July 2010

PROJECT EVALUATION

Livelihoods and Economic Recovery in Northern Uganda (LEARN-1)

"Reinforcing Returnee Livelihoods and Food Security through Direct Cash Transfers, Otuke County, Lira District, Northern Uganda"
February 2009 – January 2010

Project Funded by the Royal Norwegian Embassy
Contract No. 2009/00399 UGA-09/003

ROYAL NORWEGIAN EMBASSY

Evaluation conducted by:
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Executive Summary

This project provided unconditional cash transfers to vulnerable returnee households in selected villages of Otuke County, a remote part of the Lango sub-region of northern Uganda which is recovering from the devastating effects of the cattle raids of the Karamojong and the rebel activities of the Lord's Resistance Army (LRA). 1,500 targeted households received two cash transfers spaced several months apart totalling 570,000 Uganda shillings (285 USD). Virtually all beneficiary households used at least part of the money to invest in productive assets. Livelihood trainings were carried out to reinforce the capacity of beneficiaries in their chosen activities.

The *impact* of the project on the livelihoods of beneficiary households was generally high. Most households invested in livestock, accelerating a long-term recapitalization process leading from chickens to goats to cattle. Over 50% of beneficiary households gained new access to animal traction, increasing dramatically their potential for agricultural production. However, due to the poor timing of the project, the impact on household diet and nutritional status will only be measurable after December 2010. The project also had a significant impact on local non-beneficiaries – particularly medium-sized farmers and small traders – from whom beneficiaries purchased many of their items. The *sustainability* of the project was relatively high, largely due to the choices beneficiaries made to invest in long-term productive assets. ACF should do more to promote the sustainability of beneficiary activities, which was not sufficiently prioritized.

Cash transfers were a very *appropriate* intervention in the current context in Otuke, where needs are diverse and markets are increasingly active and integrated. Beneficiaries were highly satisfied with the cash transfers, particularly because of their flexibility and increased transparency. Although the transfers did not cause general price inflation, short-term "flash inflation" in local markets caused significant losses by beneficiaries and needs to be addressed by ACF in future. The amount of the transfers was a bit too large to be appropriate and should be reduced. The bank account system used was also not appropriate but seems to be the best of bad options for getting money to the beneficiaries. The focus on individuals rather than groups was appropriate and should be continued. The appropriateness of trainings should be improved by focusing on a limited number of key messages and including more practical demonstrations.

The *coverage* of the project was adequate but could be improved. The choice of Otuke County was a good one and the beneficiaries selected were generally highly vulnerable. However, the somewhat irrational selection of villages resulted in a large area of operation with significant gaps of coverage. The number of beneficiaries was also relatively small for a project of this size. The selection criteria should be adapted to focus more on the economic situation of the households rather than on the presence or absence of certain categories of individuals.

In general, the project had no problems of internal or external *coherence*, and *coordination* was sufficient. However, there are significant opportunities to be more proactive in sharing information about the project with local authorities and national food security stakeholders.

Although the proposed activities were completed and the main indicators achieved, significant problems with *effectiveness* were apparent. Unforeseen delays in the project resulted in ineffective timing of the cash transfers. Widespread corruption among ACF field staff and local authorities left beneficiaries with less money than they should have had. Splitting the transfer into two caused delays in major purchases by beneficiaries. Although significant amounts of monitoring was done, the data collected were generally unuseful and underutilized.

The cash transfer approach proved to be more *efficient* than in-kind distributions. ACF should make sure these efficiency gains are used to maximize the cash distributed to the beneficiaries.

The evidence from the project shows that the impact of unconditional cash transfers can be significantly larger than comparable in-kind or voucher projects because beneficiaries are free to choose what is best for them to spend the cash on at the time it is received. Even highly vulnerable households will use cash transfers to invest in long-term productive assets, and the flexibility of cash facilitates work with the most vulnerable because part of the transfer can be used to cover immediate needs. When most items purchased by beneficiaries are produced locally, cash transfers can bring substantial efficiency gains, even when beneficiaries live in remote areas far from major markets.

Most of the recommendations developed in the report are related to improving the implementation of the project so as to increase the impact in future. The timeframe of the project should be altered to better coincide with the agricultural seasons. Improvements in the sensitization, training, and household action planning should be made to promote the sustainability of beneficiary activities. Concrete steps to limit flash inflation and corruption should be taken to minimize beneficiary losses. The amount of cash per beneficiary should be reduced to make it more appropriate, and it should be disbursed in a single transfer to enable beneficiaries to make large purchases right away. The monitoring system should be revised and streamlined so as to provide better data on fewer indicators.

A complete list of lessons learned and recommendations is included at the end of the report.

Acronyms

ACF	Action Against Hunger	LEARN	Livelihoods and Economic Recovery in Northern Uganda
ACTED	Agency for Technical Cooperation and Development	LFA	Logical Framework Approach
ATM	Automated Teller Machine	LRA	Lord's Resistance Army
CaLP	Cash Learning Partnership	MAAIF	Ministry of Agriculture, Animal Industries, and Fisheries
DAC	Development Assistance Committee	MISR	Makerere Institute of Social Research
EVI	Extremely Vulnerable Individual	MoU	Memorandum of Understanding
FAO	Food and Agriculture Organization	NGO	Non-Governmental Organization
FSL	Food Security and Livelihoods	PDM	Post-Disbursement Monitoring
HDDS	Household Dietary Diversity Score	PRDP	Peace, Recovery, and Development Plan
HH	Household	SACCO	Savings and Credit Cooperative
HIV	Human Immunodeficiency Virus	UGX	Uganda Shilling
IDP	Internally Displaced Person	USD	United States Dollar
IGA	Income Generating Activity	VSLA	Village Savings and Loan Association
LC	Local Council	WASH	Water, Sanitation, and Hygiene

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I. CONTEXT OF INTERVENTION

This project was implemented in Otuke County[1], Lira District, Northern Uganda. Otuke County (population 76,000 in 2008) is located in the northeast corner of the Lango sub-region of northern Uganda, which is home to the Lango ethnic group. Otuke shares direct borders with the Karamoja sub-region to the northeast and the Acholi sub-region to the northwest.

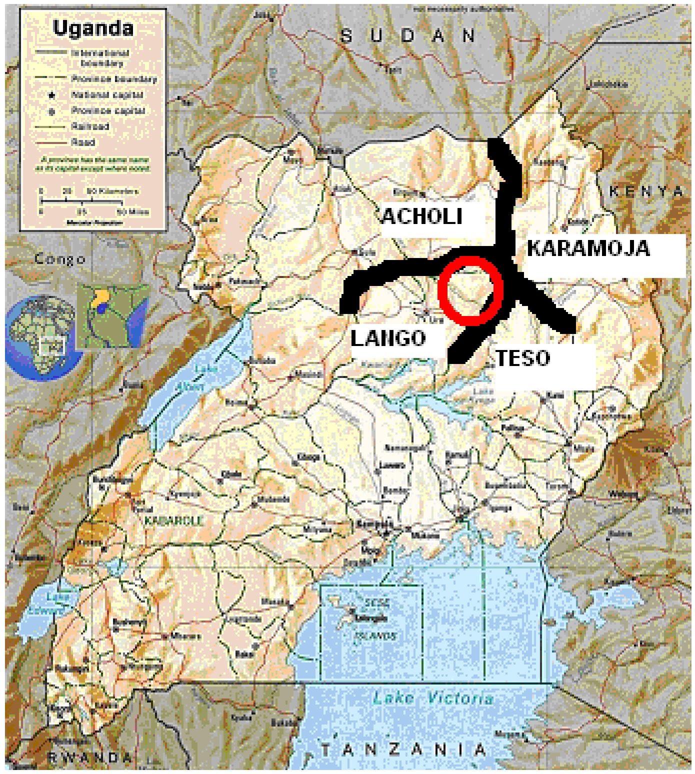

Figure 1. Map of Uganda with Otuke County circled in red. Adapted from Brasesco 2009.

Although more arid than the rest of the Lango sub-region, *Otuke (like the rest of Lango and Acholi) was not historically food insecure*. Most households possessed ample land with rich soils and produced two harvests a year with a wide variety of food and cash crops (cassava, beans, maize, pigeon peas, sorghum, sesame, groundnuts, rice, cotton, sunflower, etc.). Livestock – particularly cattle – also played an important role in household livelihoods, with most households owning at least twenty cattle (in addition to goats and chickens) and using oxen and ox-ploughs (animal traction) to cultivate large areas of land.

In the last 30 years, Otuke's location has made it particularly vulnerable to violent conflicts originating in the neighboring sub-regions of Karamoja and Acholi, which have severely impacted household food security.

Following the fall of Idi Amin's regime in 1979, Karamojong pastoralists raided government arms caches, upgrading their traditional bows and arrows for firearms. This led to an increasing number of armed forays into Otuke and other parts of the Lango and Acholi sub-regions in search of cattle.

The twenty-year rebellion of the Lord's Resistance Army (LRA) began in the Acholi sub-region in 1987 but had an increasing impact on the neighboring Lango areas, with Otuke being the most

[1] In early 2010, Otuke County was split off from Lira District to become the new Otuke District as part of Uganda's ongoing decentralization process.

severely affected. In the early years of the conflict there were only occasional incursions by LRA rebels into Otuke, but the cattle raids of the Karamojong increased substantially as the government's attention was largely focused on containing the LRA. Many households lost all of their cattle to the Karamojong and were only able to cultivate small portions of their land using hand hoes.

Starting in 2002, the LRA presence in Lango areas intensified, affecting wide swaths of Otuke, Erute, and Moroto counties in Lira District, and Oyam County in Apac District. Killings, maimings, and abductions occurred on an almost daily basis and tens of thousands of people were driven from their land. By 2004, all of the population of Otuke was concentrated into 6 large IDP camps, located at the major trading centers. Virtually all productive assets (livestock, seeds, tools, etc.) had been lost or sold. Food sources in the camps were limited, with most households relying heavily on blanket food distributions by the World Food Program.

In 2006, with the improvement in the security situation, the first households started returning home. Most households returned home by the end of 2008. However, it is worth noting that although all displaced households have now left the rural camps in Otuke District, the return process is still not 100% complete. Several households were encountered during this evaluation who had fled to Lira town during the conflict and had only returned home within the previous six months.

Action Against Hunger (ACF) has been working in Uganda since 1980. During the height of the LRA conflict and associated displacement, ACF provided hundreds of thousands of beneficiaries with life-saving relief assistance in its areas of technical expertise – nutrition; water, sanitation, and hygiene; and food security and livelihoods.

ACF opened a base in Lira in 2004 to respond to the intensification of the conflict in the Lango sub-region. Otuke County was initially targeted by ACF as the most vulnerable area due to the intense insecurity, difficult access, and absence of other actors.

ACF launched food security and livelihoods operations in Otuke in early 2005. As the context has changed from displacement to return to reconstruction over the last five years, ACF's approach in Otuke has shifted. In particular, as needs have diversified and markets have been re-established, ACF has increasingly turned to market-based and cash-based interventions, as shown in Table 1 below.

Year	ACF FSL interventions in Otuke
2005	Seeds and tools distributions
2006	Seed fairs, livestock distributions
2007	Seed fairs, livestock fairs, IGA
2008	Seed fairs, livestock fairs, IGA, micro-projects
2009	*Cash transfers (LEARN-1)*
2010	Cash transfers (LEARN-2)

Table 1. History of ACF FSL interventions in Otuke.

This evaluation concerns the LEARN-1 project implemented by ACF in Otuke from February 2009 – January 2010. The project was funded by the Royal Norwegian Embassy, which issued a call for proposals in September 2008 for cash transfer projects in support of the IDP return and recovery process in Northern Uganda in conjunction with the Ugandan government's three-year Peace, Recovery, and Development Plan (PRDP) for Northern Uganda, which was launched in late 2007. The Royal Norwegian Embassy had previously commissioned a study in 2006 that found that cash transfers could play a useful role in the recovery process.

Three NGO's – ACF, ACTED, and Food for the Hungry – were selected to implement cash transfer projects in different conflict-affected areas of Northern Uganda. The methodologies proposed by the NGO's differed. While ACF proposed to give unconditional cash transfers to individual vulnerable households, ACTED and Food for the Hungry were oriented more towards cash-for-work projects (particularly road rehabilitation) and cash grants to IGA groups. The three partners formed a consortium known as LEARN (Livelihoods and Economic Recovery in Northern Uganda). The Royal Norwegian Embassy also contracted a private consulting firm, Acacia, which was in charge of the monitoring and evaluation of the LEARN projects, which it conducted in collaboration with the Makerere University Institute of Social Research (MISR). For the Royal Norwegian Embassy, LEARN was intended to be a closely monitored pilot project that would generate lessons learned about the relevance and impact of cash transfers in recovery contexts.

For ACF, the LEARN project was an opportunity to apply and expand its growing technical expertise on cash-based interventions. Internationally, ACF has been one of the leading proponents of cash-based interventions for food security and livelihoods, and it developed a set of guidelines for cash-based interventions in 2007. ACF is one of the five members of the Cash Learning Partnership (CaLP), which also includes Oxfam GB, Save the Children UK, the British Red Cross, and the Norwegian Refugee Council. This partnership works together to document best practices on cash transfers, share experiences, and promote the increased incorporation of cash-based programming into humanitarian interventions. Regionally, ACF has implemented a direct cash-transfer project in Kenya following the post-election violence and a conditional cash-transfer project for income generating activities in South Sudan, in addition to numerous voucher-based projects. Extending the cash transfer approach to Uganda and more specifically to Otuke, where voucher-based projects had already been implemented for several years, was a logical next step.

II. SUMMARY OF PROJECT IMPLEMENTATION

Project implementation began in February 2009. All four sub-counties of Otuke (Adwari, Okwang, Orum, and Olilim) were targeted. In each sub-county, parishes and villages were selected based on the highest number of cases of malnutrition according to admissions data from the ACF nutrition program. The final selection of villages was adjusted to try to limit geographic spread and include villages where the ACF water, sanitation, and hygiene program was working. In total, 34 villages in 9 parishes were selected.

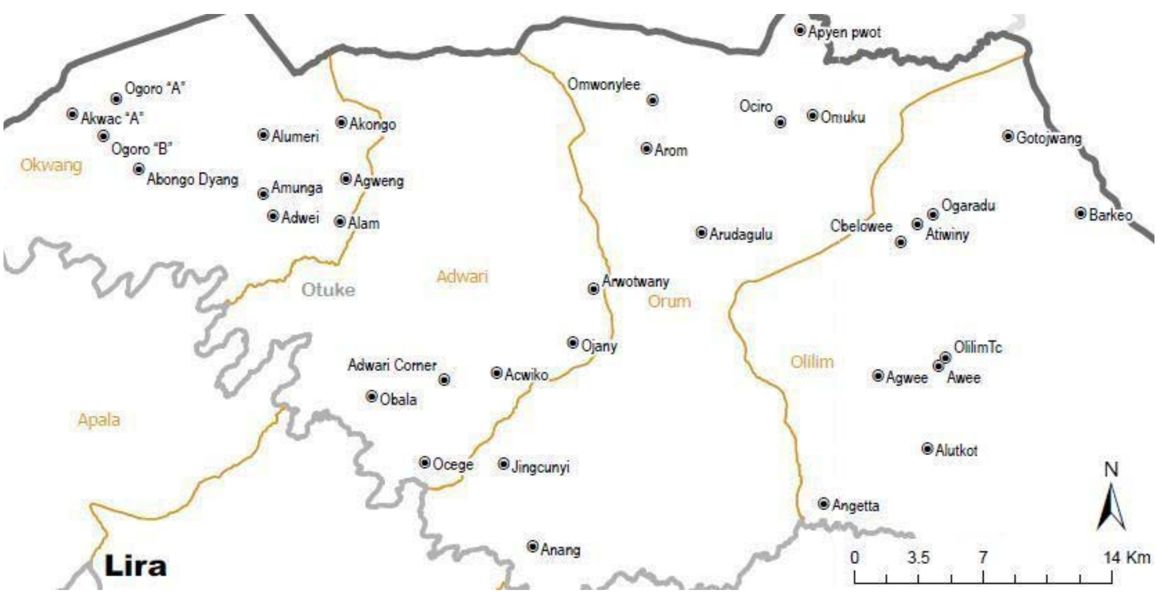

Figure 2. Villages where the LEARN-1 project was implemented in Otuke.

24 field staff were recruited and assigned to clusters of villages. In each village, field staff facilitated the nomination of vulnerable households at community meetings according to criteria developed by ACF and discussed with the community, including labor constraints (single, elderly, child, or chronically ill head of household; child in an emergency feeding program), economic constraints (loss of productive assets, high debt, no savings, limited purchasing power), and social constraints (no family support or external assistance, returnee, high number of dependents). Households meeting multiple criteria were given top priority. 1,500 households were selected in the 34 villages.

A Memorandum of Understanding (MoU) was signed with Equity Bank through its branch in Lira town to facilitate the cash transfers. Equity Bank opened bank accounts for beneficiaries free of charge and conducted training sessions in the field about the use of bank accounts. Although it was planned for Equity Bank to distribute ATM cards to beneficiaries and install an ATM or several point of sales devices in Otuke to facilitate access to the bank accounts, this was not done due to a variety of constraints (including the lack of a reliable power supply or merchants with the capacity to manage point of sales devices). Instead, Equity Bank brought cash to the field using police escort to disburse it after each of the two cash transfers from ACF to beneficiary accounts.

Following a set of initial trainings including the development of a household action plan[2] for using the cash, beneficiaries received an initial transfer of 250,000 UGX (approximately 125 USD[3]) in late July or early August 2009. Withdrawals were conducted in the field by Equity Bank accompanied by ACF staff.

Several weeks after the first disbursement of cash, ACF received reports of extortion of money by ACF field staff. A full investigation was made in late August and early September, which concluded that a variety of mechanisms were used to extort roughly 12,000,000 UGX (6,000 USD) from beneficiaries, representing approximately 3% of the entire transfer made. 1,094 of the 1,500 beneficiaries (73%) were estimated to have been affected in some way. Following the investigation, 12 field staff were dismissed and the food security and livelihoods department was restructured so as to limit the chances of such problems occurring again.

Beneficiary lists were re-verified following the first disbursement and the corruption problems. 205 beneficiaries from the first disbursement (14%) were removed from the list and replaced by new beneficiaries for the second disbursement. Reasons for removal included failure to meet vulnerability criteria, death, departure from the village, and “improper” use of the money (e.g. for alcohol).

In between the first and second disbursements, additional trainings were conducted based on the four main activity areas selected by beneficiaries (crop production, livestock, animal traction, and small business). A second household action plan was developed by beneficiaries prior to the second disbursement. The second distribution by Equity Bank in the field was made in late November to early January. Each beneficiary received a transfer of 320,000 UGX (160 USD), bringing the total for the two disbursements to 570,000 UGX (285 USD). The project ended in January 2010 shortly after the second disbursement.

A variety of monitoring activities were carried out during the project. Baseline and final surveys were conducted by ACF staff under the supervision of Acacia and MISR. Forms were standard for the entire LEARN program, including the projects of ACTED and Food for the Hungry. Post-disbursement monitoring was conducted by ACF after each of the two cash disbursements.

[2] A sample household action plan for the first disbursement is included in Annex 1 of this report.
[3] 1 US dollar is currently worth 2,253 Uganda shillings (UGX). During the timeframe of this project, the value fluctuated between 1,861 and 2,310 UGX. For the purposes of this report, an approximate exchange rate of 2,000 UGX will be used.

Market surveys were conducted by ACF twice a month in a number of local markets. A masters-degree student from the *Institut des Regions Chaudes of Montpellier SupAgro* in France spent three months with ACF in Lira researching the livelihoods of program beneficiaries. A consultant from the CaLP Cash Learning Partnership also visited Lira to assess the impact of the cash transfers on local markets.

In February 2010, ACF launched a second one-year cash transfer project (LEARN-2). The Royal Norwegian Embassy is again funding the same three organizations for LEARN-2. Acacia/MISR are no longer being used for monitoring and evaluation – the individual organizations will be responsible for the monitoring and evaluation themselves. ACF's approach in the second project is similar to its approach in the first project. 1,500 new beneficiary households in Otuke will be targeted with a similar amount of cash to the first project, distributed again in two separate disbursements.

III. EVALUATION OBJECTIVES AND METHODOLOGY

The evaluation was conducted in July 2010, roughly six months after the final cash disbursement and the end of the project. It was hoped that this time delay would allow for better conclusions about the impact of the project to be drawn.

The following indicators and issues were to be addressed in detail by the evaluation:

- The standard DAC criteria for project evaluations (Impact, Sustainability, Relevance / Appropriateness, Coverage, Coherence / Coordination, Effectiveness, Efficiency)

- The contractual indicators from the project LFA

- The mechanism of cash transfer through bank accounts

- The evidence concerning the three project research hypotheses:
    - Cash transfers work better/more sustainably than in-kind programmes (e.g. agro/IGA kits) due to more involvement in decision making and empowerment for the participants.
    - Cash transfers facilitate work with EVIs, due to additional flexibility to cover immediate and longer term needs, and hence EVI households are able to evolve and develop, as they do not have to jeopardize their immediate needs over longer term investment and skill transfer.
    - Cash transfers can have a measurable impact on the nutritional and dietary status of the participating households.

The evaluator spent two weeks in Uganda, from 4-17 July 2010. Four days were spent at the project sites, one in each sub-county of Otuke. The evaluator was assisted by one food security and livelihoods office staff from ACF Lira who was minimally present in the field during the project but knew the project well.

In-depth interviews were conducted with 18 beneficiaries and 3 non-beneficiaries in 7 of the villages targeted by the program. Although sampling was not random, an effort was made to visit a variety of villages (trading centers, remote hamlets) and a variety of beneficiaries engaged in different activities (goat rearing, animal traction, crop production, small business, etc.) Beneficiaries were interviewed on an anonymous basis to encourage them to express their opinions freely. At the end of the interview, beneficiaries were given the option of having their photo taken for inclusion as one of the case studies in the evaluation report.

Interviews were also conducted with local authorities (at village, sub-county, and district level), Equity Bank, a representative SACCO[4], one of the LEARN consortium partners (ACTED), and FAO (the food security and livelihoods cluster chair for Uganda).

Two minor constraints were faced during the evaluation. First, the lack of institutional memory due to the significant turnover of ACF food security and livelihoods staff (only two members of the current team were around during the LEARN-1 project) made some information collection difficult. Second, the delay in the release of the LEARN-1 final survey report by Acacia/MISR limited the quantitative data available on the impact of the project at the time of the evaluation. The draft final survey report was circulated by Acacia in early August, so some of the data was included in this report. However, despite efforts by ACF, the database for the final survey was not made available, which limited the possibilities for analysis, particularly given the fact that data and figures included in the final report did not always correspond to data and figures from the baseline report.

IV. FINDINGS

A. Impact

The impact of unconditional cash transfer projects can be much more difficult to predict than that of in-kind or voucher-based food security and livelihood projects. One of the main advantages of unconditional cash transfers is that beneficiaries have complete freedom to choose to spend aid money on what is best for them, rather than having to accept what the implementing organization thinks is best for them. When a project evaluation is done, it is interesting to ask the question: "Did beneficiaries choose what we thought they would? If we had done an in-kind or voucher-based program instead, would we have chosen what was best for the beneficiaries?"

The evidence from this project is striking. In reading the proposal and project documents, it is clear that ACF thought that beneficiaries would mostly invest in agricultural inputs (principally seeds) and IGAs (principally small businesses). Had this project been designed as an in-kind distribution, ACF would likely have distributed seed kits and IGA (small business) kits. Instead, the surprising result was that beneficiaries overwhelmingly spent their cash to buy livestock. 68% of the first disbursement and 83% of the second disbursement was spent to purchase livestock. All told, approximately 650,000,000 UGX (325,000 USD) was spent on livestock purchases.

A typical household spent approximately 180,000 UGX (90 USD) of the first disbursement to purchase 4-5 goats and the remaining 60,000 UGX (30 USD) to cover immediate household needs (food, clothes, school fees, medical bills). In the second disbursement, the typical household spent approximately 260,000 UGX (130 USD) to buy a bull and the remaining 60,000 UGX (30 USD) for immediate needs. (Some households bought ox-ploughs or female cows instead of bulls.)[5]

Information gathered during the monitoring and other studies done during the course of the project helps to explain these choices.

Why did households not invest more in agriculture (particularly seed inputs)? The primary reason is that the cash disbursements (in late July and November/December) were poorly correlated with the agricultural seasons. Planting for the first season in Otuke takes place in March and for the second season in late June to early July. The project was initially designed to distribute cash in time for the second planting season, but delays resulted in a distribution that was too late to be really useful for purchasing seed inputs.

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[4] Savings and Credit Cooperative. SACCO's are village banks in the process of being set up by the national government.

[5] Additional information on the use of the cash transfers is provided in Annex 2 of this report.

Why did households not invest more in IGAs (small business)? Most of the villages targeted by ACF – particularly the most vulnerable ones – are very remote. Population is scattered and people have little purchasing power. Expenditures by local people are limited to the most essential items – food, school fees, medical bills, etc. Accessing external markets (e.g. Lira town) is difficult and costly. Some beneficiaries – particularly those in trading centers or who are incapable of farming (due to disability or old age) started small IGAs, and some have succeeded. But the vast majority recognized the challenges in marketing and finding customers and decided to invest their money in less risky endeavours.

It is important to recall that households in Otuke typically were engaged in livestock rearing and crop production (with animal traction) prior to the Karamajong raids and LRA conflict – and that these livelihood sources were enough for them to be food secure, cover their household needs, and even expand and grow. *The fact that there are food security problems now is not due to a situation of chronic vulnerability where existing livelihood sources are insufficient; rather, it is due to the loss of productive assets (animals and ox ploughs) that is preventing households from re-establishing their former livelihoods. Hence, "livelihood diversification" is for the most part not a relevant objective in this context. Neither is some kind of permanent social safety net. What is needed instead – and indeed what this project has accomplished for many – is an influx of capital necessary to "kickstart" the traditional livelihood sources of livestock and crop production.*

The typical livestock capitalization scheme in Otuke described by Filippo Brasesco during ACF's LEARN-1 project is shown in Figure 3. A household that starts with a single chicken can, through multiplication, "climb the ladder" of livestock ownership by trading in 10-15 chicken for a goat and eventually trading in 7-9 goats for a cow. Within 10 years, the process can lead to herd of cattle about the size owned by the typical household prior to the Karamojong raids and LRA conflict.

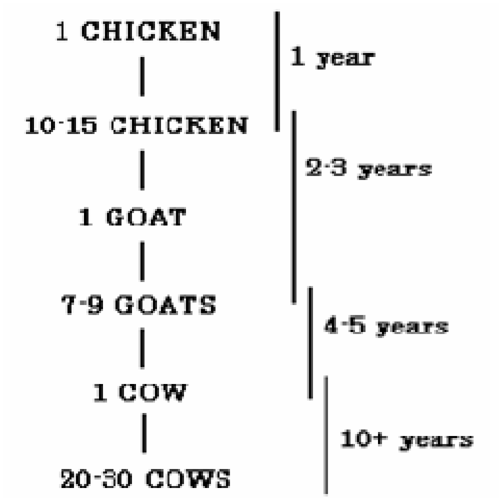

Figure 3. Household livestock capitalization process in Otuke. Adapted from Brasesco 2009.

Brasesco identifies animal ownership as the key factor determining household food security and vulnerability in Otuke. He classifies households into 5 groups of decreasing vulnerability as shown in Table 2. Group 1 is comprised of the very small proportion of households in Otuke (8% of ACF beneficiaries and even less of the overall population) who do not have access to land. These may be households who lost land during land disputes after displacement or women who married elsewhere and then were divorced or widowed and returned home after their parents' land had been distributed to their brothers. These few households live in a precarious situation relying on casual labor and petty trade. Group 2 comprises a much larger proportion of households (53% of ACF beneficiaries) who are scraping by using hand hoes to cultivate food crops for own consumption and doing casual labor to meet other household needs.

	Food Crops	Cash Crops	Rice	Chickens	Goats	Cattle	Animal Traction	Casual Labor	Petty Trade
Group 1								X	X
Group 2	X							X	
Group 3	X	X		X	X				
Group 4	X		X	X	X	X			
Group 5	X	X	X	X	X	X	X		

Table 2. Household vulnerability classification in Otuke. Adapted from Brasesco.

Group 3 (25% of beneficiaries) is slightly better off than Group 2, with small livestock (chickens and goats) and some cash crop cultivation (typically groundnuts and sesame). Goats in particular are a crucial savings mechanism and coping strategy for times of need. Goats reproduce quickly, involve little labor demand on the household, and can be easily sold and converted into cash to cover school fees, medical bills, seed inputs for cash crops, or food during the hunger gap or in case of poor harvest. While Brasesco found that Groups 1 and 2 were clearly food insecure, households in Group 3 were borderline – still experiencing seasonal food shortages, but much better able to cope with them.

The small minority of ACF beneficiaries were already in Group 4 (11%) or Group 5 (3%) at the beginning of the program. This was likely due to erroneous selection, or selection of a household (like that of a wealthy widow) that met some criteria but not others. Group 4 has the capital necessary to engage in the production of rice, which is by far the most profitable crop in Otuke, though it is the most expensive to cultivate. Cattle are a sign of this increased access to capital. Group 5 has the crucial final key asset – oxen and an ox-plough – that enables significant increases in the surface of land that can be cultivated, allows households to better time the planting of crops with the rains (because ploughing takes less time), and frees up time and energy for other activities.

With this livestock capitalization scheme and household classification system in mind, it is easier to understand the impact of the livestock that ACF beneficiaries purchased with the cash disbursed during the project. According to the baseline survey, 40% of beneficiary households did not own a single animal prior to the project, and only 25% owned goats or cattle[6]. Roughly 70% of households used some of the cash to buy goats. *In the final survey, 100% of beneficiary households report owning some animals.*

"We used to keep livestock before the insurgency. We had no idea until now that we would ever be able to do it again."

- *Beneficiary, Ocege village, Adwari sub-county*

Perhaps even more important has been the change in access to animal traction. Although households were only able to buy a single bull or an ox plough with the cash transfers, most who did so have formed spontaneous groups with other beneficiaries or with non-beneficiaries in the same situation. A typical group consists of 2 bull owners and 1 plough owner, who share their respective assets to use animal traction on their land. *Roughly 50% of beneficiary households are now using animal traction thanks to assets purchased with the cash transfers.*

[6] These percentages might not seem to correspond exactly to Brasesco's group classification, although he used the same data set. The reason is that Brasesco classified some households with only one chicken and no cash crops in Group 2 and some households with many chickens and cash crops but no goats in Group 3. The division between groups is not black and white.

The main impact of the ACF project, therefore, has been to boost households up the ladder of livestock ownership, making them significantly less vulnerable and more food secure.

It is important to note that, due to the long-term nature of the investments in livestock, *in most cases there was little or no impact on household diet and nutritional status by the end of the project*, nor has there been much impact six months after the project has finished. Roughly 70% of households used some of the cash transfers to purchase food. However, the quantity of food purchased was relatively small (50,000 UGX = 25 USD). Most of the food purchases were made with the first transfer, which came during the annual hunger gap, and the food was used to supplement that from other sources to get households through this difficult period. Hence, while the food purchased undoubtedly had a transitory effect on household diet and nutritional status, the effect was not measurable in the final survey or this evaluation.

The investments in productive assets made by the beneficiaries have the potential to have a long-term impact on household diet and nutritional status, but this impact has in most cases yet to be felt. Households who bought goats have mostly been multiplying them – the few that have been sold have mostly been used to cover medical bills or school fees rather than to buy food. Households who bought oxen did so with the second transfer (December 2009). They spent the first agricultural season training the oxen and are only using the oxen to cultivate during the second agricultural season. Ploughing of land was ongoing during this evaluation in July 2010, and the harvest will not be until four to five months from now. *Thus, it is quite likely that the first measurable impact on household diet and nutritional status will come in December 2010 – almost a year after the end of the project.* It is recommended that ACF conduct an additional final monitoring of LEARN-1 beneficiaries in December 2010 or January 2011[7] to capture this delayed impact. This monitoring should focus on the 2010 harvest as compared to 2009 and include at a minimum the following indicators: amount of land cultivated (2009 vs. 2010); use of animal traction (2009 vs. 2010); amount of harvest (2009 vs. 2010); number of livestock owned prior to the project, purchased with the project, sold after disbursement (to buy what?), and owned now; and dietary indicators that can be compared to the data from the baseline and final surveys.

In future, several modifications in the project design should be considered in order to be able to measure the ultimate impact of the cash transfers on household diet and nutritional status within the lifetime of the project. The most effective solution would be to change the timeframe of the project, although this depends on donor flexibility. An ideal project would have an 18-month timeframe. The project would begin in July or August with the first six months spent for preparatory activities including staff recruitment and training, village and beneficiary selection, baseline survey, memorandum of understanding with the financial institution, initial training and household action planning, account opening, etc. The ideal time for cash disbursement is January (or at the latest early February) to allow beneficiaries the time to make purchases for the first agricultural season. Training and monitoring would continue after the disbursement. The final survey would be done in December so as to be able to measure the harvest from both seasons, keeping in mind that bulls purchased in January may only be used for animal traction during the second season.

In case the one-year, February to January project cycle must be continued, several adjustments could foreseeably be made to better measure impact. First, a final monitoring of beneficiaries from the previous cycle could be done in December of the following cycle, as recommended above for the LEARN-1 project. Second, the preparatory activities for the subsequent cycle could be done during the second semester of the current cycle. However, a firm commitment from the donor would be needed prior to identifying beneficiaries and raising their expectations.

[7] Although data collected in December or January may not be perfectly comparable to the data from the baseline and final surveys, which were both conducted in late April, it is the best time to collect harvest data and is within the timeframe of the LEARN-2 project.

It is interesting to note that although the current project timeframe causes the impact on household diet and nutritional status to be delayed, the flexibility of cash means that the size of the impact itself is not lessened no matter how poor the timeliness of the distribution. Whereas an in-kind distribution of seeds, for example, has little impact when done too late in the season, cash can be saved or converted into other assets to use the following year. In fact, many beneficiaries seem to have done this. One interviewed beneficiary bought goats last year, multiplied them, and this year sold one to buy seeds for rice production. Another left 50,000 UGX (25 USD) in her bank account after the disbursement and withdrew it this year to plant cassava.

Another important lesson learned from this project is that the level and timing of the impact of unconditional cash transfers on household food security can vary significantly depending on how the money is used. Profiles of two beneficiaries for whom the impact has been quite different are presented in Box 1.

Box 1. A tale of two beneficiaries.

Beneficiary A – Significant immediate impact on household food security

Beneficiary A is an elderly widow from Alumeni village in Okwang sub-county. Although she has land, she has no-one to help her cultivate it as her children were killed by the LRA. Prior to the ACF project, she survived by begging for food, going from house to house in her village and from shop to shop in Okwang trading center. With the cash transfer, she bought 5 goats and used the rest of the money to pay for medical treatment and to buy a large stock of food (sorghum and beans). Up until now she has eaten all of the beans, but there is still some sorghum left. She also slaughtered two of the goats and ate them, but as the goats have been reproducing she now has 6 goats. Her plan in the future is to reproduce her goats and sell them when she needs to buy food. She is confident that she will be self-sufficient, have enough to eat, and no longer need to beg for the rest of her life.

Beneficiary B – Limited longer-term impact on household food security

Beneficiary B is an elderly widow from Olilim trading center in Olilim sub-county. Prior to the project, she was running a small restaurant in the trading center. She used the first cash transfer to buy regular tables and chairs for the restaurant to replace the locally-made benches that she was using before. She also bought a large quantity of food stock for the restaurant following the harvest when prices were low. Prior to the project, she lacked capital so she was buying food in the market every morning using the revenue from the previous day. With her new strategy of buying stocks when prices are low she saves both time and money. However, her business is dependent on demand, so her investments have not attracted more customers. In fact, business has been worse this year than last year because the 2009 harvest was poor so people have less money to buy meals from her. With the money from the second cash transfer, she was able to pay school fees for her grandson and buy a bull. Last year, she paid 60,000 UGX (30 USD) to hire a team of oxen to plough two acres of land. This year, her son is using her bull so she will not have to pay to hire animal traction and she will be able to cultivate a much bigger surface. Her son also helps her to keep the records for the restaurant since she is illiterate. She learned about record-keeping from the ACF training. Her family has always been well-fed as they eat the left-over food from the restaurant. The project will eventually help her to make more income (from both her restaurant and her land).

The unpredictability and the variations in the timing and level of the impact of the cash transfers can make it complicated to design indicators to measure the project's success. Table 3 shows the project indicators agreed upon with the signature of funds with their level of achievement.

	Indicators	Achievement
Purpose: To strengthen returnee household food security and livelihoods in Otuke County, Lira District	HH income and expenditure patterns have improved	Incomplete data in Acacia final survey report
	HH food sources and food diversity have improved	Production: 90 kg → 100 kg % of HH getting food from… …own production: 84% → 93% …market: 84% → 95% …casual labor for food: 41% → 11% Crops grown: 3 → 3.2 HDDS: 3.26 → 3.1
	HH debt situation has improved	% HH in debt: 31% → 27%
Output 1: Increased access to cash for 1,500 households	Number of HH receiving cash transfers	1,705 total HH received cash transfers
	HH expenditure patterns	An average of 501,220 UGX (250 USD) was withdrawn and spent by HH during the program
	HH capacity to increase productive assets and livelihood conditions	100% of HH used at least some of the grant to invest in productive assets
	Number of HH who are able to repay debts	3% of HH (10% of those in debt) used part of the grant to repay debts
	Number of HH who are able to maintain a savings account	All 1,705 accounts were still open at the end of the program; however, <5% of HH left 50,000 UGX (25 USD) or more in their account after disbursement and <5% of HH made any deposits after disbursement
Output 2: Increased knowledge and awareness about livelihood diversification, investment, marketing, and small business management for targeted households.	Number of HH who have participated in the training	1,476 HH participated in livelihood trainings
	Number of HH who are able to start a small business/IGA	69 HH established small businesses
	Number of new businesses established	69 small businesses were established
	Number of HH who create regular income through new business at the end of the project	Indicator not clearly measured by final survey
	Positive changes in proportion of HH income sources, food sources, and expenditure	See data above under purpose indicators
Output 3: Documented and disseminated research into process and impact of cash transfer programming in Lira District	Baseline assessment conducted and written	Done by Acacia/MISR
	Monitoring and reporting system established	Done
	External evaluation conducted	This report
	ACF collaboration with independent monitoring organization	Acacia was generally ineffective, but ACF collaboration seems to have been satisfactory

Table 3. ACF Learn-1 LFA, including levels of achievement.

In general, although most indicators can be considered achieved, the original design of the logical framework (LFA) and the choice of indicators is relatively weak. Part of this is due to two mistaken assumptions made by ACF during the project design: that livelihood diversification would be a priority of beneficiaries and that a significant proportion of beneficiaries would invest in starting a small business. Instead, the priority of beneficiaries turned out to be the strengthening of existing livelihood mechanisms (livestock and crop production), and less than 5% chose to start small businesses.

Aside from these mistaken predictions, the indicators themselves are poorly designed. Several indicators are not measurable and even for the measurable ones no targets are set. In addition, the number of indicators is relatively large and could easily be reduced and streamlined. The cumbersome, inaccessible nature of the LFA for this project caused it to be rarely used or referred to, even in the donor reports.

A draft set of changes to the project LFA is presented in table 4. The purpose has not been changed, but the indicators and outputs have been modified to make them more specific, measurable, and logical.

	Indicators
Purpose: To strengthen returnee household food security and livelihoods in Otuke County, Lira District	Increased HH crop production
	Increased HH livestock ownership
	Increased HH income
	Improved HH dietary intake
Output 1: Increased access to cash *and productive assets* for 1,500 households	1,500 HH receive cash transfers
	80% of beneficiary HH use cash to invest in productive assets
	60% of beneficiary HH generate new income/assets by the end of the project using productive assets purchased[8]
Output 2: Increased knowledge *about livelihood best practices*[9] for 1,500 households.	1,500 HH participate in livelihood training
	80% of beneficiary HH demonstrate increase in knowledge on livelihood best practices
	60% of beneficiary HH adopt at least 1 new livelihood best practice
Output 3: Documented and disseminated research into process and impact of cash transfer programming in Lira District[10]	Baseline survey, final survey, and external evaluation conducted and reported
	Results of project disseminated to local and national food security and livelihoods stakeholders
	Presentation on cash transfers made at national food security and livelihoods cluster meeting

Table 4. Proposed revisions to project LFA.

Aside from the impact on beneficiaries themselves, one of the advantages frequently cited for cash-based interventions is the impact they can have on the local economy. Pantaleo Creti, a

[8] E.g. birth of new animals, bigger harvest thanks to animal traction, income from new IGA, etc.
[9] Livelihood best practices are key methods or techniques used by successful practitioners of a certain livelihood activity to maximize their yields or incomes from the activity. To focus training, increase impact, and enhance measurability, a set of several target best practices could be defined for each activity, e.g. row planting for crop production, deworming for livestock rearing, and stock taking for small business.
[10] Output 3 and the new proposed indicators for it are discussed further in the Coherence / Coordination section of this report.

consultant with the Cash Learning Partnership, conducted a study on the impact of the LEARN-1 cash transfers on local markets in Otuke and Lira District following the first cash disbursement. Creti concluded that at least 50% of the money from the first disbursement passed directly to medium-sized farmers in Otuke, who were the main source of goats for beneficiaries. These farmers were able to sell more livestock than usual for a higher price than usual, enabling them to accelerate their own livestock capitalization process by purchasing cattle, or alternatively to diversify their livelihoods by making other investments (e.g. planting a fruit orchard).

One non-beneficiary interviewed during this evaluation in Adwari Corner, Adwari sub-county provided a good example of these secondary effects. An elderly woman, she was initially nominated by the community to be a beneficiary of the project but later removed from the list, likely because she already had significant economic assets. Nevertheless, she benefited from the project by selling four of her goats to some of the beneficiaries for 160,000 UGX (80 USD). She used the money to buy an ox-plough. She had one bull already and paired up with a neighbor who also has a bull to make a team for animal traction. This year she has been able to plant 3 acres of land using animal traction whereas last year she only planted 0.5 acres because she was using a hand hoe.

Aside from goats, many of the other items purchased by beneficiaries were bought outside of Otuke. Although some cattle were purchased in the Orum market from traders bringing cattle from Karamoja, most were purchased in livestock markets elsewhere in Lira District (Apala, Amach) or in the neighboring Teso sub-region. Ox ploughs and IGA items were mostly purchased from Lira town.

Figure 4, which is reproduced from Creti's study, shows the cash flow following the disbursement in the field. Whereas in-kind and (to a large extent) voucher projects result in cash flow directly to large traders, with cash transfers much of the cash passes first through medium farmers and small traders, from which it eventually ends up with the large traders. This intermediate step represents a significant secondary impact of the project on local non-beneficiaries.

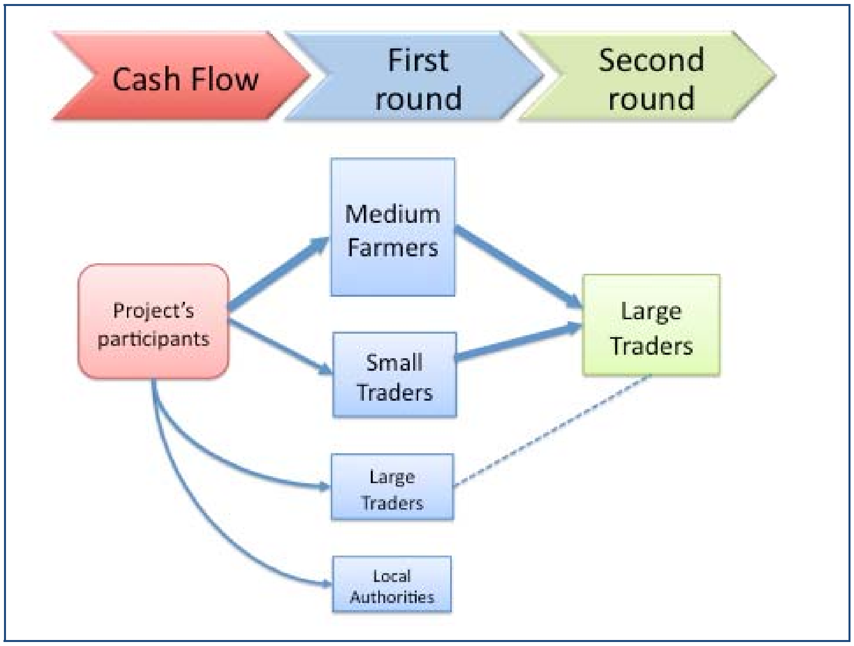

Figure 4. Cash flow following the first disbursement in Otuke. Adapted from Creti.

The impact on the local labor market was relatively small as only a small percentage of the cash transfers was used to hire local workers (e.g. to work in the fields of a disabled or elderly beneficiary with no able-bodied family member). However, several interesting cases found during the evaluation (such as the one presented in Box 2) indicate that non-beneficiaries may have benefited in some unforeseen ways, particularly in relation to some of the IGA activities.

Box 2. The Butcher of Olilim.

Beneficiary C (pictured at far left) lost use of his right arm after being shot by the LRA in 2003. Since then, his wife has been the only active member of the household, which also includes their four children. "Before the project, food was not enough – our family was only eating once a day." Beneficiary C used the first cash disbursement to start a butchery business. His main expenditure was buying the first four goats to butcher, for which he paid 50,000 UGX (25 USD) each.

Beneficiary C employs 5-10 people to help him with various stages of the butchery process, including slaughtering the animal, cutting the meat, and grilling the meat on demand. These "employees" are paid in kind with meat from the butchered animal. Taking into account all costs, Beneficiary C is able to make 57,000 UGX (28.5 USD) in revenue per goat slaughtered, giving him a net profit of 7,000 UGX (3.5 USD). He typically buys, slaughters, and sells two goats per week, giving him an income from the butchery business of approximately 1 dollar a day. "Now my family is eating twice a day," he says. "The food is of good quantity and we are even able to take tea." With the second disbursement, Beneficiary C bought a bull, which his wife will use for animal traction (she is the one in charge of cultivating on their land).

Beneficiary C's butchery business is benefiting the larger economy of Olilim by purchasing goats from local farmers and "employing" laborers whose own dietary status is improved with increased consumption of animal protein.

Impact

Lessons Learned

- The impact of unconditional cash transfers can be significantly larger than comparable in-kind or voucher projects because beneficiaries are free to choose what is best for them to spend the cash on at the time it is received.

- The use of cash minimizes the negative effects of a distribution done out of sync with the seasonal calendar, as beneficiaries can convert the cash into other assets like livestock (or save it in their accounts) to be used when the time is right.

- The impact of unconditional cash transfers can be difficult to predict, and the level and timeframe of the impact can vary from beneficiary to beneficiary based on how the cash is used.

- Depending on the nature of the investments made by beneficiaries, unconditional cash transfers can have little or no measurable impact on household diet and nutritional status within a one-year project cycle.

- Due to the uncertain impact, precise project indicators can be difficult to devise and achieve.

- Cash transfers can have significant secondary benefits for non-beneficiaries and the local economy.

Recommendations

- An additional final monitoring of LEARN-1 beneficiaries should be conducted after the 2010 harvest to gather more information on the long-term impact of the project, particularly on household diet and nutritional status.

- The timeframe of the project should be adjusted so as to better coincide with the agricultural seasons and maximize the impact measurable before the end of the project. An 18-month project timeframe would be ideal, but in case of donor constraints, alternatives such as continuing monitoring after the project is finished or identifying beneficiaries before the project starts should be considered.

- The logical framework of the project needs improvement. Specific recommendations for changes in the outputs and indicators have been made in the text.

B. Sustainability

The sustainability of a project can be evaluated in two ways – by looking at the sustainability of the activity itself (in this case, the distribution of cash) or by looking at the sustainability of the impact of the activity.

For this project, the *activity sustainability* is low – the disbursement of cash to beneficiaries will not continue after the end of the project. Indeed, activity sustainability was not one of the project's objectives, and this is appropriate given the context of recovery and the need of beneficiary households for a one-time influx of capital to restart their livelihoods. Mechanisms to provide cash on a regular basis (e.g. a revolving loan scheme or a permanent safety net) are more suited to contexts of chronic vulnerability, which is not the case in Otuke.

However, this logic of intervention needs to be better sensitized to beneficiaries. It was surprising to hear many beneficiaries say that they were hoping to receive a third cash transfer from ACF. *Indeed, most beneficiaries have made a deliberate choice to keep their bank account open rather than withdrawing the remaining balance of money because they are hopeful that ACF may make additional cash transfers to them in future.*

These false expectations were caused by several factors. The choice to disburse cash in two instalments – which seems to have not been clearly explained to beneficiaries – led to a perception that cash disbursements may recur in future. The creation of separate household action plans for the first and second cash disbursements rather than a single plan based on two staggered disbursements reinforced this perception. Finally, the fact that the second disbursement came very close to the end of the project meant that the ACF field staff left the field shortly after the second disbursement with inadequate time to make a proper sensitization about the end of the project.

All of these factors can and should be avoided in future:

- If cash is again distributed twice, the reasons for doing so and the fact that there will be two and only two transfers should be clearly explained to beneficiaries ahead of time. There were several reasons for splitting the disbursement in two, including letting beneficiaries cover their immediate needs with the first instalment so that they would be more likely to make long-term investments with the second instalment, reducing the security risk for beneficiaries by giving them less money at once, reducing the risk of inflation in local markets by splitting the cash influx into two, providing a preparatory experience for traders so that they would better respond to the increased demand after the second instalment, and introducing some degree of conditionality and influence on beneficiary's choices ("if you don't use the first instalment well you won't receive the second instalment"). However, these reasons seem not to have been clearly explained to beneficiaries, who interpreted the second disbursement as reason to hope for a possible third disbursement.

- A single household action plan should be made including the amount from both disbursements. *It is important to keep in mind that the more information households have about the resources that will be available to them, the better choices they will make.* The original household action plans for this project (like the sample one included in Annex 1 of this report) were made on the basis of a single cash transfer of 250,000 UGX (125 USD). Beneficiaries were encouraged to use part of this transfer to cover immediate needs and part to invest in a long-term project. When it was time for the second cash transfer, it seems to have been sensitized as an entirely separate and new support, and a new household action plan was developed for the new amount of money. This explains why many beneficiaries seem to have invested in two separate projects with the two disbursements, like goat rearing with the first and animal traction with the second.

- An end-of-project sensitization should be made. At a minimum, beneficiaries should be informed that the project has finished and that they should not expect additional support from ACF in the future. The logic of the intervention – a one-time support to help beneficiaries kickstart their former livelihoods – should be stressed. This could also be an opportunity for beneficiaries to discuss and reflect on their own achievements and their future plans. They can be encouraged to think about how they will continue the activities they have started and how they will use or invest the profits they make.

The *impact sustainability* of the project is relatively high, thanks in large part to the choice made by beneficiaries to invest most of the cash received in long-term productive assets. Indeed, one of the important lessons learned from the project is that even highly vulnerable households will use cash transfers to invest in long-term assets. Many beneficiaries, like those presented in Box 3 on the next page, have already made long-term plans for the continued growth of their livelihood activities.

The sustainability of the activities started by beneficiaries could be reinforced if additional emphasis is placed by ACF on long-term planning during the training and sensitization process. In particular, the following recommendations should be considered:

- Inclusion of long-term strategies and goals in the household action plan. The format of the household action plan (see sample in Annex 1) was focused on the use of the cash to launch an activity. A more complete plan would include the long-term management of the activity and the use of the profits. For example, a beneficiary who wants to raise goats might want to increase the size of his herd to ten and then maintain the herd size constant, using additional goats for sale to cover other needs. With the eventual sale of the excess goats, he might want to invest in rice production, buy a bull, or pay for his children's school fees. Even if such plans are not written down in the household action plan form, beneficiaries should be encouraged to think about them and discuss them during the household action plan development.

- Training on the concept of depreciation. Beneficiaries who invest in assets like ox-ploughs should be encouraged to think about how long those assets will last and how they will eventually replace them. For example, they might decide to set aside some money or a goat after each harvest that they will use to buy a new plough when the original one breaks or can no longer be used. More generally, presentation and discussion of the concept of depreciation can encourage the kind of long-term thinking that will enhance the sustainability of beneficiary activities.

Box 3. A Brighter Future.

Beneficiary D – A budding businesswoman

Beneficiary D is a disabled woman who lives with her husband and child in Adwari trading center in Adwari sub-county. She used the first cash transfer to open a kiosk in the trading center. She buys goods in Lira town and sells them in her kiosk. She was especially appreciative of the training on stock-keeping and keeps a careful record of her stocks in, stocks out, and profits in a notebook. Business is good, and she has been able to increase her stock and increase the variety of items she sells.

Beneficiary D has used part of her profits to send her child to boarding school. The rest she is saving in the bank, which she accesses when she goes to Lira to restock. She has currently saved 120,000 UGX (60 USD) and is hoping to save 1,000,000 UGX (500 USD), which she will use to buy a plot of land in the trading center for her kiosk to save the 20,000 UGX (10 USD) per month that she is currently spending to rent a space. Beneficiary D used the second cash transfer to cultivate rice with hired laborers. The profits from the rice will add to her capital.

Beneficiary E – "I have a plan"

Beneficiary E is a widow with six children from Alumeni village in Okwang sub-county. With the first transfer, she bought 3 goats. She also spent 30,000 UGX (15 USD) for rice and sesame seeds. Due to the late planting and the lack of rain during the 2009 second season, the rice crop failed, but the sesame yielded 1.5 bags, which she sold and used to rent a larger area of land for rice cultivation this year. The goats multiplied from 3 to 7, and she sold one to buy the rice seeds for this year. With the second transfer, Beneficiary E bought a bull. The bull fell sick and she spent 20,000 UGX (10 USD) to treat it. It is now doing better, but she had to borrow bulls from a relative to plow the land for rice. "I have a plan," she says. "When I harvest my rice, I am going to sell it and buy an ox plough. When you are sharing ploughs and bulls it is difficult to time your planting with the

With an ox plough and a bull, next year she will only have to borrow one bull. In the future, when the goats have continued to multiply, she will be able to sell some of them to buy a second bull.

- Presentations and discussions by successful past project participants. Many beneficiaries who have had success with their activities are eager to share their stories. This could be used to benefit new beneficiaries when they are making their household action plans or starting to implement their activities. Already, one beneficiary from this first project who happened to see a training ongoing for the second project came over to share his story with the new participants. ACF could facilitate such exchanges, inviting previous beneficiaries with successful activities and long-term plans to share their stories and advice with the new beneficiaries who are just starting the process.

- More time allocated for follow-up after disbursement. Several interviewed beneficiaries mentioned that they would appreciate continued monitoring and follow-up from ACF, which left their villages fairly quickly following the second disbursement, which occurred near the end of the project. In future, additional time and effort should be allocated to following up with beneficiaries after disbursement – not just to see how they used the money, but also to encourage adoption of best practices in their activities, offer advice for problems faced, etc.

Sustainability

Lessons Learned

- Multiple cash transfers can create expectations of continued support in future.

- Even highly vulnerable households will use cash transfers to invest in long-term productive assets.

Recommendations

- Careful sensitization should be done on the amount of cash and the number of transfers to be expected at the beginning of the project. Sensitization should also be done at the end of the project to ensure that beneficiaries do not expect or plan for additional transfers.

- A single household action plan should be made for the full amount of cash to be transferred during the duration of the project rather than separate household action plans for separate transfers.

- The household action plan should be adapted to include long-term strategies and goals for the proposed activities.

- The concept of depreciation should be introduced in the training sessions to encourage beneficiaries to plan for the replacement of their assets.

- Presentations and discussions with successful past project participants should be introduced into training sessions for new beneficiaries.

- Additional time should be allocated for follow-up of beneficiaries after disbursement.

C. Relevance / Appropriateness

One of the key indicators of the relevance and appropriateness of a project is the satisfaction of beneficiaries. In this case, the beneficiaries encountered during the evaluation were all extremely satisfied with the project.

Given the long history of ACF food security and livelihoods interventions in Otuke, which have included in-kind and voucher-based projects, this evaluation put a special emphasis on finding out what beneficiaries, local authorities, and program staff thought about the appropriateness of cash transfers as compared to other approaches.

Every person interviewed who had been involved with the project said that cash transfers were the best approach, particularly given the evolution of the context in Otuke. During the conflict, when most households had lost even the most basic assets and found themselves in more or less the same situation with the same needs, in-kind distributions made a lot of sense, especially since market linkages and transport routes were cut off and disrupted due to insecurity. As needs began to diversify (e.g. for different seed types and quantities) and markets began to be re-established, vouchers helped introduce more beneficiary choice and local economic stimulation into programming. Given the current context, however, where household livelihoods have significantly diverged in different directions and markets are increasingly active and integrated, cash transfers are clearly the most appropriate way to deliver livelihood aid.

The advantages of cash transfers cited by beneficiaries and key informants include flexibility, free choice, and empowerment for beneficiaries, in addition to stimulation of the local economy. It was also interesting to note the widespread feeling that cash transfers done through official financial institutions like Equity Bank are better because they are more transparent. In a context where corruption is endemic, in-kind distributions have always left beneficiaries wondering how much of their share was siphoned off by the suppliers and the aid organizations, regardless of whether or not corruption was actually taking place. Because cash transfers (at least through banks) cut out the intermediaries, beneficiaries perceive that they are getting all of the money they are entitled to and can use it as they see fit.

One disadvantage of the cash transfer approach is that relatively less emphasis is placed on technical training of beneficiaries. Although this project included a significant training component, it is difficult to maintain the same level of quality, in-depth training in a cash transfer project where beneficiaries are spending money on many different activities and purchasing assets themselves in the market as compared to a livelihood project focusing exclusively on livestock rearing or agricultural extension. In general, there is also less opportunity to introduce new, improved varieties of seeds or livestock or new techniques of cultivation. People are naturally risk averse, so it is unlikely that beneficiaries will spend their own money on varieties they have never used before. However, that said, in this specific context where the vast need for recovery and reestablishment of former livelihoods is clearly far greater than any need for new innovation, the cash transfers were definitely the most appropriate mechanism for improving livelihoods.

The appropriateness of cash transfers must also be looked at in relation to their impact on local markets. Due to the open nature of the Ugandan economy (where goods are free to flow back and forth in response to demand) and the relatively tiny influx of cash in relation to the economy as a whole, there was no inflationary impact on medium and long-term local prices. However, as Creti found in his study, there was a significant short term rise in prices, which he refers to as “flash inflation.” This inflation occurred in the local weekly markets in the trading centers of Otuke during the 1-2 weeks following the disbursement. The basic cause of the inflation was the surprise effect of the influx of money, which traders were not anticipating. Time was needed for traders to respond to the increased demand (e.g. by going to larger regional markets and buying a larger stock to bring to sell at the local market). Beneficiaries, meanwhile, were impatient to spend the money quickly, largely due to security concerns about keeping such a large amount of money at home, so they ended up being price takers. The result, at least for livestock, was a temporary 10-30% increase in price. Given that beneficiaries spent a total of 650,000,000 UGX (325,000 USD) on livestock purchases, *this represents a net loss due to flash inflation of at least 60,000,000 UGX (30,000 USD) and at most 150,000,000 UGX (75,000 USD)*[11]*.* This loss for beneficiaries was extra profit for the sellers – medium farmers and local traders – who got higher-than-normal prices for the livestock that they did have available.

Given the magnitude of the estimated losses due to this flash inflation, it is important to understand the phenomenon better and look at ways to mitigate it. One important first step would be to do intensive market monitoring in local markets in Otuke the week before and the two to

[11] Assuming a flash inflation of 10%, we have 650 mUGX = (normal price) * 1.1; (normal price) = 590 mUGX; 650 mUGX – 590 mUGX = 60 mUGX. Assuming a flash inflation of 30%, we have 650 mUGX = (normal price) * 1.3; (normal price) = 500 mUGX; 650 mUGX – 500 mUGX = 150 mUGX.

three weeks after the distribution to understand better the reasons behind it and the constraints faced by both the beneficiaries as buyers and the sellers. While ACF did a lot of market monitoring during the initial project, the monthly or bimonthly monitoring of prices was not particularly relevant to this kind of very short-term inflation.

Much of the problem of flash inflation could be avoided if there were regular banking services available in Otuke, which Equity Bank planned to provide at the beginning of the project but ended up not being able to. Were these services in place, transfers could be made on a rolling basis (e.g. to 10% of beneficiaries every week for 10 weeks) and beneficiaries would also be free to wait to withdraw money until the prices were right. However, in the absence of such services, the difficulty and expense of getting to a bank in town means that most beneficiaries will only be able to withdraw when cash is disbursed in the field, and rolling distributions will likely not be viable given that it would not be cost effective for the bank to come to the field frequently enough.. Some limited staggering of distributions though could potentially be introduced.

Perhaps the most effective weapon against flash inflation, which is essentially caused by the effect of surprise, is information. Beneficiaries should be sensitized to the potential problem of flash inflation, provided with maximum information on prices, and advised to do their own preparatory leg work in terms of identifying markets and suppliers and even ordering in advance. In addition, as proposed by Creti, supply-side interventions (i.e. with local traders) should be considered. Although ACF rightly would like to avoid informing too many people of the disbursement day and the amount of money to be disbursed for security reasons, it seems like a reasonable compromise could be reached. For example, traders could be informed in advance to expect an increased demand for goats during the month of July. Local authorities at sub-county, parish, and village level seem to be willing to assist in spreading the word to traders. One village LC1[12] interviewed said that he had even organized a special livestock market in his village following the cash disbursement.

Deciding on the size of the cash transfers is one of the most important decisions in the design of a project. In particular, the size needs to be big enough to be relevant, i.e. to have a significant impact on household food security and livelihoods. It also needs to not be so big that it is no longer appropriate. In this case, the amount of the combined transfer of 570,000 UGX (285 USD) was calculated by the team at the time of proposal writing based on local market prices and estimations of household needs[13]. However, it is worth noting that the prices used seem high when compared to the actual prices eventually paid and reported by beneficiaries, perhaps because the beneficiaries were able to bargain better or get better prices, or because they purchased lower quality items. For example, the market price of an ox-plough is listed in the proposal as 250,000 UGX (125 USD), but the data from the two post-disbursement monitorings shows that the average reported price paid by the beneficiaries who purchased ox-ploughs was 166,000 UGX (83 USD), with a maximum reported price of 200,000 UGX (100 USD).

The cash transfers were certainly big enough to be relevant as evidenced by the large impact they had on the livelihoods of beneficiary households. *Greater than the entire annual income of some households*, the transfers enabled purchases of productive assets in multiple domains (e.g. starting an IGA and buying a bull) while also covering immediate expenditures.

However, there is some evidence that the size of the transfers was too big to be appropriate, catapulting the most vulnerable households of the village far ahead in the livestock capitalization

[12] "LC" is an abbreviation for "local council" used in Uganda. Local councils are made up of representatives chosen by the population. In common usage "the LC" refers to the head of the local council. The LC1 is the elected head of village. The LC2 is head of parish, the LC3 is head of sub-county, etc.

[13] The proposed amount was actually 250 USD, but it was later increased during the course of the program due to the increased budget as a result of the favorable exchange rate with the Norwegian kroner.

process and turning them overnight into the big businessmen and employers of their villages. In addition, the large size of the transfers to households not used to seeing or handling so much money undoubtedly facilitated them falling victim to flash inflation and also helped engender some of the problems with corruption (which began in some cases with beneficiaries offering cash "gifts" to thank field staff).

The purpose of the cash transfers should not necessarily be to solve all of a household's problems at once, but rather to help them restart key economic activities from which they can make profits and grow and expand in the future. The minimum amount of assets required to put households over the critical threshold of food security – a concept developed further in the coverage section of this report – is estimated at 160,000 UGX (80 USD), which is enough to buy 4 goats. However, to have a substantial impact by enabling households to immediately launch a significant productive activity, a reasonable amount for investment in productive assets is more on the order of 250,000 UGX (125 USD), which is enough to buy a bull, an ox plough and 2 goats, or 6-7 goats. An additional amount is needed to help cover immediate needs (food, medical bills, etc.), for which 100,000 UGX (50 USD) seems reasonable given current prices. This is roughly equivalent to the 91,000 UGX (45.5 USD) that beneficiaries spent on average on immediate needs in the LEARN-1 project according to the post-disbursement monitoring data. Taking into account potential variations in beneficiary situations and market prices, a total amount of 400,000 UGX (200 USD) – 250,000 for investment, 100,000 for immediate needs, and a 50,000 margin – would then be a sufficient quantity of cash to have the desired impact on household livelihoods and food security. It is recommended therefore that ACF decrease the amount of the transfer per beneficiary but without dropping below the 400,000 UGX benchmark.

The bank account system used to transfer the money is not appropriate but seems to be the best of bad options[14]. The main problem with the bank account system is distance. The minimum cost for roundtrip transport to and from the closest point in Otuke to the nearest bank branch in Lira Town (over 60 kilometers away) is 12,000 UGX (6 USD). The few beneficiaries who have accessed their bank accounts since the cash disbursements have done so because they have been in town for other reasons (restocking for IGA activities, medical treatment, etc.).

A second problem with the bank account system and particularly the proposed use of ATM cards, for which 11,250,000 UGX (5,625 USD) was budgeted in the Memorandum of Understanding with Equity Bank, is the high level of illiteracy of the beneficiaries and their general unfamiliarity with technology. Although ATM cards could have made sense if an ATM was installed in Otuke as planned, clearly the right decision was made not to have the cards produced once it was clear that no ATM would be installed. At the bank branch in Lira town, beneficiaries are charged 1,500 UGX (0.75 USD) for a transaction over the counter versus 600 UGX (0.3 USD) for a transaction from the ATM if they had an ATM card. This means that the cost of producing an ATM card (7,500 UGX = 5 USD) is only worthwhile if a beneficiary is going to make 9 or more transactions with it[15]. As long as the bank is only accessible in Lira, it is estimated that less than 1% of beneficiaries will access their account this many times. In future, it is recommended to deposit the extra 7,500 UGX in beneficiary accounts and then give them the option or not of using it to make an ATM card.

Some alternatives to provide more local access to accounts exist (and were explored by ACF prior to settling with Equity Bank), but none of them are adequate for this kind of project:

VSLA's (Village Savings and Loan Associations) are informal groups of villagers (almost like a club) who agree to collect a certain amount of money from each member each week. At the end

[14] Had banking services been opened by Equity Bank in Otuke as initially planned, the bank account system would have been more appropriate.
[15] The difference in price between over-the-counter and ATM transactions is 1,500 – 600 = 900 UGX. For 8 transactions, the difference is 8 * 900 = 7,200 UGX. For 9 transactions, the difference is 9 * 900 = 8,100 UGX.

of a certain time period (e.g. a year) the money is redistributed to the members who are able to make larger purchases using their savings. Sometimes loans can be given to members as well. Although this is an interesting mechanism for promoting a savings culture (and many beneficiaries have joined), it is not appropriate for managing hundreds of thousands of dollars of cash transfers.

SACCO's (Savings and Credit Co-operatives) are rural banks being set up and supported by the Ugandan government. In some ways, the SACCO's are like regular banks, in that they hold interest-paying savings accounts and make loans with interest. However, elsewhere in the Lango sub-region they have been plagued with problems as the staff generally lack training, local leaders are often heavily involved, and loans are often given but not recovered resulting in the complete loss of many account-holders' savings. There are four registered SACCO's in Otuke, one for each sub-county. Prior to the start of the second LEARN project, ACF commissioned a viability study of the Otuke SACCO's, which concluded that ACF should avoid working with any of the SACCO's in Otuke. Only the SACCO of Okwang was reasonably active. As the key staff person of this Okwang SACCO is the son of the LC3 and a former ACF field staff implicated in corruption, it does not inspire confidence.

Money transfer using mobile phones is a rapidly growing business in Uganda. However, several problems exist with using this system for ACF's cash transfers. First, as most beneficiaries do not own mobile phones themselves, they would have to go through a friend or relative to access their cash, which would create unacceptable risks of the cash being taken and used by the friend or relative rather than the beneficiary. Second, monitoring mobile phone transfers is complicated because there is no proof that the beneficiaries received the money. Third, in order to receive the actual cash, the mobile phone customer must visit a kiosk participating in the program (such kiosks are found all over major towns in Uganda, typically selling phone air time). In ordinary times, a typical kiosk receives roughly the same amount of money from customers to be transferred as the amount of money it disburses to customers that have received transfers. However, for ACF to use such a system to transfer money to beneficiaries, there would need to be kiosks in Otuke capable of disbursing hundreds of thousands of dollars while receiving very little. The kiosks would ultimately run into the same problem as Equity Bank (having to transport very large amounts of money from Lira Town to Otuke) and would be much less prepared to handle it.

Postal transfers have been used successfully in other countries, but the absence of postal services in Otuke means that this is not an option. Similarly, credit cards with a pre-charged balance have been used to distribute cash elsewhere, but merchants in Otuke do not have credit card capabilities.

Direct cash distributions by ACF staff in the field were initially ruled out due to security concerns. In future, this option should be further explored given that there is limited added value to involving the bank. A number of measures could foreseeably be taken to minimize security and corruption risks. However, pending further investigation, this does not seem to be a feasible option at present.

The only viable alternative for the time-being, therefore, seems to be to continue to work with commercial banks based in Lira town. Now that Otuke has become a district, it is more likely that commercial banks will consider offering services locally sometime in the coming 5 years, whether in the form of a point-of-sales device, a regular visit by a mobile banking unit, a fixed ATM, or even a full branch. ACF should continue to advocate and push for this, particularly with its current partner Equity Bank, although the reality is that ACF may have very little leverage in the matter.

As long as banking services are not available in Otuke, ACF's approach should be to regard the use of Equity Bank purely as a money transfer mechanism, and emphasis should be placed on minimizing the cost and getting the maximum amount of cash into the hands of the beneficiaries.

In particular, beneficiaries who are not planning to go to Lira town to access their bank accounts need to be encouraged to withdraw all remaining balance from their accounts during the final disbursement. During this project, Equity Bank apparently instructed beneficiaries to leave 10,000 UGX (5 USD) in their accounts to "keep them active," although it seems to have no rules on minimum account balances. In total for the 1,500 beneficiaries, this means that some 15,000,000 UGX (7,500 USD) was retained in accounts after the disbursements. Although some beneficiaries are aware of this and a few have withdrawn the amount from their accounts in Lira town, most of the beneficiaries interviewed during the evaluation said that they did not know how much money was left in their account and that they did not plan to ever visit the bank in Lira town, indicating that the bulk of this withheld money may never reach the beneficiaries.

ACF's relationship with Equity Bank is fairly unusual. Because Equity Bank was unwilling to engage in a legally binding contract with penalties with ACF, a Memorandum of Understanding was signed. A careful reading of the Memorandum of Understanding reveals that Equity Bank fulfilled very few of its obligations, including most notably the installation of an ATM in Orum, the distribution of ATM cards, and the provision of account monitoring data and reports to ACF. In addition, it charged an additional 2,000 UGX (1 USD) per transfer to beneficiary accounts that was not mentioned in the MoU, for a total of 6,000,000 UGX (3,000 USD) for the two transfers to the 1,500 accounts.

ACF should consider pushing Equity Bank to sign a contract with penalties or conditions in future to increase its leverage in case of problems. However, it is important to keep in mind that Equity Bank may in fact be making a net loss on the partnership with ACF, largely due to the fact that so few beneficiaries have made transactions with their accounts other than the withdrawals made during the cash disbursements. In addition, the cost of transporting the cash to the field (including police escort and an expensive insurance policy with A.I.G.) is significant. Equity Bank is still very interested in collaborating with ACF largely because it sees the project as a way of spreading its name and reputation to Otuke, which may translate in the future into more customers. It also sees the project as in line with its mission and history in East Africa of bringing banking services to the poor. Nevertheless, the fact that it is most likely losing money on the project means that ACF may need to be cautious about pushing too hard in future for strict contract conditions and penalties.

It was suggested by both Acacia/MISR and the Royal Norwegian Embassy that ACF consider working with groups of beneficiaries rather than individual households in future. Both of the other LEARN partners (ACTED and Food for the Hungry) are working with IGA groups. An approach that has apparently worked well for them has been to work with mixed groups of EVIs and non-EVIs so that non-EVIs can assist and encourage EVIs in their work.

The evidence from this project indicates that the choice to work with individuals was appropriate for several reasons. First, the remote rural context of Otuke where access to markets is expensive and difficult means that large-scale group enterprises would face significant constraints as compared to individual households who invested in strengthening their traditional livelihoods of livestock rearing and crop production. Second, social networks in Otuke remain quite strong despite being disrupted by the conflict, so EVIs who needed help in their activities were able to find it, often through extended family. Third, beneficiaries did not hesitate to form spontaneous groups and pool their assets when it was beneficial to do so. A very common example is three beneficiaries who each bought either an ox or an ox-plough forming a group to make a complete team for animal traction. Evidence from IGA projects around the world shows that group IGAs who receive cash or kits as a group and are expected to work as a group are frequently plagued with disputes over asset ownership and free rider problems, and many eventually fall apart. Individual IGA activities tend to be significantly more sustainable because they avoid these problems and there is a greater sense of ownership of the activities. Spontaneous groups like the animal traction groups where each beneficiary owns a certain asset and contributes it for group work are much more likely to succeed than groups that receive, own, and manage assets collectively. ACF should continue targeting individuals rather than groups for future cash transfer projects in Otuke.

Training of beneficiaries (both general training and specific training related to selected activities) was a major component of the project. For the purposes of this evaluation, the quality of the trainings was assessed based on a review of training guides and discussions with beneficiaries. Most beneficiaries seemed satisfied with the trainings and considered them an important part of the project. However, it seems that perhaps too much time was spent training in a lecture format with written notes to an audience including many illiterate people who for the most part retained relatively little of the information and put even less of it into practice. Presented with a lot of new information, beneficiaries tended to focus on or remember only the most basic messages. For example, one beneficiary said that the most important thing she learned in the training was that it is not wise to tell anyone if you are planning to go to make a withdrawal of money or carry a large sum of money with you to the market.

Training sessions could be made more appropriate by focusing on a few key concepts or messages and using more practical examples and hands-on demonstrations. A single new concept put into practice is worth more than a hundred presented and forgotten.

Training is not the highest priority part of the project since the aim of the project is to enable people to restart activities they were already doing prior to the conflict, which presumably they already know how to do fairly well. As a result, expensive and time-consuming demonstration gardens or model storage facilities are not worthwhile. But hands-on interactive activities, like using a pair of oxen purchased by beneficiaries to demonstrate different ploughing techniques, visiting a local livestock market with the beneficiaries to discuss how best to select goats, etc. can be extremely valuable and promote real uptake and application of best practices.

Relevance / Appropriateness

Lessons Learned

- One of the main advantages of cash transfers in the eyes of beneficiaries is that they are more transparent than in-kind distributions.

- Cash transfers are well-suited to a recovery context, but they are less conducive to technical training and in particular the introduction of new practices, since people are generally risk averse and tend to avoid investing their own money in new activities that they know little about.

- Cash transfers are not likely to cause general price inflation in an open economy with interlinked markets that can respond to changes of demand. However, flash inflation in local markets before surprised traders have a chance to adjust can have a significant impact on the prices of goods immediately after cash disbursement.

Recommendations

- Intensive market monitoring should be done in local markets immediately before, during, and after cash disbursement to better understand flash inflation and how its effects can be mitigated.

- Information sharing should be prioritized to minimize flash inflation. Beneficiaries should be sensitized about the risk of flash inflation and encouraged to investigate prices before making purchases. Traders should be informed as much as possible so that they can ensure adequate supplies.

- The amount of the cash transfer should be reduced to make it more appropriate. However, in order to be relevant, the amount should remain at least 400,000 UGX.

- ATM cards should not be systematically purchased by ACF. Instead, the money for the ATM cards should be deposited in the accounts of beneficiaries, who should then be given the choice of paying to have an ATM card or not.

- ACF should continue to use the bank account system, but only because it is the least-problematic means of getting cash to the beneficiaries. Less emphasis should be placed on encouraging beneficiaries to use and maintain their bank accounts after the cash transfers. Beneficiaries should be encouraged to withdraw all funds from their accounts during the final disbursement if they are not planning to use their accounts again.

- ACF should continue targeting individuals rather than groups for future cash transfer projects in Otuke.

- Training should focus on a few key messages and incorporate more practical demonstrations and hands-on activities.

D. Coverage

The first choice made in terms of coverage of the project was to target Otuke County. The selection of Otuke was a good one. Within the Lango sub-region, Otuke was by far the area most affected by both the Karamajong raids and the LRA conflict. It is also the most remote area of the sub-region, meaning that government services are less available and NGO's have been less active (with the notable exception of ACF, which has worked in Otuke continuously since 2004). It would have been worthwhile to consider implementing the project in parts of the Acholi sub-region, where the effects of the LRA conflict were even more severe. However, given that the other LEARN NGO partners (ACTED and Food for the Hungry) implemented the project in the Acholi sub-region and the fact that there is generally a larger NGO presence there, the choice of ACF to focus on Lango seems reasonable.

The baseline survey conducted by Acacia/MISR concluded that the LEARN beneficiaries in Otuke were significantly more vulnerable than those targeted by ACTED and Food for the Hungry in the Acholi sub-region. As compared to the beneficiaries of the other two NGO's in the Acholi sub-region, ACF's beneficiaries in Otuke included the highest percentage of people who had never gone to school (43%); the highest percentage of elderly, widows, and female-headed households; the highest percentage of returnee households (99%); the least amount of agricultural production per household (90 kg); the least average amount of livestock owned per household (0.85 animals); the least amount of reported average household monthly cash income (8,000 UGX); and the highest number of months in a year that households do not have enough food (2.76 months). These differences could indicate that Otuke is generally more vulnerable than the areas in Acholi where the LEARN project was implemented, but they are more likely due to differences in targeting, since the other two NGO's did not necessarily target the most vulnerable households. Regardless of the reasons, the data support the fact that ACF succeeded in targeting highly vulnerable returnee households with fragile livelihoods and significant food insecurity.

The second major choice in terms of coverage of the project was the selection of villages. Otuke County is divided into four sub-counties (Adwari, Okwang, Orum, and Olilim)[16], which are each then further sub-divided into 6-7 parishes. Each parish typically contains 10 or more villages, with a typical village containing 30-60 households. In total, there are 281 villages in 23 parishes in Otuke.

[16] A fifth sub-county, Ogor, was carved out of the existing sub-counties in early 2010, after the end of the LEARN-1 project.

Admissions data from the ACF nutrition centers was used to first select the 2-3 most vulnerable parishes in each sub-county and to then select the most vulnerable 3-5 villages in each parish. However, because accurate population data was not available at the time of village selection, the number of admissions (rather than percentages) was used, which may have skewed the selection towards the more populous villages (such as Adwari and Olilim trading centers, which were both included). The final village list was adjusted to consolidate geographically and to better coincide with villages where the water, sanitation, and hygiene (WASH) program was working. In total, 34 villages in 9 parishes were selected.

The net result of this village selection approach was an inappropriate and ineffective "Swiss cheese" style coverage of Otuke. Villages in Otuke do not differ a great deal in their vulnerability, and highly vulnerable households can be found in every village. However, although the selected villages were scattered all over Otuke county, only 34 of the 281 villages were included, and in each of those villages up to 80% of the overall population was covered by the project. Meanwhile, the large distances between the selected villages made monitoring and supervision difficult.

A more rational approach would have been to target 1-2 sub-counties in the LEARN-1 project and to cover a larger number of parishes and villages within those sub-counties and a smaller number of households in each village. Particularly given the pilot nature of the project, restricting the geographical spread could have greatly facilitated project implementation and monitoring while still reaching equally vulnerable households and minimizing the risk of animosity from neighboring villages that were not covered.

The overall number of beneficiary households (1,500) is relatively small for a project of this size. The number of beneficiaries is of course dependent on the budget line for cash to beneficiaries (which will be discussed in the efficiency section of this report) and the size of the grant per household. Although the size of the grant should be determined by relevance / appropriateness concerns rather than by coverage concerns, *it is worth noting that were the size of the grant reduced to 400,000 UGX as recommended in the relevance / appropriateness section the number of beneficiaries could be increased by 43% to 2,138*[17].

Within the selected villages, the targeting of beneficiaries seems to have been for the most part well done. An exception is in a few villages where initial lists developed at community meetings were later modified by local leaders and field staff to include non-vulnerable households who had perhaps offered bribes to be included on the list (this issue will be discussed in further detail in the effectiveness section of this report). Other than these cases, most beneficiaries satisfied the selection criteria developed by ACF as part of the project proposal. All beneficiaries encountered during the evaluation were either disabled, elderly, chronically ill, female heads of household, or households with a large number of dependents or a child who had previously been admitted to a feeding center.

The selection criteria themselves, however, could be improved. During the LEARN-1 project, it is clear that there was a bit too much of a focus on finding people that fit into certain categories (e.g. "widow," "HIV," "disabled," etc.) with less emphasis placed on the overall food security and livelihood situation of the household. As a result, some less vulnerable households who had a member fitting into one of the categories made it onto the list, while some more vulnerable households who didn't fit into the categories did not.

It should be remembered that the principle objective of the project is not necessarily the empowerment of extremely vulnerable *individuals* like the disabled kiosk owner in Adwari or the butcher in Olilim to become economically productive (though this could be a side benefit), but

[17] 570,000 UGX * 1,500 beneficiaries = 855,000,000 UGX; 855,000,000 UGX / 400,000 UGX = 2,138 beneficiaries.

rather the strengthening of the food security and livelihoods of vulnerable *households.* It is therefore recommended that more emphasis be given in the selection process to livelihood considerations (e.g. access to land, livestock ownership) at a household level. The presence of disabled, chronically ill, or other extremely vulnerable individuals in a household should be taken into account, but only with respect to its impact on the household's livelihood situation (e.g. less labor available, more mouths to feed, etc.).

It is of course much easier to stand in front of an assembled village and say that ACF is looking for certain clearly-defined categories of individuals rather than talking about household food insecurity, which depends on many factors and is defined on a sliding scale. One way to overcome this problem is to involve the village itself in discussing and defining the things that make households more or less vulnerable or food secure. The ACF team has already shifted towards a participatory approach more focused on household economics than EVI categories during the LEARN-2 project. This experience should be capitalized on and used in developing targeting criteria for future interventions.

The overall goal should be to cover households who are in a "food insecurity trap," as conceptualized in the graph in Figure 5, which has household food security (income, production, and assets) on the y-axis and time on the x-axis.

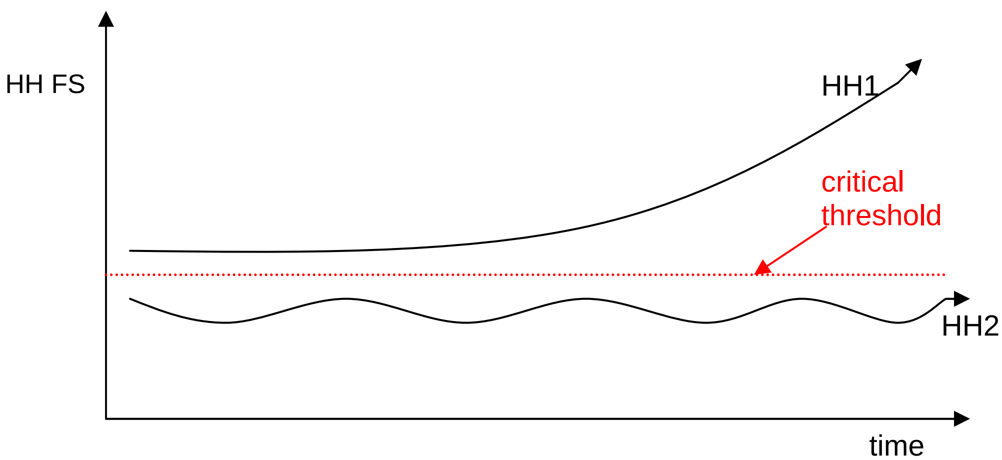

Figure 5. The food insecurity trap.

Given the favorable livelihood conditions in Otuke, a household with enough initial income, production, and assets (here exemplified by HH1) will improve its food security over time as it climbs the livestock capitalization ladder and increasingly cultivates profitable, capital-intensive cash crops like rice. However, households like HH2 who fall below an initial critical threshold of food security have insufficient income, production, and assets to grow because all available resources are used to cover the household's immediate needs. It is these households, who have fallen below the critical threshold as a result of the conflict, that should be the priority beneficiaries for the project. Cash transfers can boost these households over the critical threshold and get them to the point where they can continue improving their food security and livelihoods on their own.

How can this critical threshold be characterized? It is perhaps dangerous to characterize it too precisely due to the different factors affecting the situation of different households (e.g. the number of dependents, the relative burden of school fees and medical bills, etc.). However, based on the results of the project, it could be estimated that the ownership of 4 goats (which is equivalent to approximately 160,000 UGX or 80 USD) is sufficient to put a typical household over the critical threshold. Further investigation of this hypothesis and characterization of the critical threshold could be done by the ACF team in future.

The proposed additional monitoring of LEARN-1 beneficiaries after the harvest at the end of 2010 could provide a useful perspective on whether the LEARN-1 grants did in fact push households beyond the critical threshold. In addition to data on harvest quantities and livestock numbers, beneficiaries should be asked straight-forward questions about their plans for 2011 such as "Do you expect to produce less/the same/more in 2011 than in 2010?" and "Do you expect to have less/the same/more animals at the end of 2011 than you have now?" A household who at the end of 2010 has increased their harvest over 2009, increased their number of livestock over the number they had immediately after using the cash transfers, and plans to produce more and multiply still more their livestock in 2011 can be considered to have definitevely passed the critical threshold of food security. Quantitative scoring should be complemented with qualitative information, which could be collected from a much smaller percentage of beneficiaries and should focus on future plans and prospects for continued growth, in addition to causes of constraints and reasons for lack of growth for those households who seem not to have passed the threshold.

Coverage

Recommendations

- In future projects, covering more villages in a smaller geographic area of operation should be considered to facilitate implementation and monitoring and reduce the risk of animosity between villages.

- The number of beneficiaries per village should be reduced from the 50-80% targeted in this project.

- Selection criteria should focus more on the household livelihood situation and less on the presence of certain categories of extremely vulnerable individuals in the household.

- The participatory selection process being used in LEARN-2 should be capitalized on to help define a critical threshold of food security that could guide targeting in future projects.

E. Coherence / Coordination

Internal coherence and coordination with the two other ACF technical departments (WASH and Nutrition) was mostly limited to the selection of villages and beneficiaries. Villages were selected based on nutrition center admissions data and households whose children had been admitted previously to nutrition centers were prioritized for inclusion on beneficiary lists. Some effort was made to adjust the final selection of villages to include more villages where the WASH program was also working to promote synergies between the projects. ACF food security and livelihoods field staff helped the WASH program to spearhead some health initiatives in the villages where both programs were working.

The ACF nutrition program in Lira is now closed. If it were still open, it would be worthwhile to follow admissions rates from LEARN-1 villages, particularly after this year's harvest, when the first impact on household nutritional status will be felt.

Increased internal coordination with the ACF WASH program, on the other hand, is possible, and the potential synergies between the two programs seem underexploited. The current ACF WASH project in Lira includes boreholes installed with treadle pumps for irrigation and the promotion and facilitation of productive uses of water, such as for tree planting and nursery beds. The WASH program seems to have the capacity to intervene to support cash transfer beneficiaries in any livelihood activity where a particular need of water or water management becomes apparent, such as water for livestock during the dry season, swampland management for rice cultivation, vegetable gardening, etc.

In terms of external coherence with other actors in Otuke and the Lango sub-region, there do not seem to have been any significant problems during the project, especially since ACF is one of the only actors working in Otuke. However, it is important to note that in general NGO's and other actors in Northern Uganda are shifting away from a relief approach and towards a development approach. This means that actors are starting to shift away from distributing aid and are focusing more on things like capacity building, training, and microfinance. ACF should be attentive to these trends if it considers it relevant to continue with cash transfer projects in the future. For example, the provision of "free" cash transfers in an area could undermine the efforts of a local microfinance institution to find clients for micro-loans. This is not an issue at all in the current context in Otuke but could become one in future.

Local authorities at sub-county level and below are in general quite knowledgeable about the cash transfer project although they have not been much involved. Many have been aware of ACF and its activities since 2004. In the words of one LC3, "We know that ACF likes to implement its projects itself directly with the beneficiaries, and that's okay with us." Local authorities provided the initial alert regarding corruption problems during the project and can be a very valuable source of information in this regard. They could also be helpful in informing and organizing traders in advance to limit flash inflation. It is recommended that ACF cooperate more closely with local authorities in these two areas. Care must be taken not to implicate them too much in the project, however, as they can be a source of corruption problems themselves.

At district level (both for Lira District to which Otuke County used to belong and for the new Otuke District), officials are significantly less aware of ACF's cash transfer project. This is not due to a lack of effort on the part of ACF but more due to the fact that coordination mechanisms established during the emergency period have started to break down. Rather than spending more effort chasing district officials around to try to keep them informed, it is recommended to periodically write and send a brief activity report in the form of an official letter to the appropriate officials at district and sub-county level. This could be done when relevant but at a minimum should be done at the end of each project.

Within the LEARN project consortium, coordination got off to a slow start but has picked up in recent months, particularly since ACF proposed a monthly coordination meeting between the three LEARN implementing organizations. Ironically, the involvement of the independent monitoring organization, Acacia, which was tasked with facilitating coordination among the partners, seems to have actually discouraged it, as the three implementing organizations did not take much initiative on something seen as "Acacia's responsibility." During the second LEARN project, coordination has increased as the three partners are now responsible for the monitoring and evaluation of the project, so they have met together to develop common tools, etc. In future it is recommended (and in fact has already been discussed among the partners) to make exchange visits between the different organizations to learn about the different approaches taken by each organization. The lessons learned by ACTED and Food for the Hungry, who have both been working more with SACCO's and VSLA's, may be particularly useful for ACF.

At the national level, the Food Security and Agricultural Livelihoods cluster has organized monthly coordination meetings since 2004 co-chaired by FAO and WFP. The cluster is now in the process of being handed over to the government, where it will become a sector support group chaired by the Ministry of Agriculture, Animal Industries, and Fisheries (MAAIF). ACF attends the monthly meetings in Kampala.

Output 3 of both of ACF's LEARN-1 project is "documented and disseminated research into process and impact of cash transfer programming in Lira District." To date ACF has done significant amount of research (baseline and final surveys in conjunction with Acacia/MISR, Brasesco's study, Creti's study, this evaluation) but has done little to disseminate the results. In some cases, this was partly due to ownership issues of data and reports, particularly those in which Acacia was involved. However, these issues should be overcome. In talking to other food security and livelihoods actors in Uganda it is clear that there is a lot of curiosity and interest in cash-based interventions, particularly in the unconditional cash transfer approach used by ACF in this project. Given the significant advantages of the use of unconditional cash transfers and the mostly successful experience to date of ACF in Otuke, *there is a clear opportunity for technical advocacy.* ACF should aggressively pursue opportunities to share information about the results of this project and the lessons learned from it with other food security and livelihoods actors in Uganda. This could include a presentation at the national sector support group meeting, dissemination of a condensed document with information about the project, etc. and could be done in conjunction with the other LEARN partners and the Royal Norwegian Embassy or independently. Apparently, there are other organizations (such as AVSI in Gulu, WFP in Karamoja) who are also experimenting with similar projects. Linkages and information sharing should be strengthened. If there is enough interest, a one-day conference on cash transfers could be organized in Kampala.

Coherence / Coordination

Recommendations

- Local authorities at sub-county level and below should be involved more systematically in reporting and investigating corruption problems and in informing and mobilizing traders to prevent flash inflation.

- Letters summarizing the activities and results of the project should be sent to relevant authorities when appropriate.

- Exchange visits between the three LEARN implementing organizations should be organized to share lessons learned and discuss differences in approaches.

- Opportunities for technical advocacy on cash transfers should be aggressively pursued given the strong interest shown by other actors and the mostly positive and well documented experience of ACF in Otuke.

F. Effectiveness

One of the most important indicators of the effectiveness of the implementation of a project is timeliness. This project was behind schedule right from the outset and the team never managed to catch up to the activity workplan. The initial proposal submitted to the Royal Norwegian Embassy in October 2008 proposed a timeframe of implementation of January – December 2009. The proposal indicated a planned first disbursement of funds in May 2009, which would have allowed beneficiaries plenty of time to use the cash for the second planting season, which begins in late June. However, presumably due to delays on the side of the donor the timeframe was pushed back a month to February 2009 – January 2010, and the contract was only signed on February 18, 2009, which made it difficult to begin implementation before that date.

The ACF implementation team describes the first few months of the project as very rushed as the team scrambled to make up for the lost time so as to make the first round of cash transfers in time for the second season. As a result, not enough time was spent on training of field staff, who were sent quickly to the field and then not supervised closely during beneficiary selection and household action planning since the office staff was busy trying to organize the cash disbursements. This ultimately contributed to some of the problems of corruption of field staff that occurred later in the project.

Another significant cause of the delay of the project was the protracted negotiations with the bank and then the time spent waiting for it to fulfil its obligations. It is understandable that the bank – a private company with a long-term perspective and way of doing things – did not have the kind of quick turn-around time hoped for by ACF, which is driven by short-term project cycles and seems to operate under a constant cloud of urgency. Finalizing a Memorandum of Understanding with a bank in late May and expecting it to have an ATM machine operational in Otuke within a month was clearly not realistic on the part of ACF. The lesson learned is that financial institutions – which play such a critical role in cash transfer projects – need to be assessed and negotiated with as early as possible, even during the needs assessment and proposal writing.

Ultimately, the disbursement of cash was made in the field in late July and early August, which is generally too late in the season for planting, although a few beneficiaries (like Beneficiary E above) still used some of the cash for second season crop production, with poor results. Fortunately, as mentioned in the impact section, the fungibility of cash allowed beneficiaries to use it to invest in other assets (e.g. goats) which could be reconverted into cash to purchase agricultural inputs the following year, so the impact of the project was delayed rather than being reduced.

By the end of August, ACF management became aware of significant allegations of corruption on the part of ACF field staff and local authorities (particularly the LC1's at village level). Once the management team was informed of these allegations, the response was swift and effective. An investigation was mounted, field staff were suspended, and ultimately 12 field staff were dismissed.

To some extent, the corruption had its origins in the local culture, in which someone who receives something should give a token of appreciation to anyone who helped him receive it. In one documented case in Adwari sub-county, a group of beneficiaries offered 800,000 UGX (400 USD) that they had collected to an ACF field staff, who refused the money and advised them to put it to good use. However, other field staff did not hesitate to accept such gifts and even to demand them from beneficiaries. "I fought hard to get you on the list, so now you need to give me my share," was a common line. Field staff also threatened beneficiaries that if they did not give money or if they failed to keep quiet about the extortion they would be removed from the list for the second disbursement.

Gifts were also given to (or perhaps extorted by) LC1's, who had been involved in the mobilization and beneficiary selection from the beginning of the project. In addition, some LC1's had charged 10,000 UGX (5 USD) – more than 20 times the normal cost – for issuing the stamped letters of introduction that were needed by beneficiaries to open the bank accounts. In some villages, the LC1's and ACF field staff seem to have connived to change beneficiary lists after the community nomination process to include the LC1, relatives of the LC1, or even local businessmen or salaried employees (like teachers), who likely agreed to pay a kickback after the disbursement in exchange for being put on the list.

Other more creative mechanisms of extortion were also used by ACF field staff, exploiting the fact that they were the only link between ACF and the community. In Okwang sub-county, an ACF field staff visited all of his beneficiaries who had purchased livestock together with a local farmer masquerading as a veterinarian. He told the beneficiaries that ACF had sent him to treat each animal for a fee of 3-4,000 UGX (1.5-2 USD). In total, he collected at least 1.4 million UGX (700 USD) from beneficiaries for treatments that seem to have been faked.

Despite measures taken by ACF following the corruption investigation, beneficiaries encountered during this evaluation in Orum sub-county described extortion by ACF field staff *even after the second disbursement.* Again, amounts ranging from 1,000 UGX to 100,000 UGX were extorted from beneficiaries for "my share" using threats of deleting them from the beneficiary list for any future disbursements. When one beneficiary told the field staff that she had already spent all the money, the staff picked up one of her chickens and walked off with it.

At the end of the project, ACF decided not to renew the contracts of any of the field staff and to start afresh with new staff for the LEARN-2 project. However, *even after their contracts with ACF were over, field staff returned to the villages to extort additional money from beneficiaries.* In February 2010, after the end of the LEARN-1 project, a former ACF field staff assembled the LEARN-1 beneficiaries from Rodagulu village in Orum sub-county and told them that ACF was going to give a third disbursement but that first they needed to get their photos taken. Beneficiaries paid 6,000 UGX (3 USD) each to a photographer who was accompanying the former ACF staff. When ACF found out about the matter, they advised the beneficiaries to report it to the local police, who ultimately arrested and imprisoned one of the persons involved.

Management, supervision, monitoring, and control mechanisms were all clearly highly ineffective for such widespread corruption of ACF field staff to take place. The lesson learned (which should not be surprising) is that cash transfers are highly conducive to corruption, particularly by the staff who have the most contact with the beneficiaries, as well as by the local authorities. ACF as an organization is much more used to in-kind distributions, where corruption risks are in the office with the procurement officer and/or program officers involved in making procurement decisions. ACF has relatively strong internal procedures and checks and balances to limit such corruption. However, with cash transfers, the risk shifts from the more senior office staff to the more junior staff out in the field. ACF was not prepared to deal with this “new” type of corruption risk associated with cash transfers and could only respond once corruption had already taken place.

What measures could be put in place to limit the risk of corruption in future cash transfer projects? LEARN-1 field staff were able to get away with what they did only because they were the only contact point that beneficiaries had with ACF. The same field staff introduced the project to the communities, oversaw the selection of beneficiaries, conducted the monitoring and evaluation surveys, and conducted the trainings. Most beneficiaries had no other contact with anyone from ACF, and the field staff were only rarely monitored by their supervisors from the office. Here are some recommendations to avoid this situation and limit the risk of corruption in future, many of which have already been implemented by ACF for the LEARN-2 project:

-The project should be presented and the beneficiaries selected by a team of ACF field and office staff.

- Field staff should not be assigned to villages until after beneficiary selection has taken place.

- If feasible, field staff should rotate regularly so that beneficiaries are not just dealing with a single staff person for the duration of the project.

- Beneficiaries should be advised from the beginning not to offer gifts to ACF staff or local leaders because the cash is meant to benefit them and their livelihoods.

- Beneficiaries should be told that ACF will never ask them for money or ask them to pay for a service. Should any ACF staff do so, beneficiaries should immediately notify their local leaders and the ACF office.

- Beneficiaries and local leaders should be given contact telephone numbers for multiple ACF management staff and encouraged to contact ACF in case of any irregularities.

- An independent monitoring and evaluation team should be established. When doing post-disbursement monitoring, the team should systematically ask every beneficiary interviewed whether they were asked for or gave money to any ACF staff or local leader.

- Regular field visits should be made by ACF office staff (including management and coordination level staff). Office staff should alternate going to different areas and monitoring the activities of different field staff in addition to conducting random interviews with beneficiaries and local leaders not in the presence of the field staff.

- Extortion of money should be treated as a criminal act and (in addition to administrative sanctions from ACF) should be reported to the police.

- Whenever any ACF staff involved with the project is fired or has his or her contract not renewed, the relevant beneficiary communities should be informed.

- An end-of-project sensitization should be systematically done with beneficiaries and local leaders so that former staff cannot come back later to use their influence to extort money.

One of the factors that increased the risk of corruption is that the cash was given in two transfers rather than one. If the cash were given in a single transfer and beneficiaries understood that no future transfers would be made, field staff would have very little leverage to use to extort money from beneficiaries as they would have nothing to threaten them with.

There are several other disadvantages to splitting the transfer in two. A second disadvantage was discussed in the sustainability section of this report – that the second transfer raises beneficiary expectations for continued support in future. A third disadvantage is the extra logistical, transaction, and monitoring costs involved in making a second transfer. Only considering the bank fees – 2,000 UGX to transfer money into each beneficiary account and 1,500 UGX for beneficiaries to make a withdrawal – amounts to 5,250,000 UGX (2,125 USD) extra costs for a second transfer. Finally, a fourth – and perhaps the most important – disadvantage is that the first of two transfers may not be enough money to purchase the assets needed by beneficiaries. In particular, the first transfer of the LEARN-1 project was not enough to buy a bull, so beneficiaries who wanted to buy a bull had to save some of the money from the first transfer and then buy the bull after receiving the second transfer. Practically, this meant that bulls could only be trained and used for the second season of 2010, whereas if they had been purchased after the first disbursement they could have been trained in time to use them during the first season of 2010. Thus, impact on household diet and nutritional status was delayed even further by giving two transfers rather than one.

One of the main reasons why two transfers were given rather than one was to introduce some degree of conditionality into the cash transfer project. Households who "misused" the first disbursement were struck from the list and did not receive the second disbursement. The second transfer was held out as a reward or incentive to encourage beneficiaries to spend their money wisely. However, it is clear from the results of the second disbursement, which 100% of households invested in productive assets even though there was no reward of a third disbursement, that *beneficiaries do not need to be coerced to get them to invest in productive assets that will improve their livelihoods.* It is also clear that it is not difficult to lie about the use of money if receiving a second transfer is conditional on how the first one is used. In one case in Olilim sub-county, a beneficiary collected all of her neighbors' chickens and told ACF monitors that she had spent the cash to buy 200 chickens when she had actually spent it for something else entirely (which is still not clear). Rather than acting like police and running the risk of collecting false data, why not give beneficiaries the chance to use the money as they wish for what they consider most helpful to them? Truly unconditional cash transfers are likely to have an even greater impact than partly conditional ones.

A second and more compelling reason to consider maintaining the system of two disbursements is to reduce the amount of money beneficiaries have on them at a given time, thereby limiting security risks for beneficiaries and reducing flash inflation in local markets. However, if other recommendations in this report are implemented, including information sharing to reduce flash inflation and the reduction of the overall size of the cash transfers to 400,000 UGX (200 USD) per beneficiary, these concerns will be partly addressed[18]. Another viable option that would further help with this issue would be to make a single transfer of the full amount into beneficiaries' accounts but then to arrange two trips of Equity Bank to the field to disburse cash, spaced several months apart. Beneficiaries could then decide how much they wanted to withdraw right away knowing that they would have another chance to withdraw the balance at a later date. Those beneficiaries who wanted to buy a bull would likely withdraw all of the money at the first opportunity, while others who were concerned about security or flash inflation might decide to withdraw only a partial amount at first and the rest later. Whether this option is taken should be based on discussions with beneficiaries as it is quite likely that almost all would choose to withdraw all of the cash right away, in which case arranging for a second trip to the field by Equity Bank would not be worth it.

All told, the disadvantages of making two cash transfers outweigh the advantages, so it is recommended that in future projects one single transfer should be made rather than two.

Monitoring was a substantial component of the project and one that consumed a lot of time of both the office and field staff. In general, the monitoring of the project was very inefficient and somewhat ineffective. Sample sizes, in particular, were much larger than necessary and created a lot of extra work both for those collecting the data and for those entering it and analyzing it. 521 beneficiaries (35%) were interviewed for the baseline survey, 144 more than the number required by Acacia. For the first post-disbursement monitoring, 1,353 beneficiaries were interviewed, each with a questionnaire of 67 questions! By the second post-disbursement monitoring, the team had started to realize that such large sample sizes were just creating additional unnecessary work and the sample size was reduced to 250 (17% of beneficiaries), which is still relatively high.

Despite the lengthy and detailed questionnaires, key indicators and important pieces of information were often left out or overlooked. For example, although lengthy post-disbursement monitoring reports were written for each disbursement, there is no data or analysis on how individual households used the total combined amount of the cash transfers. An example of a typical question that arises when looking at the impact of the project is: *What percentage of households bought at least one goat using the cash transfers and how many goats did the average household buy?* What data is available to answer this question? In the first PDM report, the only data is the total amount of the first transfer spent on livestock. In the Excel database, one can find that 820 of the 1,353 respondents reported buying goats (61%) but there is no information on the number of goats purchased, just the amount of money spent. In the second PDM report, there is data on the total money of the second transfer spent on goats and the percentage of animals purchased that were goats. In the Excel database, there is finally some of the information desired: 31% of households purchased goats, and of those who did the average number purchased was 2.7. However, this is just for the second disbursement. It is unknown whether these households were among the households who purchased goats in the first disbursement, and since the first PDM did not provide data on the average number of goats purchased, none of the original question can be answered. This is surprising given how much information was collected during the monitoring and how basic and important this question is to understanding the impact of the project on the livelihoods of the beneficiaries.

The market survey is another example of a large amount of time and effort put into monitoring for very little information that was actually used. Market prices were monitored twice a month in 6 markets and graphs of seasonal fluctuations of market prices were made. The price data did not capture the effects of the cash transfers in terms of flash inflation because the flash lasted less than the two week interval of market monitoring. In addition, the prices collected for bulls and goats are significantly higher than the prices actually paid by beneficiaries, indicating either that the survey was conducted on high quality animals outside of beneficiaries' price range or that

[18] A single transfer of 400,000 UGX would only be 20% more than the second transfer of 320,000 UGX given during the LEARN 1 project, so its impact on local markets would be roughly equivalent.

vendors quoted inflated "first prices" to ACF monitors who did not probe further. The relevance of the market survey could be improved by conducting intensive market monitoring before and after cash disbursements, working with beneficiaries to identify the quality of goods they purchase and the bargaining techniques they use, and providing feedback to beneficiaries prior to disbursement on prices in different markets and seasonal fluctuations so that they can make better informed purchases.

Acacia was responsible for a significant amount of the monitoring and evaluation of this project, most notably the baseline and final surveys. Although it is understandable that the Royal Norwegian Embassy would want to engage an independent monitoring organization to hold the implementing organizations accountable and synthesize the information coming from each of them, Acacia's involvement in the project ultimately seems to have had a negative added value. The quality of the baseline and final surveys was relatively poor and failed to measure some indicators or provide sufficient analysis. The attempt to synthesize and compare the three very different projects generally caused more confusion than clarification. Finally, the difficulty in getting access to Acacia's data ultimately made evaluation by ACF more difficult than it would have been had ACF done the work itself. These factors are likely behind the decision of the Royal Norwegian Embassy not to use an independent monitoring organization for the LEARN-2 projects.

The facts that Acacia is no longer involved in the LEARN project monitoring and that ACF has recruited a monitoring and evaluation officer provide opportunities to come up with a much more rational, streamlined, useful monitoring system. In particular, it should be kept in mind that monitoring should never be done for monitoring's sake. Before designing a questionnaire, it is often helpful to first make a list of the target information that one wants to find out. Once the list is made, questions can be designed to collect each piece of information. It is often preferable to limit the number of questions and the length of the form so as to encourage accurate data collection by monitors. A form of 10 well-designed questions can yield much more relevant information than a form of 100 poorly-designed ones. Monitoring reports should be structured based on the list of target information rather than the questions on the form.

This evaluation was one part of the monitoring and evaluation of the project. It was important and worthwhile to do an external evaluation like this one given the novelty of the cash transfer approach. However, it is also important to involve the field teams in the evaluation of their own actions. ACF international has developed a useful self evaluation tool for use by the mission teams to evaluate their own projects against the standard DAC criteria. The self evaluation generally takes three full working days and should involve as much of the team that worked on the project as possible. This tool could be used at the end of the LEARN-2 project, since it may not be worthwhile to do another external evaluation so shortly after this one.

The results of any monitoring and evaluation that is done for the project should be systematically disseminated internally, particularly with the implementation team. It was surprising to observe that key local staff were not aware of the results and recommendations of the studies done by Brasesco and Creti, even though they had participated in the data collection for these studies. Ideally, whenever a major monitoring and evaluation report is finalized, the results and recommendations should be presented to and discussed with the entire Lira food security and livelihoods team, perhaps during the monthly team meetings. This will help maximize uptake of recommendations and improvements in implementation, in addition to increasing the staff's feeling of ownership of the project, making problems like corruption or absenteeism less likely.

Effectiveness

Lessons Learned

- Financial institutions are key partners in cash transfer projects. They should be assessed, selected, and involved in the project as early as possible to prevent delays and misunderstandings.

- Cash transfer projects are high-risk projects for corruption, particularly among staff who have the most contact with beneficiaries, and among local authorities. While ACF has strong procedures to limit the risk of corruption in procurement for in-kind programs, it did not have strong controls in place to limit corruption of staff at field level.

- Splitting the cash into two separate transfers can cause delays in purchases of expensive assets for which the first transfer is not enough and lead to increased opportunities for corruption.

Recommendations

- Mechanisms should be put in place to limit the risk of corruption by field staff, including sensitizing beneficiaries more about ACF's approach and the risks of corruption, multiplying beneficiary contact with ACF, limiting the links between a single staff person and a particular village, establishing an independent monitoring team, and increasing the frequency of field visits by office staff.

- Cash should be transferred in a single instalment rather than in two separate instalments. A second trip to the field by Equity Bank could still be made if significant numbers of beneficiaries prefer not to withdraw the full amount all at once.

- The monitoring system should be redesigned to make it more streamlined and useful. Post-disbursement monitoring should provide more information on the use of the total grant at household level. Market surveys should target more the types and quality of goods planned to be purchased by beneficiaries, and data should be fed back to beneficiaries prior to disbursement to help them make informed purchases.

- Results and recommendations of major monitoring and evaluation exercises should be systematically shared and discussed with the implementation team in the field.

G. Efficiency

One of the major advantages of cash-based interventions is that they tend to be more efficient than in-kind distributions. Implementing organizations tend to have significantly less support costs, especially in terms of procurement and transport, enabling them to increase the percentage of the budget that goes directly to beneficiaries. This project was no exception.

It is important to take a closer look at this apparent efficiency gain as in some contexts it is possible that the logistics costs are just transferred to the beneficiaries, who end up paying higher prices for goods for two main reasons. First, either traders have to transport the goods from town to remote local markets or beneficiaries have to pay to go themselves to buy the goods from the markets in town. Second, the efficiency gains of purchasing in bulk are also lost when thousands of beneficiaries are each making small individual purchases.

However, the bulk of the evidence from this project indicates that beneficiaries actually paid significantly less for the items they purchased than ACF would have. Both reasons for paying more ended up being reasons for paying less. First, the types of items purchased by beneficiaries ended up being cheaper in local rural markets than in town because they are produced there. This is true for livestock, local seeds, and staple food items – which represented well over 80% of purchases. Had ACF purchased these items for beneficiaries, it would have paid double for transport – once in the form of a higher price paid to the supplier to collect the items and transport them to town and again for the transport of the items to the field for distribution. Second, the prices paid by individual beneficiaries bargaining hard for each single item they purchased seem to have been less than the prices ACF would have paid for the items purchased in bulk in large tender procedures with suppliers in Lira town. Goats are again an illustrative example. According to ACF market survey data, the price of goats in Lira town averaged 62,000 UGX (31 USD) in 2009, while the average price in Otuke was approximately 50,000 UGX (25 USD) and the average reported price paid by beneficiaries during the second disbursement (even with flash inflation) was less than 45,000 UGX (22.5 USD). Thus, even before including the transportation cost ACF would have incurred to distribute the goats in the field, *beneficiaries paid 27% less for their goats than ACF would have had it bought them in Lira town*[19]*.* In this case then, cash transfers provided a double efficiency gain – more money was budgeted for beneficiaries and that money was used more efficiently enabling the purchase of more items.

It is important to note, however, that the overall percentage of the budget used for cash for beneficiaries – 39% of the planned budget and 45% of the budget actually spent – seems relatively low. It is important that cash transfer projects be held to a different standard than conventional projects like in-kind distributions so as to preserve the efficiency gains, which are one of the main reasons for adopting the cash transfer approach. It is easy when designing a budget for a cash transfer project to forget about this and budget part of the savings for additional support costs that would not have been included on a conventional budget.

It is recommended that ACF develop internal standards for the percentage of the overall budget of cash transfer projects that should be budgeted on the "cash for beneficiaries" line. Although the evaluator lacks sufficient data from similar projects to propose a standard benchmark, it seems that a minimum of 50% might be appropriate. This percentage should be used to evaluate the efficiency of cash transfer projects. During project design and implementation, every effort should be made to maximize this percentage.

In the case of this project, several budget lines could obviously have been reduced. 30,500 USD was budgeted for monitoring and evaluation, for example, when most monitoring and evaluation was carried out by ACF staff funded on the staff budget lines. A significant amount of this money was allocated for logistical support from the regional office in Nairobi, which is surprising given the extremely low burden on logistics of a cash transfer project. 4,000 USD was budgeted for visibility for a project financed by a donor who prefers low visibility (ACF was unaware of the donor's visibility policy at the time of proposal writing). Much of this money was spent for signposts in the field – at 120,000 UGX (60 USD) each – which were largely unnecessary.

It is normal to make small budgeting mistakes in a new kind of project being financed by a new donor. The important thing now is to correct these mistakes. Every staff person involved in the project – from field level to headquarters level – should be made aware that the goal of the project is to maximize the amount of money transferred directly to beneficiaries (without sacrificing the quality of the implementation and follow-up).

Efficiency

Lessons Learned

- When most items purchased by beneficiaries are produced locally, cash transfers can bring substantial efficiency gains, even when beneficiaries live in remote areas far from major markets.

Recommendations

- ACF should develop internal standards for the minimum percentage of the overall budget of

[19] (62,000 UGX – 45,000 UGX) / 62,000 UGX = 27%

cash transfer projects that should be budgeted on the "cash for beneficiaries" line. Every effort should be made to increase this percentage as much as possible so as to maximize the impact of the efficiency gains of using cash.

- Budget lines for monitoring and evaluation and for visibility are among those that should be reduced in future projects.

H. Project Research Hypotheses

One of the objectives of the evaluation was to evaluate the evidence concerning the three project research hypotheses:

Hypothesis 1. Cash transfers work better/more sustainably than in-kind programmes (e.g. agro/IGA kits) due to more involvement in decision making and empowerment for the participants.

This hypothesis is generally supported by the evidence from this project. The impact of cash transfer projects can be substantially larger than that of in-kind or voucher-based projects because beneficiaries are free to choose how best to spend the money at the time when it is transferred. Even the best needs assessment cannot do as good a job of deciding what is best for beneficiaries as the beneficiaries themselves, especially as needs may change between the time of the assessment and the distribution. It is also clear that due to the diversity of needs in a late recovery context, *cash transfers work better by allowing greater flexibility in terms of the items purchased*.

There is a definite sense of empowerment among beneficiaries, particularly those that were too weak or disabled to engage in productive activities before the project but are now able to thanks to the influx of capital (see the examples of Beneficiary A, Beneficiary C, and Beneficiary D above). However, it is not clear whether this sense of empowerment is greater than what it would have been had these beneficiaries received an in-kind distribution of the items that they bought. It is also not clear to what extent this feeling of empowerment increased the impact or sustainability of the project.

Thus, although parts of Hypothesis 1 are directly supported by the evidence from the project, other parts are not clear. What can be concluded is that "cash transfers can have a greater impact than in-kind projects due to more involvement in decision making for the participants and greater flexibility in terms of the items purchased."

Given ACF's history of intervention in Otuke, further exploration of this hypothesis could be done by following up with some of the previous beneficiaries of the in-kind and voucher-based projects. To maximize comparability, this follow-up should focus on the most recent beneficiaries of these other types of interventions (i.e. from 2008) and could potentially include households who received livestock through livestock fairs and those who received IGA kits, comparing them directly to households who purchased livestock or started small businesses with the cash transfers of LEARN-1.

Hypothesis 2. Cash transfers facilitate work with EVIs, due to additional flexibility to cover immediate and longer term needs, and hence EVI households are able to evolve and develop, as they do not have to jeopardize immediate needs over longer term investment and skill transfer.

This hypothesis is supported by the evidence from this project. Virtually all households spent part of the cash transfer on immediate household needs and part on investments in productive assets. Based on the post-disbursement monitoring data, 22% of the first transfer and 11% of the second transfer were used to cover immediate needs, with the remainder used for investments in productive assets. In total, the average household spent 480,000 UGX (240 USD, 84% of the total grant) on productive assets and 90,000 UGX (45 USD, 16% of the total grant) on immediate needs. Over half of the money spent on immediate needs was spent on food (54%), with smaller percentages going to medical bills (11%), school fees (9%), household items (7%), debt repayment (4%), and others[20].

It is important to note that although for the purpose of these calculations goats are considered to be productive assets, goats are typically multiplied and then sold as needed to cover major expenditures. For example, a goat might be sold when a household member falls sick and needs money for medical bills, at the start of a new school term when fees are due, or in the planting season to buy agricultural inputs. The conversion of a significant portion of the cash transfers (26% of the total amount) into goats means that additional flexibility to cover both immediate and long term needs will be available to beneficiaries in future.

An example of a particularly vulnerable household who was able to evolve and develop is included in Box 4 below.

Box 4. The Courage to Push on

Beneficiary F is an HIV-positive widow from Alumeni village in Okwang sub-county. She has 5 children, at least one of whom also has HIV. Beneficiary F has no access to land, because when her husband left her and she returned home her extended family refused to give her land to use. Since her return home, she has survived by burning charcoal and selling it to buy food. With the two cash transfers, Beneficiary F was able to purchase 9 goats and a bicycle. She uses the bicycle to take her HIV positive child to Lira town (a distance of over 60 kilometers) to get treatment when his condition deteriorates. She plans to use the goats (which have multiplied already to 14) to pay for medical treatment when needed and to start rice cultivation. This year, she sold one goat to hire a team of oxen to plough land that she had borrowed from her uncle's son to plant rice. However, when her uncle found out, he came and chased her off the land, saying that she couldn't use it.

Beneficiary F converted most of the cash she received into goats, which like cash are relatively flexible assets. Now she is able to use the goats both to cover immediate household needs (medical bills, supplemental food) and to invest in longer-term livelihood projects (in this case, the failed investment in rice production). Eventually, if the goats continue to increase, Beneficiary F will be able to sell enough of them to rent land, hire a team of oxen, and buy the inputs for rice cultivation, which is highly profitable. One day she may even decide to purchase her own oxen and ox-plough. Her case provides a good example of how fragile the livelihoods of households can be and how the flexibility of cash increases the likelihood of the project having a positive impact in the long term.

<u>Hypothesis 3.</u> Cash transfers can have a measurable impact on the nutritional and dietary status of the participating households.

This hypothesis is not yet supported by the evidence from this project. As discussed in the impact section of this report, cash transfers did not have a measurable impact on the nutritional and dietary status of most participating households during the timeframe of the project because most

[20] More details on the use of the cash transfers can be found in the figures in Annex 2.

beneficiaries invested most of their cash in long-term productive assets. The household dietary diversity score (HDDS) actually decreased slightly from 3.26 to 3.1 from the baseline to final survey, although this decrease was largely due to a puzzling drop in the percentage of households consuming fruit (from 85% to 20%), which may be due to changes in the classification methodology used. It is predicted, however, that the investments made by beneficiaries will start having a measurable impact on nutritional and dietary status by the end of 2010, roughly one year after the end of the project. The proposed additional monitoring of LEARN-1 beneficiaries after the harvest in 2010 could be used to try to capture some of this impact. In order to do so, care must be taken to use the same indicators and same methodology as the LEARN-1 baseline survey in order to generate data that is comparable. In general, the level and the timeframe of the impact on household nutritional and dietary status depends on how the cash transfers are used and therefore is difficult to predict.

V. CONCLUSION

This project was successful. It had a significant and sustainable impact on highly vulnerable returnee households who were able to restart their livelihoods, although there is definitely room for improvement in future.

The *impact* of the project varied from household to household depending on how the cash transfer was spent. Most households invested in livestock, accelerating their recapitalization process after the conflict. Livestock ownership increased dramatically as did access to animal traction, which will have a positive impact on crop production and ultimately on household diet and nutritional status. However, this impact will be felt at the earliest in December 2010, almost one year after the end of the project. The project also had a significant secondary impact on non-beneficiaries, particularly medium-sized farmers and small traders from whom beneficiaries bought goats and other items.

The impact of the project is very *sustainable*, mostly due to the fact that so many beneficiaries chose to invest in long-term productive assets. However, ACF should take additional measures (described in the sustainability section of this report) to encourage the sustainability of beneficiary activities.

The use of cash transfers was very *appropriate* in the current recovery context of Otuke, where household needs differ and markets are active and integrated. However, the problem of flash inflation following cash disbursements needs to be addressed as it seems to have substantially decreased beneficiary purchasing power. The size of the grant is a bit too large to be appropriate and should be reduced in future. The bank account system used was also not appropriate, although it is the best available option for delivering the cash. The appropriateness of training sessions should be improved by focusing on fewer concepts and including more practical demonstrations.

The choice of Otuke County was a good one and the beneficiaries selected were highly vulnerable. The village selection process should be improved with the goal of covering more villages in a smaller geographical area. Beneficiary selection should be adapted to focus more on household economic vulnerability rather than on categories of vulnerable individuals. *Coherence* and *coordination* were generally satisfactory although there are opportunities to be more proactive on sharing information about the project, both with local authorities and with food security and livelihoods stakeholders at national level.

Although ACF accomplished what it set out to do in the project, there were significant problems of timeliness and corruption, which need to be addressed in future. The choice of splitting the cash transfer in two was also not effective and should be reconsidered. An impressive amount of monitoring was done, but the lack of useful data indicates that improvements need to be made.

Cash transfers proved to be much more *efficient* than in-kind distributions but care needs to be taken to ensure that such efficiency gains are maximized by increasing the percentage of the budget designated as cash for beneficiaries.

The lessons learned from the project and recommendations for the future, which have been presented and discussed throughout this report, are presented again in summarized lists in the two sections below.

VI. LESSONS LEARNED

- The impact of unconditional cash transfers can be significantly larger than comparable in-kind or voucher projects because beneficiaries are free to choose what is best for them to spend the cash on at the time it is received.

- The use of cash minimizes the negative effects of a distribution done out of sync with the seasonal calendar, as beneficiaries can convert the cash into other assets like livestock (or save it in their accounts) to be used when the time is right.

- The impact of unconditional cash transfers can be difficult to predict, and the level and timeframe of the impact can vary from beneficiary to beneficiary based on how the cash is used.

- Depending on the nature of the investments made by beneficiaries, unconditional cash transfers can have little or no measurable impact on household diet and nutritional status within a one-year project cycle.

- Due to the uncertain impact, precise project indicators can be difficult to devise and achieve.

- Cash transfers can have significant secondary benefits for non-beneficiaries and the local economy.

- Multiple cash transfers can create expectations of continued support in future.

- Even highly vulnerable households will use cash transfers to invest in long-term productive assets.

- One of the main advantages of cash transfers in the eyes of beneficiaries is that they are more transparent than in-kind distributions.

- Cash transfers are well-suited to a recovery context, but they are less conducive to technical training and in particular the introduction of new practices, since people are generally risk averse and tend to avoid investing their own money in new activities that they know little about.

- Cash transfers are not likely to cause general price inflation in an open economy with interlinked markets that can respond to changes of demand. However, flash inflation in local markets before surprised traders have a chance to adjust can have a significant impact on the prices of goods immediately after cash disbursement.

- Financial institutions are key partners in cash transfer projects. They should be assessed, selected, and involved in the project as early as possible to prevent delays and misunderstandings.

- Cash transfer projects are high-risk projects for corruption, particularly among staff who have the most contact with beneficiaries, and among local authorities. While ACF has strong procedures to limit the risk of corruption in procurement for in-kind programs, it did not have strong controls in place to limit corruption of staff at field level.

- Splitting the cash into two separate transfers can cause delays in purchases of expensive assets for which the first transfer is not enough and lead to increased opportunities for corruption.

- When most items purchased by beneficiaries are produced locally, cash transfers can bring substantial efficiency gains, even when beneficiaries live in remote areas far from major markets.

VII. RECOMMENDATIONS

- An additional final monitoring of LEARN-1 beneficiaries should be conducted after the 2010 harvest to gather more information on the long-term impact of the project, particularly on household diet and nutritional status.

- The timeframe of the project should be adjusted so as to better coincide with the agricultural seasons and maximize the impact measurable before the end of the project. An 18-month project timeframe would be ideal, but in case of donor constraints, alternatives such as continuing monitoring after the project is finished or identifying beneficiaries before the project starts should be considered.

- The logical framework of the project needs improvement. Specific recommendations for changes in the outputs and indicators have been made in the text.

- Careful sensitization should be done on the amount of cash and the number of transfers to be expected at the beginning of the project. Sensitization should also be done at the end of the project to ensure that beneficiaries do not expect or plan for additional transfers.

- A single household action plan should be made for the full amount of cash to be transferred during the duration of the project rather than separate household action plans for separate transfers.

- The household action plan should be adapted to include long-term strategies and goals for the proposed activities.

- The concept of depreciation should be introduced in the training sessions to encourage beneficiaries to plan for the replacement of their assets.

- Presentations and discussions with successful past project participants should be introduced into training sessions for new beneficiaries.

- Additional time should be allocated for follow-up of beneficiaries after disbursement.

- Intensive market monitoring should be done in local markets immediately before, during, and after cash disbursement to better understand flash inflation and how its effects can be mitigated.

- Information sharing should be prioritized to minimize flash inflation. Beneficiaries should be sensitized about the risk of flash inflation and encouraged to investigate prices before making purchases. Traders should be informed as much as possible so that they can ensure adequate supplies.

- The amount of the cash transfer should be reduced to make it more appropriate. However, in order to be relevant, the amount should remain at least 400,000 UGX.

- ATM cards should not be systematically purchased by ACF. Instead, the money for the ATM cards should be deposited in the accounts of beneficiaries, who should then be given the choice of paying to have an ATM card or not.

- ACF should continue to use the bank account system, but only because it is the least-problematic means of getting cash to the beneficiaries. Less emphasis should be placed on encouraging beneficiaries to use and maintain their bank accounts after the cash transfers. Beneficiaries should be encouraged to withdraw all funds from their accounts during the final disbursement if they are not planning to use their accounts again.

- ACF should continue targeting individuals rather than groups for future cash transfer projects in Otuke.

- Training should focus on a few key messages and incorporate more practical demonstrations and hands-on activities.

- In future projects, covering more villages in a smaller geographic area of operation should be considered to facilitate implementation and monitoring and reduce the risk of animosity between villages.

- The number of beneficiaries per village should be reduced from the 50-80% targeted in this project.

- Selection criteria should focus more on the household livelihood situation and less on the presence of certain categories of extremely vulnerable individuals in the household.

- The participatory selection process being used in LEARN-2 should be capitalized on to help define a critical threshold of food security that could guide targeting in future projects.

- Local authorities at sub-county level and below should be involved more systematically in reporting and investigating corruption problems and in informing and mobilizing traders to prevent flash inflation.

- Letters summarizing the activities and results of the project should be sent to relevant authorities when appropriate.

- Exchange visits between the three LEARN implementing organizations should be organized to share lessons learned and discuss differences in approaches.

- Opportunities for technical advocacy on cash transfers should be aggressively pursued given the strong interest shown by other actors and the mostly positive and well documented experience of ACF in Otuke.

- Mechanisms should be put in place to limit the risk of corruption by field staff, including sensitizing beneficiaries more about ACF's approach and the risks of corruption, multiplying beneficiary contact with ACF, limiting the links between a single staff person and a particular village, establishing an independent monitoring team, and increasing the frequency of field visits by office staff.

- Cash should be transferred in a single instalment rather than in two separate instalments. A second trip to the field by Equity Bank could still be made if significant numbers of beneficiaries prefer not to withdraw the full amount all at once.

- The monitoring system should be redesigned to make it more streamlined and useful. Post-disbursement monitoring should provide more information on the use of the total grant at household level. Market surveys should target more the types and quality of goods planned to be purchased by beneficiaries, and data should be fed back to beneficiaries prior to disbursement to help them make informed purchases.

- Results and recommendations of major monitoring and evaluation exercises should be systematically shared and discussed with the implementation team in the field.

- ACF should develop internal standards for the minimum percentage of the overall budget of cash transfer projects that should be budgeted on the "cash for beneficiaries" line. Every effort should be made to increase this percentage as much as possible so as to maximize the impact of the efficiency gains of using cash.

- Budget lines for monitoring and evaluation and for visibility are among those that should be reduced in future projects.

Annex 1. Sample Household Action Plan

RNE PARTICIPANTS HOUSEHOLD ACTION PLAN

1. Geographic Data

1.1.Name of participant EBAL SIMON PETER

1.2. Village	1.3. Parish	1.3. Sub county
ACWIKO	OMITO	ADWARI

2. Need assessment (Fund Utilisation Plan)

2.1. Most pressing need	SICKNESS	
2.2. Long term need / Enterprise	Eg IGA AGRIC	2.3. Specify: Eg GOATS

2.4.Existing resources / Knowledge	2.5 Existing Gaps.[Material/Knowledge	2.6.Estimated cost	2.7. Actual cost
Clearing grazing site		15000=	
Goats House		20,000=	
Sub-total		35,000=	
	4 Goats	180.000=	
	Vet Services	10.000=	
	Spraying Pump	8.000=	
	Deworming	5.000=	
	Permits	5.000=	
	Food	10.000=	
GRAND TOTAL		253.000=	

3.Implementation plan

Key Tasks/ Action step/ Activity	Time line	Resources .	Responsibilities	Follow up remarks/ observations
Clearing grazing site	2nd week-oct	Labour	Self	
Constructing goats house	2nd week-oct	Labour	Self	
Market Survey	3rd week-oct	Bicycle	Self	
Buying	3rd week-oct	Money	ACF	
Deworming	4th week-oct	(Drugs)	Self	
Training	Throughout	Tech.person	ACF	
Keeping records	Through out	Book / Pen	Self	

Annex 2. Use of Cash Transfers

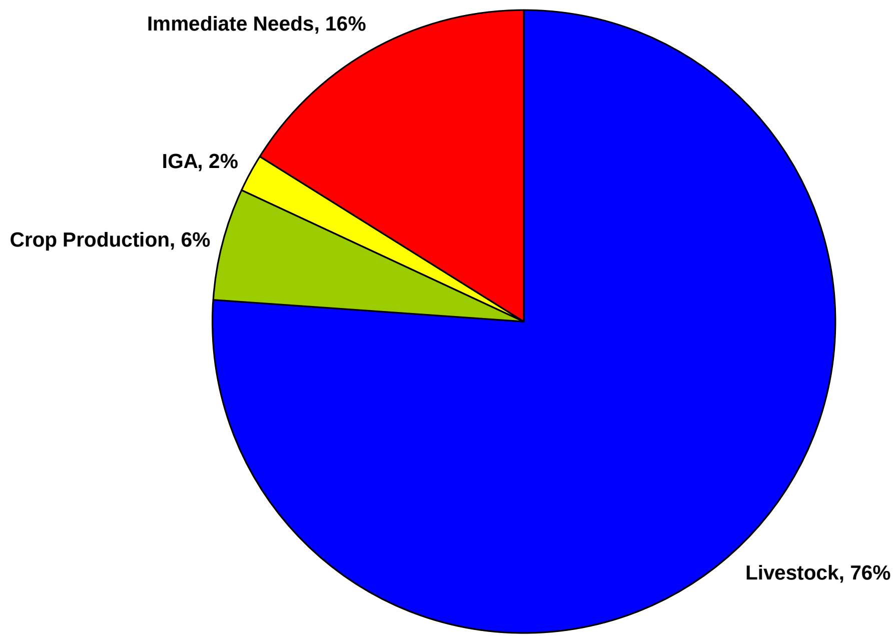

Figure 6. Use of total cash transfers by category.

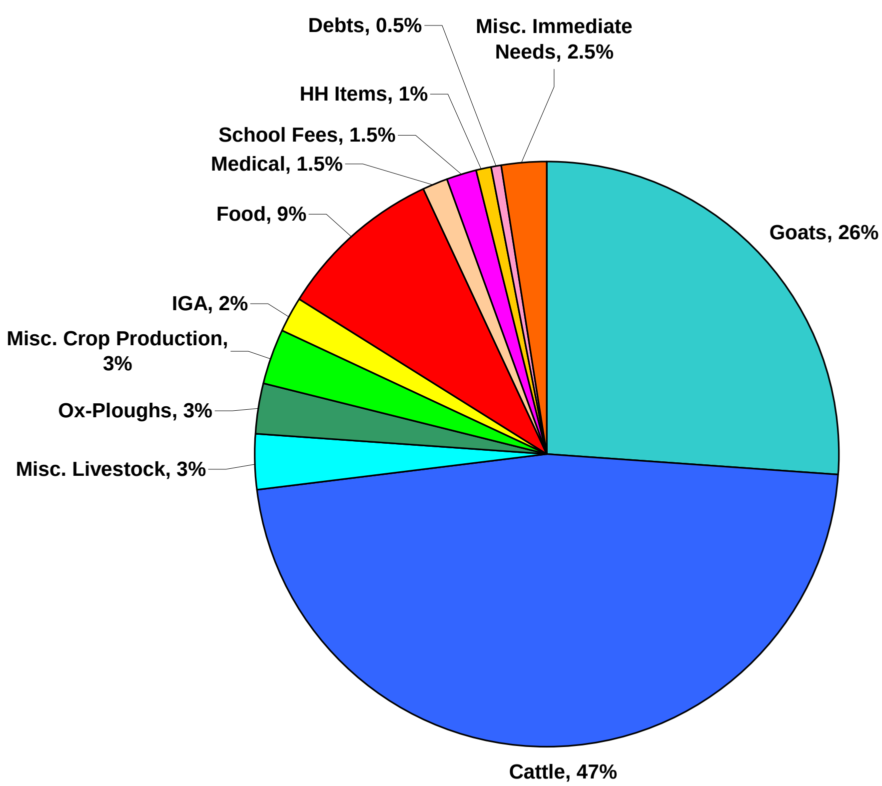

Figure 7. Use of total cash transfers (details).