4

Climbing mountains and crossing deserts: insights from a multi-annual voucher programme in Pakistan

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1. Introduction[1]

The use of vouchers as an instrument for food assistance has been receiving renewed attention in recent years. Together with food subsidies, vouchers were a particularly popular safety net instrument in the 1980s, especially in the Middle East and South Asia (Pinstrup-Andersen, 1988). Since then, concerns about their political economics, effectiveness and efficiency have discouraged wider application (Alderman, 2002; Castaneda, 2000).

However, they still play an important role as a safety net in some Organisation for Economic Co-operation and Development (OECD) countries. For example, its budget of about US$53.5 billion and nearly 33.7 million beneficiaries in 2009 make the United States' Food Stamp Program – now called the Supplemental Nutrition Assistance Program (SNAP) – the largest voucher scheme in the world.[2] More recently, some European countries have introduced vouchers to mitigate the impact of the financial crunch.[3] Compared with cash transfers, however, international experience of vouchers remains limited (World Bank, 2009b). In developing countries, recent experience revolves primarily around seed vouchers (CRS, 2004) and fertilizer vouchers (Dorward *et al.*, 2008), rather than vouchers for food commodities. It is therefore intriguing, and to some extent refreshing, to learn that a WFP-supported voucher scheme has been implemented in Pakistan since 1994. This chapter documents this multi-annual experience.

The next section provides a brief overview of basic issues regarding vouchers. Section 3 gives an overview of the origins and evolution of the Pakistan voucher programme, and implementation features and outputs are described in section 4. The concluding section 5 outlines opportunities and challenges for future voucher approaches in Pakistan.

2. Basics on vouchers

In general, vouchers can be either commodity-based or value-based. Commodity-based vouchers are provided for predefined quantities of food in weight or volume, while value-based vouchers provide access to food of a predetermined monetary value. There are several differences between these modalities, and they are both quite different from cash transfers, especially in terms of intended objectives, expected impacts and implementation arrangements. The pros and cons of different voucher modalities and cash transfers are illustrated in Table 4.1.

Table 4.1 Voucher modalities and cash transfers

Transfer	Pros	Cons
Commodity-based vouchers	- Direct link to food consumption and nutrition-related objectives - Shield beneficiaries from inflation - Expand local food markets (through contractual agreements with retailers) - Easy to trace households' use (data from retailer, serial number on coupons) - Verifiable food quality and hygiene standards - May be more gender-friendly	- Retailers must be willing to participate - Expose people to risk of supply failures - Significant administration needs (e.g. retailer selection, possible high degree of informality) - Provide no choice for beneficiaries - Partners often have relatively little implementation experience - Must have a set time frame
Value-based vouchers	- Link to food consumption and nutrition-related objectives - Provide some choice to beneficiaries (restricted to goods in selected shops) - Expand local food markets (through contractual agreements with retailers) - Easy to trace households' use (data from retailer, serial number on coupons) - Verifiable food quality and hygiene standards - May be more gender-friendly	- Retailers must be willing to participate - Expose people to risk of supply failures - Significant administration needs (e.g. retailer selection, possible high degree of informality) - Value erodes through inflation - Partners often have relatively little implementation experience - Must have a set time frame

Table 4.1 Voucher modalities and cash transfers (cont.)

Transfer	Pros	Cons
Cash transfers	- Provide full choice to beneficiaries (on where, what and when to buy) - Expand local food markets (but no contractual agreement with suppliers) - Relatively light administration (efficient in delivery cost, response time) - Partners often have implementation experience - Often preferred as wages in labour-intensive works	- Possible greater security risks - Expose people to risk of supply failures - May not be used for food consumption and nutrition objectives - More difficult to verify and trace households' use (no coupons and contracts) - Value of transfer erodes through inflation - May not be gender-friendly

Sources: Based on WFP, 2008d; Gentilini, 2007a; 2007b.

Unlike cash transfers, vouchers must be used at selected outlets and are supported by an entitlement certificate, either in the form of paper coupons (Burkina Faso, chapter 2) or in electronic format (Syrian Arab Republic, chapter 5). The evidence for comparing the impacts and effectiveness of cash versus vouchers is limited, especially in developing countries. The bulk of existing quantitative evidence comes from SNAP in the United States, and shows that vouchers have significantly higher impacts on nutrition and food consumption than equivalent cash transfers[4] (Barrett, 2002). The issue of impacts and applied research needs is discussed further at the end of this chapter.

3. Origins and evolution

The voucher programme in Pakistan has evolved remarkably over the years. The chief rationale for introducing vouchers in 1994 was to address the high logistics costs associated with direct food transfers. In addition, markets were functioning and crop production figures were favourable. In remote areas of the country, internal assessments estimated that transport costs were about 25 to 30 percent of the food value, and distribution and storage operations were challenging (WFP, 2007d; 2006a; 2005a).

In partnership with the government body Pakistan Bait-ul-Mal (PBM), which is involved in various social protection programmes, the voucher scheme was launched in 1994 in the Azad Jammu and Kashmir (AJK) and North-West

Frontier Province regions; it was phased out of the latter in 2000 (WFP, 2004d). Vouchers were originally financed through the monetization of food transfers (WFP, 2009e), including WFP's sales of food transfers to the government at the port. Proceeds were used to finance the various mechanisms and arrangements. The practice of monetization has not been used since 2000, and vouchers are now financed through direct cash support from donors. Currently, vouchers are implemented in three regions – Balochistan, Sindh and AJK – as part of the Creating Assets for Rural Women Programme (CARW), which is enshrined in WFP's development portfolio in Pakistan. CARW is a vouchers-for-assets programme, with vouchers provided to participants as wage compensation for creating assets such as nurseries, forestry, access roads, water harvesting structures, latrines and water tanks, and for training activities.

The implications of cash transfers for gender and intra-household dynamics are becoming the subject of careful empirical scrutiny (Schady and Rosero, 2008). However, whether and how the gender implications of vouchers – value- or commodity-based – differ from those of cash or food transfers remains an underexplored question. By design, beneficiaries of the Pakistan voucher programme are primarily vulnerable rural women. Qualitative assessments have shown that women have a strong preference for vouchers, because they are more likely to control vouchers than cash transfers at the household level (DRN, 2004; WFP, 2004a). This point is explored further in section 5.

4. Design, implementation and outputs

Vouchers require an enabling environment, including functioning markets, financial institutions and sustained incentives for shopkeepers to participate. In Pakistan, reduced implementation capacity and development funding meant that these conditions could not be ensured in the aftermath of the 2005 earthquake. In 2006, vouchers were therefore interrupted in earthquake-affected areas (WFP, 2009e; 2006d).

In stable conditions, vouchers have proved to be an appropriate, effective and efficient instrument for food assistance (DRN, 2004), but they entail investments. The Pakistan voucher programme demanded a relatively long three to six months for setting up basic project cycle components and arrangements, thus emphasizing the need for stable conditions for planning purposes. A voucher scheme also requires good implementation and monitoring capacities. In Pakistan, partners have six staff members fully dedicated to the programme – five in PBM are paid for by the government, and one at the partnering bank in Sindh is paid for by WFP. These investments are relatively small, compared with the size and length of the programme, and total implementation costs are an average of about 5 percent of the voucher value.

As noted in Table 4.1, erosion by inflation is an important risk and requires appropriate mitigation measures. In the wake of high food prices in 2008, voucher denominations were increased by about 25 percent to maintain purchasing power. Figure 4.1 illustrates the different voucher coupon formats.

Figure 4.1 Pakistan voucher coupons

Agreements with participating banks and shopkeepers do not include service charges, as banks benefit from deposits and shopkeepers from increased sales volumes. The overall funding process includes WFP's transfer of so-called matching funds to the National Bank of Pakistan (NBP), of which 20 branches were involved in the programme in 2009. Shops are selected for their high turnover, proximity to project sites and ability to supply food of appropriate quantity and quality. When shopkeepers receive a voucher, they exchange it for cash at NBP branches, against the matching funds. The relevance and performance of selected shops are reviewed annually. To curb market power, several shops are usually selected in each area. In 2009, the programme included 100 shops, selected on the basis of the criteria outlined above. Table 4.2 outlines major programme statistics.

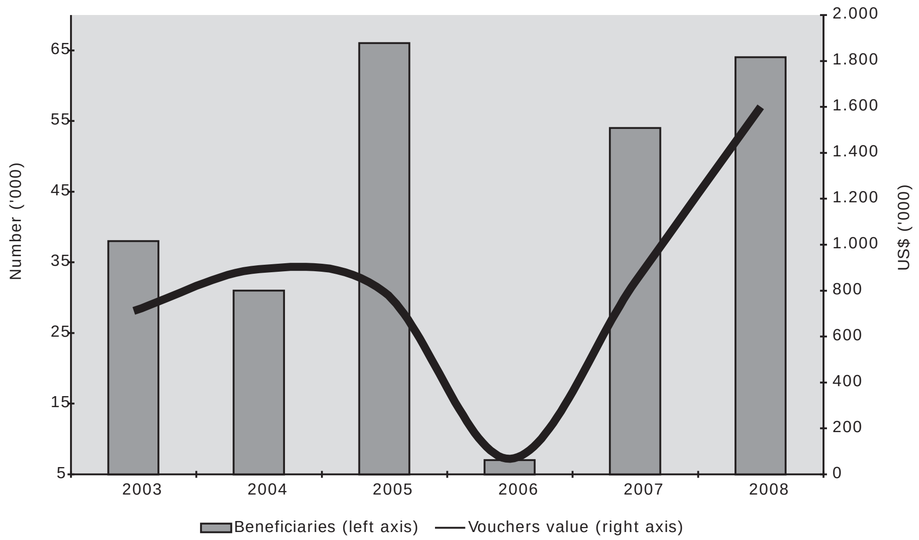
Table 4.2 Major statistics of the voucher programme, 2001 to 2009

Figure	Description
1994	Year of introduction
47 500	Average number of beneficiaries/year (excluding 2006)
US$1 157 957	Average delivered as vouchers/year (excluding 2006)
US$9 263 656	Total provided as vouchers
US$24.3	Average per beneficiary/year (excluding 2006)
100	Shops involved in 2009
20	Bank branches involved in 2009
18.5 million	Trees planted
35,123	Water tanks
23,824	Latrines
6,005	Kitchen gardens
3 032	Income-generating activities
1,114	Wells constructed/rehabilitated
806	Water ponds
101	Hand-pumps installed
5 026	Economy stoves
394	Community centres
248	Water springs rehabilitated
342 km	Diversion channels
199 km	Rural roads
248	Cattle ponds

Sources: WFP Pakistan Standard Project Reports 2002 to 2009; country office dataset.

The voucher programme's expected outcomes are in three domains: income transfers to beneficiaries, market activities, and sustainable assets. Regarding income transfers, the programme provides cash-equivalent vouchers, which beneficiaries can use to purchase the food commodities and quantities of their choice in selected shops. The value of vouchers distributed is based on market wages of US$4/day for skilled and US$2.4/day for unskilled labour, multiplied by the number of working days calculated from predefined work norms for a given asset. From 2001 to 2009, each beneficiary received an average of US$24.3 per year, excluding 2006,[5] and vouchers worth about US$1.2 million were injected into local markets every year. The programme reached an average of about 47,500 beneficiaries per year, excluding 2006. Figure 4.2 shows trends in beneficiary numbers and total voucher values for the period 2003 to 2008. From 2001 to 2008 (excluding 2006), the transfers entailed additional demand for small food retailers, of more than US$1.1 million per year in constant 2007 US dollars.

Figure 4.2 Trends in voucher beneficiary numbers and total value, 2003 to 2008



Sources: WFP Pakistan Standard Project Reports 2002 to 2009; country office dataset.

For asset creation activities, WFP's vouchers are complemented by the government's technical expertise, administrative support and non-food items, sometimes in the form of cash transfers. Beneficiary communities or households also often contribute with their own resources. The creation of assets has therefore been a joint effort by beneficiaries, government and WFP, fostering a high sense of national and community ownership. Since 2001, vouchers have been instrumental in creating about 35,123 water tanks, 23,824 latrines, 5,026 stoves, 6,005 kitchen gardens and 3,032 income-generating activities. Vouchers were also linked to the provision of livelihood and capacity building activities (e.g. transfer of assets and livestock, such as buffaloes), and were instrumental in planting about 18.5 million trees and building 199 km of rural roads. These assets have generated a number of indirect but tangible benefits. For example, focus group discussions revealed that new latrines and water wells had reduced the distances to sanitary facilities, resulting in fewer snake bites reported in Sindh. The time saved collecting water was invested in income-generating activities.

Programming of the vouchers in Pakistan is based on two partnership models: implementation with NGOs in Sindh; and government-based arrangements in AJK and Balochistan. In AJK, the programme is jointly implemented by the Forest Department and the Local Government and Rural Development Department. In Balochistan, PBM is directly involved, for example, in arranging voucher printing and delivery to implementing partners and transferring matching funds to bank branches. The government covers almost the entire operational costs in these two regions, amounting to about 4 percent of the voucher value.

In Sindh, the programme is implemented by four NGOs,[6] and operational and printing costs are covered by WFP. These are slightly higher than in AJK and Balochistan, averaging about 7.4 percent of the voucher value over the 2002–2007 period, excluding 2006.[7] In both cases, implementation includes services provided by NBP through its central and local branches.

5. Opportunities and challenges

For more than a decade, the Pakistan voucher programme was WFP's largest and longest-running voucher programme worldwide. Important experience has been gained and lessons have been learned, benefiting not only the country office, but also the rest of WFP and other development agencies (WFP, 2009e; 2006a). Challenges remain, however, and opportunities to be explored in the next few years include those for scaling up, joint programming, extending intra-community support, testing vouchers in other WFP programmes, using index-based vouchers, participating in national social protection initiatives, and undertaking a rigorous impact evaluation.

Scaling up

The scale-up of programmes is often central to discussions about vouchers and cash transfers. Although large-scale cash transfer programmes are emerging (see chapter 20), voucher programmes in developing countries are still somewhat limited in size. Over the years, WFP has accumulated a wealth of experience with vouchers, and the voucher programme is now a salient feature of WFP's development portfolio in Pakistan. In particular, reporting and internal controls have been refined, partnerships consolidated, and overall implementation institutionalized into the operational procedures of the government, banks and NGOs. However, the scale of voucher-supported activities remains relatively small. Existing experience, mechanisms and staffing would allow the programme to be expanded, subject to additional donor funding – which is an important constraint.

Joint programming

Food and nutrition assistance programmes are well-suited to joint programming because of their wide benefits, including those related to health, education and the environment. A joint programme focusing on water, sanitation and environment-related activities with the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP) and the Food and Agriculture Organization of the United Nations (FAO), could be an important instrument for expanding the voucher programme. A joint programme would be very attractive to donors, especially because of the One United Nations pilot in Pakistan.

Extending intra-community support

WFP may consider increasing its contribution within the tripartite arrangements with the government and beneficiaries, as high food prices are making it extremely difficult for communities to retain their existing level of contributions.

Beneficiaries' contribution to asset creation enhances their sense of ownership over the assets, but it also results in some limitations. Some assets, such as latrines, were targeted and provided to specific households. Although focus group discussions revealed the effectiveness of such interventions, they also highlighted that some of the poorest households, which could not contribute to the project, were left out. This led to resentment among the excluded households and significant sanitation problems, despite overall improvement at the community level. There is need to identify ways of addressing the constraints faced by the poorest community members and facilitating their participation, including through increasing the share of WFP vouchers, and/or resources provided by the government, in total asset costs.

Testing vouchers in other programmes

The use of vouchers in other programmes could be explored, such as in those for school feeding and primary health care. When implementation conditions allow, vouchers' effectiveness and efficiency in, for example, take-home rations should be tested (WFP, 2008d). Although it may be difficult for voucher schemes to attain the nutritional objectives of school meals and on-the-spot feeding at health centres, their comparative performance as income or incentive-oriented instruments could be explored (Bundy *et al.,* 2009).

Index-based voucher programming

The high food prices of recent years have posed challenges for the use of market-based instruments, such as vouchers and cash transfers. The extent to which international prices are transmitted into national prices varies, making it important to monitor local price trends carefully, and to adjust transfers to maintain beneficiaries' purchasing power. In 2008, the Pakistan Country Office took steps to increase the nominal value of vouchers, raising those for skilled labour from Rs 250 to Rs 300, and those for unskilled labour from Rs 150 to Rs 200. Depending on the availability of resources, an annual review of the value of the vouchers should be institutionalized into WFP voucher programming as standard practice. The value of the vouchers could be linked to the consumer price index or other food-related price indicators.

Social protection

Discussion and strengthening of social protection systems in Pakistan – and other countries – is evolving rapidly. In 2007, the government issued an initial social protection strategy, supported by the World Bank and other actors (Government of Pakistan, 2007; World Bank, 2007b; Del Ninno, Vecchi and Husain, 2006). Social protection includes transfers in both cash and food, suggesting that lessons from WFP's experience with vouchers could be leveraged to influence policy formulation at the national level. Lessons from WFP's experience in Ethiopia may be very relevant to current developments in Pakistan, as WFP was able to shape the debate on Ethiopia's Productive Safety Net Programme (see chapter 20) through its experience with the MERET programme (chapter 10).

The Government of Pakistan has introduced a large social protection programme for the poor, the Benazir Income Support Programme,[8] which disburses cash through post offices. Over the next few years, this will gradually switch to multi-purpose smart cards, to replace national identity cards. The smart cards will also provide a vehicle for WFP to disburse its cash assistance to targeted beneficiaries.

WFP has already started a cash transfer pilot programme, replacing direct food deliveries with cash through the use of debit cards introduced by the government. This programme targets the internally displaced people who are returning to conflict-affected areas of Pakistan. The pilot phase will test the efficacy of food versus cash and the impact of cash on recipients' food security. The results of the pilot will inform early recovery programming in conflict areas during 2010.

Impact evaluation

Some of the assets created with WFP support take time to mature. For example, the effects of tree planting and soil and water conservation practices are not easy to capture and measure in the short term. However, WFP has been involved in asset creation activities in Pakistan for a considerable time, and an evaluation of the impact of these investments may be very useful. Past initiatives, such as the assessment conducted in AJK (WFP, 2004a), were primarily procedural and process-oriented. They were therefore useful for understanding programming bottlenecks, but did not attempt to assess programme impacts.

Based on both quantitative and qualitative measures, a rigorous impact evaluation would reveal both the market multipliers of the US$9.3 million-worth of vouchers injected into the economy between 2001 and 2008, and the economic and social returns on the assets created. The evaluation would also be an opportunity for establishing a baseline for future surveys and studies, emphasizing the need for WFP to improve its documentation and institutionalization of the considerable development work it carries out.

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[2] For extensive research and materials on SNAP, visit the website of the United States Department of Agriculture (USDA) Economic Research Service: www.ers.usda.gov/briefing/snap/.

[3] For example, the Italian government launched a voucher programme described at www.governo.it/governoinforma/dossier/carta_acquisti/.

[4] From a microeconomic perspective, when vouchers are infra-marginal (i.e., provide less than the quantity normally consumed by beneficiaries) they are economically equivalent to cash transfers; under certain conditions, when vouchers are extra-marginal (i.e., provide more than is normally consumed), they should generate greater impacts on food consumption than cash transfers do (Alderman, 2002). However, they show different impacts even when infra-marginal, in what economists refer to as the "cash-out puzzle" (Fraker, Martini and Ohls, 1995).

[5] Transfers in 2006 were a particularly low US$9.6/beneficiary because of the earthquake. Beneficiaries can receive payments more than once a year, depending on how many assets they have completed during that year. All US dollar values are real, based on constant dollars of 2007, when the average exchange rate was Rs 60.81/US$1.

[6] The Thardeep Rural Development Programme, the Society for the Conservation and Protection of Environment, the Participatory Village Development Programme, and the Thar Dhat Development Organization.

[7] In 2006, although vouchers could not be implemented in earthquake-affected Balochistan and AJK, the programme was still active in Sindh, but at a more modest scale. This resulted in exceptionally high total operational costs of 24.4 percent of the voucher value in Sindh, where printing costs are about 0.25 percent of the voucher value.

[8] The Benazir Income Support Programme has a budget of about US$425 million for 2008–2009, equivalent to nearly 0.3 percent of GDP: www.bisp.gov.pk/benazir/.