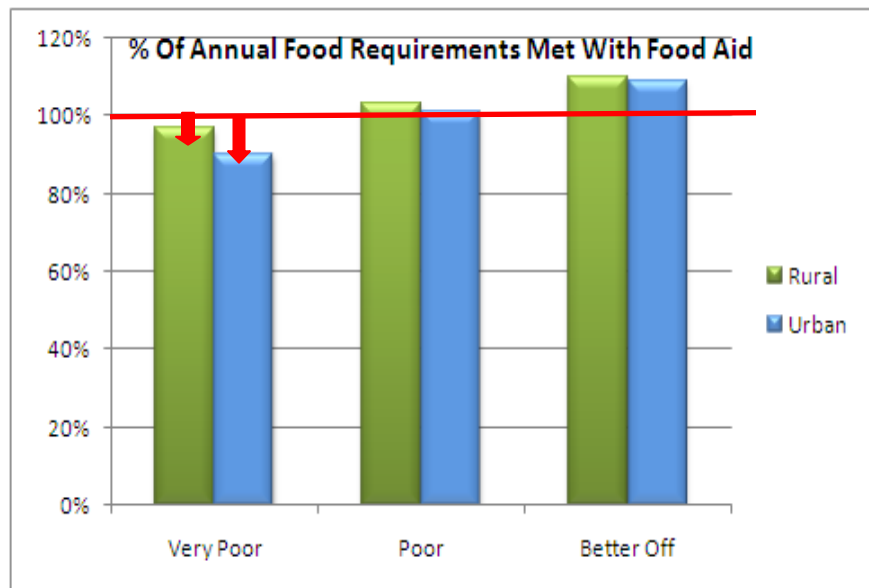


recommendations for level of cash transfer, namely 15-30% of annual household income. We notice also from the graph that targeting for cash transfers has not necessarily reached only the very poor.

Household Food Requirements

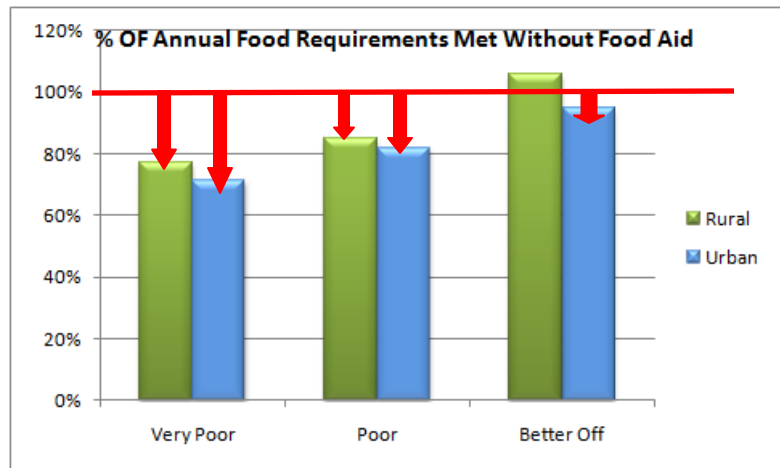
Global recommendations for basic food survival requirements stipulate 2,100 kcals per person per day. People in households not reaching these kcal levels will not necessarily be malnourished, but they should require support to at least meet these minimum levels.

Data for households in the 26 LIME sites indicates that on average very poor households in both rural and urban areas failed to fully meet their annual food requirements, even though these households were beneficiaries of one or more livelihoods related programmes, including in some cases cash transfers and food aid in one form or another. The food gaps amongst very poor households amounted to approximately 5% in rural areas and 10% in urban areas.

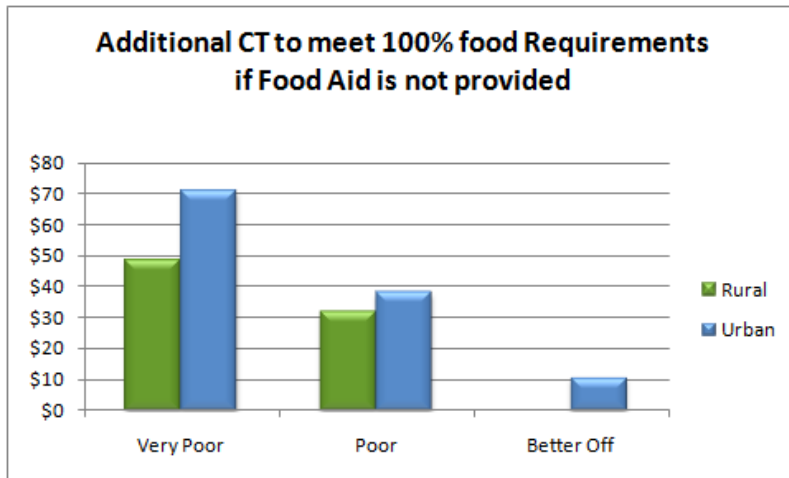


Translating these food gaps into monetary terms shows that an **additional** annual cash amount of \$6 for rural households, and \$25 for urban households, would be sufficient to close the gap.

The next chart depicts similar information to that in the previous graph, but this time shows those levels of basic food requirements which would have been met *without* any contributions from food aid. We see that the picture is now very different with households in all wealth groups showing a deficit in meeting their annual basic food requirements.



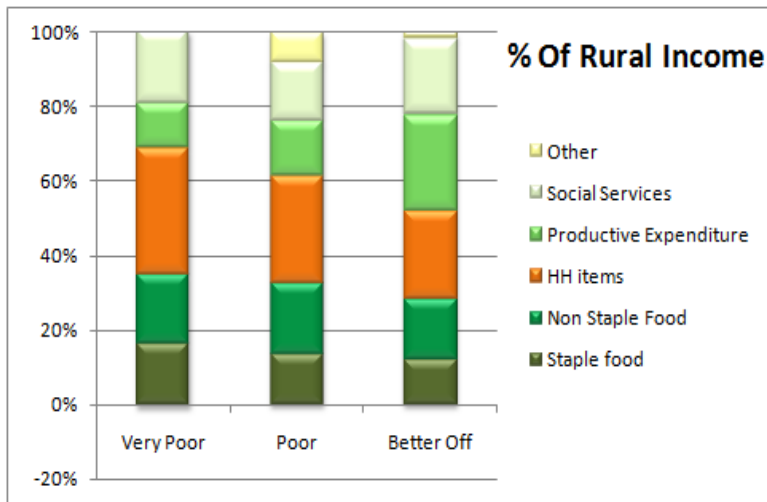
Only the better off households in rural areas, in which we expect large contributions from own crop production to swell their food reserves, remain able to meet basic food requirements.



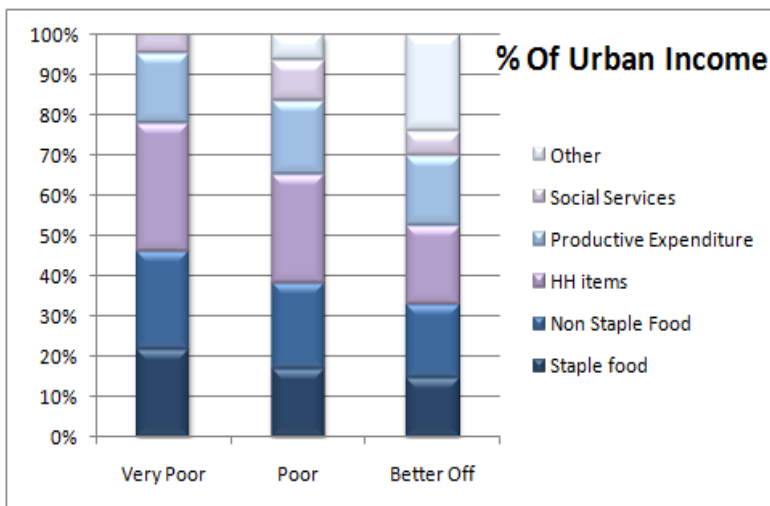
Translating the food gaps into monetary terms we see that the **additional** annual amounts required to close the gaps range from \$49 for very poor and \$71 for poor, rural households, compared to \$71 for very poor, \$38 for poor, and \$11 for better off, urban households.

Household Expenditure

In order to place the above observations in the context of everyday life, we now consider annual household cash expenditure, in order to determine household expenditure priorities.



Firstly considering rural households, we see that expenditure on basic necessities, such as staple and non staple food and essential non food household items, ranges from 69% of the annual income of very poor households to 52% of the better off. Thus very poor households have only 31% of their annual cash income to cover expenditure on productive items, such as field crop inputs or items for petty trade, and social services, including education and health.



Turning now to urban households we find a different picture. Very poor households are spending 78% of their annual cash income on purchases of staple and non staple food and essential non food items, noting that in urban areas non food items include payments for rent, water and electricity. By contrast better off households spent 53% of annual cash income on these same basic necessities. Productive expenditure uses up 17% of annual income for all

wealth groups and similarly social services expenditure does not vary widely across wealth groups. What is significant is that the better off have 24% of annual income spent on other items, such as savings and luxury expenses.

Conclusions

Considerations of the amount of a cash transfer should take into account findings such as those above and, possibly, seek ways in which households could aspire to greater expenditure on productive activities which in turn would lead to improved food security, health and social standing. Consideration of gross margins for household productive activities should inform programme design so that we encourage households to undertake those activities which are really profitable over time.

LIME data lends itself to modeling the effects of varied amounts of cash transfers on household placement, in relation to the PRP's survival, promotion and protection thresholds, and PRP will pursue this avenue of enquiry so as to feed into the on-going debate.