
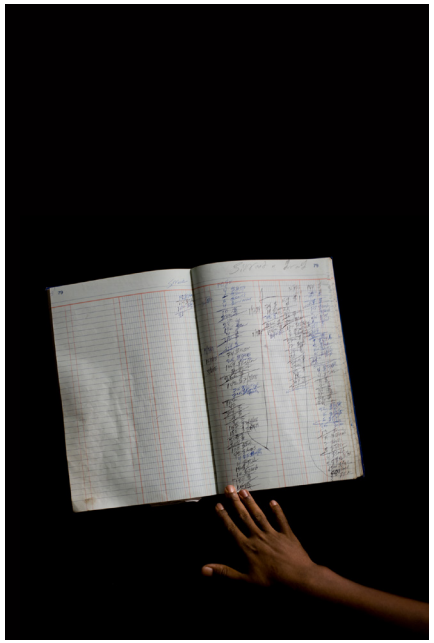






SOMALIA

Household Expenditure Study
Situation Overview Report

Photos by: Roopa Gogineni

REACH Informing more effective humanitarian action

Somali Cash Consortium

Funded by European Union Civil Protection and Humanitarian Aid

Introduction

The 2016-17 drought and ongoing dry conditions have contributed to a rapid deterioration of the humanitarian context in Somalia. The economic impact of the drought has been particularly devastating for rural communities, whose livelihoods are often based solely around agro-pastoral activities. The European Civil Protection and Humanitarian Aid Operations (ECHO) funded an Unconditional Cash Transfer (UCT) program through the Somali Cash Consortium, with the aim to improve food security outcomes and financial resilience.

The program targeted households of both Internally Displaced Persons (IDP) and non-displaced communities impacted by drought, through monthly mobile money payments. The Somali Cash Consortium sought to provide vulnerable populations in 30 of the worst affected districts with monthly multi-purpose unconditional cash transfers. The cash transfer amounts ranged from USD 60-85 per household, varying by location, and were based on the Minimum Expenditure Basket (MEB)[1] and ECHO requirements. Program implementation began in January 2018, and ran in two phases until December 2018, with varying durations[2] of UCT payments among beneficiaries.

To gain a better understanding of how recipients utilise cash transfers and prioritise spending needs, REACH, through the Somali Cash Consortium, conducted a study on the expenditure patterns of cash transfer beneficiaries.

Key findings

- Both IDP and non-displaced beneficiaries spent a significant portion of UCT funds on food. However, IDPs spent more on food as a proportion of their overall spending (47%), than non-displaced households (40%).
- Despite devoting a substantial portion of their expenditure budget to food, respondents reported an inability to meet their monthly food needs. Family size was a major variant and determinant of how far the UCT payment would stretch for both IDP and non-displaced households, with larger families generally running out of money more quickly.
- Aggregated expenditure on food, food-related debt, water, and the necessary supplies to prepare food (e.g. firewood), makes it clear that the assessed beneficiaries spend the majority of their income, and thus the UCT funds, on basic survival needs.
- UCTs have opened up access to credit that previously did not exist for most IDPs. Non-displaced respondents described a boost in access to credit that they attributed to their beneficiary status, despite some households only receiving money for three months.

Household income sources

During Focus Group Discussions (FGDs) a higher proportion of IDP households than non-displaced households reported the cash transfer program as their sole source of income. This was particularly true of female-headed households. Among IDPs with alternate sources of income, the most frequently cited were daily labour jobs in construction, which are typically intermittent and poorly paid. The overall monthly income of these additional sources of income was estimated at USD 10-15 by respondents, depending on the number of days worked. Other sources of income included the intermittent sale of firewood or charcoal (gathered or produced near the camp), as well as occasional domestic remittances.

Non-displaced respondents tended to have more income sources than IDPs, with respondents reporting daily labour, subsistence livestock produce, and subsistence farming as the three most common sources of income, aside from the UCT payments. Again, the access to (limited) livestock and agricultural assets reported by non-displaced households points to their greater financial security in comparison to IDPs.

Key Concepts

For the purposes of this report, the following key concepts have been defined as follows.

Debt: FGD and KII respondents categorised their debt burden into two distinct categories: remaining pre-drought debt, and current debt. Respondents described the former as far more substantial, with estimates per household ranging from USD 300 to 1,500. Respondents defined "current debt" as ongoing small purchases on account from local suppliers, with repayment taking place regularly. We further categorise current debt into food-related debt, defined as food purchased on credit, and non-food debt. Unless otherwise specified, the term "debt," will be used to refer to current or recently accumulated debt.

Gift/charity spending: Respondents reported regularly using cash transfer funds to provide meals, ingredients, and limited financial support to their neighbours. The significance of this type of spending was highlighted by the frequency of respondent requests during FGDs to expand the number of beneficiaries targeted by the intervention.

1. The MEB represents minimum set of basic food items such as sorghum, vegetable oil and sugar, comprising 2,100 kilocalories/person/day basic energy requirement for a household of 6–7 as well as non-food items such as firewood.
2. Duration of UCT payments varied from between 3 to 6 months based on implementing partner funding and programmatic decisions.

METHODOLOGY

The study adopted a mixed methods approach, employing both quantitative and qualitative methods to gain a more nuanced understanding of how beneficiaries utilise UCTs. A sample of 453 households[3] (275 IDPs and 178 non-displaced beneficiaries) in Mogadishu, Burco and Owdweyne was randomly selected based on beneficiary registration lists provided by the Somali Cash Consortium. A short household survey on spending patterns was then conducted with these households on a daily basis via telephone over the course of three weeks. An economic profiling survey, also conducted via telephone, targeted the same respondents. The objective of this second tool was to capture a broader set of indicators to supplement and contextualise the data being gathered through the daily spending tool.

To verify and further supplement the data gathered through the household surveys, a total of 20 FGDs were conducted with 122 beneficiaries in IDP camps in both Mogadishu and Burao, as well as a non-displaced community located outside of Owdweyne. Finally, 22 KIIs were conducted in Burao and Owdweyne. Participants were selected by community leaders, and were divided by gender. The FGDs and KIIs focused largely on female beneficiaries, with 7 out of 10 respondents being female. This selection criterion was based on the assumption that in Somali families, females typically make day-to-day spending decisions, and would therefore be best placed to respond to questions about daily expenditure. Data for this assessment was collected between 24 September to 8 November 2018. The findings of this assessment are not generalisable and should be considered indicative only.

Research Questions:

- What proportion of UCTs are spent on food?
- What are the priority expenditures of households?
- Are there different priorities for IDP vs. non-displaced beneficiaries?
- How do households allocate UCT funds? (1. Basic needs 2.Savings 3.Investments 4. Debt management)
- Are households more likely to access credit or loans if they are receiving a regular cash transfer?

Limitations

- High survey attrition rate/survey fatigue during daily expenditure data collection (related to relying on respondents to consistently answer their phones and give their time over an extended period).
- Difficulty of pinpointing UCT spending with certainty as respondents tended to think in terms of overall income. This limitation is somewhat ameliorated by the fact that alternate sources of income were very limited among most beneficiaries.
- Limited recall due to many expenditures and sources of income being one-time/inconsistent.
- Cultural taboos that exist on disclosing the extent of gift/charity expenditure and cause it to likely remain under-reported.
- Data collection period beginning a week subsequent to the UCT payment. This gap in data limits the ability to analyse spending patterns what is often considered an important time period for expenditure.
- Respondent concern that their answers would be used to assess future eligibility for assistance.
- Pressure on UCT beneficiaries from non-beneficiary neighbours or relatives to increase contributions to gift/charity spending, which may have incentivised under-reporting of expenditure and income data.
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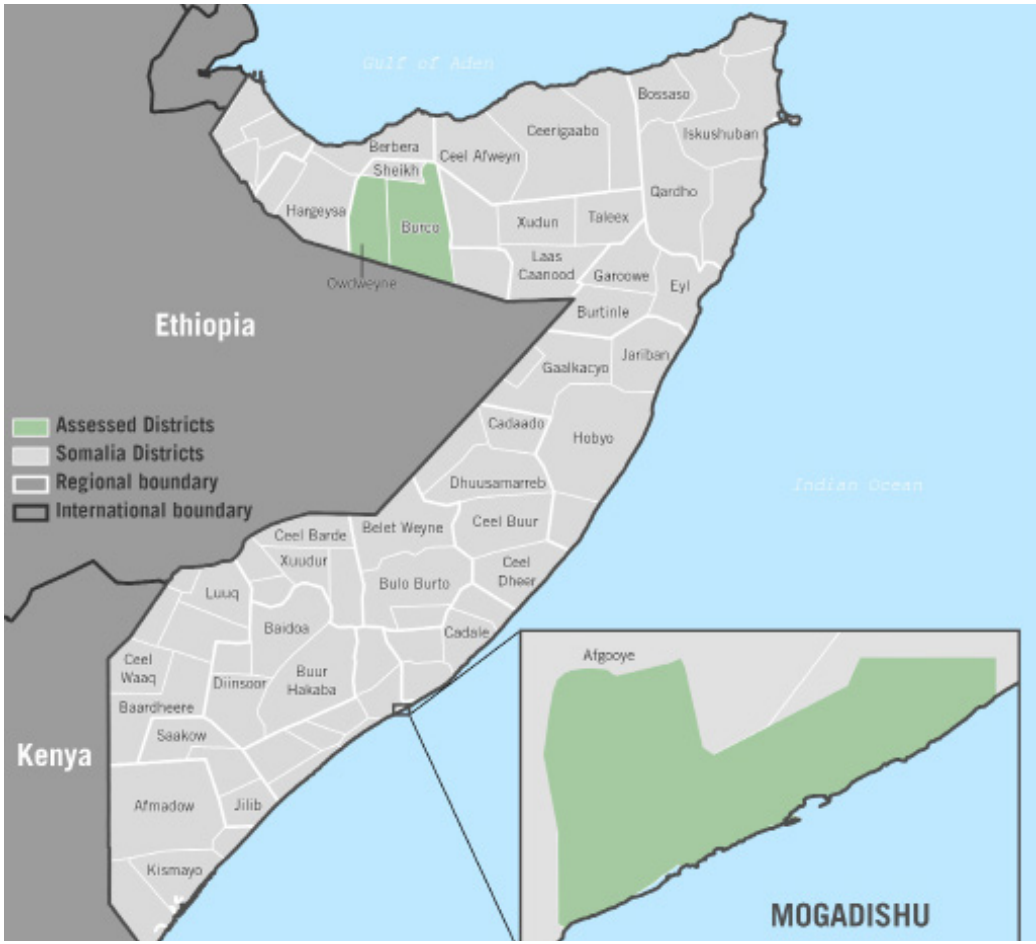
- Fear of decreased access to alternate sources of income such as communal spending and other funding opportunities as a result of beneficiary status



Map 1: Districts covered by the assessment.

3. Whilst an initial sample of 500 households was drawn, some surveys were removed during the data cleaning process.

Pre-intervention conditions

Responses from FGDs and Key Informant Interviews (KIIs) clearly indicated that IDP and non-displaced households had been differently impacted by the drought, with the majority of IDP households reporting that they had lost all of their livestock. Non-displaced households frequently described a drastic reduction in their livestock herd size, but a higher proportion of these households reported having a small amount of livestock remaining at the time of data collection. The remaining livestock provided a way to supplement the household's diet, and thus a significant coping mechanism, putting non-displaced households in a better position to cope with shocks than IDPs.

IDP camp residents, on the other hand, reported displacement as a direct result of losing all or most of their livestock due to the drought. This difference was reflected in FGD respondent descriptions of their access to food prior to the UCT program, during which IDPs described a daily struggle to feed their families, whereas a only a few non-displaced respondents referred to the possibility of starvation.

When asked about life prior to the UCT program, non-displaced respondents cited strong social networks, humanitarian aid, and foraging for food as examples of coping mechanisms during and after the drought. On the other hand, IDP respondents, as a result of their displacement, were cut off from access to their previous social networks, unable to forage for food in urban environments, and a higher number of these respondents cited the Somali Cash Consortium as the only source of humanitarian aid they had received.

Family size was also a major determinant of how far the UCT payment would stretch, and whether it would accommodate all of a given family's food needs. Whilst almost all respondents indicated that the UCT would not cover all their household's food needs for the month, FGD and KII respondents frequently noted that, for larger households of 10 or more, UCT payments would cover only a part of the household's food needs for a fraction of the month.

Household expenditure and spending priorities

IDP households

Both IDP and non-displaced beneficiaries reported that they spent a significant portion of the UCT on food. However, IDPs spent more on food as a proportion of their overall spending (47%), than non-displaced households (40%). The proportion of spending on food increases to 53% and 47% respectively, when debt accumulated to purchase food is also included. This does not mean that IDPs spend more money on food in absolute terms, but rather, that IDPs spent a larger part of their income on food than their non-displaced counterparts. As more money spent on food decreases funds available for other necessary purchases, this finding suggests that IDP respondents are more vulnerable than non-displaced respondents, based on food expenditure.

Despite devoting a substantial portion of their expenditure budget to food, IDP respondents reported an inability to meet their monthly food needs, suggesting that the UCT amount may not be enough to cover the MEB, particularly for larger households. This finding is also reflected in IDP households' access to credit; of the 8% of household expenditure that utilised credit rather than cash, 6% of the debt accumulated was for the purchase of food alone.

One way that IDPs and non-displaced respondents described coping with insufficient income for food was to categorise food spending and then prioritise within those categories. The categories, broadly divided into "essentials" and "luxury" items, were consistent across IDP and non-displaced respondents, as well as geographic locations. "Essentials" were described as the "three basic staples, consisting of rice, sugar, and flour." In an average month, the three staples in addition to water were the extent of what larger families were able to purchase with the cash transfer funds. The "luxury" items were described as additional food stuffs such as vegetables, meat,[4] milk, and black tea.

In the close quarters of IDP camps, gift/charity spending on food to donate to neighbouring families was frequently cited as a major and unavoidable expense, comprising 3% of IDP

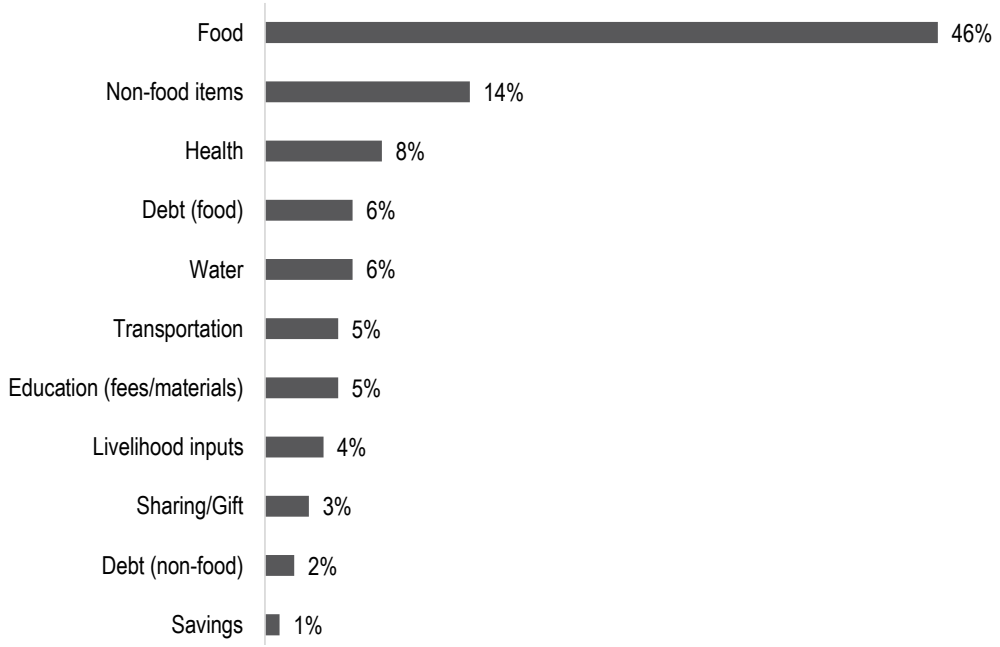


Figure 1: Average proportion of overall household expenditure reported by IDP households.[5]

4.. Milk and meat were included by respondents in the "luxury "category, but respondents also reported that they were rarely able to purchase meat. Powdered milk was frequently reported as a cheaper substitute to milk.

5. Please note, 0% of IDP households reported spending on loans, rent or khat.

spending. As noted in the limitations section however, this number is almost certainly under-reported due to widespread reluctance to discuss cash or in-kind charitable donations. Respondents reported that the close proximity of IDP beneficiaries to non-beneficiaries creates a sharp juxtaposition and can cause tension between neighbours. FGD and KII respondents indicated that beneficiaries of the UCT program had experienced pressure to contribute at higher rates to their communities and neighbours through gift/charity spending. One female IDP FGD respondent described the situation this way: "*We can't live without each other's help here. When so few of us are beneficiaries in a camp this large, everyone knows us. How can we eat and sleep knowing our neighbours and their children are hungry?*"

Just 8% of the average monthly expenditure was reportedly spent on healthcare, with only a few IDP FGD respondents reported being able to afford medical spending, even in emergencies. One FGD respondent explained that her child had been, "*sick for the last ten nights, and I swear I cannot find the money to take him to a doctor.*" Another respondent indicated that she often ignored her own pain and put off seeking medical care because, "*(I keep thinking that) it is better to wait rather than spending the children's breakfast money.*" IDP spending on health is equivalent to that of non-displaced respondents, who described health as a higher spending priority than IDPs. This seeming inconsistency may be related to the higher cost of the emergency health care that is required when IDPs forgo preventative care or early treatment due to lack of funds.

The largest expenditure category after food was Non-Food Items (NFIs) such as shelter materials, firewood, and other household items, making up 14% of IDP households total spending. Firewood was a particularly significant NFI expense among IDPs, at 10%. Health and water followed as the second and third major expenditure categories after food, at 8% and 6% of household spending, respectively.

Non-displaced households

Although non-displaced respondents also reported predominantly spending UCT funds on food (40%), they described spending on a wider range of categories than IDPs. In qualitative interviews a greater proportion of non-displaced respondents reported UCT funds stretching beyond basic essentials to cover so-called "luxury" items, such as vegetables and meat, although again notwithstanding variations based on family size.

Expenditure on water, education, and health were broadly similar between IDPs and non-displaced communities. However, non-displaced respondents were able to spend more than IDPs on livelihood inputs, such as agriculture (3%), livestock (4%), and other business needs (2%). They also were able to allocate more towards savings, with non-displaced respondents reporting that they saved more of their income (3%) in comparison to IDPs (1%).

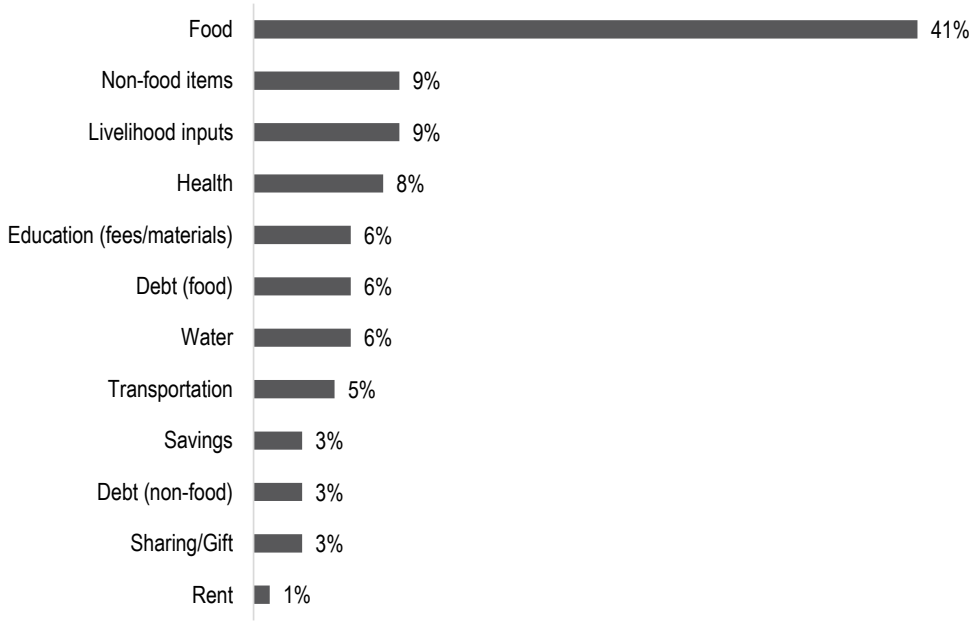


Figure 2: Average proportion of overall household expenditure reported by non-displaced households.[6]

Access to credit

IDP households

Prior to the UCT program, IDP respondents reported having no access to credit; indicating that they purchased food and other basic needs with cash, with no recourse to lines of credit at local stores when cash ran short. During FGDs and KIIs, respondents directly attributed their inability to access credit to their status as outsiders from local social networks, and the resultant lack of trust between the IDP community and local store/business owners.

However, since receiving UCTs respondents reported that in addition to providing cash to cover basic needs, the cash they have received has opened up access to credit that previously did not exist for most IDPs. With proof of beneficiary status, IDP respondents were able to purchase food on credit at local stores. It is important to note that this access to credit is related to continued beneficiary status. Respondents emphasised the difference between this conditional relationship with local stores, and the long-standing relationships with local stores they had enjoyed in their places of origin. Thus, access to credit is temporary for IDP respondents, and will likely end if the household ceases to receive UCT payments.

6. Please note, 0% of non-displaced households reported spending on loans or khat.

Non-displaced households

As mentioned above, spending patterns on food among assessed non-displaced beneficiaries mirrored that of IDPs. Spending on food also jumped towards the end of the data collection period—from 31% in the first and second weeks of data collection, to 55% in the final week.

However, non-displaced respondents appear to spend less of their overall expenditure repaying food related debt than their IDP counterparts, with 8% of total expenditure going towards repayment in the first week of data collection, and falling steadily from there.

Aspirational spending goals

IDP households

In order to further explore spending priorities, FGD and KII respondents were asked to prioritise hypothetical future spending, with the assumption that their food needs had already been met. The vast majority stated healthcare and education expenses as their next immediate priorities.

When asked to assume that those costs too were addressed, IDP respondents prioritised saving, paying off pre-drought debt, and general investment spending as their next highest priorities. Many respondents stated that they were unable to plan for long term goals, even hypothetically, within the context of their day-to-day survival lifestyle. One female FGD respondent commented that, *"it's hard to even imagine saving or investment when you are hungry. It's hard to do anything when you are hungry."*

Non-displaced households

Non-displaced respondents were better able to specify long term spending priorities and financial risk mitigation strategies. Creating dedicated emergency savings funds, diversifying income sources through new business pursuits, and building back up herds of livestock to pre-drought levels were the most commonly expressed priorities for aspirational spending during FGDs and KIIs.

This further highlighted both the differences between IDP and non-displaced respondents, and the difference between actual expenditure and spending priorities. While both groups articulated similar aspirational spending priorities for the future, non-displaced beneficiaries were able to actualise these priorities in limited but concrete ways, for example through the desire to buy livestock, whereas IDP household did not articulate such clear aspirations. Again, this points to the marginally improved financial position of non-displaced households relative to IDPs.

Non-displaced respondents also demonstrated a willingness to prioritise investment spending for community needs (i.e. fixing a damaged water tank) by pooling resources. As water was one of the highest expenditure categories, at 6% of household spending for both IDP and non-displaced households, such an investment has the potential to positively impact the community's spending patterns and free up funds for saving and investment.

Changes in spending behaviour over time

IDP households

An analysis of the changes in respondent spending behaviour from throughout the three weeks of data collection highlighted important differences in the ways that IDP and non-displaced respondents plan expenditures. Spending on food increased throughout the month among both groups of respondents.

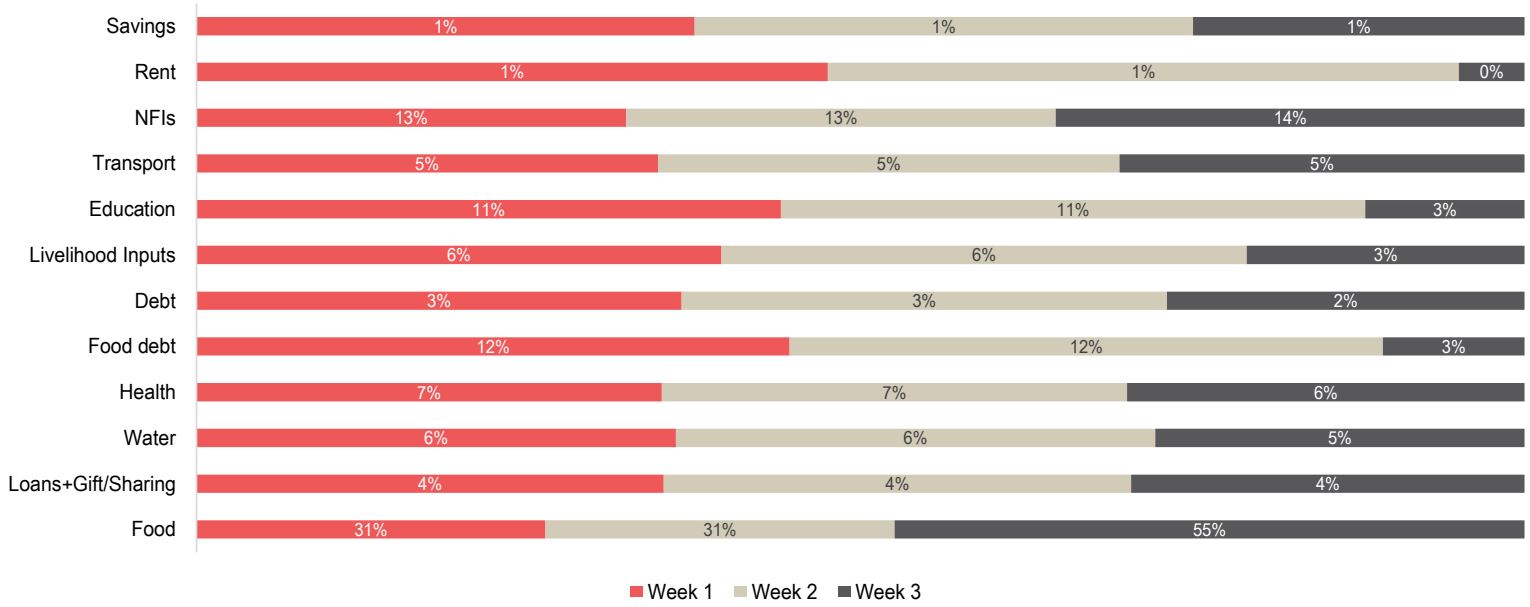


Figure 3: Average spending over time, as reported by IDP households

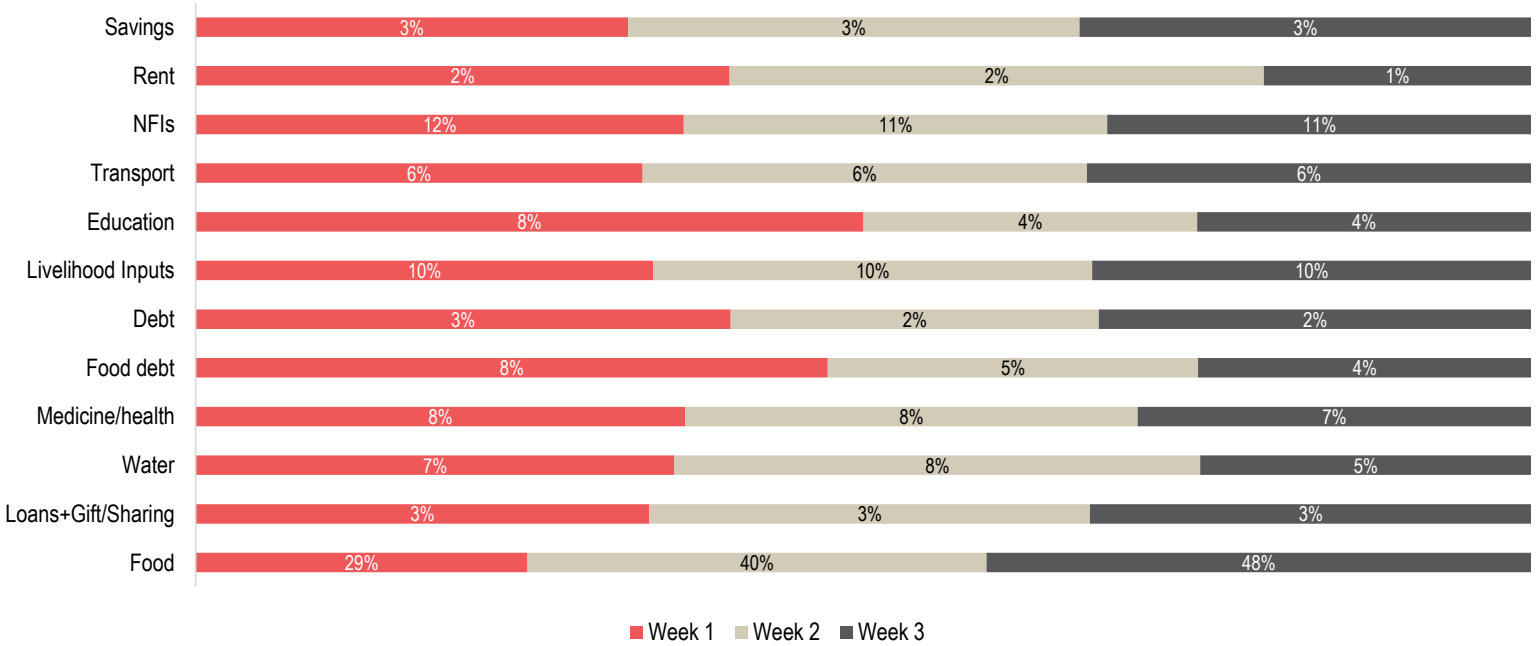


Figure 4: Average spending over time, as reported by non-displaced households

However, the increase—from 31% of expenditure in the first week of data collection to 55% of expenditure at the end of the three week data collection period—was particularly significant for IDPs, who already allocated more of their expenditure budget towards food than their non-displaced counterparts. The reason for this difference is not clear from the data, but may be due to non-displaced households having access to alternative sources of food than only purchasing. Alternatively this trend could be indicative of IDP households being less able to allocate spending on other, larger items, and therefore as a proportion of weekly spending, the proportion spent on food is higher.

Relatedly, in the first two weeks of data collection, repayment of food-related debt by IDP households was relatively high, at 12% each week. This amount dropped off precipitously to just 3% at the end of the period. This decrease may be due to the fact that respondents, rather than paying off food debt, were accumulating it instead—entering into a period of purchasing food on credit. This corresponds with FGD respondent descriptions of running out of cash towards the end of the month, and purchasing food on credit.

Alternately, as cash runs low, it is possible that households are no longer able to purchase in bulk or engage in other money-saving techniques, leading to a spike in food expenditure. The analysis also pointed to the fact that larger purchases and investments, if they are made at all, are likely to occur at the beginning of the month, when availability of cash in the form of the UCT payment is more assured. Spending on livelihood inputs, for example, dropped by 50% towards the end of the period—from 6% of overall expenditure to 3%. Similarly, expenditure on school fees and materials decreased from 11% over the first two weeks of data collection, to 3% in the final week.

The findings also indicated that larger purchases and investments, if they are made at all, are likely to occur at the beginning of the month, when availability of cash in the form of the UCT payment is more assured. Spending on livelihood inputs, for example, dropped by 50% towards the end of the data collection period—from 6% of overall expenditure to 3%. Similarly, expenditure on school fees and materials decreased from 11% over the first two weeks of data collection, to 3% in the final week.

Non-displaced households

As mentioned above, spending patterns on food among assessed non-displaced beneficiaries mirrored that of IDPs. Spending on food also jumped towards the end of the period, from 31% in the first and second weeks of data collection, to 55% in the final week.

However, non-displaced respondents appear to spend less of their overall expenditure repaying food-related debt than their IDP counterparts, with 8% of total expenditure going towards repayment in the first week of data collection, and falling steadily to 2% in the third week.

This may be attributable to a number of factors. It is possible that non-displaced respondents feel less pressure to repay their debt immediately, due to their ongoing relationships with local shopkeepers. Alternatively, non-displaced respondents may feel less pressure to account for the exact amounts of food purchased on credit versus with cash. In FGDs and KIIs, it

was common for non-displaced respondents to describe transferring the entirety or majority of their UCT payment to their local store often upon receipt. The UCT was then used to settle the previous month's debt with the remainder as credit for anticipated purchases that month. This again reflects the significance of the relationships connecting non-displaced residents to local business owners, and its impact on spending behaviour. Ultimately, the social networks available to non-displaced households put them in a stronger financial position, both in terms of borrowing and access to credit, than IDP households, who have fewer social ties to the community in the area they are displaced to.

Conclusion

The findings from this study suggest that both IDP and non-displaced households allocate a substantial portion of their overall income on food. Indeed, if spending on food, food-related debt, water, and the necessary supplies to prepare food (e.g. firewood) are all taken into account, it becomes clear that the assessed beneficiaries spend the majority of their income, and thus the cash transfer funds, on basic survival needs.

The data from this study also adds weight to the idea that IDP households are more vulnerable than non-displaced households. Due to their lower access to credit, assessed IDPs pay more for food. Their displacement from their local social networks makes it more difficult to access employment, and thus limits their sources of income. As a result, UCT funds are a vital lifeline for IDP respondents, allowing them to purchase food in cash, as well as opening up access to credit through beneficiary status.

Although the assessed non-displaced beneficiaries also use the plurality of their expenditure budget on food, they also appear to be able to be more strategic in their expenditure decisions. By spending on livelihood inputs, creating small emergency saving funds, and brainstorming ways to bring down water costs through community efforts, non-displaced beneficiaries have demonstrated an ability to begin to move towards investing in strategies to increase resilience. In contrast, IDP beneficiaries tended to be struggling to make ends meet on basic sustenance.

However, it is important to note that non-displaced respondents are only relatively better off in comparison to the highly vulnerable IDP respondents. In absolute terms, non-displaced communities are also vulnerable to shocks due to limited income sources, the high cost of water, and limited access to credit. The use of a significant portion of their income on food, water, and other essential needs means that other important spending categories, like healthcare, education, and livelihood inputs, are crowded out.

Potential for Future Programming

Based on this study, a possible improvement point for future UCT programming is to ensure that beneficiaries are aware of the duration of their beneficiary status. When asked how the UCT payments had impacted their ability to plan for the future, both IDP and non-displaced respondents commented that long term planning for UCT spending has been hindered by lack of clarity on future UCT payments. The unclear nature of the future of such a significant portion of many beneficiaries' income has important implications on expenditure decisions as well as access to credit.

The most frequent request that respondents asked to be relayed back to partners was that, although the UCTs has increased household's ability to cover their basic needs, the amount of USD 60 a month remains insufficient.

About REACH Initiative

REACH facilitates the development of information tools and products that enhance the capacity of aid actors to make evidence-based decisions in emergency, recovery and development contexts. All REACH activities are conducted through inter-agency aid coordination mechanisms.

For more information, please write to our global office: geneva@reach-initiative.org.

Visit **www.reach-initiative.org** and follow us @REACH_info.

About the Somali Cash Consortium

Through the Somali Cash Consortium, INGOs, supported by EU humanitarian aid and other institutional donors, provide life-saving multi-purpose cash to vulnerable Somali communities, exclusively through mobile-money transfers. The Cash Consortium focuses on famine prevention and providing life-saving humanitarian response to reduce household consumption gaps (primarily food) in 15 most affected regions in Somalia. The project specifically targets populations in IPC3 and 4 especially the newly displaced and worst affected pastoralist/agro-pastoralist communities. Since the Cash Consortium began work in Jan 2018, it has provided assistance to over 300,000 Somalis. It is building better and more robust cash transfer systems, by working with all stakeholders to streamline each stage of the cash-transfer process; from community registrations to payment aggregation, reporting, forecasting and coordination. For more information on the work of the Somali Cash Consortium, please email the Programme Manager, Kaitlyn.Scott@concern.net

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