

# Direct Cash Transfer and Food Security in Georgia

by

Elin Jönsson

Elin Åkerman

Master's Thesis, August 2009

Department of Economics at the University of Lund

Supervisor:

Yves Bourdet

## Abstract

The purpose of this study is to assess the effects on food security in Georgia following a joint direct cash transfer project initiated as an emergency response to the conflict with Russia in August 2008. Based on interviews with beneficiaries, it was found that their food security situation had improved. Although increased food access and food utilisation promoted dietary diversity and food frequency, it was concluded that they remain dependent on external assistance. When considering various key determinants of transfer choice as well as preferences of both beneficiaries and partners, cash assistance was determined to constitute the optimal food assistance instrument when addressing the issue of food security in Georgia. While future cash assistance will benefit from greater knowledge and experience of partners, further improvements were acknowledged to require increased technological capacity, human capital, training and monitoring in order to achieve adequate information collection and dissemination.

Keywords: cash assistance, food security, Georgia, in-kind food assistance, internally displaced persons.

## Acknowledgements

We would like to express our gratitude to the Swedish International Development Cooperation Agency (Sida) for giving us the opportunity to conduct this field study in Georgia. The study would not have been possible without the guidance and support from our supervisor Yves Bourdet and the valuable contacts provided by Ewa Rabinowicz at AgriFood Economics Centre in Lund. We would furthermore like to thank the staff at WFP in Tbilisi, especially Rasmus Egendal, Khatuna Epremidze, Giorgi Dolidze, Tamara Nanitashvili, Nino Kikabidze and Kesaria Khubutia, for directing and assisting us in the collection of data. Our gratefulness goes as well to partners and beneficiaries of the project for taking part in our interviews and thereby providing us with useful information.

# Table of Contents

- 1 INTRODUCTION.....7**
- 1.1 Purpose.....8
- 1.2 Methodology.....8
- 1.3 Limitations.....9
- 1.4 Disposition.....9
- 2 THEORETICAL CONSIDERATION OF FOOD ASSISTANCE .....11**
- 2.1 Definition of Food Assistance .....11
  - 2.1.1 *Instruments of Food Assistance* .....12
  - 2.1.2 *Categories of Food Assistance*.....13
- 2.2 Definition of Food Security .....13
  - 2.2.1 *Indicators of Food Security*.....14
  - 2.2.2 *Food Consumption Score*.....14
- 2.3 Key Determinants of Transfer Choice .....17
  - 2.3.1 *Cash Assistance versus In-kind Food Assistance* .....18
  - 2.3.2 *Decision Trees*.....21
- 3 CASH ASSISTANCE IN GEORGIA .....24**
- 3.1 Georgian Context.....24
- 3.2 History of Food Assistance.....26
- 3.3 Direct Cash Transfer Project.....28
  - 3.3.1 *Design*.....28
  - 3.3.2 *Implementation*.....30
- 4 FOOD SECURITY IN GEORGIA .....33**
- 4.1 Food Security Prior to the Project .....33
- 4.2 Effects of the Project on Food Security .....34
  - 4.2.1 *Expenditures and Sources* .....35
  - 4.2.2 *Calculation of Food Consumption Score* .....39
- 4.3 Optimal Food Assistance Instrument .....42
  - 4.3.1 *Cash Assistance versus In-kind Food Assistance Applied to the Georgian Context*.....42
  - 4.3.2 *Decision Trees Applied to the Georgian Context* .....46
- 5 LESSONS FOR THE FUTURE .....47**
- 5.1 Challenges and Lessons Learned.....47
- 5.2 Improving Cash Assistance.....49
- 6 SUMMARY AND CONCLUDING REMARKS .....51**
- REFERENCES .....54**
- ANNEX A .....59**

# List of Figures and Tables

## Figures

Figure 2.1: Barrett-Maxwell Decision Tree .....	22
Figure 2.2: Oxfam Decision Tree.....	23
Figure 3.1: WFP In-kind Food Assistance in Georgia.....	27
Figure 4.1: Cash Assistance Expenditures.....	35

## Tables

Table 2.1: Calculating Food Consumption Score .....	15
Table 2.2: Thresholds of Food Consumption Score .....	16
Table 4.1: Food Consumption Score.....	39
Table 4.2: Consumption of Fresh Foods.....	40

## List of Abbreviations

CRA	Civil Registry Agency of Georgia
ECHO	European Commission Humanitarian Office
EFSA	Emergency Food Security Assessment
EMOP	Emergency Operation
FAO	Food and Agriculture Organization
FCS	Food Consumption Score
GDP	Gross Domestic Product
GEL	Georgian Lari <sup>1</sup>
GFD	General Food Distribution
IDP	Internally Displaced Person
MRA	Ministry of Refugees and Accommodation
NGO	Non-Governmental Organisation
PBG	People's Bank of Georgia
PRRO	Protracted Relief and Recovery Operation
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
USD	United States Dollar
WFP	World Food Programme

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<sup>1</sup> GEL 1 ≈ USD 0.60 in July 2009.

# 1 Introduction

While food assistance traditionally has taken the form of in-kind food assistance, cash assistance has over the years increased in importance when addressing the global issue of food security. This development can mainly be derived from improvements in the functioning of food markets in developing countries with better-integrated food systems, increased urbanisation and broadened access to financial services. Higher international food prices have also played a critical role in the increased popularity of cash assistance.

The United Nations' World Food Programme (WFP) has widespread experience within the field of food assistance, and Georgia is one of the countries where WFP is operating. The organisation initiated in-kind food assistance activities in this southern Caucasian country in 1993, and WFP has since 2005 also experience of using cash assistance in order to improve the food security situation.

Georgia's development has been unstable, with fluctuating economic growth following its independence in 1991. In addition, today's global food crisis and its poor relations with Russia resulting from the trade embargo in 2006 and the conflict in August 2008, have lowered the level of food security in Georgia.

## 1.1 Purpose

The purpose of this study is to evaluate the impact of a joint direct cash transfer project on the food security situation of internally displaced persons (IDPs) relocated to collective centres following the conflict with Russia in August 2008.

This study aims at answering the following questions:

- How was the direct cash transfer project designed and implemented?
- What was the impact of the direct cash transfer project on food security?
- Is cash assistance the optimal instrument when addressing food security issues in Georgia?
- How can cash assistance be improved?

## 1.2 Methodology

In order to analyse the effects of cash assistance on food security, eight interviews arranged as group discussions and individual interviews were held with thirteen beneficiary households of the project. Food consumption scores (FCS) were furthermore calculated using a seven-day recall method. With the objective to see how cash assistance can be improved, project partners were interviewed regarding the challenges of and lessons learned from the project. The methodology furthermore included the collection and review of reports, research papers and official statistics.

Important to bear in mind is that interviews as methodology may encompass certain constraints. As the target group of this study was chosen in order to enable the distinction between the effects of other assistance provided, it did not constitute a randomly chosen sample and thereby causing selection bias. While beneficiaries may provide incorrect information due to their desire to receive additional assistance, the outcome of the interviews with project partners may also be biased as the



representatives cannot be considered objective in relation to the project. Further concerns regarding the reliability of collected information is associated with the dependency on a translator.

### 1.3 Limitations

Although there are various instruments of food assistance, cash assistance will be the focus of evaluation since the direct cash transfer project exclusively made use of this instrument. Furthermore, given that the project was initiated as an emergency response to the conflict in August 2008, this study will concentrate on emergency aid.

As the objective of WFP was to increase the dietary diversity and food frequency of beneficiaries, the evaluation will be limited to the effects on food security. Although there are several measures of food security, this study will use the proxy indicator, FCS, as this is the standard measure used by WFP.

A further limitation is that the evaluation of the effects on food security will be concentrated to IDPs living in collective centres in Tbilisi and Lagodekhi, disregarding those resettled in rural and adjacent areas.

### 1.4 Disposition

This study is structured as follows. The second chapter concerns the theoretical foundation of food assistance, and it also describes the concept of food security and the key determinants of transfer choice. The third chapter introduces the Georgian context, gives an account of the history of food assistance in Georgia and describes in detail the direct cash transfer project. The fourth chapter presents the result of the

interviews with IDPs and aims at analysing how their food security situation has developed as a result of the direct cash transfer project. It furthermore attempts to assess whether cash is the optimal choice of food assistance instrument when addressing food security issues in Georgia. The fifth chapter comprises challenges and lessons learned in relation to the project with the objective of assessing how cash assistance projects can be improved in the future. The sixth chapter summarises the main findings and draws some policy implications.

## 2 Theoretical Consideration of Food Assistance

Consumer theory views households as economic entities maximising utility, driven by their preferences and facing budget constraints. While supporters of this theory claim that the utility of the recipients will be lower using in-kind food assistance as their freedom to choose diminishes, opponents argue that the ability of beneficiaries to make rational choices hinges on the information available and accessible. (Gentilini, 2007, pp. 5-6)

In addition, households in developing countries, where the general level of income is low, tend to spend a larger share of their income on food. As their income increases, the share spent on food decreases and a proportionally greater part of the additional income will therefore be spent on non-food items. This relationship, known as Engel's law of food consumption, implies that a marginal increase of income will have a larger effect on food consumption and thus food security, if provided to low-income households.

### 2.1 Definition of Food Assistance

*“Food assistance refers to the set of instruments used to address the food needs of vulnerable people.”* (WFP, 2008c, p. 3)

Food assistance is generally divided into instruments and categories. While the instruments include in-kind food, vouchers and cash, the categories comprise project,

programme and emergency assistance. Although the focus of this study is cash transfers in the context of emergency assistance, all instruments and categories will be described in order to ensure the comprehension of the reader.

### 2.1.1 Instruments of Food Assistance

In-kind food assistance constitutes food donated to recipient countries free of charge or at a price far below international market prices. This type of food assistance generally consists of 80 percent cereals and can be delivered directly to beneficiaries or sold on the open market, i.e. monetisation. The controversial aspect of this food assistance instrument is that the majority of the total assistance is produced in and transported from the donor country instead of being purchased on the recipient market or in other developing countries. (Belfrage, 2007, p. 163)

Vouchers provide beneficiaries with purchasing power to buy food. A commodity-based voucher allows beneficiaries to purchase a fixed quantity of food, while a value-based voucher gives them the possibility of buying food for a specific amount of money, usually in selected stores in order to prevent purchases of certain items such as alcohol and tobacco.

Cash assistance, as with vouchers, is a form of social assistance that provides beneficiaries with purchasing power to buy food or other preferred non-food items. The money can be directly distributed to individual households instead of using the government or community as intermediary, or provided through different kinds of programmes such as cash for work where money is given as an incentive to perform work.

### 2.1.2 Categories of Food Assistance

Project food assistance is usually channelled through non-governmental organisations (NGOs) or governments, who can choose to distribute the assistance directly to targeted households or sell it on the open market. Regardless of the method chosen, the aim remains the same, i.e. to promote development. (Barrett and Maxwell, 2005, pp. 13-14)

Programme food assistance is food donated from one government to another, and corresponds to a budget increase for the recipient government after monetisation. This category of food assistance is not being targeted to particular groups and can be given as a grant or loan. In order to acquire programme assistance, recipients need to comply with certain conditions determined by the donor, e.g. policy changes to promote development.

Emergency assistance is generally channelled multilaterally through NGOs or bilaterally via governments. This category of food assistance is targeted to victims of natural disasters or conflicts and is at times referred to as humanitarian or relief assistance. Its objective is to assist vulnerable people in achieving food security.

## 2.2 Definition of Food Security

*“Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs, and food preferences for an active and healthy life.”* (World Food Summit, 1996)

As a means to evaluate food security, the three indicators food availability, food access and food utilisation should be taken into consideration. (WFP, 2009, pp. 22-23)

### 2.2.1 Indicators of Food Security

Food availability refers to the amount of food that physically exists through local production, commercial imports, stocks of food in trader and government reserves, as well as in-kind food assistance.

Food access measures the capacity of a household to acquire food through its own production of crops or livestock, market and shop purchases, exchange of non-food to food items, gifts from family and friends as well as transfers from government and aid organisations. If households cannot require enough food from these mechanisms, food may be available but not accessible.

Food utilisation concerns the use of food accessible to households and the ability of individuals to benefit from nutrients in the food. Even if food is available and accessible, some people might not profit entirely if the amount or variety of food is inadequate, or if they cannot absorb the nutrients due to illness or poor preparation methods.

Having enough food in aggregate does not therefore guarantee that people reach a sufficient level of food or nutritional intake i.e. achieve food security.

### 2.2.2 Food Consumption Score

As it is difficult to capture food security in terms of food availability, food access and food utilisation in one measure due to the complexity and multidimensionality of these indicators, the proxy indicator FCS can be used. It measures the level of food security by taking into account dietary diversity, food frequency and relative nutritional importance of different food groups. When analysing the validity of the FCS,

Wiesmann *et al.* (2009, p. 46) found that it is a useful measure as dietary diversity and food frequency are highly correlated with calorie consumption per capita.

**Table 2.1:** Calculating Food Consumption Score

Food item	Food group	Weight	Days consumed	Score
Bread, cereals, potatoes, pasta	Cereals and tubers	2		
Beans, peas, nuts	Pulses	3		
Vegetables, herbs	Vegetables	1		
Fruits, berries	Fruits	1		
Meat, fish, eggs	Meat	4		
Cheese, milk, yoghurt	Dairy products	4		
Sugar and sweets	Sugar	0.5		
Oil and fats	Oil	0.5		

*Source:* WFP, 2008b, p. 8.

The FCS is calculated by using a seven-day recall method, implying that the number of days a certain food item is consumed by a household during the last seven days will be recorded (Table 2.1). If a certain food item is eaten on three of the last seven days it should be given a frequency score of three, even if it has been eaten more than once a day. The food items are then assembled into the appropriate food group, for which the maximum number of consumption days is seven. Thus, if one food item is eaten on four of the last seven days and another food item within the same food group is eaten every day, the food group will be given a frequency score of seven. There is however an inherent risk of bias in the FCS measurement (Wiesmann *et al.*, 2009, p. 9). If consumption of e.g. potatoes and maize is recorded separately, starch-rich products will be counted double in cases where these food items are eaten together and thus distort the FCS upwards. By limiting the number of food groups to eight and the food frequency of each food group to seven, this bias can to some extent be controlled for.

$$\text{FCS} = \alpha_{\text{cereals and tubers}} \beta_{\text{cereals and tubers}} + \alpha_{\text{pulses}} \beta_{\text{pulses}} + \alpha_{\text{vegetables}} \beta_{\text{vegetables}} + \alpha_{\text{fruits}} \beta_{\text{fruits}} + \alpha_{\text{meat}} \beta_{\text{meat}} + \alpha_{\text{dairy products}} \beta_{\text{dairy products}} + \alpha_{\text{sugar}} \beta_{\text{sugar}} + \alpha_{\text{oil}} \beta_{\text{oil}}$$

$\alpha_i$  = weight of food group

$\beta_i$  = number of days consumed

By multiplying the weight of the respective food group with the consumption frequencies per food group, the weighted food group score is obtained. Summing up the weighted food group scores then gives the compound FCS. (WFP, 2008a, p. 10)

The weights assigned to different food groups depend on their relative nutrient density i.e. their caloric value and content of various nutrients as well as the amount generally eaten (WFP, 2008b, p. 19). Although they are subjectively chosen, the rationale derives from the idea that foods relatively rich in energy and high quality protein or different nutrients are given greater importance and will therefore receive a higher weight. Applying weights to FCS is however found to slightly reduce the correlation coefficient by calorie consumption per capita (Wiesmann *et al.*, 2009, p. 53). Although it may therefore not achieve its purpose of reflecting the quantity consumed, FCS is valuable in order to indicate nutritional quality.

**Table 2.2:** Thresholds of Food Consumption Score

FCS	Adjusted FCS	Food consumption profile
< 21	< 28	Poor food consumption
21 to 35	28 to 42	Borderline food consumption
> 35	> 42	Acceptable food consumption

*Source:* WFP, 2008b, p. 9.

The calculated FCS is furthermore to be compared with pre-established thresholds indicating the profile of food consumption for the household (Table 2.2). While households characterised by poor food consumption represent those with a FCS smaller than 21, borderline food consumption corresponds to scores between 21 and



35. Acceptable food consumption is assigned to households recording scores above 35. Depending on the context, these thresholds may have to be adjusted to correct for specific dietary patterns. When considering a population with a daily consumption of sugar, oil and bread, a FCS of 21 is easily reached. Since this uniform diet cannot be said to qualify as borderline food consumption, seven points could be added to the thresholds in order to compensate for the bias resulting from the daily intake of sugar and oil.

Important to consider is further that the thresholds used by WFP correspond to a very low calorie intake where the group of households that falls under the category of poor food consumption in fact corresponds to extreme undernourishment (Wiesmann *et al.*, 2009, p. 47). The level of food security may thus be overestimated. Omitting food items only consumed in small quantities can partly control for this exclusion error, which in turn also increases the correlation between FCS and calorie consumption per capita. This correlation however weakens in cases where in-kind food assistance is provided, i.e. those benefiting from in-kind food assistance have higher calorie consumption and lower dietary diversity than beneficiaries receiving cash assistance.

## 2.3 Key Determinants of Transfer Choice

The selection of food assistance instrument needs to be preceded by a proper analysis of the context in which the project will be implemented. This section will therefore assess relevant aspects of cash versus in-kind food assistance, as these are the instruments used by WFP in Georgia.

### 2.3.1 Cash Assistance versus In-kind Food Assistance

#### *Project Objectives*

A pre-condition for achieving effectiveness and efficiency within a project is that the objective and the target group must be properly defined at an early stage. While cash assistance with the purpose of increasing purchasing power will be effective at all times, the comparison between the effects on food security of cash and in-kind food assistance is only worth exploring if the purpose is to impact on food consumption and nutrition. Whereas effectiveness means fulfilling project objectives, efficiency requires project costs to be related to its objectives. A cheap project is therefore not always an efficient one as it can fail to achieve the project objectives. (Gentilini, 2007, p. 8)

#### *Project Costs*

The provision of cash is more cost-efficient than distributing food since the costs of purchasing, storing and re-distributing food do not arise in the context of cash assistance. The costs for beneficiaries are also reduced since they do not have to collect the food items personally at a distribution site. If the project is prepared properly, which is not always possible in an emergency situation, expenses could be further decreased. In this context it is worth noting that cash assistance has the advantage of rapid implementation. Furthermore, the small cost of providing cash as opposed to in-kind food assistance can generate positive effects by allocating additional resources to monitoring and accounting (Gentilini, 2007, p. 13). Important to bear in mind however is that the complexity and sensitivity of cash require more monitoring, at the same time as the ability to monitor is related to the scale of the project. Despite the cost-efficiency of cash assistance, there are specific costs related to this food assistance instrument and these concern security and financial services as well as transportation costs for local shop owners resulting from the increased demand. (Harvey, 2005, pp. 11-13)

### *Market Conditions*

As food markets are the main instrument for ensuring food security, it is of utmost importance to design cash and in-kind food assistance projects that do not distort food market prices and incentives. One often mentioned disadvantage of cash assistance is nevertheless its impact on inflation when the market supply of food is not able to respond to the rising demand. This risk of supply-failure tends to be higher in developing countries where markets are often poorly functioning and less integrated (Kebede, 2006, p. 587). This view is confirmed by Sen (1982, p. 456) who argues that markets in developing countries only respond by raising the supply when the purchasing power of the population has improved. The negative aspect of inflation is challenged as price increases in markets with inelastic supply induce more food to be allocated to poor households since the provision of cash assistance provides them with greater purchasing power, while that of non-beneficiary households decreases (Drèze and Sen, 1989, p. 88). This favouring of in-kind food assistance can be further strengthened if prices are higher locally than internationally, restraining the food access of beneficiaries and thereby making it more valuable for them to receive food than cash. Distributing cash may nevertheless have positive secondary effects on the local economy. Cash is more likely to stimulate local production as it enables purchases of agricultural inputs at the same time as small shop owners and entrepreneurs benefit from increased local demand. Davies and Davey (2008, pp. 108-109) illustrate these effects when assessing the impact of an emergency cash transfer pilot project in rural Malawi. Important to bear in mind however is that the main focus of traders is to achieve higher profit rather than humanitarian objectives, making it risky to solely rely on markets in emergency situations.

### *Administrative Capacity*

The implementation of cash assistance requires a certain level of administrative capacity, such as national financial systems, in order to limit corruption and to ensure the safety of both beneficiaries and implementing staff. While a personal bank account implies that beneficiaries do not have to keep their cash at home and that the staff does not need to deliver the cash manually, it also familiarises beneficiaries with the formal

bank system and provides them with the opportunity to withdraw money whenever convenient. Additional advantages of using the financial system are the promotion of savings as well as the insurance of documentation and proof of payment. By increasing transparency through dissemination of information regarding the project and by signing cheques and applying fingerprinting, the often-mentioned risk of corruption can further be reduced. This view is strengthened by the reasoning of Reinikka and Svensson (2006, p. 1) who found a strong negative relationship between the access to sources of information and the level of corruption when analysing a newspaper campaign in Uganda. Still, there are also inconveniences related to the financial system since banks require a certain amount of time for transactions and their flexibility regarding timing of the distribution is limited. (Gentilini, 2007, pp. 13-15)

### *Social Protection*

When combined with social protection strategies, cash assistance tends to be more effective as the integration increases the guarantee and predictability of transfers as well as facilitates the adjustment of the project to the specific context. This combination can further promote the phasing-out of relief projects and hence assist the recipient country in taking over the responsibility of the food assistance interventions. (Gentilini, 2007, pp. 17-18)

### *Beneficiary Preferences*

Beneficiary preferences regarding the food assistance instrument depend on location, gender and season. While in-kind food assistance tends to be favoured by those living in distant areas, people living near markets generally prefer cash transfers. Women are furthermore likely to favour in-kind food assistance in cultures where men are responsible for managing the household cash since it is harder for them to keep control of cash than food. Whereas cash is often preferred before and during harvest, in-kind food assistance tends to be favoured during lean seasons when food prices generally are higher and grain stocks have been consumed or sold. Cash and in-kind food assistance can thus be considered as complements rather than substitutes, and a

combination of the two may therefore be particularly beneficial in terms of food security when targeting rural populations. (Gentilini, 2007, p. 16)

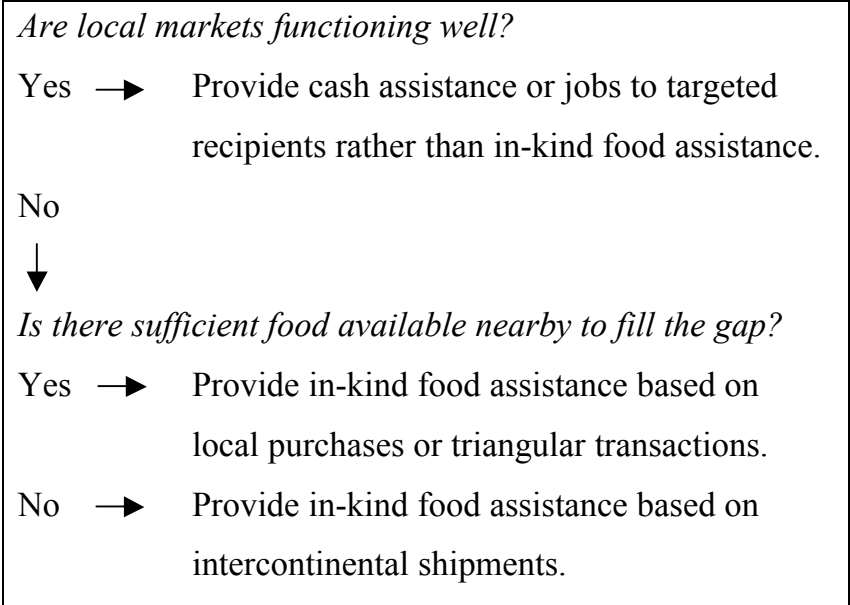
Beneficiary preferences also depend on the flexibility of the food assistance instrument where cash empowers beneficiaries by providing greater freedom to prioritise according to their specific needs. This in turn may result in improved dietary diversity of beneficiaries, as well as greater dignity since they do not have to queue in order to receive food. Provided that reselling is not possible, Faminow (1995, p. 7) confirms this view as he argues that recipients of in-kind food assistance may perceive their utility as being lower, since they must consume on a different consumption bundle than would be the case if they had received cash assistance of the equivalent amount. The flexibility aspect of cash may however put nutritional objectives at risk since beneficiaries may choose to spend the cash assistance on items not corresponding to the purpose of the project. Hence, it makes cash less efficient in targeting specific needs compared to in-kind food assistance. The targeting is further complicated by the attractiveness of cash, since all levels in society may want to benefit from the assistance. It is important to note however the evidence of successful targeting where cash targeted to women contributed to increased food expenditures and reduced expenses of tobacco and alcohol (Hoddinott and Haddad, 1995, p. 2; Schady and Rosero, 2008, p. 248). A final factor in favour of cash assistance is that preferences of beneficiaries are generally not taken into account when delivering in-kind food assistance. As often criticised, it is rather the donor country that practices its strategy of preparing for future exports by deciding on which food items to provide.

### 2.3.2 Decision Trees

In order to facilitate the selection of which food assistance instrument to implement in order to address the issue of food security, policy makers and aid organisations can make use of decision trees. Although this tool can be designed in various ways and

take different aspects into account, the context in which food assistance is to be implemented plays a determining role in the transfer choice at all times.

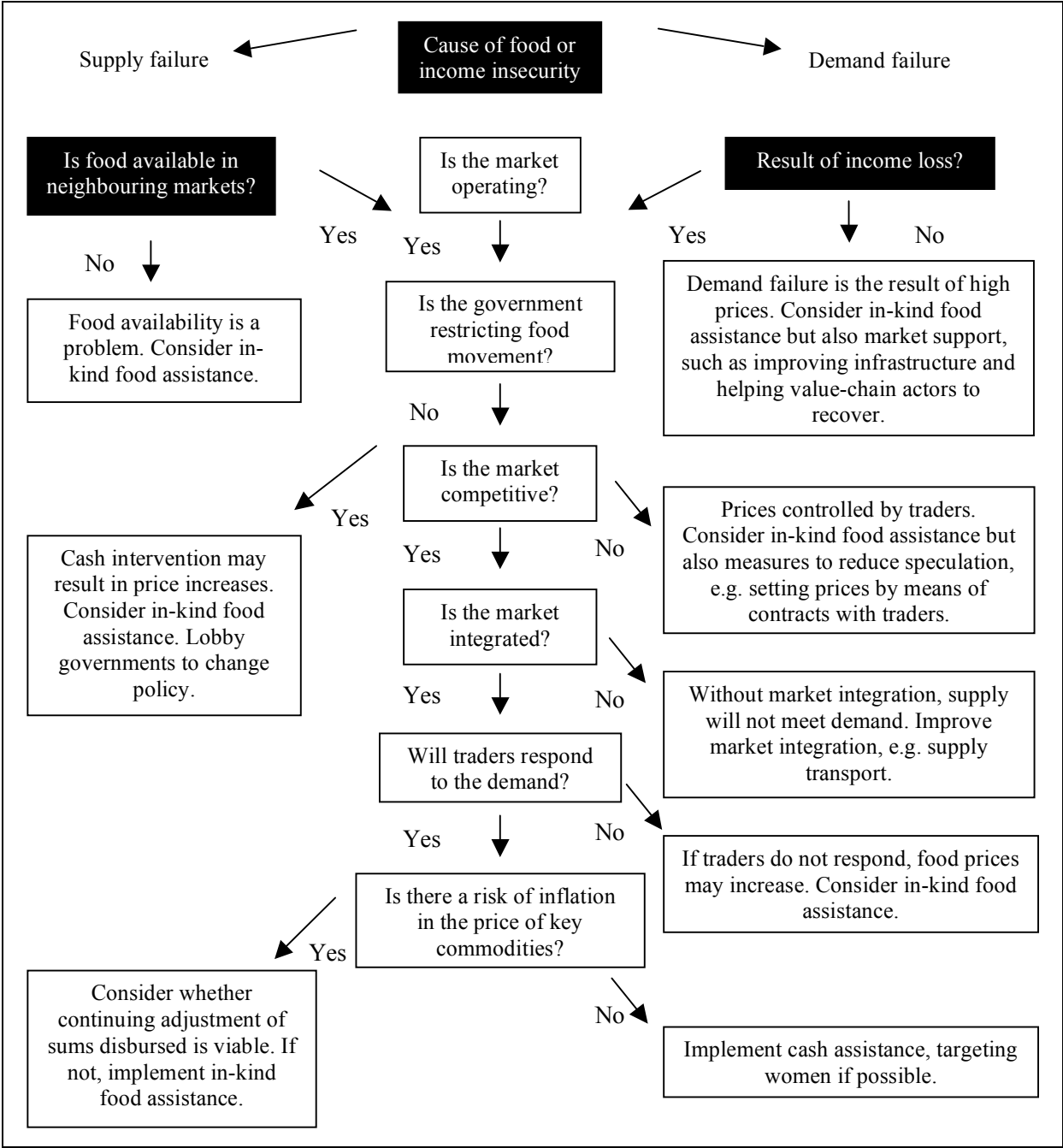
**Figure 2.1:** Barrett-Maxwell Decision Tree



*Source:* Gentilini, 2007, p. 10.

In the Barrett-Maxwell decision tree (Figure 2.1) the decision of which food assistance instrument to implement hinges on the functioning of local markets and the level of food availability. In countries where markets are well functioning, the decision maker is advised to provide cash assistance or employment to beneficiaries. If the situation is the opposite, in-kind food assistance is regarded a more suitable option.

**Figure 2.2:** Oxfam Decision Tree



Source: Gentilini, 2007, p. 11.

A second and more intricate decision tree is the Oxfam decision tree (Figure 2.2), developed by Creti and Jaspars (2006, p. 22). Although a number of questions need to be answered in order to determine the optimal instrument of food assistance, they all relate to the focal question of whether the market is able to respond to the increase in demand resulting from the provision of cash assistance.

### 3 Cash Assistance in Georgia

The choice of food assistance instrument depends on the conditions in which the project is to be implemented, thus the Georgian context will be introduced. The history of food assistance in Georgia and a comprehensive description of the direct cash transfer project will then be provided.

#### 3.1 Georgian Context

Georgia obtained independence when the Soviet Union broke up in 1991. Its history has since then been dominated by weak economic performance resulting from low levels of education and investments in combination with poor governance as well as high levels of inflation and corruption. Internal conflicts following independence also proved detrimental to the economy and generated a great number of IDPs. The economic situation did not improve until 2006 when gross domestic product (GDP) growth reached positive double-digit numbers, induced by the Rose Revolution in 2003 where government change was accompanied by political, institutional and economic reforms. In line with these changes, corruption decreased significantly to a level where it only exists at the very top of the government (Transparency International, 2003-2008). While improvements in public health and education have been the main contributors to Georgia's present ranking in the United Nations (UN) medium human development index (UNDP, 2008, p. 30), the country is still characterised by relatively high gender inequality as the UN ranks it among countries of low gender empowerment (UNDP, 2006).



However, a number of events are currently challenging the economic progress achieved so far. One of them is the trade embargo imposed by Russia in 2006 with a ban on imports from Georgia and a tax of 40 percent on wheat and flour exports to Georgia (Robinson, 2008, p. 26). Even though evidence shows that Russia's influence on economic growth in Georgia has declined since 1991, changes in the Russian trade policy still constitute key factors of food security in Georgia. An additional challenge is the current global food crisis that has caused food prices in Georgia to increase by 12 percent during 2008. The price of wheat flour rose by more than 30 percent during the same period. (Ministry of Economic Development of Georgia, 2009, p. 17) Furthermore, the conflict in August 2008 between the central Georgian government and Russia, together with the secessionist territories of South Ossetia and Abkhazia, is threatening the food security situation in Georgia as the total number of IDPs has increased to approximately 220,000 among the population of 4,600,000 individuals (CIA, 2009).

The favourable Georgian conditions, when it comes to addressing the issue of food security with cash assistance, should nonetheless be noted. The markets are well functioning, particularly those in urban areas, which are characterised by a great number of traders, a diversified supply as well as stable prices. Even the rural population can contribute its produce and benefit from imported products as it has well-developed connections with these markets. Since there are no major bottlenecks, the markets are expected to have the ability to increase supply when demand increases.

In line with the overall economic development in Georgia, the activity in the banking sector has increased significantly. One of the largest contributors in this regard is the People's Bank of Georgia (PBG) which has wide presence in Georgia with a large number of banks as well as ATMs accepting credit cards from all groups in society in order to reduce corruption and to increase the safety of transactions.

One additional factor further contributing to the observed decrease in the level of corruption is the Georgian government, as it makes use of the progress made in the

banking sector. By hiring PBG and by using its services when delivering pensions and allowances to the population, the risk of corruption is reduced. This innovative approach in combination with an increased government budget for social security makes the Georgian social protection system one additional factor that militates in favour of cash assistance when addressing food security needs in Georgia.

### 3.2 History of Food Assistance

WFP initiated its activities in Georgia in 1993, two years after the break-up of the Soviet Union, with the objective of improving the overall food security situation as well as to assist the country in its transition towards a democratic and market-based economy.

While emergency operations (EMOPs)<sup>2</sup> constituted the main way of delivering food assistance until 1999, the majority of the assistance has since then been provided through protracted relief and recovery operations (PRROs)<sup>3</sup>. Additionally, in-kind food assistance constituted the food assistance instrument exclusively used by WFP in Georgia prior to 2005 when cash assistance was introduced as an alternative way of addressing food security issues. As it had been determined that the food security situation in Georgia varied by region and season, and furthermore confirmed that the country conditions were favourable for implementing cash assistance, a combined food and cash for work project was initiated. This first project was implemented between December 2005 and March 2006, targeting 4,600 beneficiaries and aiming at determining whether Georgia had the procedural, administrative and institutional requirements for achieving a proper implementation of cash assistance. (WFP, 2007, p. 2) A second project was initiated by WFP in August 2007 targeting 7,000 beneficiaries

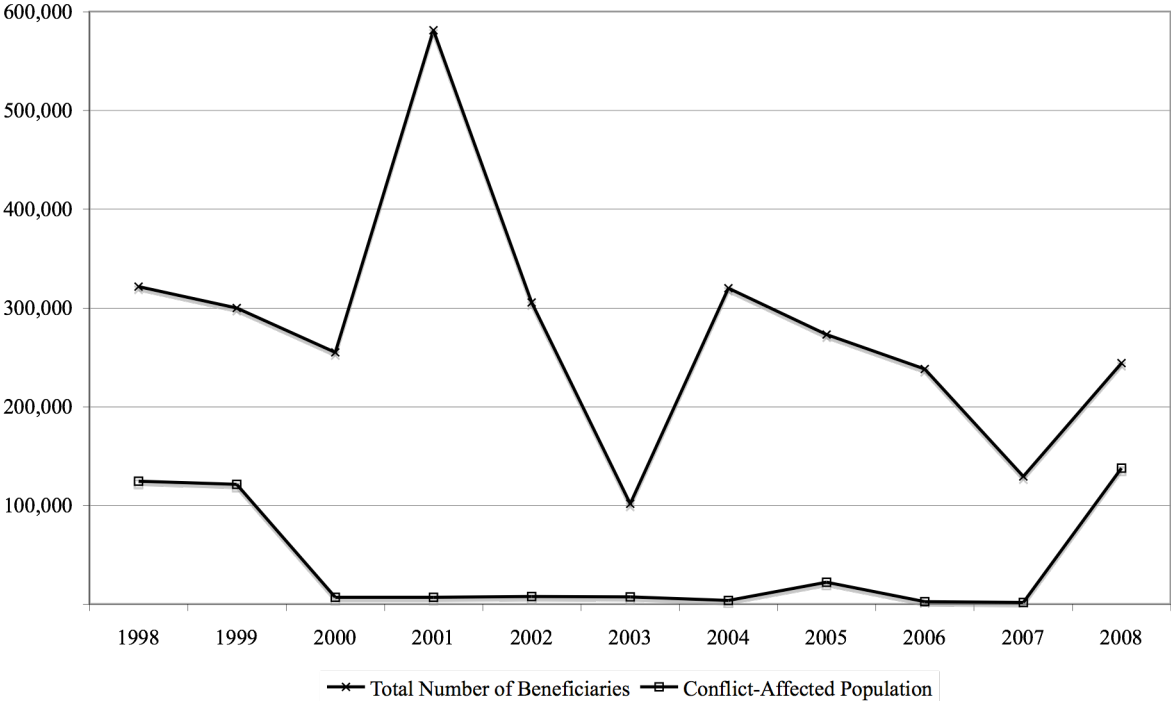
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<sup>2</sup> In general implemented during three to twelve months.

<sup>3</sup> Provided if further assistance is required after the expiration of an EMOP.

during five months by providing cash as remuneration for work (WFP forthcoming, p. 11). This cash for work project was implemented with the intention to better assess the effects of cash assistance and to determine the value of this instrument as an alternative food assistance instrument of the organisation. Since the last and most recently implemented cash assistance project in Georgia was initiated as an emergency response to the conflict in August 2008, there was an urgent need of rapid implementation and it was therefore decided to execute a direct cash transfer project.

**Figure 3.1:** WFP In-kind Food Assistance in Georgia



*Source:* WFP, 1998-2008.

In parallel with the development of cash assistance, traditional in-kind food projects have continuously been provided. While peaking in 2001 with almost 600,000 individuals due to the severe drought in the country, the total number of beneficiaries mainly fluctuated between 100,000 and 300,000 from 1998 to 2008 (Figure 3.1). Despite these variations, the number reduced from approximately 300,000 to 250,000 during the same period. Of the total number of beneficiaries, the conflict-affected

population predominantly remained at fewer than 8,000 individuals after 1998, before it exceeded 120,000 in 2008 following the conflict in August that year.

### 3.3 Direct Cash Transfer Project

The direct cash transfer project, which was the first of its kind ever implemented by WFP, was carried out between February and April 2009 as an emergency response to the conflict with Russia in August 2008. It aimed at assisting those 29,000 IDPs who could not return to their homes and who now live in collective centres, settlements and private households around Georgia.

#### 3.3.1 Design

Besides being the first direct cash transfer project ever implemented by WFP, it was also the first one jointly implemented by three UN agencies in a post-conflict emergency situation in Georgia. WFP took the role as the leading agency, cooperating with the United Nations High Commissioner for Refugees (UNHCR) and the United Nations International Children's Emergency Fund (UNICEF). The project was executed in collaboration with the Georgian Ministry of Refugees and Accommodation (MRA), the Civil Registry Agency of Georgia (CRA) and PBG. It was furthermore financially supported by the European Commission Humanitarian Office (ECHO) and the United States Agency for International Development (USAID) to cover the total cost of approximately 2 million United States Dollars (USD) of which 1.8 million constituted the cash distributed to beneficiaries.

In order to evaluate the food security situation of IDPs, an emergency food security assessment (EFSA) was executed by WFP in September 2008. While it was found that

the average consumption level of IDPs living in collective centres in Tbilisi was classified as borderline consumption, the dietary diversity was confirmed poor. Although the general food distributions (GFDs) and the bakery scheme, provided by WFP since the outbreak of the conflict, gave a minimum of 2,100 kcal required for the climate conditions in Georgia, the winter was approaching and an additional intake of 300 kcal was necessary. According to Khatuna Epremidze at WFP, additional in-kind food assistance was not an option since costs for procurement distribution of complementary food were not justified in Georgia where markets are functioning and the level of food availability is adequate. The idea of using vouchers limited to certain supermarkets was thus discussed since the majority of IDPs were initially located in Tbilisi. However, as the IDPs moved into areas where the number of supermarkets was limited, the suggestion of vouchers was rejected in favour of cash. The risk of cash assistance giving rise to inflation did not constitute an obstacle to implementation as WFP did not consider it a threat due to the small target group, the short implementation period, the diversity of the market as well as the absence of previous experience in prices rising as a result of cash assistance.

While the overall objective of the project was to address basic household requirements through the provision of cash, WFP specifically aimed at increasing food security of IDPs by complementing their GFDs of dry staple foods with fresh foods. A sum of 75 Georgian Lari (GEL), corresponding to the gap of 300 kcal, was therefore distributed to IDPs above the age of 2 over the three months of implementation. While the Georgian government assisted with a one-time transfer of GEL 100 to schoolchildren between the age of 6 and 16 for the purchase of winter clothing, UNICEF and UNHCR provided the same amount to children below the age of 6 and persons above the age of 16 respectively, in order to cover the gap. In addition, UNICEF gave a monthly payment of GEL 100 to children below the age of 2 with the purpose of buying complementary food and hygienic items. Since housing as well as gas and electricity for cooking were provided free of charge by the government, these did not constitute a need that had to be covered by the cash assistance.

In order to select the beneficiaries of the project, WFP worked closely together with the Georgian government. CRA, which is responsible for civil registering of the Georgian population, was given the task of registering the people displaced as a result of the conflict since MRA, which generally has this responsibility, did not have the capacity required. MRA instead assigned itself solely to its second regular task, i.e. to keep track of the movements of IDPs. Notable in this context is that when IDPs got registered, they received IDP status which entitled them to the monthly IDP assistance of GEL 28 provided by the government.

### 3.3.2 Implementation

The first setback of the project was that its implementation was postponed from January to February 2009. As the direct cash transfer project was the first of its kind implemented, the regular process of releasing funds within WFP was more time-consuming than expected and the project approval of WFP headquarters was therefore delayed. Another reason for the postponement was the large number of IDPs and their frequent movements, preventing MRA from keeping track of them and hence properly constructing the list of IDPs. The lack of information about the IDPs who lived with family or friends in the private sector further complicated the work of MRA. Although the implementation of the project was postponed, the preparations made by WFP were all completed within two months. The ability to implement cash assistance rapidly, which is especially important in emergency situations, was hence confirmed. In addition, Epremidze was of the opinion that the project was not more costly than if more comprehensive preparations had been possible.

The cash assistance was distributed to 11,404 beneficiary households by the use of the national banking system, where WFP chose to continue its collaboration with PBG due to its wide presence around Georgia and its experience of being responsible for the government social assistance schemes. The task of the bank, for which WFP paid a

commission of 1.5 percent, was to open bank accounts according to the list of IDPs and to distribute the bankcards to the branch office situated closest to each beneficiary.

Although Georgia is characterised by low gender empowerment, the risk of the man seizing the cash from the woman was seen as limited according to Giorgi Dolidze at WFP. The bankcards were therefore issued to a woman of each household, where applicable, in order to ensure female managing of the cash. Dolidze furthermore stated that this targeting strategy turned out to be successful, as 85 percent of the cardholders were women. Although households were given the opportunity to apply for one additional bankcard free of charge, only 1 percent of the households made use of this possibility according to Ketil Nadiradze at PBG.

In order to notify beneficiaries about the intended use of the cash assistance and the date of each transaction, television, radio and newspapers were employed to transmit the information. Furthermore, 500 posters and 25,000 leaflets with descriptions of the project and propositions on how to spend the money were printed and disseminated among beneficiaries in order to ensure full transparency. Despite the promotional efforts, it was observed that the beneficiaries were not adequately informed about the project and its purpose. An explanation may be the limited access to sources of information for beneficiaries, as a result of their constrained income. It could also be culturally obtained, according to Epremidze, as people in Georgia were said to not trust written information, but rather had their neighbour inform them. This is also a possible explanation as to why so few additional cards were issued, although it was free of charge and connected with a number of benefits.

While the majority of the transactions could be executed as planned, initial registration mistakes such as exclusion and inclusion errors or misspelled personal information caused beneficiaries to be added late to the list of IDPs. Hence, some beneficiaries received the total amount of cash retroactively in a one-time transfer.

With the aim of solving the problems related to the list of IDPs, additional efforts were required by the project partners. The list was continuously updated and a special hotline was opened within MRA with the responsibility of assisting in the on-going registration as well as answering questions about the project. An inconvenience however was that the calls were not free of charge. In order to verify and crosscheck the information received through the hotline, MRA also set up a verification committee. Monitors were furthermore sent by MRA and WFP to collective centres and settlements with the purpose of ensuring that the information in the list of IDPs corresponded to the reality. The monitors, as well as the hotline staff, were offered training and capacity building by WFP, which also conducted post-distribution monitoring after each transfer in order to ensure proper implementation.

Despite the efforts made and although WFP and UNICEF further increased the capacity of the hotline through the provision of additional laptops and telephones, postponements of transactions remained throughout the implementation. As stated by Dolidze, the last transaction made in the end of June was performed on the request of MRA which had identified an additional number of 421 IDPs eligible for receiving the cash assistance. As the project was already finalised, this constituted an exceptional payment, which was therefore only accepted by WFP and UNICEF, while disregarded by UNHCR.



## 4 Food Security in Georgia

The provision of cash to beneficiaries from donor organisations is expected to have a positive impact on dietary diversity and food frequency through increased access to food, thus stimulating improvements of food security.

### 4.1 Food Security Prior to the Project

In order to assess the food security situation of the IDPs, needs assessments were performed by WFP in September 2008 and jointly by the Food and Agriculture Organization (FAO), UNICEF and WFP in February 2009.

Although the level of food availability on the Georgian markets was confirmed sufficient both in September and February (WFP, 2008a, p. 30; FAO/UNICEF/WFP, 2009, p. 29), the food access of IDPs living in Tbilisi was limited due to their constrained income and inadequate level of cooking facilities (WFP, 2008a, p. 30). Their poor access to food could furthermore be derived from the limited urban job market, as the survey in September showed 57 percent of the IDPs having no income source (WFP, 2008a, p. 14).

Despite the restricted access to food, the assessment of September showed that FCS for IDPs living in collective centres in Tbilisi averaged 28. This score indicated borderline food consumption and consequently no risk of undernourishment for the IDPs. As this result was mainly due to the in-kind food assistance provided by WFP, a

main cause for concern was however their poor dietary diversity which could lead to long-term health complications. Yet another reason for concern regarding their food utilisation was that only 13 percent of the IDPs had adequate supplies of personal hygienic items such as soap and sanitary cloth. (WFP, 2008a, p. 14)

The poor dietary diversity of the IDPs was reconfirmed in February 2009 when it also was observed that 18 percent of the households had poor food consumption, 67 percent classified as borderline, and only 15 percent recorded an acceptable level of food consumption. Among the households in the survey of September 2008, not a single one was consuming meat more than twice a week, compared to 5 percent of the households in the assessment in February. The percentage of households consuming vegetables more than twice a week had increased from 6 to 26, and the share of households consuming dairy products more than twice a week had increased from 2 to 11 percent. Fruits were furthermore consumed more than twice a week by 3 percent of the households in September, compared with 19 percent in the later survey. The above-described improvements in dietary diversity can partly be explained by more people receiving the monthly governmental IDP assistance and by the lower unemployment level among IDPs in February. Despite this advance, dietary diversity was limited as it was noted that 56 percent of the households in the February survey did not eat meat at all. Moreover, 56 percent consumed vegetables less than twice a week, while fruits and dairy products were only consumed more than twice a week by 30 percent of the households. (FAO/UNICEF/WFP, 2009, pp. 28-30)

## 4.2 Effects of the Project on Food Security

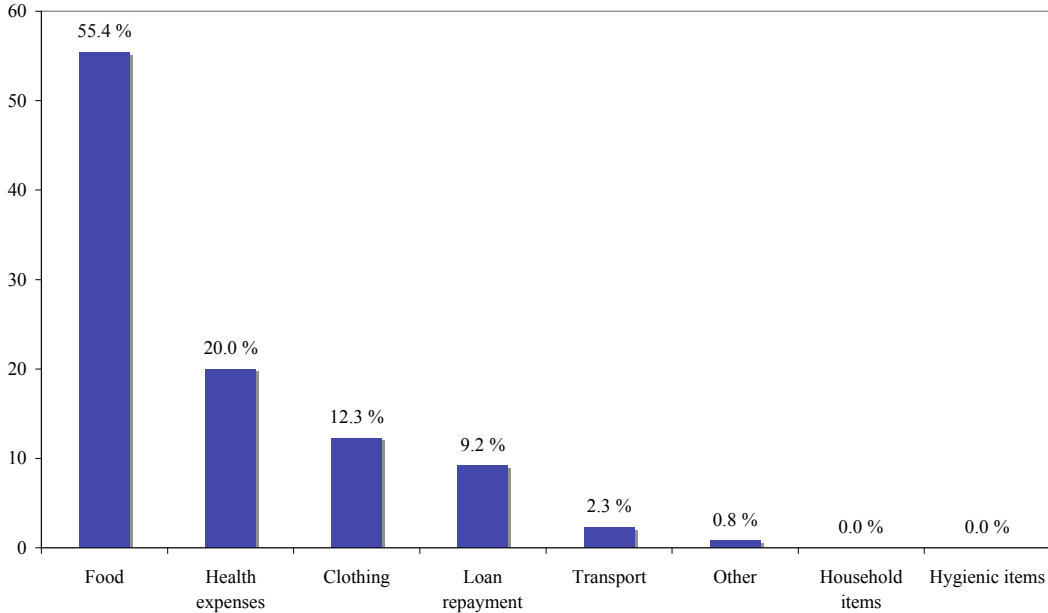
We conducted four group discussions and four individual interviews between 2 and 7 July 2009 with beneficiaries chosen among the 421 IDPs receiving the exceptional payment and living in collective centres in the capital Tbilisi and the smaller village Lagodekhi. In order to allow for separation from the effect of assistance provided by

UNICEF, the interviewed households were selected from 167 IDP households comprising 353 individuals without children below the age of 6. Based on an average for the thirteen households interviewed, we will analyse the two different types of interviews jointly.

#### 4.2.1 Expenditures and Sources

The households, with an average size of two individuals, had lately been added to the list of IDPs and hence received the exceptional payment averaged GEL 138 as a one-time payment. 69 percent of these households had no other income source than the received cash assistance, indicating an increase since September 2008. The probability of beneficiaries lying about additional income sources, in order to increase possibilities of further transfers, was considered low according to Tamara Nanitashvili at WFP. The reasoning concerning the attractiveness of cash can thus be disregarded.

**Figure 4.1:** Cash Assistance Expenditures

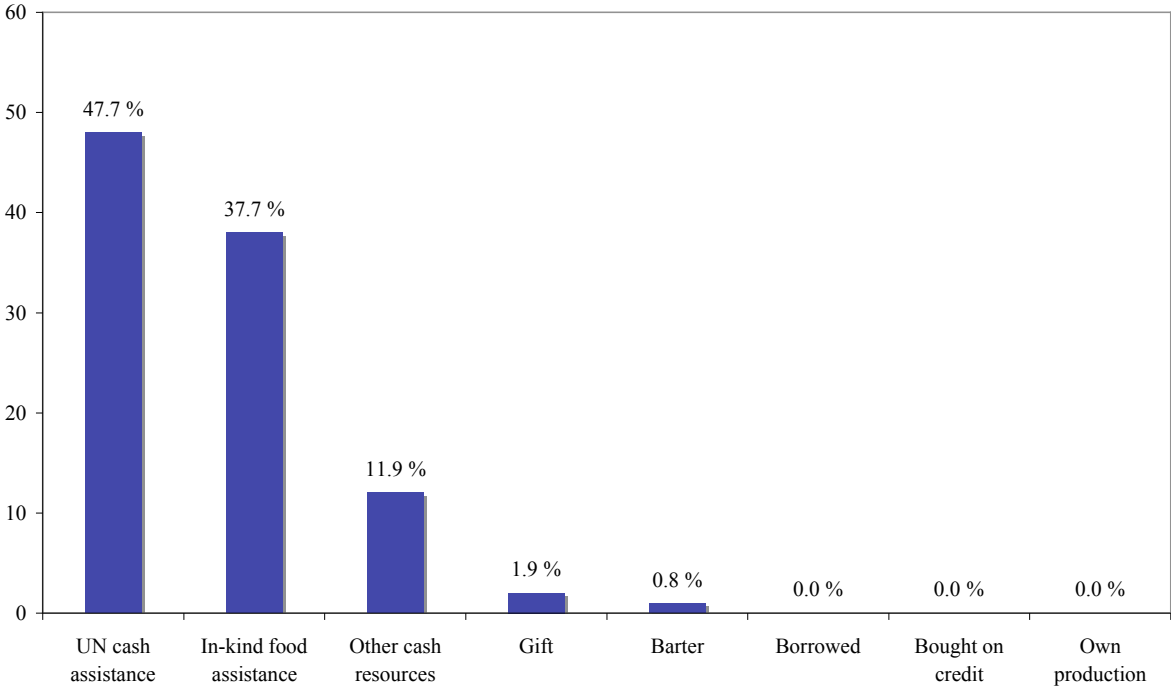


We found that the households had spent the total amount of the cash received within a week after the transaction, of which they had used 55 percent to purchase food items

(Figure 4.1). This large fraction indicates that the need for food among the beneficiaries, despite GFDs and the bakery scheme, was significant and the project can thus be said to have been timely implemented. At the same time, 45 percent of the amount received had not been devoted to the intended purpose. While this had a negative impact on the access to food of IDPs, it also indicates that they had other pressing needs than solely food or simply that these households were not in need of the cash assistance. An additional explanation is the one-time transfer that may have enabled IDPs to purchase non-food items even when their food needs were met. Health expenses constituted 20 percent of the cash assistance expenditures, resulting from eight households spending between 20 and 50 percent of the cash assistance (Table A.1 in Annex A). This high share spent on health by some of the households may indicate deficiencies in the current governmental provision of medical care for IDPs, where purchases of medicines need to be covered by the IDPs themselves while medical referral is free of charge. The 12 percent of the expenditures on clothing resulting from four households spending between 35 and 50 percent can be explained by the emergency situation, which forced the IDPs to leave their homes without their assets. Repayment of loans was furthermore exclusively observed in Lagodekhi, where the two households spent as much as 60 percent on this post, thus constituting a 9 percent share of the cash assistance expenditures of the total number of households. This phenomenon can partly be explained by late inclusion in the list of IDPs and by difficulties in finding employment in a smaller village. Four households spent 5 to 10 percent on transportation, hence leading to a share of 2 percent for the total number of households. This small percentage may be the result of the government providing people with IDP status free transportation by bus within the city of Tbilisi, implying that the cash assistance did not have to cover expenses of this type. Furthermore, the post named other items constituted 1 percent of the cash assistance expenditures, representing one household's purchases of tobacco for 10 percent of the cash received. We finally observed that the cash assistance was never used for purchases of household or hygienic items. The absence of expenditures on these items may have constrained the positive effects on food security of IDPs as their food utilisation could not benefit from improved health status or preparation methods.

In addition to the assessment of how the cash assistance was spent by beneficiary households, we evaluated the expenditures originating from all income sources. It was found that the majority of the households had increased their expenditures on meat, vegetables and fruit, health care and hygienic items after receiving the cash assistance. Although the cash was not used directly to purchase hygienic items, the increased expenditures on hygienic items indicate that the cash assistance freed resources that enabled households to prioritise purchases of these items. Nevertheless, the expenditures on bread, wheat flour, sugar and sweets, oils and fats remained unchanged, which is explained by the inclusion of these food items in the GFDs and bakery scheme provided by WFP. Other cereals, household items, transportation and clothing were additional categories of unchanged expenditures. Since the two latter also were items of cash assistance expenditures, this indicates that households could spend additional income sources on other items than clothing and transportation. As the majority of the cash assistance was spent on food and health items, it can be assumed that the freed resources were spent on these items and thus positively influenced food security.

**Figure 4.2:** Food Expenditure Sources



When turning to the evaluation of various sources enabling the households to purchase food, we found that the food expenditures of IDPs mainly originated from the cash provided through the direct cash transfer project (Figure 4.2). Approximately half of the food bought was paid for with the cash assistance, while in-kind food assistance provided by WFP constituted the second largest food expenditure source. Together they amounted to nearly 90 percent of the total food expenditures, suggesting that IDPs heavily depend on outside assistance when meeting their food requirements. The remaining expenditure sources included other cash resources such as governmental social programmes and remuneration for work as well as gifts and barter.

As the project purpose was to complement the GFDs with fresh foods in order to improve dietary diversity, the above-described expenditure pattern indicates that the objective has been met. However, the dependence on cash and in-kind food assistance remains notable. In line with theory, the increased expenditures on food and limited purchases of tobacco and alcohol may have been stimulated by the achieved aim of targeting women. A large fraction devoted to health care as well as increased expenditures on hygienic items may have further reinforced the positive effects on food security of IDPs through improved health status and food safety, which implies ameliorated food utilisation. Although cash assistance spent on health and hygiene can be said to have an indirect positive effect on food security, the direct effect occurring when the assistance is spent in accordance with the intended purpose is at all times preferable in terms of efficiency. If the Georgian government was to improve the health care for IDPs, it is reasonable to argue that beneficiaries would spend more of the cash assistance on food rather than medicines and the impact on food security could thereby be further strengthened.

## 4.2.2 Calculation of Food Consumption Score

With the aim of arriving at a reliable conclusion regarding the outcome of the project and its above-discussed positive impact on food security, we will calculate and evaluate the FCS of IDPs. Since the target group of the project was small and only covered IDPs, adjusting the thresholds for frequent consumption of sugar and oil, as discussed in section 2.2.2 is not justified. Nevertheless, studies have shown that frequent consumption of oil and sugar is a characteristic of the Georgian population, according to Nanitashvili. Hence raising the thresholds even though this project only targeted IDPs may be justified. Taking these two aspects into account, the analysis will be performed taking both the original and the adjusted threshold into consideration.

**Table 4.1:** Food Consumption Score

Food item	Food group	Weight	Days (of 7) eaten	Score
Bread, cereals, potatoes, pasta	Cereals and tubers	2	7	14
Beans, peas, nuts	Pulses	3	3	9
Vegetables, herbs	Vegetables	1	7	7
Fruits, berries	Fruits	1	2	2
Meat, fish, eggs	Meat	4	3	12
Cheese, milk, yoghurt	Dairy products	4	1	4
Sugar and sweets	Sugar	0.5	7	3.5
Oil and fats	Oils	0.5	7	3.5
<b>Composite score</b>				<b>55</b>

The interviews that we conducted included the seven-day recall method, which records the number of days certain food items were consumed during the last seven days (Table A.2 in Annex A). By following the procedure of calculation laid out in section 2.2.2, a FCS of 55 for the total number of households was obtained (Table 4.1). This score qualifies as acceptable food consumption, both when comparing with the original and adjusted WFP thresholds at 35 and 42 points respectively. It signifies a considerable improvement of the food security situation, as FCS was calculated to be

28 in September 2008 and only 15 percent of the households recorded an acceptable level of food consumption in February 2009. Although the WFP thresholds may indicate better food security than the factual situation, this should not be a cause of concern as the observed level of FCS is significantly higher than the pre-established thresholds of acceptable food consumption. Of the 55 points obtained in July, 30 stem from the food groups cereals and tubers, pulses, sugar and oils. These items are provided through WFP’s GFDs and bakery scheme and are thus contributing to the adequate calorie consumption. The remaining 25 points were accumulated by consumption of fresh foods, implying improved dietary diversity as the cash assistance enabled purchases of food items not included in the distributions of in-kind food assistance.

**Table 4.2:** Consumption of Fresh Foods (% of Households)

Number of days	Meat	Vegetables	Fruits	Dairy products
0	23.1	0.0	15.4	69.3
1	7.6	0.0	7.6	7.6
2	15.4	0.0	77.0	0.0
3	15.4	0.0	0.0	23.1
4	23.1	15.4	0.0	0.0
5	15.4	0.0	0.0	0.0
6	0.0	0.0	0.0	0.0
7	0.0	84.6	0.0	0.0

Although mainly due to the consumption of eggs, we found that the percentage of households consuming meat more than twice a week had increased to 54 percent (Table 4.2) compared with 0 percent in September and 5 percent in February. In addition, the intake of dairy products had increased by more than 12 percentage points compared to previous assessments. While all the interviewed households consumed vegetables more than twice a week compared to 6 and 26 percent in September and February respectively, the consumption of fruit was found to be lower in July than during previous assessments when fruit was consumed more than twice a week by 3



and 19 percent of the households. As the increased consumption of vegetables may be explained by the cash assistance being distributed during summer when prices of vegetables and fruit in general are lower, the observed decrease in the consumption of fruit suggests that these food items were still too expensive for IDPs or that they did not constitute priority purchases. It is important to acknowledge that the food group vegetables includes herbs. When applying the weight zero to herbs as a means of controlling for the inherent exclusion error of the measure, we found FCS to be 52 (Table A.3 in Annex A). Although the score is lower, the level of food consumption is still considered acceptable compared with both the original and adjusted thresholds. The previous conclusion of the improved food security situation of IDPs is thereby strengthened. As the achieved FCS remains significantly higher than the original and adjusted thresholds of acceptable food consumption, the risk of WFP thresholds overestimating the food security situation is reconfirmed as not having a determining effect on the outcome of the project in terms of FCS.

When summarising the above-mentioned aspects of expenditures and sources as well as FCS, the observed improvement in the food security situation of IDPs can be thought to originate from the increased access to food and enhanced food utilisation as the level of food availability on the Georgian market has been confirmed sufficient throughout the implementation process. A contributing factor to the increased access to food may have been the observed improvement in the cooking facilities of IDPs, resulting from the governmental provision of complimentary gas and electricity. However, there is one aspect to take into account when analysing the improved food security situation of IDPs. Since the households interviewed received a one-time transfer instead of a monthly disbursement, this may have influenced their spending pattern. As they had three times more cash available to devote to food purchases, the effect on food security may hence have been concentrated to one instead of distributed over three months. However, it cannot be said to have affected the general outcome of the project as it only concerned a minority of the total number of beneficiaries. It should furthermore be noted that the effects on food security to a certain degree depend on whether the beneficiaries have been targeted previously or not. This

reasoning derives from Engel's law of food consumption, suggesting that a marginal increase of income will have a larger effect on food security if provided to low-income households. Cash assistance targeted to households previously not receiving assistance, as in this case, will hence promote larger effects on food security. In conclusion, the IDPs have achieved acceptable food consumption through the provision of cash assistance, although their food security is still dependent on in-kind food assistance.

### 4.3 Optimal Food Assistance Instrument

With the aim of assessing whether cash assistance is the optimal food assistance instrument when addressing food security issues in Georgia, we will apply the key determinants of transfer choice to the prevailing country specific conditions.

#### 4.3.1 Cash Assistance versus In-kind Food Assistance Applied to the Georgian Context

As the objective of the direct cash transfer project was to improve food security rather than purchasing power, it is of interest to compare the effects of cash in relation to in-kind food assistance in order to determine the optimal food assistance instrument.

##### *Project Objectives*

As mentioned earlier, the direct cash transfer project can be said to have attained its objective since the proxy indicator of food security, FCS, had increased to a level where the consumption of all households was classified as acceptable. While effectiveness was reached through the achievement of the objective, efficiency was obtained as the benefits were outweighing the low costs related to the project.

### *Project Costs*

Earlier calculations made by WFP suggest that the costs of distributing food are 3.8 to 13.1 times higher than transferring cash when associated with a bank fee of 1.8 percent (WFP, 2007, p. 13). As the bank fee for the direct cash transfer project was 1.5 percent, the cost-comparison in favour of cash is still valid. Dolidze confirmed the low cost of the project, as the direct support costs<sup>4</sup> and indirect support costs<sup>5</sup> added up to 11 percent of the total budget. He further stated that the project had been relatively cheap compared to an equivalent in-kind food assistance project since the direct support costs are the same irrespective of food assistance instrument, and the costs for transportation, storage and distribution were absent. Not only did the project show the possibility of rapid implementation of cash assistance, its total costs were not negatively influenced by the restricted preparations. The costs of the project were further limited as the expenses for issuing bankcards were included in the agreement already established between WFP and PBG. However, according to Epremidze, the low costs of the project did not induce more resources to be allocated to monitoring and accounting. Neither did its small scale affect monitoring, as the amount required was equal to that of any cash assistance project.

### *Market Conditions*

In Georgia where markets are well integrated across the country and well functioning, and where the level of food availability is sufficient, cash is considered a better option than in-kind food assistance. This view is further strengthened as there was no risk of inflation according to WFP. However, the food access of IDPs is constrained by the higher retail prices for certain key commodities within Georgia than internationally (WFP, forthcoming, pp. 7-8), making it more valuable for beneficiaries to receive in-kind food than cash assistance. Although the money received was spent locally, the secondary effects associated with cash assistance were assumed to be limited due to

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<sup>4</sup> Direct support costs consist of bank fees and office expenses.

<sup>5</sup> Indirect support costs consist of headquarters cost which is dependent on the amount of cash assistance provided to beneficiaries.

the low number of beneficiaries, or absent considering the lack of arable land for the targeted IDPs.

### *Administrative Capacity*

The combination of a well functioning banking system and decreasing corruption suggest limited risks of implementing cash assistance in Georgia and no need for additional costs related to security measures. This may be one explanation as to why project partners did not perceive corruption as a threat. Although it was observed that the outcome of the information distribution was inadequate, the efforts made may have reduced to some extent the risk of cash being diverted to corrupted authorities by increasing transparency. Not only does the adequate level of administrative capacity in Georgia favour cash assistance, possible inconveniences in terms of time and flexibility regarding the use of the banking system did not constitute a problem within the project, according to Dolidze. It is notable furthermore that the well functioning banking system and markets constituted one of the reasons as to why cash assistance was introduced by WFP in Georgia in 2005. These favourable conditions promoted the potential of cash as an alternative instrument of food assistance when addressing food security issues in the country.

### *Social Protection*

The observed improvement of food security can partly be derived from existing governmental programmes such as IDP assistance, pensions and disbursements to households below the poverty line, as these in combination with the cash assistance improved the access to food of IDPs. Cash as the optimal food assistance instrument in the Georgian context is reconfirmed by the targeting strategy of the UN agencies, where they covered the gaps resulting from the government assistance to schoolchildren, indicating that the governmental programmes facilitated the adjustment of the project to the specific context.

### *Beneficiary Preferences*

Beneficiaries participating in the group discussions unanimously preferred cash to in-kind food assistance. Although the demand for a combination of cash and in-kind food assistance was one of the motives behind the implementation of the first cash assistance project in Georgia, it was not considered in this case since the IDPs living in Tbilisi and Lagodekhi did not possess arable land. Nevertheless, considering their satisfactory access to markets with adequate food availability, their preference for cash was by no means surprising. The freedom to choose which items to purchase was the most frequently recurring argument among the IDPs, implying that cash maximises their utility. However, the lack of information among IDPs regarding the project can be related to consumer theory as they could not be expected to make rational decisions concerning utility maximisation without complete information. In-kind food assistance can therefore be said to constitute the optimal food assistance instrument. Despite the classification of Georgia as a country of low gender empowerment, gender-related preferences were not observed. Both men and women preferred cash, suggesting that the problem for women in keeping control of the money was not applicable to the Georgian context. The targeting of women may thus have influenced the positive outcome of the project on food security. The risk of not achieving nutritional objectives was furthermore limited as it was observed that the greatest share of the cash assistance was spent on food.

When summarising and evaluating the number of above-mentioned aspects, it can be determined that the advantages of cash assistance are outweighing its inconveniences, which hence opts for cash assistance as the optimal food assistance instrument when addressing food security issues in Georgia.

#### 4.3.2 Decision Trees Applied to the Georgian Context

With the aim of reaching a reliable conclusion regarding the optimal food assistance instrument, we will apply the decision trees of transfer choice to the Georgian conditions.

As the Georgian markets are well functioning, the answer to the first question in the Barrett-Maxwell decision tree is yes and cash assistance can therefore be said to constitute the optimal food assistance instrument. In addition, as WFP is focusing its activities on cash and in-kind food assistance, the alternative of providing jobs to beneficiaries could be achieved through cash for work projects.

The cause of food insecurity and thus the point of departure in the Oxfam decision tree was demand failure. This in turn was a result of income loss, which is why the answer to the second question is yes. This is also the answer to the third question, as markets in Georgia are operating. Since Georgian markets are, as earlier concluded, well functioning one can assume that the government is not restricting food movement and the answer to the fourth question is hence no. The relatively high level of competition in and integration of food markets furthermore give affirmative answers to the fifth and sixth questions. As the risk of supply-failure is low, the answer to the seventh question is also yes. Finally, the answer to the last question is no since the risk of inflation induced by this project was limited. Cash assistance, with preferably women as the target group, is thus reconfirmed as the optimal food assistance instrument when addressing food security issues in Georgia.

## 5 Lessons for the Future

With the aim of trying to assess how to improve future cash assistance, we conducted interviews with partners of the direct cash transfer project. The interviewed representatives of WFP, UNHCR, UNICEF, MRA, CRA and PBG were engaged in the project on a technical rather than a policymaking level.

### 5.1 Challenges and Lessons Learned

According to the six project partners, the list of IDPs constituted the main challenge of the project, as CRA and MRA were lacking information about the great number of IDPs resettled after the conflict. According to the three UN agencies, the challenge of the list of IDPs was mainly due to the weak linkage between the two institutions. In order to improve their coordination skills, WFP gathered the partners in order to review the signed agreement and thereby clarify their respective responsibility. An additional challenge, emphasised by CRA, was the short timeframe of the registration process due to the emergency. The limited timeframe did not however pose any difficulties for PBG due to its widespread experience from large scale projects.

Although the outcome of the project was successful according to all project partners, Sophie Jambazishivili-Yucer and Nino Kuchukidze at UNHCR argued that it was not a sustainable one as the target group was limited to IDPs. The lesson learned by UNHCR was therefore to continue with its regular activities, which aim at having greater impact on the community by targeting a larger group of the population and

thereby achieve higher sustainability. In addition, the lesson learned by UNICEF, according to Dimitri Gugushvili, was that cash is the most cost-efficient way of providing assistance during emergencies in countries where markets are functioning. Furthermore, Mikheil Teodoradze at MRA stated that they acquired knowledge on how to organise its work and how to take rapid decisions in emergency situations, while the lesson learned by CRA, as claimed by Zurab Magradze, was how to construct databases with higher capability of dealing with emergency situations. The temporary address of registered IDPs is one example of information previously unavailable but required for this project, and which therefore has been recently added to the database. This improvement of the database will be perceived as good news for WFP whose lesson learned from the project was that the database of CRA was not as well-developed as everyone had thought.

Despite the coordination difficulties between MRA and CRA, the general opinion concerning the collaboration among the UN agencies and the Georgian government was highly affirmative. UNHCR especially appreciated the advantage of being able to segment the population according to the expertise of each organisation and hence address the specific needs of every age group. In addition, as the project had an innovative approach concerning the constellation of partners, UNICEF and MRA highly valued the experience acquired throughout the project. Interesting to note is that neither MRA nor CRA expressed any difficulties regarding the collaboration, between the two of them or with other project partners.

Concerning the optimal food assistance instrument to implement in Georgia, UNICEF preferred cash as the Georgian market and financial system are working properly. In this context it was said to be important to distinguish between functional and dysfunctional families in order to avoid cash being transferred to families with social problems such as addiction and violence. However, as Georgia classifies as a middle-income country the provision of cash was said to be the responsibility of the government and UNICEF is therefore focusing its activities on in-kind food assistance. The preference of WFP was in line with that of UNICEF with the addition that cash



for work was preferred to unconditional cash assistance. Assistance in terms of cash for work was said to be more sustainable since the beneficiaries have to perform some type of work, either on their own plot or within the community. As UNICEF, UNHCR is mainly providing in-kind assistance. The reasoning behind this choice was the opposite though. Despite its limited experience of providing in-kind food assistance, UNHCR was of the opinion that it is at all times better to give in-kind food than cash since it is easier to ensure that the purpose of a project will be fulfilled. Although having varying views regarding the optimal food assistance instrument, all partners concluded that one should always consider the specific context of implementation, such as weather and living conditions, before deciding on which instrument to provide. The choice of implementing cash assistance in the aftermath of the conflict in August 2008 was furthermore agreed to have been the optimal choice considering the prevailing emergency.

## 5.2 Improving Cash Assistance

In order to ensure the complete picture of how to improve cash assistance, we will evaluate the interviews with project partners as well as the key determinants of transfer choice applied to the Georgian context.

Although the challenge of the short time frame is something that cannot be avoided in a future emergency situation, the handling of the list of IDPs can be improved. In addition to the recently extended database of CRA, MRA is developing its own database to be able to manage the task of registration by itself in the future. In order to avoid duplication the database is constructed in cooperation with CRA. Although the development of the database is progressing slowly according to Dolidze, its finalisation will improve future cash assistance as it will include all information required when implementing projects at the same time as the coordination problems between MRA and CRA will be avoided.

Future projects will moreover benefit from the acquired knowledge of project partners concerning how to provide cash assistance in different kinds of situations, especially emergencies. The clarification of the responsibility of each partner will constitute an additional advantage to future improvements. Higher efficiency will also be achieved since WFP has recognised the need of greater technological capacity and human capital among partners as well as more training and monitoring in order to improve the construction of the list of IDPs as well as the provision of information to beneficiaries. Calls to the MRA hotline should furthermore be made free of charge to make certain that the IDPs acquire the information needed.

As the collaboration was highly appreciated and the desire for it to continue was expressed, the direct cash transfer project may constitute the beginning of long-term cooperation. Based on the argumentation of UNHCR regarding the collaboration, this partnership may have a positive impact on future cash assistance through higher sustainability, as the needs of persons of all ages can be addressed by the comparative advantage of each organisation. Sustained cooperation would also limit unnecessary administrative and bureaucratic costs associated with the opening of bank accounts.

Although the Georgian social protection framework benefited the adjustment of the project to the specific context, a reinforcement of the health care system is an additional factor that would improve cash assistance. Furthermore, Engel's law of food consumption implies that cash assistance targeted to beneficiaries previously not receiving assistance will promote more efficient outcomes of future projects.

Although the three UN agencies had differing opinions regarding the preferred instrument of food assistance, they all concurred that the specific context needs to be assessed in order for them to make the transfer choice. It can thus be concluded that high efficiency of future cash assistance can only be achieved when the choice of the type of cash assistance is based on the specific context in which the project will be implemented.

## 6 Summary and Concluding Remarks

The conflict with Russia in August 2008 threatened to aggravate the food security situation in Georgia. A direct cash transfer project was therefore implemented as an emergency response in order to meet basic household requirements of IDPs. As the leading agency, WFP joined forces with UNHCR and UNICEF to cover the specific requirements of all age groups through the provision of cash. CRA and MRA were also involved with the purpose of registering and keeping track of the IDPs in order to enable the construction of the list of IDPs. To be able to transfer the cash assistance to beneficiaries, PBG was chosen as the banking partner and WFP distributed monthly payments of GEL 25 between February and April 2009. The amount provided was intended to cover a calculated calorie gap of 300 kcal through purchases of fresh foods, complementing the GFDs of dry staple foods and thereby improving food security. By targeting a woman of each household and by distributing information concerning the project, the effects on food security were intended to be strengthened. The complexity and sensitivity of cash assistance required continuous monitoring and establishment of various mechanisms aiming at facilitating the updating of the list of IDPs, in order to ensure the effects of the project on food security.

When examining the impact of the direct cash transfer on food security, it was found that it had ameliorated as a result of better food access and food utilisation. This conclusion was reconfirmed by the observed increase in the proxy indicator of food security, FCS, signifying improved dietary diversity and food frequency. The targeting of women as well as the governmental provision of housing, gas, electricity and free transportation for IDPs may also have played a role in the improvement of food security as they had the effect of ensuring that the cash was used for its intended

purpose. Nevertheless, the expenditures on non-food items indicate that the IDPs had other more pressing needs or simply that the implementation of cash assistance was unjustified. An additional explanation may be the accumulated transaction, leaving IDPs with additional resources when their food needs were satisfied. As the cash amount was not spent entirely in accordance with its purpose, this imposed a restriction on the access to food of IDPs and hence on their food security. This effect may have been further exacerbated by the observed increase in the share of households having no other income source than the cash assistance. It was however found that the greatest share of the cash assistance was spent on food, thus limiting the risk of cash being used for non-intended purposes. An additional factor assumed to have contributed to the positive effect on food security was the target group, as it did not receive food assistance prior to the conflict. Although one can conclude that the food security of IDPs has improved following the project, it is important to note that they remain dependent on external assistance as their sources of food expenditures almost entirely originated from the received cash and in-kind food assistance provided by WFP. It should nonetheless be noted that the sample size of this study is rather limited and the ability to draw statistically valid conclusions from the information collected is therefore restricted. Important to consider is also that the use of interviews poses limitations as the conclusions are based on the reliability of the information provided by the translator. The risk of beneficiaries conveying incorrect information due to their desire of receiving additional assistance should furthermore not be neglected.

Cash assistance was concluded to constitute the optimal food assistance instrument when addressing food security issues in Georgia. This was based on various key determinants of transfer choice in which the well functioning markets, the adequate level of administrative capacity and the limited costs related to the project played a determining role. Although the same conclusion was reached when considering the preference of beneficiaries, the opinion of project partners was varying. While they agreed that different contexts imply various needs, cash assistance was said to have been the optimal choice of food assistance instrument considering the conditions prevailing in Georgia in the aftermath of the conflict. Worth emphasising is that this

result is based on interviews with project partners who cannot be considered neutral in the context of the project. The view of cash as the optimal food assistance instrument is challenged by prices being higher in Georgia than internationally, and by IDPs not being expected to make rational decisions concerning their utility as they lacked information concerning the project.

In the assessment of how cash assistance can be improved, a prerequisite is to consider the specific context as well as the target group. While the prevailing conditions should determine the choice between conditional or unconditional cash assistance, future efficiency also hinges on whether or not beneficiaries have been previously targeted. Future projects are moreover assumed to benefit from greater knowledge of partners concerning how to provide cash assistance in different kinds of situations, as well as from the clarification of their respective responsibilities. Additional improvements can be achieved as MRA will be the sole government agency registering and keeping track of IDPs, and problems related to its weak linkage with CRA will thus be avoided. What will further contribute to future improvements is the development of the MRA database, anticipated to limit the encountered problems related to the list of IDPs. Meeting the acknowledged requirements of increased technological capacity, human capital, training and monitoring in order to ensure adequate information collection and dissemination, should furthermore result in more efficient cash assistance. While the desire of partners to continue collaborating will limit unnecessary administrative and bureaucratic costs, it will also contribute to improvements as their respective expertise will generate greater sustainability. Furthermore considering the noticeable need of a better health care system for IDPs, improved cash assistance could be achieved if future projects are to be implemented in combination with a strengthened social protection framework.

Although progress has been made regarding food security in Georgia, there are still improvements to be made in order to benefit entirely from the potential of cash as the optimal food assistance instrument. Additional case studies are therefore desired, especially as this study has emphasised the importance of the specific context.

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### **Interviews with Project Partners**

Dolidze, Giorgi <i>Programme Officer</i>	WFP	2009-07-14
Epremidze, Khatuna <i>Senior Programme Officer</i>	WFP	2009-07-14
Gugushvili, Dimitri <i>Project Officer</i>	UNICEF	2009-07-06
Jambazishvili-Yucer, Sophie <i>National Officer</i>	UNHCR	2009-06-29
Kuchukidze, Nino <i>Programme Assistant</i>	UNHCR	2009-06-29
Magradze, Zurab <i>Head of IT and Analytical Department</i>	CRA	2009-06-30

Nadiradze, Ketil	PBG	2009-07-01
<i>Deputy of Corporate Clients Relationship Department</i>		

Nanitashvili, Tamara	WFP	2009-07-13
<i>VAM Consultant</i>		

Teodoradze, Mikheil	MRA	2009-06-30
<i>Migration Division Senior Specialist</i>		

### **Collective Centres Visited**

Bagebi, Student's Town	Tbilisi	2009-07-07
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Chavchavadze 60	Tbilisi	2009-07-03
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Lagodekhi Collective Centre	Lagodekhi	2009-07-06
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Kahdelaki Street 12	Tbilisi	2009-07-07
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Kostava 14	Tbilisi	2009-07-03
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Vasha Pshavela 25	Tbilisi	2009-07-02
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# Annex A

**Table A.1: Cash Expenditures (%)**

Households	1	2	3	4	5	6	7	8	9	10	11	12	13	Average
Food	50	50	70	70	70	70	70	60	100	50	60	0	0	55.4
Household items	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Clothing	0	0	0	0	0	10	10	0	0	50	40	35	35	12.3
Transport	0	0	0	0	0	0	0	0	0	0	0	5	5	2.3
Loan repayment	0	0	0	0	0	0	0	0	0	0	0	60	60	9.2
Health expenses	50	50	30	30	30	20	20	30	0	0	0	0	0	20.0
Hygienic items	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0
Other	0	0	0	0	0	0	0	10	0	0	0	0	0	0.8

**Table A.2: Seven-day Recall Method**

Food item	Days (of seven) consumed
Wheat bread	7
Other types of cereals	1
Potatoes	3
Pasta	4
Beans	3
Peas	0
Nuts	0
Vegetables	4
Herbs	7
Fruits and berries	2
Meat	1
Fish	0
Eggs	2
Dairy products	1
Sugar or sweets	7
Oils and fats	7

**Table A.3:** Food Consumption Score when Controlling for Herbs

Food item	Food group	Weight	Days (of 7) eaten	Score
Bread, cereals, potatoes, pasta	Cereals and tubers	2	7	14
Beans, peas, nuts	Pulses	3	3	9
Vegetables	Vegetables	1	7	4
Fruits, berries	Fruits	1	2	2
Meat, fish, eggs	Meat	4	3	12
Cheese, milk, yoghurt	Dairy products	4	1	4
Sugar and sweets	Sugar	0.5	7	3.5
Oil and fats	Oils	0.5	7	3.5
Herbs	Vegetables	0	7	0
			<b>Composite score</b>	<b>52</b>