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Humanitarian  
Policy Group

# Is cash a feasible alternative to food aid for post-drought relief in Lesotho

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This report presents the findings and conclusions of a team which studied the feasibility of using cash based interventions as part of a humanitarian response in Lesotho for 2007/8.

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# 1. Introduction

This report summarises the findings from a study undertaken to assess whether or not a cash based response by World Vision to the current drought in Lesotho would be appropriate and feasible, as part of the organisation's overall relief response. This was motivated both by a desire to respond with the most appropriate and effective resources in Lesotho and to increase the capacity within World Vision more globally to use cash based responses as one of a range of options for response in humanitarian crises.

## 1.1 The Lesotho economy and the drought

The Lesotho economy has been determined very much by its geographical position 'inside' South Africa. A mainstay of the economy for many years has been migration to the mines of South Africa. The huge flow of remittances have ensured that Lesotho is not among the poorest countries in Africa. It has a reasonably developed economy, with a degree of industrialisation (especially in textiles), a good infrastructure, and an agricultural economy based on the use of animal traction and fertilisers. However, the past decade has seen opportunities for work in the mines scaled back to less than half the level of the 1990's, difficulties for the textile industry with competition from China, and a stagnating rural economy, giving rise to increasing disparities of wealth between rural and urban areas.

Against this background of increasing chronic poverty, Lesotho was hit by the regional failure of the 2006/7 rains resulting in very low harvests in 2007. The rain failure, which followed a poor harvest in 2006, affected the whole country, but the worst hit were the lowlands in the west, and particularly the southern lowlands, which are generally more arid than the northern lowlands<sup>1</sup>. The rural population was affected in several ways.

- a) Most obviously, they lost a significant portion of their normal rainy season crop, maize – yields were down by some 60-70%. However, this was not the most serious impact for many people, particularly the poorer. Crop production normally only covers around 20-40% of the household food needs of the poorer half of the

population<sup>2</sup>, with the balance largely coming from the market.

- b) Because the rains were poor across the whole region, the price of maize has continued to rise<sup>3</sup>. Retail prices have risen by some 75% in the last 2-3 years. Those with little cash income have had their ability to purchase sufficient food severely limited.
- c) The poorer households usually earn much of their livelihood (i.e. both their cash and food 'income', including food from crop production) from agricultural labour, principally from weeding. (Land preparation is normally done by ploughing, not paid labour). This work was curtailed once the rains had stopped. They therefore had to pay higher prices at a time when their cash incomes were down.
- d) The winter harvest of wheat and peas also failed.
- e) Livestock have also been hit by the poor rains. Some animals have died, others are in poor condition (at a time when the rains have not yet begun) and because pasture is so limited, many have to purchase feed of bran and hay to keep their animals alive. Fortunately, this has not been accompanied by a frequent phenomenon of droughts, a collapse in livestock prices. (In fact, livestock prices have even risen slightly<sup>4</sup>.)

Although Lesotho is not facing a general famine because of the drought, the ability of many to maintain a minimum livelihood has either been put in jeopardy or has even failed. This is particularly true for those who need some form of assistance even in 'normal' economic circumstances, and those who depended most on paid labour and on the market for their food. Assistance programmes to the country have been increased, and support has been given to groups identified as 'the most vulnerable' or 'the poorest'.

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<sup>2</sup> reference

<sup>3</sup> This is on top a worldwide increase in the price of different cereals which is due to multiple causes – e.g. poor wheat harvests in Canada and Australia, the increasing market for maize from the biofuel industry.

<sup>4</sup> According to village informants in the lowlands.

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<sup>1</sup> reference – CAP?

These include the chronically sick, orphans, the disabled and those who have no assets. The majority of this assistance has been given in-kind. The two major suppliers of food aid in Lesotho are currently WFP and USAID working through its consortium of NGOs (the C-SAFE programme). It was clear that the decision to respond with food aid in-kind rather than through cash based interventions (or a voucher programme, for example) had not been taken based upon an analysis of which would be more appropriate. As this study took place, WFP was in the process of setting up a region wide analysis of the potential future use of cash based programming, and the other C-SAFE coalition members (CARE, CRS) were also examining ways of studying possibilities of using cash. (CARE was hoping to test its own market analysis tools (Barret *et al.*, 2007), which respond to similar issues to those examined in this study, see below.) The implication is clearly that food aid had been chosen because it has been the default option for so long. Other in-kind aid includes distribution of seeds for the coming agricultural season by FAO, and by WVI and CARE with funding from OFDA/USAID. (Since seed aid was beyond the terms of this study, no attempt was made to discover on what basis, if any, it had been decided that there were seed needs or why these had to be addressed through in-kind relief.)

The Government of Lesotho has been alone in seeking to address the crisis as an economic one rather than a food one, and is organising public works programmes or ‘cash for work’. However, this is very limited in scale, and is restricted to 100 people per electoral constituency in any one month. This programme is not targeted, but work opportunities are available on a ‘first-come-first-served’ basis.

## 1.2 WVI’s interest

Many agencies and Governments are showing increased interest in using cash based interventions to respond to both acute (‘emergency’) and chronic problems of poverty and food insecurity. World Vision International is no exception, and it has already piloted the use of cash in Asia. WVI has been keen to pilot cash interventions in Africa, and on a significant scale, in order to test the assertion which is occasionally heard that cash may work well on a very small scale, but cannot easily be scaled up without creating market difficulties (e.g. inflation). The current situation in Southern Africa, in particular in Lesotho and Swaziland, presented themselves as

an opportunity to test the appropriateness and effectiveness of cash based interventions. (Lesotho and Swaziland offered an opportunity to pilot for two reasons – the two country offices were interested; and in both countries cash seemed to be potentially appropriate<sup>5</sup>.) The only drawback has been that the timetable globally for opening the way to piloting cash interventions did not entirely coincide with the planning for the humanitarian response (SALER - WV’s Southern African Livelihood Response). Cash based programming was thus only able to make its way onto the agenda after WVI-Lesotho already had agreed food based programming with donors. Any cash-based response would therefore be in addition to what was designed as a full ‘portfolio’ of projects and not, unfortunately, as one response programmed together with other food based responses. Also, there would be the possibility that the start date of any cash based programme would be later than the optimal. Although humanitarian needs are considered to continue until the next harvest in May 2008 – assuming that the 2007/8 rains are normal – there are some reasons to consider that the most difficult time for people is during the dry season (particularly August-September) when labour opportunities for earning money are harder to find. The implications for these two points are taken up below (see *organisational capacity*).

A second consequence of the motives of WVI’s involvement in this study for a cash-based programme is that the organisation is not simply concerned to implement a one-off cash-based emergency intervention in Lesotho. It wishes, rather, to acquire the capacity to add cash-based responses to its existing portfolio of response options, from which it can choose in future situations – whether these are transitory humanitarian crises or crises of chronic poverty. This necessitates not only the capacity to implement a cash-based programme but also to know in which situations a cash programme would be appropriate; and to have the skills to assess any situation to determine which kind of response

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<sup>5</sup> It is interesting to observe that WVI very much anticipated the criteria which would be used in this feasibility study in their decision not to rule out piloting in Zimbabwe at a very early stage. Hyper-inflation, the lack of availability food in shops, price fixing by Government at prices uneconomic for traders all contravene various of the conditions outlined on page 4 below.

(including a cash option) would be best. This study therefore had two quite distinct objectives:

- to assess whether or not a cash-based response would be appropriate and feasible for immediate implementation in Lesotho;
- to build the capacity of key WVI staff in the region to undertake such studies in the future on their own.

It is inevitable that multiple objectives create situations where a trade-off has to be made, since objectives will always ‘collide’. This study was no exception. The capacity building objective meant that a larger team was used; that some team members participated even when they could not be present for the whole study; and that more time was spent in designing and preparing for the research as a team, with a reduction in the time available for the fieldwork itself. These consequences did not at all affect the confidence with which the findings can be presented, but did, for example, limit the geographical scope which could be covered by the study.

### 1.3 Methodology of study

#### *Conceptual methodology*

The study began by looking at which criteria would be used to judge whether or not a cash based intervention would be feasible. Note that ‘cash-based interventions’ are usually considered to include the use of vouchers, although strictly speaking a voucher is not ‘cash’. This study included vouchers within the issues studied, by first looking at whether cash on the broader definition would be feasible, and, if so, then looking at whether vouchers or cash would be preferable. The following list of conditions was considered to be exhaustive (at least within the context of Lesotho) of the conditions which would rule out a cash based intervention. This logic meant that if no grounds for ruling out cash could be found, then the conclusion must follow that a cash based intervention would be appropriate. This approach differs slightly from the application of a decision tree (e.g. the ones prepared by Oxfam and CARE<sup>6</sup>), in that the study did not try to make an explicit (and mutually-exclusive) choice between food or cash (Although a cost comparison is made, this does not imply that the cheaper alternative is necessarily the only legitimate one to choose.). This was related to the specific TOR and context of this study. It will be seen that the

<sup>6</sup> See references at the end of this report.

ground covered in analysis includes all the issues covered in such decision trees.

A cash based intervention would be made more difficult, and could potentially be ruled out, if any one of the conditions below apply strongly enough:

1. A cash based intervention would break State law<sup>7</sup>
2. A cash based intervention would go against Government policy
3. Required goods would not be made available to recipients through the market system
4. Some recipients did not have physical access to market outlets and goods
5. The cash would have a high probability of causing price rises
6. The cash would create conflict at household level (e.g. between husband and wife)
7. The cash would increase conflict at community level
8. The cash would place recipients in danger
9. No registers of needy populations can be obtained
10. Effective targeting is not possible, in a situation where the majority would not otherwise be targeted
11. A high probability that a significant proportion of the cash paid would not go towards improving household welfare
12. Delivering the cash would put agency staff in danger
13. No mechanisms can be found for delivering the cash in a transparent and reliable way to the intended recipients
14. The cost of a delivery mechanisms is too high
15. The net benefit to recipients would be significantly less than if the same funds were used to purchase in-kind aid<sup>8</sup>
16. The programme would undermine other programmes in the area, where the net advantage of the cash-based intervention did not outweigh this problem<sup>9</sup>

<sup>7</sup> examples of this could include: where CFW paid below a legal minimum wage; the redemption of vouchers at a higher price than that fixed by a Government; redemption of vouchers through non-licensed traders; etc.

<sup>8</sup> e.g. if the local retail grain price for recipients was much higher than that available internationally for bulk purchase (of grain and transport)

<sup>9</sup> It is usually accepted that a life saving intervention is justified even it undermines some longer term

A significant possibility that the long term impact of the programme would be negative, e.g. the creation of a dependency mentality, a rise in crime, the breakdown of coordination mechanisms between agencies and Government, etc.

The agency would not have the organisational capacity to implement the programme to minimum standards, or as well as it could implement alternatives

The study team then assessed feasibility against each criteria by systematically searching for evidence that would actively prove that such a condition did not exist. This was in order to follow standard scientific research practice that takes a 'conservative' position, assuming that the status quo (no cash interventions) is best unless proved otherwise. The absence of evidence relating to any one of the above potential problems could not legitimately be construed as evidence that the condition would not apply.

This logic is not significantly different from that used in the decision trees which are increasingly becoming used as tools by agencies interested in cash options (see annexes 1 and 3 for Oxfam's and WFP's conditions for using cash or food). The difference in the presentation of the arguments may make it appear that other 'tools' present alternatives, with questions to guide the choice, whereas here the study appears to have set cash as a 'default' option, which would have to be invalidated by the existence of a condition which ruled it out. This is actually illusory. In order to make the logical analysis more transparent and simpler to follow, the study effectively listed all the conditions along the branch of the 'decision tree' which lead to the answer "cash" and then set out to verify whether or not this path was indicated by the situation. A similar list could be made for in-kind aid, and it will be easy to see that the conclusions reached would be the same as those which we draw in this study. In fact, as a comparison with annexes 1 and 3 will show, this study has imposed more tests which cash interventions had to 'pass' before it can be recommended.

#### *Research methodology*

The study was undertaken from 11<sup>th</sup> to 21<sup>st</sup> September 2007. The team consisted of one staff member from each of the WVI programmes in

Swaziland and Zimbabwe and four members of the team in Lesotho. There was additional participation from one staff member from the WVI Nairobi office for the first week. One WFP staff member participated in the fieldwork at village level and in the final analysis.

The research was purely qualitative. No purpose would have been served by attempting quantitative research within the time period of this study. Quantitative research is only useful once the parameters which need to be quantified have been understood, e.g. through preliminary qualitative research. This study felt able to make conclusions based upon this qualitative work alone. Although further qualitative work would have been useful in a longer time frame, in order to cover wider areas in the Districts, there were no obvious hypotheses which needed testing through statistical analysis in order to meet the objectives of the study.

Field work consisted of discussions and interviews with District leaders, chiefs, villagers, school-children, and traders. In most cases, men and women were spoken to in separate groups. Specific interviews were also held with a number of disabled people. Most group meetings were with 5-10 people, but one or two meetings were much larger where many people had been informed and were waiting. In such cases, some smaller groups were formed and were met by other members of the study team, with the remaining people forming single and larger 'community meeting'. Interview sites were chosen by WVI Lesotho team. It was requested to have places both closer to roads and District towns and also some more remote or distant villages. The villages were all within WVI's programme areas for its long term 'Area Development Programmes'. This allowed much easier organisation of contacts without raising too many expectations of a new project. The lack of random sampling of villages means that the team has to rely on the judgement of the WVI staff to say that the findings are broadly representative of the lowland areas of the Districts.

#### *Choice of study area*

The study was limited to three Districts, all in the lowland areas, but in two different livelihood ones, as defined by the national Vulnerability Assessment Committee in the Prime Minister's Office. (A 'livelihood zone' is a geographical area which shares a similar economy, and across which there is broadly the same vulnerability to different

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developmental goals, as long as the negative impact is the minimum which is necessary to save the lives.

economic shocks. Factors defining a livelihood zones boundaries include climate, agricultural potential, population density, market considerations and infrastructure.) The Districts selected were Leribe in the Northern Lowlands, and Mafeteng and Mohale's Hoek in the Southern Lowlands livelihood zone. [Note: District administrative boundaries do not usually follow livelihood zones. This study was confined to the lowland areas of the three Districts. The lowland areas are home to 70%, 85% and 65% of the population of the three respective Districts<sup>10</sup>.]

There were several reasons for limiting the selection to the lowlands. Principally this related to time limitations, both for the study period itself and for any intervention window. Since the study period was short, it was impossible to undertake a national study. It was therefore most sensible to concentrate initially in areas which would minimise time spent in travelling. Since WVI were planning to implement a pilot programme immediately after the study, if the conclusions were that this was feasible, it made sense to

choose the areas where piloting would be easiest. The lowlands were more likely to be feasible, because of greater market access. Equally, they are more accessible for monitoring and supervision by management staff in a project which would contain specific objectives of testing and lesson learning. There is no implication that cash programming would not be feasible or appropriate in the highlands, or that the need there is less. The intention would be to extend a study to the highlands whilst a pilot in the lowlands was being introduced. WFP were also in the process of planning their own feasibility study into cash interventions whilst this study was progressing, and it was possible to coordinate the research of the two agencies. WVI took three lowland Districts, with the remaining 8 Districts in the country to be covered later by WFP. Participation of WFP staff in this study should ensure some consistency in the analytical framework of the studies.

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<sup>10</sup> According to the L-VAC breakdown of the District population by livelihood zone.



## 2. Findings

This section takes in turn each potential problem to the feasibility of cash interventions, and assesses whether or not the condition is relevant to implementing cash in the Lesotho lowlands in the current climate.

### 2.1 The legal and political context

1. a cash based intervention would break State law
2. a cash based intervention would go against Government policy

Cash based interventions would not normally be illegal in Lesotho. There is a legal minimum wage, of M650 per month which may be applicable to CFW programmes<sup>11</sup>. The value of the food paid in most FFW projects is below this level, although these programmes do not demand a full day's work. (Work is normally for four hours a day.)

Government policy favours the use of market or cash based solutions. Both labour-based and 'free welfare' approaches are being used. The Government has recently begun its own CFW programme, which pays M40/day, for 20 days a month. The Government approach to social protection has also been through the use of a cash old age pension, instituted in 2005. This was originally of M150 per person per month, later increased to M200/month. The Government is also currently considering a market intervention in the current crisis, through a grain subsidy. This has yet to be implemented. (A previous attempt at a subsidy in 2002-3 was widely considered not to have been successful in practice.) The Government<sup>12</sup> also actively encouraged this study and expressed its hopes that the findings would lead to more cash based interventions.

**In conclusion:** the legal and policy context is extremely favourable to cash based interventions.

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<sup>11</sup> 2005 level

<sup>12</sup> Humanitarian response comes under the Disaster Management Agency (DMA), in the Prime Minister's Office. Contact with the Government was through the Director and Deputy Director of the DMA, and its technical needs assessment coordination unit, the Lesotho Vulnerability Assessment Committee (LVAC).

### 2.2 The market and availability of necessary goods

3. required goods would not be made available to recipients through the market system
4. some recipients did not have physical access to market outlets and goods
5. the cash would have a high probability of causing price rises

The Lesotho rural economy is very much a cash based economy. Food purchased in the country is not mainly from surpluses produced in rural areas, but is imported. Even food purchase in rural areas is not from local production, but is also imported. As a result there are not the wide seasonal price fluctuations which characterise many rural economies in Africa, where prices in the village can rise 300-400% from harvest time to the hunger period. Every village has people who are engaging in, or who have engaged in, work outside the country, sending back remittances to the village which have created the current village economy. Although opportunities in mine work have fallen in the last decade, people still move either to Maseru or to South Africa to work in textile, construction, agricultural labour or whatever other jobs they can find.

Lesotho is member of the Southern Africa Customs Union. Trade in food goods is free, without tariffs or non-tariff restrictions. Any individual trader can freely travel across the border to South Africa and import maize or other food items for themselves. This exists does not only exist as a theoretical, legal possibility but is very much an economic reality, partly because the capital Maseru itself sits on the border, and is also due to a good road infrastructure and the small size of Lesotho, which together put rural traders even in the very South of the country within 2½ hours of South Africa<sup>13</sup>. The South African economy is many times larger than the Lesotho economy, and is well integrated into the world economy, and Lesotho's natural sea ports for imports and exports are in South Africa (Durban). As a result, availability of goods and prices in Lesotho are also integrated into the regional and world economies, meaning that price changes are due more to economic changes at

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<sup>13</sup> This study refers only to lowland areas of the country.

regional and world level than at national level. The rise in price of maize in Lesotho over the 2005-7 period was not principally due to poor production in the country itself, but reflected a rise regionally. Even complete crop failure across the southern Africa region would be unlikely to cause any long-term shortages in Lesotho, meaning that as long as people could afford to buy maize, the trading system would make it available through imports to South Africa from other producing countries. (The impact on prices of a regional crop failure would probably mean that many people could no longer afford to buy the maize: this is clearly a serious food security problem for many, but it is not a problem of there being no food available. Since the trading system normally brings in around 70% of Lesotho's total staple food needs, this is unlikely to be a major bottleneck in the event of regional crop failure.)

Coupled with this national market integration is a very strong integration of villages (in the lowlands, at least) into the national economy. Villages are easily accessible to vehicles: even where locally there may be complaints about the quality of roads, these do not prevent vehicles from accessing, and there is little likelihood of villages becoming cut off for long periods, e.g. during rains. Most villages in the Districts studied have retail outlets, which stock almost all the commodities which people buy. Villages without a shop would be in easy reach of shops in other villages. Many have public transport, which would generally cost less than M6 for a return trip, and donkeys can be hired in many places for around M5 to carry a sack of maize from another village. It should be remembered that even rural Lesotho is a cash economy, and everyone currently relies on the market for some portion of their food needs. People who cannot walk themselves to a shop, e.g. the disabled, have already had to make arrangements for people to help them with shopping. All informants reported that they rarely leave the village for the purpose of shopping, except for buying clothes in District towns. Most villages have more than one retail outlet, and staple food items could be bought in at least three or four outlets in the villages which were visited. Village shops manage their own stocks, and do not depend upon transporters or middlemen to service them. Shop owners go themselves into the capital to purchase goods from a range of wholesalers. Those without transport arrange it themselves in Maseru. All informants reported that it is rare for any of the retail shops to run out of staple goods, but if ever they did, this would

last for one or two days whilst the trader went to Maseru to restock. It was even rarer for more than one shop to run out at the same time.

This means that trading volumes are demand driven and not limited by constraints to supply from stocks, and questions to traders about their storage capacity, capital and constraints are largely irrelevant to an assessment of the likely impact of any increase in disposable income, e.g. through a cash transfer. Although most traders would say that expansion of their businesses is limited by lack of capital, this would not be the determinant of the supply of the main traded staples. Traders can increase their turnover without increasing their stocks, by replenishing their stocks more frequently (i.e. using faster cash flows rather than increasing working capital). Although there may be greater efficiencies, and hence lower prices, where a trader could buy larger volumes at one go, these would not be major: in any case these 'inefficiencies' already exist, since they are based on the current stock which traders hold, and would exist only compared to a situation where demand increased together with traders' investments in stock and transport.

Competition between the shops is vigorous, and it can be seen in many ways. Many traders who previously had large trading volumes have become much smaller players due to competition, particularly the recent popularisation of new supermarkets and the penetration of Chinese owned businesses into the rural retail sector has been significant. (Their decline is also partly due to a long term economic decline in rural Lesotho over the past decade, and the decline in remittances from the mines in South Africa.) Competition is also seen directly in prices. Shops compete on price, and small differences can be seen between shops, e.g. in the differences between different sizes of bags of maize meal. For example, one shop may sell a smaller size more cheaply than the second, which in turn sell a larger size slightly more cheaply than the first. On the whole, prices clearly reflect wholesale prices with price differences from one village to another being directly related to the costs of transport. The further from Maseru, the higher the prices. This was not due to traders taking advantage of people's remoteness. Villagers (i.e. women) were well aware not only of prices in their own villages but also those in the District towns, to which most have access on public transport. They choose to buy at slightly higher prices in the village because this works out cheaper than going into the town.

The most expensive ride into town from the villages visited was around M26 (under US\$4) for a return trip, whereas they would save less than M20 on a 50kg sack of maize meal. The most expensive village retail price we found was only 35% higher than the wholesale price in the capital. (This applies to sales of bags of 25kg or more. Traders who buy sacks and sell loose flour in small volumes obviously have higher margins, usually around 20% more.)

The likely net impact of any cash transfer on prices is therefore downwards and not upwards. Competition would prevent traders from increasing prices to take advantage of extra cash. On the other hand, consumers who have very little disposable cash have to pay significantly higher prices than others, because they buy loose (“scooped”) maize meal by the kilogramme, which is around 20% more expensive compared even to small bags of 5kg or 12.5 kg. (A household of four persons would consume a 12.5 kg bag of maize meal in one week.) Informants said that the main customers of this “scooped” flour are the poorest, including those receiving food aid who need to top up the ration towards the end of the month. A cash grant would enable people to buy more cheaply in larger quantities.

These arguments would apply even if the scale of any cash grant programme had a significant effect on the money supply in any village. The average household income across the southern lowlands zone was almost M700/month<sup>14</sup> in 2004/5. The poorer 45% of the population had a total household cash income from all sources of just M225/month in 2004/5, which was not a year of particular difficulty. The total ‘livelihood deficit’ for the 2007/8 year for both food and other needs for the poorest 20% of the population was calculated by L-VAC in June 2007 at under M210/household (of 5 persons), as a result of the impact of the drought on lost crops and higher food prices<sup>15</sup>. If a M210/month grant was given to

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<sup>14</sup> Calculated as the weighted average for all economic groups on the basis of L-VAC baseline figures, see LVAC (2006).

<sup>15</sup> The ‘livelihood deficit’ is the difference between what a household needs to meet its minimum needs, including to maintain its productivity (e.g. its normal expenditure on inputs) and what it is able to meet from all sources, excluding any sources which have a long term negative impact, such as the sale of essential assets. It was calculated starting from a detailed knowledge of the 2004/5 livelihood strategies, understanding the limits on people’s ability to adapt to

the all the poorest (i.e. 20% of ) households in Mohale’s Hoek and Mafeteng Districts, this would cover some 24,000 households. Even if the cash grant were given over a full 12 months, the cash value would constitute an increase only around 6% of the cash in the 2004/5 economy of the two Districts. It would be only a third of the value of the staple food which was lost due to the poor rains –that is it would add only a third to the increase in demand which the trading system has already had to cope with as people have to purchase food which would normally have been met from production. (Note that this value of cash transfer would cover the entire livelihood deficit of very poor households, including the deficit currently being covered with in-kind food aid.)

**In conclusion:** evidence shows that traders would be able to expand their supply to meet the small increase in demand created by any cash transfer. Retail outlets would be within reach of all, either directly or through the assistance of family. There is very little likelihood that a cash transfer could cause price rises, and the most likely impact is to make food significantly cheaper for recipients.

### 2.3 Conflict, targeting and the gender control of household resources

6. the cash would create conflict at household level (e.g. between husband and wife)
7. the cash would increase conflict at community level
8. the cash would place recipients in danger
9. no registers of needy populations can be obtained
10. effective targeting is not possible, in a situation where the majority would not otherwise be targeted

Conflicts over resources are inevitable in society, and it was beyond the scope of this study to answer fully whether conflicts were more likely to

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difficult circumstances and then taking into consideration changes in crop production, changes in the availability of income earning opportunities, changes in prices of various goods, etc. For further details, contact L-VAC.

increase if households had more resources or if the competition was over fewer resources. The study was confined to looking at how households currently manage decision making over spending and how communities perceive the selective allocation of aid – that is, whether jealousies are likely where only a minority of households are given aid.

It is first necessary to remind any reader unfamiliar with the Lesotho context that many rural households are far more familiar with handling relatively large sums of cash than are many households in rural Africa, because of the integration of rural Lesotho into the economy of the South African mining economy. Apart from the fairly regular remittances which many families have received from relatives, mining households could have received one-off final payments of hundreds or thousands of dollars, and so culturally people know how to manage even such large influxes of money.

The customary arrangement for managing money at household level is that the woman is given money for safekeeping, whether this money was earned by her or the man. This does not give her the right to spend it as she chooses: conflict is likely if she makes large spending decisions without her husband's approval. In principle, decision making is by consensus, though both men and women obviously make some expenditure for themselves, which does not create conflict as long as it is not excessive. Women and men independently agree that they are largely happy with this arrangement, though of course everything depends upon the individual relationship of each specific couple.

Communities are already used to the fact that some receive aid and others do not. Cash and food are not seen as being particularly different, since food is the first priority for spending cash and those in need of cash either sell some food aid, or use it to brew in order to earn money. As a result, preferences for being paid in cash or food are not that strong, with groups able to hold interesting discussions analysing the benefits and disadvantages of each. Most had a slight preference for cash, but the real determinant was the relative wage rates in food or cash related to the prevailing price of maize. (People said they would prefer to be paid for labour in food where they felt that the standard cash rate would not buy them as much food.) There is therefore little reason to believe that cash aid would produce

many more conflicts than food aid. Although some expressed the view that money was less likely to be shared or lent out than food aid, research on pensions show that recipients are more likely to engage in both borrowing and lending, that the levels of social support which they receive are not affected, but the level of social support which they give, mainly to orphans, has increased.

All groups met were very clear that the able-bodied should have to work for assistance. They were also very clear that the no-able-bodied (the old, disabled, children) should receive free assistance. Widows who were physically fit were not considered differently from men. There is therefore no reason to see any problems created in villages as a result of applying these same principles, as long as the level of assistance given is proportionate. (Too high a benefit that put people above others, rather than bringing them to a 'common' level, could be seen negatively.) The only conflicts which were caused by selective aid were when selection criteria were not applied transparently or were mis-applied. Where people felt that people were favoured by the selection committee (e.g. the Village Disaster management Committee), there was resentment. This did not depend upon whether the aid was food or cash. The need for any aid programme to have transparent selection of beneficiaries and good systems of local accountability are already understood by WVI and are not related specifically to cash-based programmes.

Crime is not unknown in Lesotho, of course, and there were several anecdotes of miners who had been robbed or even murdered on their way back from South Africa with money, or pensioners who had been robbed of their money on pay day. In all the villages visited, people felt that levels of crime and danger were manageable. Although risks are present, they were not so high as to undermine the incentive to acquire money from work, from collecting pensions or from investment.

It is almost inevitable that some beneficiaries of any aid programme will suffer robbery. Food too is stolen, and people felt that cash is actually safer than food, since it can be carried in your pocket when you leave the house unattended whereas food can be stolen. It would be wrong to invalidate a programme if the numbers of victims were few. There is currently no reason to believe that the risks would be too high.

Two mechanisms are used for identifying specific beneficiaries for aid interventions. The State system is to have a Village Disaster Management Committee which is accountable through the District Disaster Management Authority to the national level Disaster Management Authority under the Prime Minister's Office. Specific lists are supposed to be verified with the Chiefs and through public consultation. Agencies can also use other mechanisms, such as their own committees or managing the public consultation themselves. Although no mechanism is ever perfect, and inclusion and exclusion 'errors' will always occur, the mechanisms do broadly work. Villagers will complain about some specific instances of targeting, but not at the fact that the systems simply do not work. Society is reasonably stable, and cohesive enough for people to be able to know who is in need and to wish to see them looked after. Agencies such as WVI and WFP are happy enough that the system works sufficiently well for them to be able to run food aid programmes, and the same lists can be used for cash interventions. The only difficulties which may arise would be if the number of beneficiaries was widened to the point where clear 'cut-off' points were more difficult to find. It is easy enough to agree on who is destitute, but less easy to agree who is 'poor'. This difficulty may arise in a specific application of cash programming, but is not actually related to the kind of aid given.

**In conclusion:** additional cash is unlikely to cause conflicts in most houses, and it may well reduce domestic conflict provoked by competition for extremely scarce resources. Communities accept selective targeting and payment for work in either cash or food are both considered normal and equivalent. Mechanisms exist which can produce satisfactory lists of beneficiaries, as long as agencies monitor to ensure these are working properly. There is no reason to believe that cash aid would produce too many additional conflicts. Security is good enough for people all to believe that investment and work are not dis-incentivised by fear of robbery.

## 2.4 How would money be used?

11. a high probability that a significant proportion of the cash paid would not go towards improving household welfare

Information about the likely use of any cash grant could be gathered from empirical evidence that is from how people actually did spend money which they received, rather than relying on discussions with people about how they would spend the money. There were three main sources of this information. Discussions were held in the villages with a wide selection of people, all of whom rely largely on cash income for their normal livelihoods. (The 'poor' met over 2/3 of their livelihoods needs, i.e. food and non-food needs combined, from cash income. Just 1/3 of their total minimum needs were met from their own production of food<sup>16</sup>.) Independent evidence came from a recent study of the impact and use of pension payments, undertaken by the University of Lesotho. People were also asked generally about their spending priorities, and about those of others, if ever they received money from outside, e.g. remittances. Thirdly, detailed evidence on spending patterns of different economic groups is available from the L-VAC profiles. The difference in spending between 'the very poor' and 'the poor' is a reasonable indicator of which expenditure households will increase when their income level increases. (Note: total annual household cash income was around M1,500 for the 'very poor', and over M2,600 for 'the poor', in other words a difference of M100/month.) The stories told differed very little whichever the source of information.

### *a) evidence from reported priorities*

All groups, of both men and women in all ages, ranked spending priorities in the same way.

1. Food
2. Household essentials – soap, salt, paraffin, matches.
3. Education
4. Health
5. Clothing

Where money was sufficient, they would then think of 'investment' – agricultural inputs, looking after livestock, or in one or two cases, starting a small business of petty trade.

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<sup>16</sup> Source: L-VAC baseline profile (2006), Southern Lowlands Livelihood Zone

It was generally accepted that some people would 'waste' significant quantities on alcohol, but these were estimated at around 10% of households in different villages. Respondents added that these were the households who, in the absence of cash, would sell or trade food aid for alcohol.

Although no reference was made to a possible cash aid programme, obviously villagers would be reluctant to admit to wishing to spend more on alcohol or tobacco when asked questions by the NGO currently giving them food aid. We were also informed that income from brewing was low during the dry season when there was little income, but that this would pick up once there was more paid work available. This indicated both that some spending on drink is likely from any income sources, but also that this money will form important income for others who do not receive aid and who need to brew and sell beer in order to maintain their families. Whatever the social consequences of drinking, there are important economic redistribution and multiplier effects.

*b) evidence from research on pensions*

A series of quantitative studies were conducted in one District (in the lowlands) on the impact of old-age pensions<sup>17</sup>. Two thirds of pensions recipients were women; 60% were living with, and supporting school-age children. 20% of the pension money was spent on supporting orphans, and this figure excludes the children's share of general household expenditure (food, soap, etc.). The major uses of the money were food and education. There were increases in both the quantity and quality of diet, with dietary diversity improving – many were able to buy milk and eggs which were previously impossible, and most increased spending on beans and meat. There were also increases in spending on burial societies and on health care. Although most people drank alcohol and/or consumed tobacco, the expenditure on these two combined was just 13% of the pension value.

This information relates to the use of a cash grant under normal circumstances. It is highly likely that at a time when food was more difficult to access and higher in price, a higher proportion of any cash grant would be spent on food than in 'normal years', even by the chronically poor.

<sup>17</sup> Various studies presented in National University of Lesotho (2007)

*c) evidence from comparing income levels*

L-VAC collected information across the country on how households of different economic classes earned and spent their money in 2005/6. The table below shows 'typical' spending patterns of cash income in the southern lowlands for the group which classed as 'very poor' (around 20% of households) and 'the poor' (around 30% of households).

**Difference in annual expenditure pattern of households classed as 'poor' and 'very poor', 2004/5, in Maloti/year.**

expenditure	very poor	poor	difference as % of difference in total spending (M1,300 p.a.)
non-staple food*	175	375	15%
household items**	270	510	18%
inputs	0	150	12%
education	140	600	35%
health	80	200	9%
clothes	100	200	8%
transport	60	60	0%
beer and tobacco	70	100	2%
			<b>100%</b>

**Source:** original analysis, based on data from L-VAC, 2006  
 \* principally beans and vegetables, with a little extra sugar.  
 \*\* soap, salt, kerosene, matches, milling costs, tea, vaseline.

Staple food expenditure is not included in the table, since this is not discretionary spending in any real sense. The 'very poor' spent M540 in 2004/5, and the 'poor' spent M450 – slightly less, because they produced more food themselves, and received more calories from non-staple foods.

It is important to stress that the livelihood profiles are not based on statistical data, but on a combination of qualitative and quantitative interviewing which gives 'an understanding' of livelihood strategies. The comparison between the figures for the two groups can therefore only be used as a 'semi-quantitative indication' of a different livelihood strategy and cannot be used to generate statistically valid data. Nonetheless, the increases in spending on basic services

(education and health), on household items and on improving the quality of diet were striking.

Although this comparison appears different from the reported priorities, in that education and not food is placed first, it must be noted that analysis has to exclude looking at any extra expenditure on staple foods (maize meal). This is because of two reasons. First, these two economic groups differed not only in their cash income but also in their ability to produce their own food. The poor bought a smaller proportion of their overall food since they had more crop production, and so spent less on staple foods. Secondly, the overall quantity of food bought by a household is largely independent of their cash income, unless they are living in absolute hunger – a rare case in Lesotho in 2005/6, the year on which this analysis is based. Food intake is determined by human food energy needs, a biological given, and food purchases simply fill the gap between the needs and that which is available from other sources. A cash grant to the very poor would increase their spending on staple foods, where current household food energy consumption was below minimum needs. This would be likely in 2007/8 in the absence of food aid.

Comparisons between different economic groups in the same year are subject to the same comment as that made about information from pension spending made above: in a year where food access is particularly difficult and food prices relatively high, evidence from a ‘normal’ year is likely to understate the percentage of any grant that would be spent on food.

**Conclusions for an organisation concerned broadly with household welfare:** there is every reason to believe that most people wish to spend money in ways which would be regarded by WVI as ‘wisely’ or ‘in the best interests of the household’. They are used to managing and spending money, and balance the interests of different household members. The normal range of human behaviour would apply, so that some would manage their money better than others, but this is also reflected in their use of food aid. Spending on children, mainly education, is a very high priority.

**Conclusions for an organisation concerned specifically with food/nutrition:** if an organisation specifically wished to give cash as a way of improving nutrition only, then it would have to accept that only a proportion of money would actually be spent on food. Although increasing both quantity and quality of food intake is the highest priority for those most in need, as any target groups widen, more would be spent on basic services and other minimum essentials. However, the outcome is likely to be similar to that achieved by giving food aid, where for most households, the food given in-kind actually replaces expenditure on food, allowing the minimal cash income to be spent on those same basic services and other essentials. Only those actually starving would use the food solely to supplement existing food sources (and not to replace them), just as only those starving would spend all the money in any cash grant on extra food. In a difficult year for food access, such as 2007/8, a higher percentage of a grant would be spent on food than if a grant were used for long term social protection.

## 2.5 Delivery mechanisms

12. delivering the cash would put agency staff in danger
13. no mechanisms can be found for delivering the cash in a transparent and reliable way to the intended recipients
14. the cost of a delivery mechanisms is too high

One of the main worries which agencies have in relation to undertaking cash interventions in less developed countries is finding a safe and reliable mechanism for physically delivering cash into people’s hands. Where a banking system exists to which almost everyone has access, such worries are reduced. Fears are usually in two areas: the physical safety of the people carrying the cash to recipients (and the safety of the cash itself); and the ability to trust all those involved in the chain, from withdrawing money from bank accounts,

counting it and putting it onto envelopes, transporting it and making the payments.

Three mechanisms seemed possible:

- a) for the agency to make physical payments of cash (currency notes) in the same way it currently delivers food;
- b) to oblige recipients to open bank accounts and to make direct transfers to these accounts;
- c) to use the Post Office to deliver payments in the same way it delivers pensions.

The first would necessitate some form of identification procedure, and various options would be possible: use of existing (State) ID documents; issuing a separate 'entitlement card', with or without photo ID; or high-tech solutions, e.g. using fingerprint recognition technology. This latter may be necessary in situations such as refugee camps, where there are no community structures who can, or are willing to, verify identification, but did not seem relevant to the Lesotho situation. The main dangers would be those mentioned above: security in carrying the money, in a country where armed robbery is not unknown; and the need to ensure that cash is correctly counted and accounted for at all stages. Although possibly not insurmountable, it would be better to avoid these challenges if possible.

Banks are available in the District towns studied, although no branches exist outside these centres. The towns are accessible to most people, in that transport is available, if the benefits of making the journey made it worth the costs. Costs would be M10-M30 for a round trip for most people, which would add 5-15% on to the cost of a transfer of M200 (the amount paid by as State old age pensions). Few people had bank accounts. They preferred to receive money, e.g. from family members in South Africa, personally on return visits or sent by others from the same village. However, literacy rates are very high, particularly for women, and almost everyone felt that if there were a pressing reason to open a bank account, it would be possible. The barriers to opening accounts were in the most part financial – few had the money necessary to open or maintain an account. The other barrier could be called 'cultural'. Although people felt that they could learn how to operate accounts without too many problems, as rural people, they felt that banks belong to the urban world of the young, the educated, the rich and so they felt intimidated.

"The buildings are too shiny and clean and the women too beautiful" was how one woman expressed it. They did not feel that they would get a sympathetic helping hand from such 'beautiful' women working in the banks, but that they would be looked down on or laughed at for not knowing which form to fill in. However, such barriers would be easy to break down, if they were accompanied on their first visit, e.g. by a son working in the mines, who could show them how everything worked. The financial barrier to opening banks would be harder to overcome. bank accounts are not free to operate. Even if an agency or the State were to make the necessary minimum deposit, bank charges would also need to be covered. This study was not able to find out from the banks what minimum rates could be negotiated for opening many hundreds of new accounts. The main reason was that the third option (the Post Office) seemed to be so promising that the bank option was left open. It would nevertheless be worthwhile making enquiries about these costs for the future.

The Post Office makes pensions available to everyone over 70 in the country (currently, 78,000 people), via one of 292 'paying points' in the country. These paying points are within reasonable easy access of everyone, at least in the Districts studied. Many pensioners were able to reach a paying point within simple walking distance, others had to use public transport. The highest cost we heard for this return trip was M26, though few would have to pay more than M10-15. Cash is paid on the production of ID documents, such as a passport or an electoral card. No problems were reported with this system, either by beneficiaries or by the Post Office. (They use military escorts, which have deterred any robberies so far.) People who are not physically capable of reaching the paying point can have an authorisation signed by the local Chief to allow a designated person to receive on their behalf. Those using this system were largely satisfied with this, with the designated person usually spending most of the pension on groceries for the recipient which they would then bring them.

Discussions were held with the Director, Mails Services Manager and the Financial Controller of the Post Office. There was great willingness for them to include any other kinds of payments within the same system, since clearly the more payments that would be made at any one time, the more costs per transaction would be reduced. No fee could be agreed, obviously, without detailing how many people were to be paid, where they

were and how much they would be paid. However, an indicative figure of M5/transaction was given for ‘ a few thousand’ recipients in 2 Districts receiving under M500/month – provided that the paying pots and paying days were the same as for pensions and no extra paying points or days were added. Such a restriction would make sense for more than cost reasons. Adding paying points would only create confusion, with pensioners possible going to paying points or paying days where they could not receive their pensions. It would make little sense to add pension paying points for the lifetime of this project only, since this too would create confusion. A single bank transfer or cheque payment would be made to the Post Office for all the payments, together with a list of the names and ID numbers of all recipients. Special photo ID cards could be issued for those who did not have passports or electoral cards (e.g. for those under 18, if child headed households were to receive directly). The Post Office would return a copy of the lists with signatures for each and every recipient. Additional safeguards for accountability could easily be built in if necessary, e.g. adding the signature of an agency employee, the Chief or any other community or committee member to each sheet of signatures as witnesses that payments were made correctly.

**In conclusion:** given that reliable system of having payments made via the Post Office exists, and is extremely cost-effective, no serious consideration needs to be given at this stage to alternatives. There are no advantages at all to an agency taking on responsibility itself for making payments directly. The system would be extremely simple, reliable and would involve very little administrative or accounting work for the paying agency.

## 2.6 Cost effectiveness of cash aid

15. the net benefit to recipients would be significantly less than if the same funds were used to purchase in-kind aid

The cost effectiveness of a cash grant compared to food aid is a comparison of the costs for an agency to give the same level of benefit to a household, by using either cash or food. Such a comparison

would exclude issues such as the benefits (or disadvantages) of increasing choice.

The delivery mechanisms for cash are certainly cheaper than for food. At M5/transfer, the value of a full monthly ration can be delivered to a household for the less than 10% of the cost of moving the food from Maseru to the distribution site (see below). However, this is not a fair comparison, since with a cash programme, the costs of transporting food are borne by the beneficiary, who has to pay the local retail price for the food. Comparisons are therefore more difficult: indeed, without a full, budgeted programme it is not possible to make a full or exact cost comparison. There are several other difficulties in making a fairly rapid comparison with some degree of detailed research. One inherent difficulty in making comparisons relates to the cost (value) which would have to be put on food donated in-kind by a donor, where such a donor would not give an agency such as WVI an option of receiving a cash value instead. Such ‘donations’ of food are often related to surpluses and subsidies in donor countries or to donor politics. The rights and wrongs of this are not the concern here, merely the more pragmatic question of what value to give them? On the one hand, they should be given the market value in their country of origin: and yet the donor showed that they did not give an equal value to giving food or cash, since otherwise they would have give the agency the choice of what to receive!

Secondly, details are not always clearly available about project costs for food aid. For example, WFP publishes its programmes, including budgets on its website, but there is no separate budget for a Lesotho programme, since this is part of an overall response in Southern Africa. Average transport and handling costs are given, but it is likely that the costs for Lesotho are considerably less than those in, for example, Malawi. Using average figures would therefore prejudice the comparison against food.

Although it is still possible to give an indicative comparison, and to illustrate which considerations to include, it is important to stress that what follows is therefore not a formal cost comparison against any specific food aid programme.

USAID’s C-SAFE does give a separate budget line for local transport and handling of food within Lesotho. The costs only within Lesotho itself are USD768,500 for the distribution of 5,300 MT by

WVI from 1<sup>st</sup> October 2007 to 31<sup>st</sup> May 2008. This equates to \$0.145/kg or almost exactly M1/kg. We have already noted that the highest mark up that we found in the private sector from wholesale price in the warehouse to retail price in the village is around M50 for a 50kg bag of meal, and that typically it is around M25-40 per 50kg – in other words, on average the private sector is slightly cheaper than a food aid programme in storing and delivering maize meal within Lesotho. (Note that the C-SAFE budget relates to distributions in the two Districts neighbouring the capital, Mafeteng and Berea, making the private sector even more competitive by comparison.) This would suggest that even if there were a justification for importing grain as food aid-in kind, it would be more cost effective to sell the grain on a non-profit basis to private traders and to use cash aid to assist beneficiaries to buy the grain through the normal trading network.

In fact, there are no obvious cost advantages to the maize sourced by food aid. Ignoring WFP's support costs, and ignoring all costs of transporting maize from Durban to Lesotho, the cost of maize in the 2004 PRRO budget<sup>18</sup> is M1.88/kg. Price information was not easily available in Lesotho, but the L-VAC assessments used an average retail price in rural areas of M2/kg for 2004/5.

Additional savings are made in cash transfers because of the reduction in staffing levels needed to monitor movements of large quantities of food. However, these savings are estimated to be under 2% of the value of the food being monitored.

**Conclusions for drought response (2007):** in the current economic situation in Lesotho, giving beneficiaries cash directly would allow them to buy more food than if the same money were used to buy and deliver the food to them. However, cost-effectiveness comparisons for an agency are complicated where a donor prefers to give food rather than the commercial value of that food in cash, for political or other reasons.

<sup>18</sup> The commodity price of maize is \$211.22/MT. External transport is budgeted at \$42,499,719 for total shipment of 656, 573 MT. Source: WFP Protracted Relief and Recovery Operation— Southern Africa Regional 10310.0, approved 9<sup>th</sup> September 2004.

**Conclusions for social protection:** the cost effectiveness of food aid in-kind comes closer to that of using cash transfers when food prices are very high in the local market (although in 2007 it still does not appear to have surpassed cash transfers). In normal market conditions, however, cash transfers appear very much more cost effective than food aid in-kind. This means that for long term responses to the chronic poverty or destitution of households unable to meet their needs – e.g. child headed households, the elderly and disabled, etc. – the use of cash transfers is very much to be preferred. Thus, the choice of the Government of Lesotho to use a cash transfer for the elderly (the State old age pension) is very much vindicated by this analysis, and the approach is clearly advisable in Lesotho for all social protection.

## 2.7 Organisational capacity

16. the agency would not have the organisational capacity to implement the programme to minimum standards, or as well as it could implement alternatives

WVI is currently running a large scale humanitarian programme in Lesotho, having scaled up its normal activities in response to the 2006/7 drought. Food aid programmes are currently reaching over 40,000 households in seven Districts. Questions can therefore be raised as to whether the organisation has the capacity to undertake a cash programme, with two considerations:

- does WVI have the capacity to take on a new and unfamiliar kind of programming in the midst of an existing large-scale humanitarian response?
- does WVI have the capacity to take on an additional case-load of several thousand beneficiaries?

The first worry is based on a fear that cash programming is somehow very different from other kinds of aid. The main difference between cash- and food-aid is in the physical delivery of the aid. All other aspects of programming would remain

unaltered (beneficiary selection and verification, choice of work based or free grants, selection and supervision of community work programmes, etc.). If the delivery mechanism is contracted out to the Post Office, WVI would not in fact be engaged in any unfamiliar activities at all. Cash-based programming would simply be the same as running food aid, but without the warehousing, transportation and logistics of handling sacks of food. The accountability procedures would be handled by the accounting section, and their procedures would not be unfamiliar. Monitoring would be simpler than for food aid, since most of the work-load for monitoring consist of trying to track and account for the movement of the food. There may be an extra work-load if the organisation globally wanted to use the programme as a pilot for lesson learning: the implication would be that the organisation globally would have to manage the lesson learning process (staffing, technical support, etc.) and not simply expect the Lesotho country programme to do it on its own. In the opinion of this reviewer<sup>19</sup>, the senior staff were clearly more than competent enough to manage the normal technical difficulties which could arise in the course of a programme, and would be able to manage the successful implementation of cash based programming, subject only to their existing workloads..

The second question is pertinent. Can or should WVI expand its beneficiary numbers in Lesotho? Given the fact that programming is already on a tight schedule, with any humanitarian programme expected to phase out by the start of the harvest in April/May 2008, starting up a new programme in a new programme area would not be feasible. Three options could be considered:

1. replace some part of the food aid with cash
2. use cash as an additional payment in existing programmes
3. increase the target populations from existing beneficiary communities.

The first option would be the simplest, if agreed commitments with existing donors (USAID, WFP) could be changed. The replacement could be done in one of three ways: give beneficiaries a part cash/part food ration; give food to some beneficiaries, and give the others the equivalent

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<sup>19</sup> Note that all findings were the result of analysis by the study team as a whole. In this section only I have offered my own personal views as an external observer of WVI.

value in cash; or replace the food ration for some of the months of the agreed programme. Although this option would make sense from the point of view of programming, it would mean that WVI had to replace committed donor funds (in food) with its own funds (for cash transfers), without any increase in the amount of overall assistance it gave to Lesotho – since it is unlikely that either of the donors would agree to fund a cash transfer to replace the existing contract for food aid. [Note: no discussions were held with donors within the scope of this study.]

The second option also has operational simplicity. Existing beneficiaries could be given a small cash grant in addition to their existing food entitlement. The difficulty here is that unless this were given to all food aid beneficiaries, it could create two levels of payment – those getting a cash supplement and those without. One solution would be to use cash with those currently getting smaller ration sizes, under one food aid programme which is only providing cereal. If these recipients were to get a supplementary cash payment instead of supplementary food (beans, oil), there would be almost no workload and capacity implications for WVI. However the cash value of the ‘missing’ rations is small – around M100/month. Payments could be increased, though this would again create two levels of payment for different programmes in the same Districts. Any increase would involve bringing benefit levels above the purely ‘humanitarian level’, i.e. achieving a household food and cash income which suffices for maintaining life and protection of existing livelihoods. This would then be justified as support for livelihood advancement. (It should be noted that the current value of payment in FFW programmes, c. M265/month, is significantly below the national minimum wage of M650/month, even taking into consideration the fact that the work norm is for only half a day’s work.) Other alternatives are to keep the existing pay levels, but to make payments bi-monthly to reduce transaction costs (their transport, rather than the agency’s need to pay the Post Office transaction fee); or alternatively the food ration could be reduced slightly with a slightly larger cash payment made. This latter would enable to agency to give slightly larger rations (i.e. >50kg) to those not receiving cash supplements. None of these options present capacity issues for WVI.

The third option would increase the number of beneficiaries and hence the workload of the implementing organisation. There is some

justification for increasing the targeted population on purely humanitarian grounds. L-VAC calculations show a survival and livelihood deficit for the bottom two economic groups (what L-VAC classes as ‘very poor’ and ‘poor’) for 2007/8, which would constitute some half of all households in the Zone. The deficit for the poor (c. M100/month) is about half that of the very poor (nearly M200/month). A full ration/wage would be considerably higher than the minimum humanitarian needs of the ‘poor’, though (see below) the net benefit of any wage would have to consider the opportunity cost of taking part in C/FFW, i.e. the income which could have been earned from local paid labour in the time that was spent on the project work. Sharing the work more widely, by employing larger numbers for shorter periods could also be possible, without too much additional work. (Administratively, this would best be done by limiting participation, e.g. to one month, rather than by employing people for one or two days a week.).

Whichever system is chosen there would be an additional workload, in terms of selecting and verifying beneficiaries, in selecting community work programmes and in supervising the work done and each individual’s participation. A decision would also have to be taken as to how to integrate CFW with existing FFW programmes. Maintaining two systems on one work project would create difficulties. Two possibilities would be either to move a few work programmes entirely to cash or to spread the cash more widely and use a combination of cash and food as payment. The second would be cheaper and administratively simpler, though the first may be more attractive as a pilot.

It was not part of the scope of this study to design an intervention, and these issues would need to be considered by the country programme. The overall question to be answered here is only: could WVI cope with one or any of these options? A final decision on operational and managerial capacity is clearly for the country programme itself. It was clearly the opinion of the National Director and the senior management group for the humanitarian programme that a cash-based programme would be possible, possibly reaching around 4-5,000 beneficiary households. This study found no reason to dispute this. Clearly, financial and human resources would need to be found if the beneficiary caseload were to increase. It is also important to stress that the programme should not feel that monitoring the pilot should be an

overwhelming responsibility. It is not the responsibility of the programme to account for how each individual spent their money (see below, *monitoring*). Monitoring levels should be similar to those currently used for post-distribution monitoring. Any specific ‘lesson learning’ from what would be an organisational pilot would need to be very carefully defined, and the wider organisation would need to resource this lesson learning process – giving human and financial resources and technical support as required.

**Conclusion:** if cash based programming had been written into the original planning of the humanitarian response, there would be no doubts about WVI’s capacity to implement programmes in Lesotho.

It was beyond the scope of this study to undertake a detailed, independent evaluation of WVI-Lesotho’s operational capacity, but senior management staff believe that undertaking cash programming as an additional workload is possible.

## 2.8 Coordination

17. the programme would undermine other programmes in the area, where the net advantage of the cash-based intervention did not outweigh this problem
18. a significant possibility that the long term impact of the programme would be negative, e.g. the creation of a dependency mentality, a rise in crime, the breakdown of coordination mechanisms between agencies and Government, etc.

Cash based relief programming would need to be carefully coordinated with longer term development programming, and links should also be made with longer term relief or ‘social protection’. However, this principle is no different for food-based relief, and so cash based programming would not add any extra challenges from this point of view. New challenges would be created by the need to coordinate food aid with cash-based assistance. The need to establish work practices which harmonised this was discussed in the section above (*organisational*

*capacity*). WVI alone already runs three separate food aid programmes, each with slight differences in rations, so small differences between the perceived value of food given in some Districts compared to the cash given in others should be tolerated.

The need for good coordination with other agencies has been recognised by the WVI country programme, and little more needs to be said here. All humanitarian interventions are coordinated by the Disaster Management Authority (DMA) under the Prime Minister's Office. Coordination needs to happen to ensure that there is transparency in the targeting of aid and in the level of support given, that even standards are maintained, to avoid duplication of activities, to avoid competing wage rates, work norms or very different targeting criteria; etc. Coordination is particularly important where new interventions are being piloted, in order that lessons learned can be widely shared. The Government already undertakes cash programming and, besides WVI's own interest, the other main actors in food security in Lesotho (WFP, CRS and CARE) are also all showing interest in cash interventions. It would be advisable, if possible, to have some forum for sharing ideas and learning from each other's experience.

Lesotho is in the process of decentralising many aspects of government to District level. It will be increasingly important to ensure good coordination at this level, both with the District Disaster Management Authority for humanitarian response, and with the District Council Action Plans for integration with plans for longer term development and for tackling chronic poverty.

This study did not attempt to assess the degree to which short term humanitarian aid has contributed to a dependency mentality. Since the able-bodied are expected, and themselves expect, to work for assistance, this should be reduced. This is not to deny that even the provision of ready made work opportunities may serve to reduce people's initiative in finding their own opportunities. However, a one-off humanitarian programme is unlikely to be the cause of any such dependency; and there is no reason to believe that cash aid is more likely to foster this mentality than food aid given in-kind. It is sometimes believed that cash aid works to promote initiative, because it fosters choice and facilitates investment in small private initiatives. It was not possible to assess how likely this would be in the current context.

## 2.9 The need for humanitarian support

This study did not attempt to assess the humanitarian needs independently. Humanitarian assistance should of course always be given in accordance with some calculation of the level of need, whether the aid is food or cash based. WVI is currently giving aid based on community targeting of need. The levels of aid given have not formally been calculated on the basis of a quantitative assessment of need, but rather on a perception of need. Because food aid has been given as a standard (100%) ration, the issue of deciding how much aid to give is less obvious than when deciding how much cash to give, but in reality there is no difference.

In this study, reliance has been placed on L-VAC assessment of need. This estimates that around 120,000 people in the Districts of Mofeng's Hoek and Mafeteng had some level of need – though not necessarily for a full food ration. Around a third of these needed an aid package worth just under M200/month (per household) and the remaining two-thirds needed just under M100/month. This level of aid is in order to enable them to meet their minimum livelihood needs, including to protect their existing productive capacity, without engaging in 'distress strategies'<sup>20</sup>. (Unlike a 'coping strategy', a distress strategy has long term negative consequences for well-being.)

A seasonal analysis of need would show that needs are greatest in the period when there is little paid labour in the village, from after the harvest until weeding (June-November). (Most land preparation is done using oxen or tractors, not with hired labour.) There is also a greater need for cash in January for education, especially for those who send children to secondary school. This is the most important time to give humanitarian assistance to the able-bodied. It is also the time when labour-based programmes will not compete with other essential activities, such as their own crop production and in selling their labour to others for weeding, etc. The period from November-May is thus not the optimal time for

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<sup>20</sup> Distress strategies have been defined as "engaging in activities that are unsustainable, illegal or anti-social, that undermine the dignity of the refugees or that irreversibly reduce the natural resource base and hence their own long-term food security or that of the local, host population." (UNHCR).

running a labour-based relief programme, though this comment applies equally to both food- and cash-based programmes.

It may be argued that the Nov-May timetable for a labour based programme is not a problem if the labour activities are agricultural based, and are calculated to allow enough time for other necessary activities. However, the reason why this period is less optimal is related to the opportunity cost of the time people spend on the FFW/CFW. In November-May people would have had a greater possibility of finding paid daily work independently, and the money they would have earned has to be foregone in order to participate in

any programme, the 'net benefit' of the programme is the actual cash/food paid minus what people could have earned on their own had there been no programme. Clearly this is higher where alternative work is harder to find – i.e. in July-October.

A programme would still be feasible and appropriate provided that the level of payment and programme scale are carefully tailored so that a) there is still a net benefit for participants over engaging in local labour, b) they still have time to look after their own farming and c) there is still an adequate supply of labour in the village to be hired to those with larger fields.

### 3. Conclusions

#### 3.1 Are cash interventions feasible?

Use of a cash transfer for social welfare appears feasible in the lowlands of Lesotho. This would apply both to a short term humanitarian intervention, to alleviate distress caused by the poor 2006/7 rains, or to longer term social protection. Implementation of a cash based programme would be operationally much easier than using in-kind transfers such as food aid, would be more cost-effective, would be well accepted and understood by villagers (both recipients and non-recipients) and would be unlikely to cause serious negative side-effects, either at household or community level or on prices. There are no reasons to think that running a voucher programme would be simpler or more effective than a cash programme, though there are several reasons for favouring cash over vouchers (familiarity and transparency, cost-effectiveness, fewer demands on organisational capacity.) Payments should be made through the Post Office pension system. Further consultation is needed to decide whether payment should be made to men or to women, or whether to give each household the choice to name its own preferred recipient.

#### 3.2 Some considerations for programme design

These considerations were not part of the analysis of the study team as a whole. They are the opinions of the report author, and other members of the study team may or may not agree with them.

##### *Operational area*

This study only covered the lowlands, and one reason for limiting the study was a belief that it would be advisable to limit any immediate programme implementation to the lowlands. This in no way implies that cash programming would not be feasible in the highlands, that needs are not as great there or that the benefits of cash would be less. It is simply a question of choosing the area of greatest operational simplicity given a) the short time frame for setting up and completing the programme and b) that the programme is a new venture for the organisation (and for many others) and it makes sense to implement it where supervision, monitoring and lesson learning will be easiest. The lowlands have good retail infrastructure, delivery mechanisms are simple and cheap, and they are close to the capital for frequent visits. There would be no advantage in

Free cash	CFW
Doesn't compete with other activities	May compete with own farming, migratory labour or other forms of income. In order to minimise these risks it requires careful seasonal planning.
Doesn't exclude those without labour power.	CFW can still make provision for those without labour to receive free grants but there may still be greater risks of excluding labour poor households.
Morally 'correct' that people who suffered crisis receive assistance	Morally 'correct' that people should work for what they get
Cheapest – up to twice as cost effective as CFW	Higher costs and requires greater management capacity on the part of the implementing agency and local government to design and supervise public works that will be useful and of reasonable quality
Only one entitlement holder per HH	allows both women and men to receive
Needs population registers	Doesn't need population registers, because doesn't have to be inclusive
'Free' cash may be more attractive and so attract attempts at fraud	Stretched capacity in organising and supervising public works may also create corruption risks
'Free' cash may be spent less carefully because it has not been worked for (although there is no evidence for this in practice)	May create useful community infrastructure (if well managed).
Some fear that it may be more likely to create a 'hand-out mentality' although again there is little evidence for this.	Avoids creating the hostility that is sometimes evoked by 'free cash'
Other agencies and government partners may be opposed to 'free' grants due to fears of fraud or creating dependency	Relative familiarity with public works may make it simpler to attract donor funding

setting up the programme in a District where WVI was not already operational. The southern lowlands have a greater level of need than the northern lowlands, and it would therefore be natural to target the two visited Districts in the south, i.e. Mafeteng and Mohale's Hoek.

#### *A free cash grant or cash for work?*

There is a very strong belief that CFW is always preferable to free cash grants for those who are able to work. In fact, there are very valid arguments on both sides. In this case, it seems inevitable that CFW should be chosen for the able-bodied with free cash for the non-able-bodied, simply because that is the system currently operating for food aid and it would not be advisable to have different systems for cash and for food. For further reference in other situations, the following table sets out some of the advantages and disadvantages of each option.

#### *Monitoring*

Monitoring can be divided into three areas:

- operational monitoring, to ensure correct implementation;
- monitoring the predictions made in this study to ensure that the programme indeed does prove feasible and to permit changes if circumstances change in unpredicted ways;
- monitoring for broader lesson learning about the use of cash transfers.

#### *a) Operational monitoring*

This is broadly the same as for distributions of in-kind aid. Assuming that the same structures would be used for targeting and similar systems used for earning entitlements (i.e. free aid for those unable to work, labour based programmes for the able-bodied), there would be no changes needed in the monitoring systems needed. Any problems which have been picked up in targeting existing food aid programmes, would potentially exist equally in cash-aid programmes. WVI and others would always be looking to make improvements to their existing systems, and these would include monitoring the selection processes of beneficiary identification, strengthening feedback/complaints mechanisms for identifying problems, improving flexibility in the application of quota to each village, and in transparency (so that where individual cases cannot be dealt with, there is a clear understanding about why not). This study provided WVI and WFP staff with

opportunities to learn more about how targeting is perceived by communities, and this knowledge too will be added to their on-going efforts to refine systems still further.

Cash grants do not present new problems for monitoring: rather the reverse is true. Monitoring of actual payments of cash would be covered by a single person watching the Post Office staff make the payments according to the production of the correct ID documents. Some other community monitors can also be present. Monitoring is simple because payment is transparent – amounts given can be seen and understood by all, without the need to verify weights and measures. The demands on staff time for monitoring distributions and on post-distribution verification will be reduced, and there will be no need for the workload currently invested in keeping accountability records of all commodities distributed. operational monitoring is thus greatly simplified compared to food aid.

#### *b) monitoring predictions*

Although this study has made a best effort to judge the likelihood of problems arising, e.g. with prices, availability of goods, etc., it will be necessary to monitor whether or not these predictions were correct. The key parameters to monitor regarding markets will be:

- prices, particularly of maize <sup>and</sup> meal
- availability of basic staples in local retail outlets

It is obvious that the price of maize would probably rise in areas targeted by a cash programme at least in line with inflation in the country in general. If significant price rises are noted, they therefore need to be considered in two ways:

- Was the price rise in any way caused by the cash transfer? This can be assessed very simply by checking whether price rises were similar to those in wholesale prices and in retail prices in areas not receiving cash aid.
- Even if the price rise was not related to the programme, it may still need to be considered, if it were to erode the value of the cash grant.

This scenario needs to be mentioned, although it is very unlikely, given the stability of the South African and Lesotho currency, and the high level of integration of its economy into that of South Africa. No threshold figure can be given simply to say

whether or not a price rise would be serious enough: this depends in part on how much over the bare minimum of the livelihood deficit was initially covered by the grant. If the price rise were serious enough, an increase in the grant could be considered, though this should not be necessary if inflation stays within normal limits. (In the very unlikely event of uncontrolled price rises, where the value of a cash grant were declining significantly each month, a move away from cash to vouchers to in-kind aid could be necessary. This scenario is again mentioned for the sake of giving a complete record, but is not foreseeable in the near future.)

In the Lesotho context of a stable economy, it may not be necessary to monitor prices other than those of the basic staple for the purposes of a cash based programme. In theory, a programme could respond to a situation where a particularly important commodity (e.g. pulses) became expensive by switching the combination of cash and food which it used as its transfer, e.g. giving the expensive commodity in-kind and using cash for others. This is likely to be an unnecessary complication. High-value goods given in-kind are in any case often those sold on the market to raise cash, and it is therefore most straightforward simply to use prices to verify that the transfer level is sufficient rather than using it to design the composition of the transfer. The make-up of people's shopping baskets can therefore be chosen by each individual household with the cash received. This argument would not apply where a necessary commodity became unavailable (rather than simply expensive). Food aid is appropriate precisely where food is in short supply, and this would apply to specific necessary food items as well as to food in general. Of course, the tendency for people to sell items received which are unavailable on the market - and therefore of very high value indeed - would still apply.

Detailed information can be obtained from L-VAC on exactly which commodities are purchased in each livelihood zone, from their raw data in order to confirm any other important prices (e.g. pulses, cooking oil, meat, sugar, education costs). Any major changes in health care costs (i.e. those paid by users) should also be considered, though since spending varies so greatly according to each household's circumstances, it is difficult to incorporate 'averages' into any kind of basket. It is likely that in theory District Marketing Officers are already supposed to be collecting more prices

than would be necessary for programme monitoring. The best investment could therefore be to encourage these officers either at District or national level, e.g. by providing prices to them directly from programme areas, by helping them set up simple spreadsheets for analysing price trends, calculating household food baskets, etc. Sampling four or five markets in each District would almost certainly be adequate, except where there was particular heterogeneity in a District directly relating to markets, e.g. some villages with particularly difficult road access, or the existence of several livelihood zones in one District.

Other predictions relate to the use of money and to conflicts at household and community level. The main difficulty in monitoring the use of the money given is that it doesn't necessarily mean much! The interest should be in the difference that a grant made to a household rather than in how people spend the actual notes that they have been given (if one household bought a sack of maize with 'our' money, and this allowed them to pay for schooling with their other income, whereas another household used 'their' money on food, because they had been able to pay for schooling with 'our' money - there is actually no difference in terms of the impact of the cash grant.) The impact of the grant may not even show up as different expenditure, because the grant could mean that a household was able to maintain its minimum livelihood without having to engage in 'distress strategies', such as asset sales, sending children out to work, etc. This can easily be missed in large scale quantitative interviewing, e.g. in the use of surveys. Qualitative interviewing is more useful - what did people spend money on last month? what difference did the grant make? what expenditure was possible which would not have been possible? And, equally important, were there any activities which they would have had to do, or any assets they would have had to sell, had they not received the grant? This applies equally to any attempt to set up a 'control' sample, outside the area of cash grants. Formal surveys generating quantitative data for statistical analysis are very unlikely to reveal any impacts of cash programming which would not be understood in far more clarity, and at far less cost, through qualitative interviewing.

It is always difficult to research accurately the prevalence of anti-social behaviour through direct questioning about people's own behaviour. Households may not wish to admit to using the grant on spending on alcohol, and it may be hard

to determine the scale of such spending. Those selling alcohol would make good key informants, though care must be taken in interpreting the evidence. We have already established that spending on alcohol is likely to rise once there is more paid agricultural work available, so an increase in spending which happened to follow the start of any project will not necessarily mean that the project caused the increase in spending. (This, of course, is equally true of any possible increase in spending on education, health or food!) As a child-focused NGO, WVI would be particularly concerned with any unintended negative impacts on children of cash. The most likely in many contexts (but not necessarily in the cultural context of Lesotho) are the use of money on sex, including with under-age girls; and increased spending on alcohol, leading to domestic violence including of children. Any positive or negative impacts on children can best be understood by including children themselves as key informants in monitoring. This may entail ensuring that staff have the requisite skills for interviewing children.

Issues around conflicts are best monitored in a qualitative way, through the use of a mixture of a few group discussions, a few individual interviews, e.g. with women in beneficiary households and with a few key informants. There is little point in trying to quantify the impact on conflicts through the use of questionnaires: it is in any case almost impossible to define exactly what would count and what would not count as a conflict.

Monitoring should be planned against its objectives (as with every other activity), and this means linking it to the decisions which may or may not need to be taken according to what is discovered. For example, if most recipients spend most of their money on getting drunk, which had previously been very rare when they received food aid, then cash may need to be suspended. If small changes in behaviour would not result in this kind of step, then it is not obvious that it is worth spending too much time trying to pick them up.

#### *c) monitoring for broader lesson learning*

There is no simple template for monitoring for lesson learning. The organisation would first have to decide: what lessons does it want to learn? Or, more explicitly, which questions is it trying to answer? Unless these questions are clearly stated, it is likely that a monitoring or evaluation exercise would become unwieldy and would risk yielding little useful. There is no 'correct' list of what

information would prove or disprove the success of cash grants.

**In conclusion:** operational monitoring should be much easier and less work than similar monitoring for food aid. Monitoring the validity of predictions made in a feasibility study and in planning is quite straightforward and should not be a large work burden. Lesson learning is not a clearly defined exercise, and depends entirely upon what lessons the organisation wants to draw.

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(Most of these, and other, works on cash based interventions are available for download at [www.odi.org.uk/HPG/Cash\\_vouchers.html](http://www.odi.org.uk/HPG/Cash_vouchers.html))

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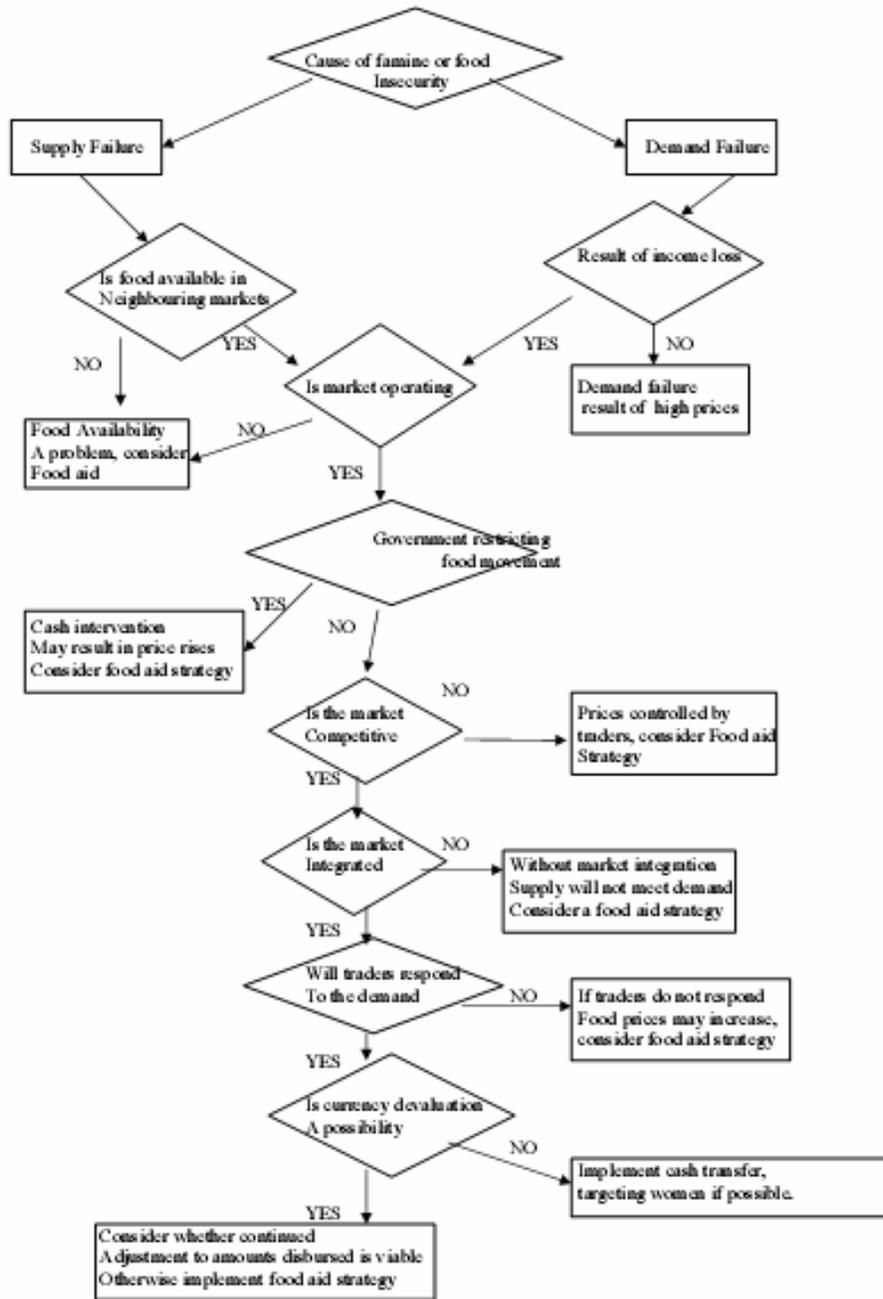
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# Annex 1: Oxfam's 'cash, vouchers or food?' decision tree



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source: Cretti and Jaspars (2006)



## Annex 2: The author’s own view of the advantages and disadvantages of aid given in-kind, through vouchers or cash

Cash	Vouchers	in-kind aid
gives choice and agency	gives degree of freedom of choice	overcomes problems of supply
most flexible for recipient	degree of choice can be in consultation with benefs wishes	little consumption expenditure (can be deemed positive or negative)
no redemption/logistical costs	can support ‘positive’ local economy more than cash	low diversion to anti-social purposes
can be spent anywhere, e.g. to hire local labour	redemption is controllable, so limited theft/corruption	low theft or corruption
allows consumption expenditure with benefit to HH well-being, and knock on benefits to local trade		easily acceptable to all actors
<i>Most cost-efficient</i>		can substitute expenditure, if it’s something they would buy
<i>Highest security risk</i>		
Lack of availability of goods not solved (e.g. l’stock, inputs)	People’s cash needs don’t go away	<i>undermines local market</i>
most prone to theft/corruption	Outlets for redemption may not be available	no agency
most prone to ‘negative use’ (alcohol, prostitution)	costs/admin of redemption	not always what everyone needs: resale is at high discount on real value
Allows consumption expenditure (can be deemed positive or negative)	many required items not easy to ‘voucherise’ (hiring local labour, l’stock)	High costs of procurement and transportation
Some may not want choice, where choice = temptation	Supply needs organising, which has costs and time demands	
May be harder to target women, if cash is more attractive	If outlets are limited, then approval of traders is a potential area for corruption	
Potential to cause inflation	Potential inflation, but limited to redeemable goods	Potential to cause deflation



## Annex 3: WFP's criteria of choosing the appropriateness of cash or food

WFP's "Emergency Food Security Assessment Handbook" (1<sup>st</sup> Edn.) contains a useful analysis of the appropriateness of different response options, including comparisons of food and cash, in annex B5 (see pp 394-403).

According to WFP, food aid (free food or FFW) is appropriate:

"in a situation where

- households lack access to food *and*
- there is a lack of food available *and*
- alternative ways of assisting people access food would either take too long...or might not be practical"

**Cash based aid** (free grants or CFW) is appropriate

"in a situation where

- households lack access to food *and*
- food is available in local markets but households lack means to purchase... *OR*
- ...traders would respond to market demand *OR*
- mobilising food aid will take a long time *OR*
- the aim is to support economic recovery as well as survival *and*
- the risk of inflationary pressure is low"

(The criteria relating to making the aid depend on a labour condition have been omitted.)



## Annex 4: Northern Lowlands Baseline Profiles (excerpt from L-VAC, 2006)

### Main conclusions and implications:

The Northern lowlands Livelihood zone is the food basket for the country. It has very good and productive soils, receives good amounts of rainfall and the road networks are good. However, erratic weather patterns of the last 5 years remain a major threat to livelihoods

Insufficient access to farm implements: There is insufficient farm implements in the zone and the poor are mostly affected because they have to get implements from the middle and better – off households who will only release the tools when work on their own fields is completed.

Late arrival of agricultural inputs: This was cited as a problem by many households. Seeds and fertilizers are brought in late and are not easily accessible due to the long distance to the shops with inputs. In addition, the price of fertiliser and other inputs is high for the average household and this results in some households especially the poorer ones missing out.

There is a feeling that food aid distorts agricultural activities such as (ploughing, planting and weeding) as people could rather go to work for food than work in the fields. They abandon their fields and can not work in other people's fields. Therefore, there is an implication that some fields are not cultivated or are cultivated late. Those that are cultivated are not weeded as they would if labour was available.

### *Zone description*

The Northern Lowlands livelihood zone covers the lowland areas of Butha – Buthe, Leribe and Berea Districts and supports approximately 430,000 people. The zone occupies the most productive arable lands in the country and is thus the food basket for Lesotho.

The main elements of the economy are crops, livestock, paid employment and trade. The most important crop is maize followed by sorghum, wheat and beans. Vegetable are also grown both for food and cash income. Although the very poor and the poor do not produce enough food to meet household needs, the middle and better off are able to produce surplus and therefore crop sales is a major source of income for them.

### *Markets*

The main markets in the zone, like in the rest of the Country are the shopping centres and super markets. Other than these, households simply buy and sell amongst one another in the villages and traders from other zones and towns come to the villages to buy produce or livestock.

Access to food markets is good as several shops are located in different areas around the zone. The zone a high population including workers in the main urban areas as well as textile factories. This creates some reliable market for commodities in the Zone. The problem, however, is that traders import food commodities from South Africa that are much cheaper and thus force the local producers out of the market. This is because grain production costs are high in Lesotho due to poor production techniques, inadequate use of inputs such as fertilizers and the general benefits of large scale production that the farmers in South Africa have. The maize market liberalisation policy of the Government of Lesotho has also affected major farmers in the zone because the main grain millers import maize that is sold in retail shops at prices lower than the local market prices. Informal trade in maize grain especially from South Africa is common in Butha – Buthe District and villages in Leribe district that are close to Butha – Buthe District.

### *Wealth Breakdown*

Four wealth groups were identified in the zone. The very poor households accounted for %, the poor %, the middle % and the better - off %. Crop production and livestock are the main determinants of wealth in the zone. The middle and better – off are able to produce more than they need to consume and sell the rest for cash while the very poor and the poor can only produce % and % of their annual household requirements.

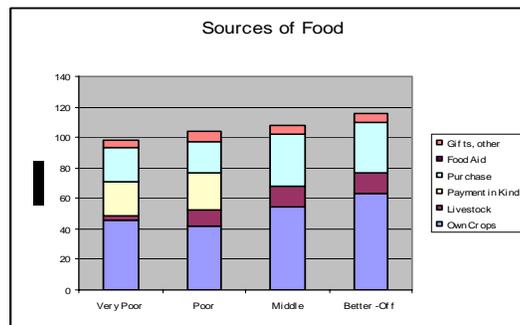
Lack of inputs and agricultural equipments is a main reason for the poorer households' failure to increase their production.

The main income source for the poor and the very poor is casual work. This includes both agricultural labour and other labour such as washing, collecting water, house smearing etc. The middle and the better off groups afford to buy luxury food items.

### Question 2

*Why are the poor poor?*

- Because they do not have farm implements.
- Some do not have land.
- They lack capital.



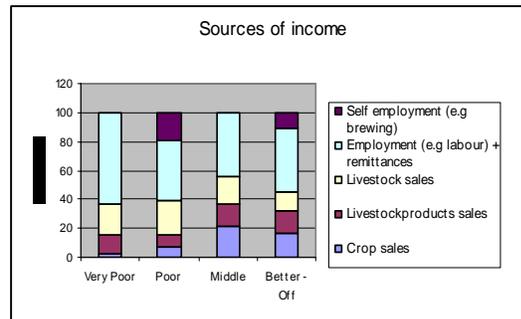
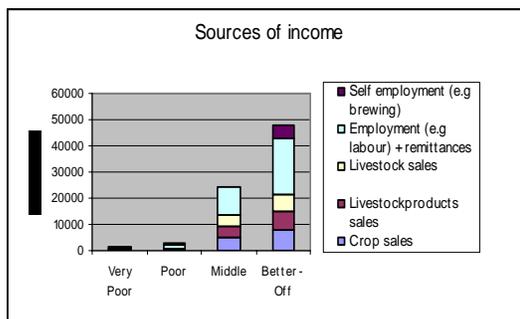
### How does the pattern of food access vary between groups?

- The better off have a number of means to access food such as own production and purchase while the poor rely on relief, gifts payment in food and very little of own production and purchase.

### How do differences between wealth groups affect access to food?

- The poor do not have income to purchase food.
- The poor and the very poor eat a lot of wild foods and green harvest more than the middle and the better off groups.

### Sources of income



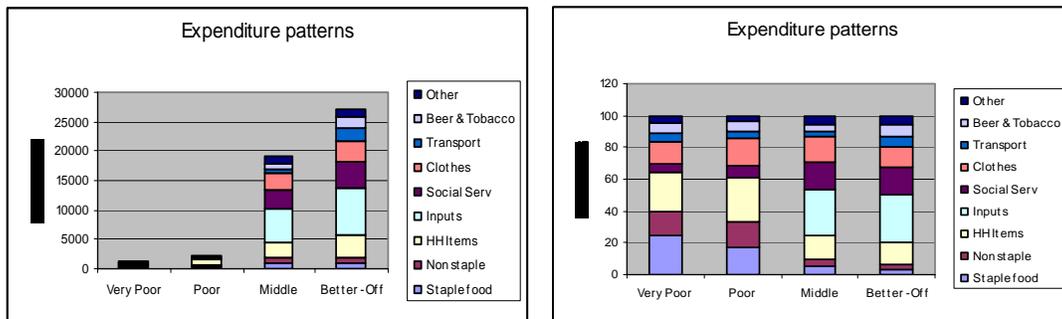
## How does the pattern of income vary between groups?

- The middle and the better off have different sources of income sources such as income from sale of crops and livestock, they also have stable income sources such employed labour and remittances.

## How do differences between wealth groups affect cash income?

- The poor produce far less tonnage of crops as compared to the middle and the better off. If they sell they sell very little as compared to the middle and the better off.

## Expenditure



## Hazards

The following hazards were seen to be impacting on food security in this livelihood zone:

- **Drought-** it affects the whole growing season. People planted late due to drought at the beginning of the season as a result many fields lie uncultivated and hence low yields. There are times when it would rain in the beginning of the season and dry spells come during the growing season and destroy the crops.
- **Pests (insects and birds)-** a number of insect pest seemed to trouble farmers in the Northern Lowlands Livelihood zone. Elegant grasshopper seemed troublesome on most crops inclusive of fruit trees. Bugrada bug was a nuisance on beans and maize crop during the silking stage. Birds were also reported to be destructive on sorghum, wheat and maize eating the complete heads and cobs.
- **Hail storms-** hail storms were reported to have been occurring in most villages visited. This causes delay in plant growth and maturity of most crops.
- **Vandalism in the fields-** it was reported that there is a lot of vandalism in the fields re-maize and pumpkins.
- **Livestock diseases-** there were reported cases of anthrax, black quarter and blue tongue in cattle and sheep. There were ongoing vaccine campaigns during the assessment in some of the villages visited. New Castle disease was reported to have wiped most of the poultry in the zone.
- **Stock theft-** was reported to be a problem. References were made to the Reference Year 04/05. The communities have established the Community Policing groups but have experienced gun shot deaths by perpetrators.
- **Chronic illnesses and deaths-** Many households have realised illnesses and deaths in the recent years. Deaths are so many that some households have not managed to update their contributions to the burial societies.



The logo for the Humanitarian Policy Group (HPG) is located in the top right corner. It consists of the lowercase letters 'hpg' in a white, sans-serif font, set against a dark red circular background. The letters are lowercase and the 'p' has a distinctive shape with a small loop at the bottom.

Humanitarian  
Policy Group

The page features several large, overlapping red circles of varying shades and sizes. One large, light red circle is on the left side, partially cut off. Another large, dark red circle is in the top right corner, containing the HPG logo. A thin red line forms a large arc across the middle of the page, connecting the two main circles. There are also smaller red arcs at the bottom of the page.

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