Why Cash Transfers Are an Efficient Method of Reducing Food Insecurity

By Martha Bande

As governments across the globe continue to grapple with the economic effects of COVID-19, many are faced with the additional burden of guaranteeing food security for millions of their citizens. Restrictions in movement and other social distancing measures adopted to contain the spread of the virus have put a significant strain on food supply chains, both at production and distribution links. As a result of this, millions have been pushed to the brink of hunger. The United Nations estimates that up to 265 million people will face acute food shortage by December 2020, a sharp increase from earlier predictions of 135 million people. A disproportionate share of these people live in low- and middle-income countries where shock-responsive social safety nets are inadequate or poorly managed.

In Kenya, long before the World Health Organisation (WHO) declared COVID-19 a global pandemic, an estimated 1.3 million Kenyans were already facing acute food shortage as a result of prolonged droughts, extended long rains well into the harvesting season and a locust infestation not witnessed in a decade.

On 13th March, after the country reported its first case of the virus, the government instituted containment measures in the interest of public health. This further disrupted food supply chains and consequently put a strain on the country's food systems. Stay at home advice, a night curfew, closure of non-essential social spaces and social distancing requirements have reduced economic activity resulting in job and income losses. The resultant reduced household purchasing power further propelled more households into crisis food shortage.

Further, and with schools closed, millions of students who benefit from school feeding programmes are losing out on this benefit, with parents having to fully take on an all-day feeding responsibility. The World Food Programme (WFP) now projects that a total of 5 million Kenyans will require food and livelihood assistance as a result.

Three months into the pandemic, we can already see a deacceleration of philanthropic acts to provide food supplies to the most vulnerable populations compared to the early days of the pandemic, an indication that private charity, while important, is not adequately prepared to address the need and is not sustainable. Given the uncertainty of when a vaccine will get to the market and when we will see the resumption of normalcy, it is expected that millions will require food assistance and government and private philanthropy will need to better coordinate this assistance and ensure that households remain food secure during this pandemic.

Food packages vs cash transfers

According to the Kenya Food Security Steering Group, despite the adverse climatic shocks, Kenya's food availability remains stable as a result of a favourable harvest due to above average short rains towards end of the year in most agricultural areas. COVID-19, however, presents a challenge of affordability for many households, who no doubt will require food assistance.

However, how can governments, development agencies and philanthropists provide this assistance in a manner that provides choice, flexibility, and dignity to those that need it and in line with their individual circumstances?

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How do we put people at the centre of this assistance by not only providing food, but promoting financial inclusion of the poorest and most vulnerable during this pandemic? How do we ensure that the nutritional needs and requirements of the vulnerable are not generalised and reduced to a few food and other household items? How do we move away from paternalistic tendencies that have long viewed hunger as a question of charity rather than one of justice? Who decides what food items a given household requires in comparison to the rest?

These questions require reflection on the forms and manner in which food assistance can be provided. Should we provide households with food packages or should we provide cash transfers?

In determining a suitable approach, we will need to be cognisant of the unique challenges COVID-19 throws into this long-standing debate of food packages vs cash transfers in development circles. Firstly, and from an epidemiological standpoint, there is a need to reduce social contact as much as possible to ensure food distribution does not become a conduit for virus transmission. Secondly, it is worth noting that the pandemic is causing involuntary stay-at-home, therefore disengaging many from meaningful economic activities, and thereby creating COVID-induced dependency.

This group is particularly of concern given that there is no telling how long they will require assistance even when restrictions are eased. As such, cash transfers remain a lifeline for many as they allow people to navigate through the pandemic and rebuild their lives after the crisis. Thirdly, given the reduced household purchasing power and the resultant decreased demand in household and food items, cash transfers can be an effective tool in turning food need into an effective food demand to sustain supply chains, particularly among downstream smallholder farmers. This, however, needs concerted efforts to ensure distributional links, particularly to small open-air markets, as a majority of lower-income households in urban areas depend on these markets for their food supplies.

Interventions to ensure that households remain food secure will, therefore, need to provide households with flexibility and choice in determining food and other household items that meet their unique circumstances. Choice will need to be devolved to the household level and not left to the imaginations of benefactors – government or private.

Cash transfers have proven to do exactly this by increasing household expenditure, particularly food expenditure, thereby enabling households to meet their unique and diverse dietary requirements, improved health and nutritional outcomes and other outcomes, such as savings and investments. The 2015/16 Kenya Integrated Household Budget Survey (KIHBS), for instance, shows that food remains a high expenditure item at the household level, with 33.5 per cent of cash transfers received from within Kenya used on food items, only preceded by education, at 44.6 per cent.

However, food consumption is higher in rural households compared to education spending, at 38.9 per cent and 38.2 per cent, respectively. Further, the survey shows a higher proportion of food expenditure in female-headed households compared to male headed households, especially in the rural areas, at 41.8 per cent and 35.2 percent, respectively.

In addition to providing beneficiaries with choice, cash transfers have a positive spillover effect of stimulating local markets to the benefit of downstream local producers and retailers. However, in determining amounts for disbursement, it is worth ensuring these are informed by household food consumption rates to sufficiently cover food needs.

Granted, food packages bear the benefit of cushioning beneficiaries against commodity price spikes, especially where markets are disintegrated and retail prices are vulnerable to erratic price changes. But on the flip side, they often limit dietary diversity and may fail to respond to disparate nutritional needs across households, especially those with infants, young children, lactating mothers, pregnant women, and the elderly. Food packages normally contain food items with long shelf life (i.e. cereals, rice, maize, wheat flour, salt, cooking oil and other household items), often leaving out short shelf life items, such as milk and other dairy products, that have essential nutrients for household members with unique nutritional requirements.

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Administratively, food packages present logistical challenges in distribution, and depending on the approaches of distribution, may be inconsistent with measures to curb the further spread of the virus. For instance, social distancing measures require minimal social contact, yet distribution of food packages require social proximity, which makes these packages possible conduits for virus transmission.

Additionally, food packages are prone to mismanagement by those responsible for distribution. When factored in, the cost of corruption may significantly impact the overall cost of food distribution. For instance, a 2011 World Bank review of India's Public Distribution System (PDS) showed that 58 per cent of food did not reach the intended beneficiaries.

In contrast, because cash transfers are distributed through mobile money, not only are the administrative costs of this form of assistance reduced, but cash transfers provide a transparent framework for distribution, thereby minimising misappropriation.

Cash transfers have their limitations too. Targeting of the most deserving beneficiaries may be a challenge where accurate identification and validation of beneficiaries is hampered by lack of reliable data.

Strong digital infrastructure

Kenya's ICT sector has rapidly grown over the years, placing the country's mobile phone and internet penetration at 91 per cent and 84 per cent, respectively, which is above Africa's average of 80 per cent and 36 per cent, respectively. Although variations exist in mobile ownership between rural and urban populations, at 40 per cent and 60 percent respectively, Kenya still fairs relatively well in reaching rural populations. On the gender front, more females (10,425,040) than males (10,268,651) own a mobile phone, according to the 2019 Kenya Population and Household Census.

Kenya's digital payment infrastructure is equally advanced, making it a global leader in mobile money usage. Data from the Central Bank of Kenya shows that as by December 2019, there were 58 million active mobile money accounts and 242,275 mobile money agents across the country. In 2019, Kenyans transacted a total of Sh4.35 trillion (almost half the country's GDP) through their mobile phones. According to the KIHBS 2015/16, mobile money transfer was used more by households in rural areas compared to those in urban areas, at 46.2 per cent and 38.9 per cent, respectively, an indication of the effectiveness of mobile money- enabled cash transfers in reaching the most vulnerable.

To further deepen reach and ensure vulnerable populations, such as the elderly, women and remote populations, are reached, there is a need for the government and mobile phone operators to temporarily relax the know-your-customer requirements, and ensure all targeted individuals/household are facilitated to access cash transfers through mobile money.

These advancements provide a strong digital infrastructure that when effectively deployed can support a massive cash transfer programme to ensure households are adequately cushioned during this pandemic. Given the time lag in collecting socio-economic data at the national level, a lag that may not quickly correspond to the changing socio-economic characteristics of the population, data from mobile and internet usage offer a quick and verifiable option of targeting the most vulnerable and therefore making them food insecure.

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Combined, mobile phone use and historical mobile money transactions provide massive data, which when carefully analysed, prove a useful resource for assessing the socio-economic standing of individuals, and therefore accurately determining individuals who most qualify for assistance.

Additionally, technology offers a robust and trusted framework that when optimally utilised limits leakages that are often associated with traditional methods of cash disbursement. For one, they make visible households that qualify for cash transfers and when disbursements are due. The predictability they offer also enables households to know when to expect cash and therefore plan better for both food and other household expenditure.

Constraints

Effective mobile-enabled cash transfer programmes rely on rich verifiable data that accurately capture the changing socio-economic positions of citizens. Employment and income status of citizens need to be regularly updated to ensure they accurately capture the most deserving. While the government has over the years invested in collecting socio-economic data through the national census, most recently during the 2019 Kenya Population and Household Census, as well as digital registration of citizens during the Huduma Namba registration, there is a need to build on to these databases, and regularly update the same for purposes of establishing robust social welfare systems.

COVID-19 and its impact on household well-being is perhaps bringing to the fore the value of big data in building such systems and cushioning livelihoods through evidence-based social protection policies, particularly as far as these policies are meant to guarantee household food security. The ability of applying these lessons will determine how prepared governments are in fighting the next pandemic and food security challenges, especially as climate change continues to threaten food security systems.

In the immediate term, and as the government props up its cash transfer programme, there is a need for community-based participatory approaches in assessing the most vulnerable and needy households to ensure efficient utilisation of funds. Relying on community social capital is an effective way of determining households that were vulnerable prior to COVID-19 and those that have become dependent as a result of the pandemic.

Corruption

A pandemic itself, corruption is a systemic problem in Kenya, with proven ability to cripple noble initiatives aimed at benefiting the poor. Worse, this problem has significantly reduced trust levels between the government and citizens and has limited citizens' participation in governance matters. There is, therefore, a need to build safeguard measures in cash transfer programmes to minimise avenues for leakages. This should include digitised and transparent targeting criteria, citizen-led participatory monitoring and oversight, as well as effective complaint mechanisms.

Corruption thrives in information asymmetry. Therefore, automated platforms that make information accessible to the public on who qualifies for transfers, how much they are eligible for, and the frequency of distribution (with all data privacy protocols observed) provide a better bet in bridging this gap.

Information and communication technologies (mobile-enabled transfers coupled with digitised social safety net frameworks) have the potential effect of limiting the discretionary powers of public officers in determining who benefits. This reduces human intervention in the process, thereby limiting opportunities for cash diversion for personal gain. The technologies, when properly managed, can also minimise political manipulation, capitalisation and clientelism to the advantage of the political class. This, however, is dependent on a strong commitment by the government in ensuring cash for disbursement is made available in the first instance. More importantly, citizens will need to push for structured collective social accountability mechanisms, such as social audits and citizens reports, and will need to actively participate in holding public officials accountable.

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Given the uncertainty of COVID-19's staying power, and its disruption to food supply chains, there is no doubt that food security will remain a key concern that requires better coordinated approaches in feeding those who are most vulnerable. The approaches and manner in which this is done will need to take into consideration the unique challenges the pandemic presents.

With advanced digital technologies, particularly in the financial sector, Kenya is well ahead of many countries in the developing world and well prepared to deepen cashless assistance as it works to contain the spread of the disease. Perhaps this is the litmus test for the government's ability to rise up to the challenge of walking the talk on ensuring its food security and nutrition commitment under the Big Four Agenda.

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