

REVIEW OF USAID/MOZAMBIQUE'S CASH TRANSFER PROGRAM FOR FLOOD VICTIMS

Purpose: This paper reviews lessons learned from USAID's Resettlement Grant Program for victims of the 1999-2000 floods in Mozambique. The information comes from program evaluations,¹ IG audits,² other literature, and interviews with USAID staff³.

I. Lessons Learned from A Review of Donor Experiences

A comprehensive review of the literature⁴ of most cash relief programs implemented since the 1970's revealed that:

- Using cash following a disaster has been an infrequent donor tool of emergency aid. In general this type of aid has been controversial and treated with caution.
- Experience to date suggests that direct cash distribution, in the right circumstances, with careful planning and monitoring, can be timelier, less costly and more empowering to local communities than traditional food distribution.

The review notes **certain conditions** are needed for cash transfers to **be an effective tool**.

- Cash distributions, in pockets of deficit close to surplus producing areas, can bring about an inflow of food at reasonable prices.⁵
- The administrative burden imposed by the program (especially on the banking system) can exceed local capacity, thereby causing delays (i.e. Ethiopia and Albania).
- Monitoring and accounting needs to be more stringent than that of food or non-food items, and was found to be inadequate in some projects.
- The fact that certain groups in society may already be excluded from economic activity or ownership may make attempts to run an equitable cash distribution program problematic.

Impacts on beneficiary groups

- Beneficiaries tend to use cash for social and productive investment only after consumption needs have been met. Evidence of squandering cash on alcohol or gambling was not found in any of the cases studies.⁶

II. Key Lessons Learned from USAID/Mozambique's Resettlement Grant Program⁷

1. Program Design⁸

Background

- USAID provided a one-time cash transfer of \$92 to 107,000 of the neediest flood-affected households as direct help to recover their livelihoods.⁹
- Nearly all beneficiaries (96%) earned their income principally from agriculture.
- Correctly identifying the beneficiary population required a systematic approach to locating and registering the population of the area to be assisted.
- It was a necessary, but complex and time-consuming task.

Implementation Lessons Learned

- To ensure an equitable cash program, upfront time must be spent to identify and register the complete population, establish clear eligibility criteria, and implement them fairly.

2. Timing

Background

- The uncertainty of when and how much money was going to be available delayed planning and implementation. The floods occurred in February 2000; the grants were distributed in February 2001, in time for the second harvest in the south and in the lean season in the north.

Findings

- The time lag had unforeseen positive and negative impacts. The lag allowed the project to reach the neediest, including those who had received the least amount of relief assistance.
- Many affected families were excluded as they didn't register for the program. They were discouraged from previous experiences of signing and waiting for flood assistance that never materialized.

3. Monitoring and Accounting

Background:

- USAID Mozambique provided strong monitoring and accounting systems to ensure that the \$10 million in cash grants was given only to targeted recipients.
 - The Regional Inspector General's Office in Pretoria (RIG/Pretoria) conducted a concurrent audit of the program. USAID auditors were present when the cash distributions were made to the beneficiaries.
 - A contract was given to a U.S. affiliated accounting firm to establish a Program Management Unit (PMU) to oversee the grant distribution program.
 - USAID provided the money to the Government of Mozambique which used the commercial banking sector in Mozambique to distribute local currency to displaced families.

Findings

- The accounting controls ensured that the grants reached the targeted recipients.
- Administrative costs of the program equaled ten percent of the program budget.

Implementation Lesson Learned

- Use the same standard of monitoring and accounting used in the Mozambique program.

4. Cash versus Vouchers in Emergency Situations

Background:

- The use of vouchers in Mozambique was entertained and discarded because:

- A cash voucher system was thought to have been too easily abused.
- A commodity voucher system required an analysis to identify items most needed.
- Concerns were expressed that a secondary market for vouchers would develop, negating their intent.
- A commodity voucher system required that relationships with shops and vendors be established.
- Cash transfers were chosen in order to:
 - Help people recover livelihoods, rather than simply support survival.”¹⁰
 - Put purchasing power and choice within the households.
 - Develop the local economy.

5. Economic Impact of the Cash Distributions

Background

- Households used the money to replace critical assets.
- Expenditures on producer goods (equipment, livestock, and seed) were substantial.
- Households also spent money on construction materials and labor (principally for home construction).
- A smaller part of the money was spent for food, a critical need for some families, months after the disaster.
- Geographic patterns of expenditure reflected normal spending patterns of households.

Findings

- The fundamental principle of a cash grant program, that without any conditions attached, households would make prudent use of the money was confirmed.
- The food inflation effect of the program may not have been very significant, given the pattern of purchases of items other than food.
- The flow of money helped rebuild commerce through the purchases of the households.
- By all accounts, this was a very successful use of cash transfers, which addressed the concerns raised by the initial review of such programs.

Implementation Lesson Learned

- Cash transfers as a relief to development tool are very useful, with the caveat that implementers must be cognizant of the conditions for its use.

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- ¹ Mozambique 1999-2000 *Floods Impact Evaluation: Resettlement Grant Activity Emergency Recovery: Agriculture and Commercial Trade (ER: ACT)*. U.S. Agency for International Development (USAID). Abt Associates Inc.(with Afrisurvey and Caresoft Lda.) URL: http://www.dec.org/pdf_docs/PDABX449.pdf. Agricultural Policy Development Project (APD)USAID Contract No. PCE-I-00-99-00033-00 Task Order No. 803. *Impact Assessment: Machanga District, Sofala Province*. World Vision Mozambique Emergency Flood Relief, World Vision, 2000. *A Preliminary Assessment of Damage from the Flood and Cyclone Emergency of February-March 2000*. World Bank, March 2000.
- ² *Audit Report USAID Resources Managed by the Project Management Unit/Deloitte & Touche*. Sithole Chartered Accountants, SA, draft 12/01. *Concurrent Audit of USAID/Mozambique's Resettlement Grant Distribution Activity*, Office of USAID Regional Inspector General. July 31, 2001.
- ³ Jay Smith (DAA/EGAT), James Watson (Maputo/PDT), Michele Gross (Maputo/PDT), and Ian MacNairn (OFDA).
- ⁴ British Red Cross. Emergency Nutrition Network. Field Exchange August 2001: *Cash Transfers in Emergencies: A Review of Recent Experiences*. British Red Cross article..
- ⁵ British Red Cross. Emergency Nutrition Network. Field Exchange August 2001: *Cash Transfers in Emergencies: A Review of Recent Experiences*. British Red Cross.
- ⁶ *Social Safety Nets for Poverty Alleviation in Southern Africa*. ESCOR Report R7017. Institute for Development Studies, Sussex. Devereux. S. 2000a.
- ⁷ Summary data on cash transfer programs in Ethiopia, Cote d'Ivoire, Cameroon, and Chad are found in Mozambique 1999-2000 *Floods Impact Evaluation: Resettlement Grant Activity Emergency Recovery: Agriculture and Commercial Trade (ER: ACT)*. P. 38. URL: http://www.dec.org/pdf_docs/PDABX449.pdf.
- ⁸ The U.S. Federal Emergency Management Agency's (FEMA) grant-making program for victims of natural disasters in the U.S. was an important model for USAID's planning.
- ⁹ Detailed findings on the design and implementation process are found in the "Information Memorandum" to the Deputy Administrator on Mozambique's Flood resettlement Program. January 3, 2005.
- ¹⁰ Emergency Nutrition Network. Field Exchange August 2001: *Cash Transfers in Emergencies: A review of Recent Experiences*. British Red Cross.