The
1.5 Billion
People
Question
Food, Vouchers,
or Cash Transfers?
Why looking at food?

- No social protection system is entirely cash-based: food assistance is often a large component

- Programs are improving

- They increasingly share implementation platforms with cash-based safety nets

- These traits tend to appear in different country contexts
“America’s Harvest Box”

“USDA Food Box” proposed to cut abuse of SNAP

Trump Administration Wants To Decide What Food SNAP Recipients Will Get

The ‘Blue Apron’ SNAP proposal showcases the worst of the Trump administration

Food Assistance Advocates Wary of SNAP Food Box Proposal Price

Trump’s ‘Harvest Box’ Isn’t Viable in SNAP Overhaul, Officials Say

Food boxes, not stamps? Idea in Trump budget worries grocers
Some pragmatic, underexplored questions

• How did food subsidy programs evolve over time? What’s their “direction of travel”?

• What innovations are emerging from their practical implementation?

• What ingredients may shape performance?

Presentation largely framed on insights on these questions
Covering only a slice of the food pie

... but a sizable one
These operate within an ecosystem of informal provisions

- About 57M on food banks/pantries in higher-income contexts
  - 540,000 people/year in DC metropolitan area

- Range of semi-formal models
  - Finland’s MDP (CAP 1996)
  - Brazil’s restaurante popular (two meals/day for $0.5, GoB pays another $2)
# Case studies

<table>
<thead>
<tr>
<th>Program(s)</th>
<th>Egypt</th>
<th>India</th>
<th>Indonesia</th>
<th>Mexico</th>
<th>Sri Lanka</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ration cards (RC)</td>
<td>Targeted Public</td>
<td>Raskin (now Rastra)</td>
<td>PAL (Programa de Apoyo</td>
<td>Samurdhi Food Stamp Program</td>
<td>SNAP (&quot;Food Stamp&quot;)</td>
<td></td>
</tr>
<tr>
<td>and baladi bread</td>
<td>Distribution System</td>
<td></td>
<td>Alimentario)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year of introduction</td>
<td>1941</td>
<td>1943</td>
<td>1998</td>
<td>2003</td>
<td>1995 (with roots in 1942)</td>
<td>1964 (with origins in 1939)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coverage as % of population</td>
<td>90% (Baladi: 82.2 M;</td>
<td>67% (about 800 M people)</td>
<td>24% (62 M people)</td>
<td>2.5% (2.8 M people)</td>
<td>16.8% (or 3.4 M people)</td>
<td>14% (45.8 M people)</td>
</tr>
<tr>
<td></td>
<td>RC: 71 M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost as % of GDP</td>
<td>1.3% ($2.2 B) (59.8%</td>
<td>0.4% ($7 B) (53% of SA</td>
<td>0.2% ($1.5 B) (43.1% of SA</td>
<td>0.03% (7% of Prospera budget)</td>
<td>0.17% ($102.9 M)</td>
<td>0.47% of GDP ($79.9 B) (13% of</td>
</tr>
<tr>
<td></td>
<td>of SA budget)</td>
<td>budget)</td>
<td>budget)</td>
<td></td>
<td></td>
<td>budget for major federal SA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>programs)</td>
</tr>
</tbody>
</table>

= 336 years

= 1 billion people

= $90.8 B
<table>
<thead>
<tr>
<th>Generalized</th>
<th>Targeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food price subsidies</td>
<td>Food transfers</td>
</tr>
<tr>
<td>EG</td>
<td>Vouchers</td>
</tr>
<tr>
<td></td>
<td>Cash transfers</td>
</tr>
</tbody>
</table>
Egypt

• Before 2014: reforms at the margin
  • Food vouchers attempted in 1977 (dismissed after assassination of Sadat)

• After 2014 (Port Said pilot):
  • From subsidizing inputs to outputs = wheat flour to bakeries used to be subsidized. Now they purchase it at market price and sell BB loaves at agreed price (GoE pays the difference)
  • Automation of transaction (all bakeries should have bank account, +25,000 included)
  • Integration of programs: points/credits for not consuming BB (max 5 loaves/day) onto consuming on 100+ commodities throughout the month in RC
  • New public chain (My Cooperative) of 14,000 retail shops
  • Upgraded storage: concrete, ventilation for 30-40% of facilities, that wasted 11% of domestic wheat
Stylized trajectory of examined programs

- Generalized
  - Food price subsidies
  - Food transfers
- Targeted
  - Vouchers
  - Cash transfers

- IND
- EG
India

• 1940-50s: wartime measure and 1st scale-up due (weather shocks + low food prices)

• 1960-70s: FCI created for food self-sufficiency, 2nd scale-up (high food prices)

• 1980-90s: structural reforms and PDS scale-back

• 2000s: 3rd scale-up (rights), NFSA in 2013
Stylized trajectory of examined programs

- Food price subsidies
- Food transfers
- Vouchers
- Cash transfers

Generalized
- IND
- IDS

Targeted

EG
Indonesia

- 1960s: BULOG creation for price stability. No safety net for consumers
- 1990s: Special Market Operation, then converted into Raskin
- 2000s: policy of high domestic food prices
- 2017-2020: towards vouchers
Generalized Targeted

Food price subsidies Food transfers Vouchers Cash transfers

Stylized trajectory of examined programs

IND EG IDS US
United States

- 1930s-60: pilot, interruption, and return with JFK

- 1960s-70s: purchase requirement, massive expansion

- 1980s and 1990s: scale-back

- 2000s: exponential surge
Stylized trajectory of examined programs

Generalized

- IND

- SL

Targeted

- IDS

- EG

- US

Food price subsidies

Food transfers

Vouchers

Cash transfers
Sri Lanka

- 1940-50s: universal subsidy
- 1960s: benefits cut by half, but provided for free
- 1970s: targeting and food became vouchers
- 1995: vouchers plus cash (Samurdhi)
- 2012: cash only
Stylized trajectory of examined programs

Generalized

Food price subsidies  Food transfers  Vouchers  Cash transfers

Targeted

Food transfers  Vouchers  Cash transfers

ME  IND  EG  US  SL
Mexico

• 1990s: 15 generalized food subsidy programs (from 1938) replaced by a conditional cash transfer (*PROGRESA*)

• Early 2000s: unconditional food transfer (PAL)

• Late 2000s: unconditional food and cash

• 2013: food became voucher (*Sinhambre*)

• 2016: *Prospera* = CCT + UCT + vouchers
1. What are we learning from main evolution pathways?
(i) From generalized to targeted approaches

• Trade, price risk management, and agricultural origins of measures
  • Walking a tightrope between high/stable food price for farmers and low prices/transfers for the poor (or consumers more widely): subsidies as wedge among those aims (Indonesia, India)
  • Political economy of food reforms more complex and systemic than cash programs

• Some twinned food subsidy with wider energy reforms
  • Iran, Morocco

• Generalized food programs became more targeted during economic crises
  • India and Mexico in 1990s

• Structural transformation
  • Urban origins of programs (India; 1950s-60s Egypt’s food subsidies financing industrialization to provide accessible food to urban consumers)
  • Transformation and changes in commercial food retailing: vouchers increasingly used in supermarkets (US 82% of SNAP)
Sri Lanka’s transformation and food subsidies, 1960-2015

- Food subsidies (% coverage, left axis)
- Agriculture (% GDP, right axis)
(ii) Growing emphasis on social protection objectives

- Mix of objectives and actors still largely there, but bulging institutional convergence toward social protection
  - Mexico (PAL from Diconsa to Prospera in 2016), Philippines (NFA and DSWD)

- Administrative platforms now serving both food and cash-based programs
  - Indonesia: ‘Social protection card’ to access to Rastra + cash and education programs; since 2012, Rastra’s targeting metrics aligned with those of Unified Database for social protection
  - Egypt: the CCT Takaful automatically ensures eligibility for the food subsidy program
(iii) General move towards cash, but gradually

• In 2017, Pantawid beneficiaries received P600 in lieu of rice subsidy (links commenced in 2011)

• Use of vouchers as an intermediate step
  • US, Mexico, and possibly Indonesia

• Countries have maintained an overall, portfolio-wide combination of in-kind and cash
  • SNAP, Triposha, PAL

• Mere switch to cash does not automatically translate into better programs
  • Even under Sri Lanka’s ‘complete’ shift
2. What are we learning from existing performance?
(i) We now have more rigorous evidence on comparative performance

“The big reason poor people are poor is because they don’t have enough money. (...) So let’s abandon in-kind transfers and just give money to those we should help out.”

(Charles Kenny)

“The economist’s traditional, normative dictum on benefits in-kind may be analytically elegant (...) but practically dead wrong.”

(Uwe Reinhardt)
(i) We now have more rigorous evidence on comparative performance

- Long empirical tradition in exploring the “cash-out puzzle” in SNAP
  - “… virtually every study finds that food stamps increase household nutrient availability at 2 to 10 times the rate of a like value of cash transfers”

- 14 experiments in 11 developing countries comparing modalities (= objectives, context, IE framework)

- Small-scale trials... but highly influential (both national social assistance and humanitarian spheres)

- Finding #1: on average, impacts of cash and food on food security are similar...
<table>
<thead>
<tr>
<th>Country</th>
<th>Transfers Provided</th>
<th>More Effective Modality</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>Cash, food</td>
<td>Food</td>
<td>Gentilini (2016a, 2016b)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>Cash, vouchers</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td>Cash, food</td>
<td>Vouchers, Food</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Cash, food</td>
<td>Food, Vouchers</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>Cash, food</td>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Niger</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Niger**</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td>Cash, food</td>
<td>Cash, Food</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Gentilini (2016a, 2016b)
Some explanations

- Food markets
  - Level of integration of local markets and elasticity to respond to cash injections (e.g., Zambia)
  - But views can differ (DRC/fairs)
  - Expectations on price dynamics and plan food purchases accordingly (e.g., buy food in bulk in Niger)

- Benefit structure
  - Size of transfers and whether that exceeds normal consumption patterns (i.e., extra-marginal’ transfers)
  - Composition of food baskets (which may vary from 1 to a dozen commodities)
  - Predictability, distribution frequency, and overall duration of the program
  - Accompanying measures (e.g., people may have moral obligation to use transfers for their intended food consumption purpose)

- Profile of beneficiaries
  - Calories consumed (e.g., in-kind food being more effective when initial calories are low, with 2 % points decline in impact every 100kcal)
  - Preferences tend to vary by season, gender, and program performance (e.g., in India).
(i) Rigorous evidence on comparative performance

- **Finding #2**: cash and vouchers are 13-23% cheaper than food, with some rare exceptions

- **Bottom line**: effectiveness hinges on several factors, like profile of beneficiaries, program design features (e.g., food basket; timing; frequency, etc.), food markets and prices, economies of scale in procurement, etc.)
(ii) Considerable implementation improvements

- Indonesia
  - Between 2002 and 2014, the share of households in the bottom 10% that received Rastra soared from 60 to 72%
  - More user-friendly distribution, rice bags provided with a capacity aligned with the household entitlement quantity (15 kg)

- Egypt
  - Baladi coverage grew from 56 to 82.2 M people, with bread from a ‘first come, first served’ basis to a smartcard pre-registration
  - From subsidizing inputs to outputs reduced violations (underweight/specification of loaves: 37k to 12k; 45k to 14k in 2015)
  - Waiting time for beneficiaries decreased from ‘several hours’ to less than 15 minutes
  - Bulging evidence of dietary diversification (+30%)
(ii) Considerable implementation improvements

- United States
  - Highly countercyclical: between 2008 and 2012, about 2/3 of beneficiaries exited within 2 years, almost half re-entered within 1 year
  - Targeting: 85% of eligible beneficiaries participate in a typical month
  - Admin cost of 8%
  - Economic multiplier of 1.79
  - 261,000 commercial retail stores
  - State-level innovations
Performance trajectory of TPDS in India, 2005-2012

Source: Bhattacharya, Falcao, and Puri (forthcoming)
• Leakages reduction
  • India: from 55% to 38%
  • Bihar from 92.9% to 29.1%
  • Chhattisgarh from 51.8% to 1.5%

• Trade-offs: Bihar expanded coverage and reduced entitlement
  - Reduced quota of grains from 35kg to 25kg
  - Increased coverage of poorest HHs (BPL) from 6.5M to 13.5M
(iii) Significant challenges remain

• Targeting
  • In Chhattisgarh itself, exclusion errors almost zeroed, while inclusion errors are at 22.1%
  • In Indonesia, the planned number of Rastra HHs is 15.5M; in 2014, actuals were 33.4 M HHs
  • In Sri Lanka, in 1995/96 about 2/3 of those in the bottom 40% benefited, in 2012/13 only 36% of those in the bottom 10% did so; value of transfers eroded by inflation

• Benefit provision
  • Rastra recipients only receive about 1/3 of their entitlement: ‘missing rice’, extra costs incurred by beneficiaries, inadequate info and awareness about the program, inferior quality of rice, cash payments by beneficiaries with manual, on-site disbursements…
  • In Egypt, beneficiaries experienced shortages of commodities, e.g., of cooking oil among 1/3 of total groceries (July-December 2015). Similar accounts from the US

• Potential, but largely untapped linkages to nutrition agenda
3. What ingredients may shape performance?
(i) Planning and preparedness matters

• Well-devised communication strategy
  • Iran’s 2011 reform: 50% in cash transfers (compensation before announcement, withdrawal after)

• Gradually-paced reform steps
  • In 2010, Morocco’s public opinion polls to gauge key messages; 3 phased-reform

• Assessment and monitoring of food markets and prices
  • Local adaptations (e.g., US programs for Native Americans) and India (e.g., Tamil Nadu vs Bihar)
  • Measure ‘functioning’ markets
  • Fears of inflation (and distrust in government to handle it) as major reason why people sometimes prefer in-kind food (India, Ethiopia)
(ii) Have nuts and bolts in place to serve multiple programs

- Solid information base and targeting system
  - Know and track beneficiaries of both subsidies and social assistance
  - Identification and delivery building blocks (e.g., 6% have an ID in Nigeria)

- Robust payment mechanisms and financial access/literacy are key ingredients
  - LPG in India possible for payments/IDs
  - Ability to choose different methods, constraints in remote rural areas

- Strong accountability systems need to be in place
  - Feedback loops, GRMs
(iii) A judicious use of technology can be transformative

<table>
<thead>
<tr>
<th>TDPS problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Manual entry of data and missing documents”</td>
<td>- End-to-end computerization of food grains procurement, storage, and transportation transactions</td>
</tr>
</tbody>
</table>
| “Abuse by TDPS shop keepers”                                                 | - Choice of shop by beneficiaries (portability), i.e., COREPDS  
- Performance-based allocation of grains (based on online transactions)         |
| “Food not arriving at ration shop”                                           | - GPS-based monitoring track movements of grain  
- Detailed information from each truck, like grain weight                           |
| “Double-dipping and ghost beneficiaries”                                      | - Digitization of the ration card database (bar codes and biometric smart cards), over 320 million cards (2017)  |
| “Lack of feedback loops”                                                     | - Grievance software and call numbers recorded on a web portal  
- Triggering food inspectors within 15 days                                     |
(iv) Food can be ingrained in politics and society

- Scars from past shocks and societal weight placed on ‘food’ (self-sufficiency, price stability, regime legitimacy). Governments, or ministers, have fallen because of food protests.

- Path-dependency and political quandaries: well-organized pressure groups can exert influence even when role of agriculture is more limited.

- Crises as a main enabler of change, marginal or more wide-ranging.