

### BACKGROUND

As funding for cash-based food assistance has increased steadily since 2010, Catholic Relief Services is conducting a series of studies to learn from and build upon our knowledge of cash-based food assistance programs. The Emergency Food Security Programs, or EFSP, funded by Food for Peace, made more than \$2.2 billion available for projects distributing cash and vouchers between 2010 and 2014. CRS has been awarded more than \$37 million for 17 cash and voucher projects since 2010.

### PURPOSE

This policy brief instructs policymakers and practitioners on the cost-effectiveness of four cash-based programs in Niger and the resulting policy implications. CRS, with support from a Cornell University researcher, conducted research that builds on existing literature regarding the cost-effectiveness of cash and voucher food assistance projects. It is a primary objective of cash and voucher projects to alleviate poverty, and to date, this has been measured solely through the concept of value for money. This research furthers the understanding of this objective, providing guidance on how to deepen the measurement of cost effectiveness, both *ex ante* and *ex post*, across relief and development projects, using the methodology below.

### METHODOLOGY

The researcher looked at four cash-based food assistance projects implemented by CRS in Niger between 2010 and 2014, analyzing them against seven indicators to represent “effectiveness.” These indicators broaden our understanding of mere cost efficiency and measure the effectiveness of projects in alleviating poverty based on the following indicators: cost per beneficiary, transfer-to-budget ratio, time to distribution, community asset creation, multiplier effect, alignment with beneficiary preferences and intra-household concerns.

The research was based on the following four CRS projects in Niger:

	VOICE	Bonbatu +	EARLI	ADVANCE
<b>Type</b>	Vouchers for work	Cash	Cash and SVF	Voucher
<b>Time period/ Duration</b>	January 2011- September 2012  (21 months)	April 2014-October 2014  (7 months)	February 2012-February 2013  (13 months)	August 2010-October 2011  (15 months)
<b>Households</b>	21,990	830	2,600	20,108
<b>Project costs</b>	\$4,355,761	\$376,908	\$1,492,959	\$3,931,925

<b>Goals</b>	Improve food security	Restore livelihoods and build resistance against future shocks	Improve coping to food insecurity and resilience to future shocks	Improve food security
<b>Objective 1</b>	Ensure the availability of food to households	Supplement income through cash or cash-for-work	Ensure livelihoods and build resilience through seed programming and improved crop production	Reduce the impact of food insecurity
<b>Objective 2</b>	Restore and protect livelihoods	N/A	Restore land through cash-for-work	Provide food aid faster through vouchers

## Key Findings and Policy Recommendations

- 1. OUTPUTS VERSUS IMPACTS:** Previous studies<sup>i</sup> show that households respond differently to varying modalities of food assistance, whether cash, vouchers or food. As such, differing modalities can have differing impacts on short- versus long-term food security. For example, households that receive food may more readily improve their short-term nutritional outcomes through increased dietary diversity. Alternatively, a household that receives cash may invest a portion in agricultural livelihood activities, which may have a greater impact on long-term food security. Other households may use cash to repay debts, significantly decreasing the multiplier effect of such monies on the local economy.

Our research shows gaps in understanding such trade-offs of our projects, particularly over the longer term. For example, according to research conducted by Cornell University, small, regular cash transfers can have the greatest impact on the poorest of the poor.<sup>ii</sup> This research, which took place 18 months after the close of a cash transfer project managed by the World Bank and the government of Niger, refuted previous understandings that the world's most poor were stuck in a "poverty trap." Understanding longer term impacts can affect links between emergency and longer term responses, such as building financial literacy or creating cash-based safety nets.

Thus, to better understand the long-term impacts of food security projects and differing modalities, ***there is a need to fund and conduct follow-on studies over a few agricultural seasons focused on impacts rather than outputs. Lessons from such studies should be incorporated into project guidelines and implemented in subsequent projects.***

- 2. ECONOMIES OF SCALE:** Our research shows that projects can improve cost effectiveness by increasing economies of scale, which can be achieved by increasing the project size, or number of beneficiaries, or by extending the project's duration. These measures utilize bulk purchases and lower project start-up costs per distribution. However, agencies specializing in certain modalities may also gain economies of scale based on their experience or connections to certain vendors and providers. ***Lessons can be learned from smaller projects that achieve efficient cost per beneficiary ratios, and more strategic cross-agency studies of cost effectiveness should be conducted. Further study of local vendors and providers should also be conducted to understand the secondary and tertiary benefits of cash and voucher projects to the local economy.***
- 3. ISSUES OF EQUITY AND GENDER:** Our research finds limited availability of information about how resources are distributed between household members. Again, this may have longer term implications, as gender and other household dynamics may be affected by project interventions. Therefore ***further methods should be developed, funded and implemented alongside cash-based programming to assess intra-household dynamics vis-à-vis varying transfer modalities.***



4. **ACCOUNT FOR SECONDARY OBJECTIVES:** The creation of community assets can be an important part of cash-based programming for economic development and social empowerment.<sup>iii</sup> ***When projects have a secondary objective of asset creation, cost analysis should reflect this potential impact over the medium- to long-term.***

## Policy Implications

As our experience implementing cash-based projects grows, our analysis of such projects must become more complex. There is a need to further study the influence our projects have on local economies and their ability to influence household dynamics, among other topics. This research shows a way forward to grow this body of knowledge, and ultimately urges donors to make investments in research and learning that can more fully capture the range of impacts of cash-based interventions. The research also points to the need to for continued and increasingly complex context analysis when choosing a project mechanism, whether cash, vouchers or in-kind.

To read the full study, please see: <http://www.crs.org/our-work-overseas/research-publications/cost-effectiveness-analysis-cash-based-food-assistance>. For more information, please contact [Emily.Weil@crs.org](mailto:Emily.Weil@crs.org).

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<sup>i</sup> Hoddinott, John, Susanna Sandström, and Joanna Upton. 2014. "The Impact of Cash and Food Transfers: Evidence from a Randomized Intervention in Niger." IFPRI Discussion Paper 01341.

<sup>ii</sup> Stoeffler, Quentin, Bradford Mills and Patrick Premand. 2014. "Poor Households' Productive Investments of Cash Transfers: Quasi-experimental evidence from Niger."

<sup>iii</sup> Rubin, Herbert J. *Renewing Hope within Neighborhoods of Despair: the community-based development model*. 2000. State University of New York Press, Albany.