

## Practical Tips For Setting The Value Of A Basic Needs Cash Transfer

1. Define what is included in a typical household’s “basic needs”. As a general rule most households of the same socio-economic group consume similar items and in similar quantities, although food preferences may differ slightly between cultural groups. Wealthier households consume more expensive, higher quality items, and as the objective here is to help households meet “basic” needs, it’s usually easier to focus on what poor households usually consume.

<b>Category</b>	<b>Item</b>
Food	<ul style="list-style-type: none"> <li>• “Staple” food (cereals, tubers): e.g. rice, wheat/wheat flour, pasta etc.</li> <li>• Protein source: (pulses, meat, dried and fresh fish, eggs)</li> <li>• Sugar</li> <li>• Cooking oil</li> <li>• Condiments e.g. chilli, salt, pepper, coconut, spices</li> <li>• Fruit and vegetables</li> <li>• Tea and coffee (these are often important for cultural reasons)</li> <li>• Milk (often given to children)</li> <li>• Other?</li> </ul>
Non-food items	<ul style="list-style-type: none"> <li>• Fuel for cooking and lighting</li> <li>• Soap</li> <li>• Toothpaste</li> <li>• Women’s sanitary protection</li> <li>• Drinking water (when usual sources are contaminated)</li> <li>• Other?</li> </ul>
Basic services	<ul style="list-style-type: none"> <li>• Health</li> <li>• Education</li> </ul>
Obligations	<ul style="list-style-type: none"> <li>• Debt repayments</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Cost of rental of temporary accommodation</li> </ul>

2. Using this standard basket, consider basic needs assistance is being provided by other agencies – particularly the government or WFP, and check that exclusion error is low. If some of these costs are being covered reliably, adjust what categories your assistance will cover.
3. Consider access to basic services:
  - Education: is it free? What costs are associated with this on a regular basis that most households need to pay for? If the sum is high, does the cost apply to most people, or few? If few, advocate for a targeted assistance (e.g fee waiver). If the costs apply to most household and are relatively low, then consider including this cost in the calculation.
  - Health: the same applies for health as for education: after a disaster some health NGOs provide free health care for affected communities or particular groups (e.g. women and children). As above, consider health needs of different groups and the extent to which this is free or subsidized. Consider also the season – during peak seasons for infectious diseases health care agencies need

to ensure that assistance is free. Otherwise, consider including this cost within the support package provided by a basic needs assistance programme.

- Debt: find out if there are any loan providing agencies who are requiring the repayment of pre-disaster debt. Advocate for a realistic and appropriate policy regarding debt write off or repayment, and note that if this isn't written off it will be an a regular expenditure incurred by some households that needs to be considered. Determining what to do in cases of widespread pre-disaster debt is an issue for all agencies to consider, so make sure that an inter-agency working group (involving relief and microfinance agencies) debates it and comes up with an effective solution. See also Aheeyar (2005), and [ref CGAP]).
  - Temporary shelter: are there particular groups who have financial needs associated with temporary housing? If there are many in this category, is any organization providing assistance on this (e.g. the government). Who should provide it? Will cash assistance result in beneficiaries losing rights over other shelter options which are better in the longer term?
4. Calculate the usual cost of these basic needs. In some countries there is pre-existing data on the cost of living – sometimes called the *Consumer or Retail Price Index* (collected usually by the government statistics agency). The CPI represents a value for different items relative to their price in the base year. However, the items included in the CPI should guide the listing of basic items to be included in the household basic needs basket. There will usually be CPI data for different markets and over time – which is useful in providing information about trends and patterns. The items in a “basic household basket” may differ slightly between different locations and different cultures, but if the population is relatively homogenous they are likely to be buying the same categories of items.
5. If there is no existing data on this, the information needs to be collected. Ask first about what people are buying on a regular basis, and then reducing the list to the quantities and items that represent their *basic needs*. Generally women are the best key informants (select those with an “average” household size) – if they are responsible for shopping. Note that people buy some items on a monthly basis, some on a weekly basis, some on a daily basis and some every two or three days. This makes the recall of food purchase a little complicated, but it is easy if you ask in a structured way:

**Table 2:** Interviewing people about what they buy

<i>What foods do you buy?</i>	“Free list” all items (food and non-food items) bought in a month
<i>How often do you buy it?</i>	For each item in turn, find out the frequency of purchase
<i>How much do you buy each time?</i>	Ask about the unit that is purchased – e.g. a sack of rice, a pile of beans, a can of tomato paste etc. For the purposes of this list you don't need to know the weight – just the unit (and below the price of the unit)
<i>What is the minimum you need?</i>	Some items are purchased in large quantities, some of which is surplus to basic food needs. Here the basic idea is to consider the cheapest protein source, the cheapest vegetable etc. Basic needs assistance programmes can't provide what is deemed “luxury” items, but they should provide for “acceptable”, balanced diet.
<i>How much was the cost before the tsunami on average?</i>	The cost may have varied seasonally and/or annually; check for the range during the forthcoming months – but for the preceding year. Find out the range if highly variable, or ask what was the “usual” price if not
<i>What is the price now?</i>	Check the current price
<i>Do you buy it all year round?</i>	Some items are not purchased at certain times of the year as agricultural products and fish are sometimes available from farms or fishing activities

*Price trends*

Find out about likely price trends for the commodities mentioned:

- Those that are likely to come down in price
- Those that are likely to increase in price

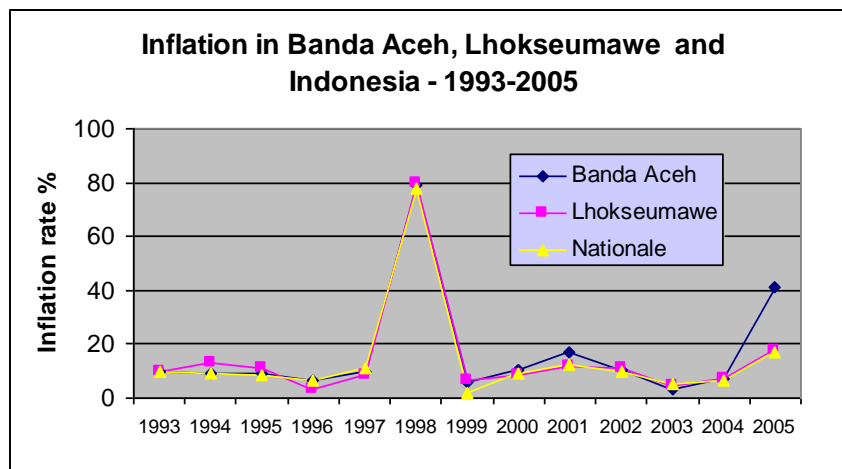
Summarize this information in a table (as follows):

<b>Table 3: Cost of basic needs for 1 month for an average household</b>						
Item	Unit purchased	Qty (wt) / and frequency	Qty per month	Price of unit before disaster (or range)	Price of unit now	Total cost now
Rice	Sack	15kg; 1 per week	4 sacks	35,000	40,000	140,000
Eggs	Egg	10 / week	40 eggs	500	800	40,000
Fresh fish	Am spent / time	3 times / wk	12 times	10,000	12,000	144,000
Dried fish	Pile	1 pile lasts 3 days	10	3,000	3,000	30,000
Oil	Litre	1 litre per week	4	6,000	6,000	24,000
Fuel	bottle	1 per week	4	8,000	10,000	40,000
Etc.						[.....]
<b>TOTAL COST OF MONTHLY FOOD NEEDS</b>						800,000

6. Consider variation in prices over time and across different areas.  
 Price trends – ask the key informants whether prices are going up, down or have remained the same, and whether there are any seasonal factors which will influence the price over the period for which the assistance will be provided for. e.g.
- “fresh fish is currently higher than normal due to low levels of fishing”
  - “Rice is lower than normal due to the food relief that’s come in, and the good local harvest”
  - The government plans to remove a subsidy on fuel in October. The price of all basic commodities will increase but the cost of services is likely to remain the same.
- Check whether there are any regional price differences for these items. A phone call to local government or NGO offices should be able to get price comparisons.

7. Inflation: **anticipate likely price increases for key commodities:** Find out what have been the highest prices for the main basic commodities over the last few months and years (historical seasonal trends), and find out what triggered these high prices. Try to focus on recent years. Factor in exchange rate fluctuations

by calculating the prices in US dollars and compare the trends for different commodities in US dollars and the local currency. Consider terms of trade – the item that most people sell in order to purchase food – this may be labour, or livestock, or an important cash crop. Ask key informants also what is their idea of a “high” and “low” price for basic commodities:

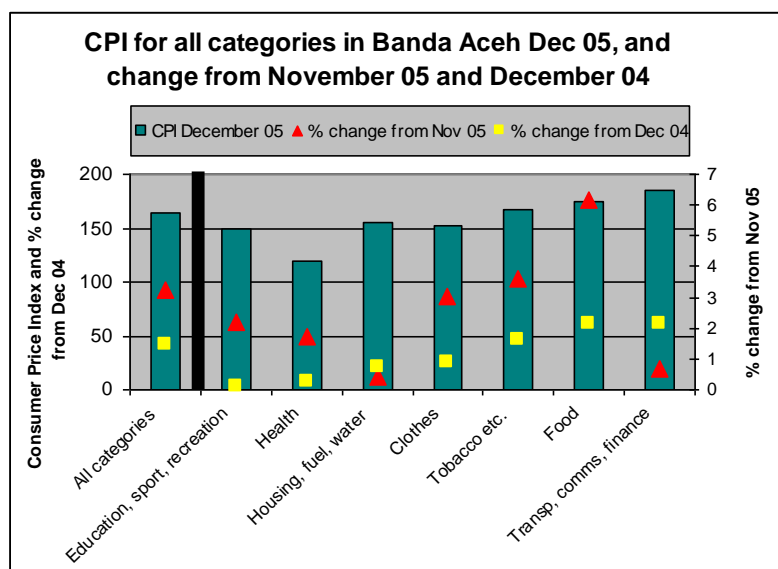
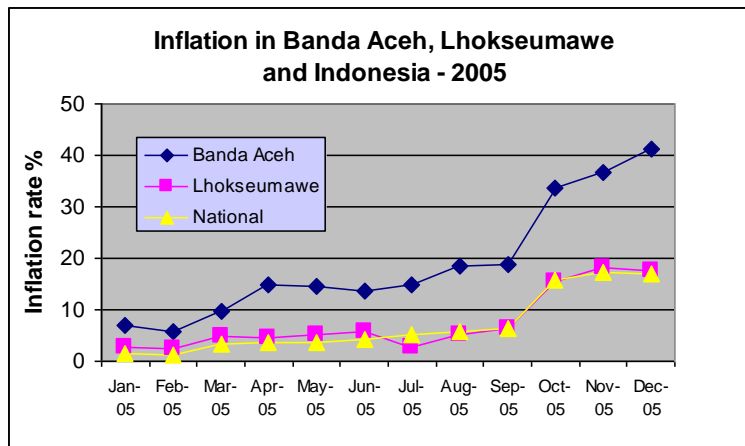


rice, oil, sugar, beans etc. Remember to include what they see as key commodities, as well as other commodities that might come under the “non-food” category of basic needs but which influence the price (e.g. fuel).

**NB:** analysis of changes in the CPI in Banda Aceh over 2005 – and comparison with historical data - show that estimates of projected price increases would have been difficult.

The first graph (right) shows how inflation in the year 2005 in Banda Aceh was very high compared to the national average, but that it was significantly lower than the price increases that occurred around the time of the national crisis in 1998.

The second graph (right) shows how inflation in Banda Aceh started the year higher than the national rate, and over the year 2005 moved inexorably higher to reach an annual total of over 41%. The graph also shows how price increases in Lhokseumawe<sup>1</sup> resembled the national rate, considerably lower than the rate in Banda Aceh. The graph also shows how the doubling of fuel prices in September 2005 led to an abnormal increase everywhere in the cost of living, and how after this prices in general continued to escalate in Banda Aceh while nationally the inflation rate levelled off.



The graph (left) and accompanying text below shows the difference in change in the CPI between different categories of expenditure in Banda Aceh.

“Monitoring the prices in the [main markets in Banda Aceh] indicated that there was an increase in the CPI from 159.57 in November to 164.72 in December 2005. The increase in the price index of goods and services occurred in all expenditure categories. The expenditure category [with] the highest rate of inflation was Food, (3.61%), followed by Clothing (3.04%), Education, Recreation and Sport (2.21%), Health (1.72%), the Transport, Communication and Financial Services (0.70%), and Housing, Electricity, Gas

and Fuel (0.70%). As a result of inflation during the month, the rate of inflation in December 2005 reached 41.11%. Source: BPS Statistical Review, 2005

<sup>1</sup> Lhokseumawe is a town in Aceh – on the North East Coast – around 1 day’s drive from Banda Aceh and a similar distance from Medan – the second largest city in Indonesia – an international trading centre.

**Questions to think about – inflation and price analysis**

- a) If in March 2005 you were the manager of a possible cash transfer programme for basic food needs, how would you make projections for the likely, and the maximum, percentage increase in the prices of basic food commodities?
- b) Which basic food commodities would you monitor?
- c) What would this mean for a cash transfer project for food assistance?
- d) What useful breakdown of the trend chart is missing from the graphs presented above?
- e) If you used vouchers for food (which beneficiaries exchanged with traders, who were reimbursed by you) what would you have needed to do to keep the traders happy?

## 8. Contingency

- Consider **the trigger price for contingency plans to be set in motion**
- **Make plans – decide what contingency actions will be triggered by a certain price,**  
E.g.
  - i. Increase the cash transfer value
  - ii. Provide in-kind assistance
  - iii. Intervene in the market (flood the market with low priced commodities)
  - iv. Support the market (provide incentives to traders to lower their prices, or support more traders to become involved in the trade of the item in question (credit, provision of fuel or pay fuel costs; storage, rehabilitation of key transport routes/blockages)
  - v. Provide support to particular groups who are adversely affect by the price increase (see bullet point below)

The contingency plans should relate to the cause of the price increase. Price increases should be analysed for different commodities (different foods).

- If and when prices start to increase, consider who has been negatively affected. For many incidents of price increase, often the **terms of trade** don't actually change that much. People who sell commodities usually pass on the increased costs of production/trade – as well as increased household consumption costs – to the buyer. Which kinds of people are not likely to be able to recoup the increased costs elsewhere, and who therefore may need to be considered for special assistance if prices increase considerably?

9. **Determining the proportion of needs to be covered.** The value of an emergency cash transfer may be set to the *full* cost in the local market of what households need. Early relief programmes – especially large-scale disasters – often provide a full ration regardless of people's other sources (because they are perceived to be negligible or unreliable or they don't have time to assess other sources). If resources are limited and/or people appear to have other reliable and sustainable food or income sources then such an assessment is needed to ensure that the funds are used effectively and fulfill the objectives. Such assessments are quite difficult – and can only be done with a household-based survey and a skilled field team. For guidance on this see [References – SC - HEA What is it? doc](#) and WFP section 2 [...].

Beware of over-estimating people's access to food and cash from other sources:

- Cash for work programmes exclude labour-scarce households, and be careful that you find out the typical amount of work that each household is likely to get. While the intervention might go on for a long time, it could be covering a number of communities.
- Food relief may be covering the whole population, but it is not necessarily reaching everyone, and the distribution cycle might be in fact longer than the month usually planned for – thus a month's ration may be having to last households longer than a month. Similarly, a

government cash transfer might not be effective in reaching the beneficiaries. In Aceh 6 months' cash assistance was planned from March 2005 but in some areas some people received only 1 month's entitlement and for many the transfer started several months after the planned start date. Moreover, some government cash transfers risk not reaching certain groups – perhaps those in conflict-affected or rebel-held areas; or the politically marginalized; or corruption might result in diversion of funds for some populations. While efforts to tackle these issues should be made by all stakeholders, in reality they are unlikely to be resolved during the emergency phase, when people are struggling to survive and recover. Hence, if an identifiable group has not received this assistance then it should be compensated for by alternative cash transfers.

- Recovering enterprises are usually unprofitable in the early stages of disaster recovery and rely on the provision of sufficient resources for basic needs when they are starting up. If the value of the basic needs assistance is inadequate households may use funds for other purposes to buy their daily food needs.

#### 10. Other needs: Basic Services, Debt

Find out about health care – is it free or do households incur some costs; what about the seasonality of disease – when are epidemics? What about MCH activities?

Education: the same questions – what are the costs that households incur to get their children educated? Often the school fee is the smallest part of the cost. Determine whether these costs can be met by the government or whether an additional amount should be included here.

Debt: Are there people within the population who have outstanding debt (pre-disaster debt, or debt incurred since the disaster). Is it possible to quantify the average debt? Who is the debt to? Will they write it off? If the debt problem is widespread raise the issue in inter-agency for a and with specialist finance agencies such as microfinance specialists, banks, government economists or recovery sections, and donors.