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Cash-based responses in emergencies

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Chapter 1
Introduction

People affected by disasters may need external assistance in order to survive and recover. To the extent that this involves transfers to individuals, this assistance can either be provided in-kind, in the form of food aid, shelter materials, seeds or blankets, or it can be provided in cash, enabling people to decide for themselves what they most need, and to buy it in local markets.

This paper is the final product of a three-year research project looking into when the option of giving people money instead of, or as well as, in-kind assistance is feasible and appropriate. It builds on a discussion paper published in early 2005 on the role of cash and vouchers in emergencies, on background papers, a project to document learning around cash-based responses to the tsunami and a conference held in January 2006 (Adams 2006; Adams and Kebede 2005; Harvey 2005; Hofmann 2005; ODI, 2006). The discussion paper concluded that 'a strong body of evidence is starting to emerge that providing people with cash or vouchers works' (Harvey, 2005: 47). Since then, cash-based responses to emergencies have become more common, with each new emergency bringing a growing body of experience, evaluation and documentation. Relief responses by national governments to the Indian Ocean tsunami and the South Asia earthquake included substantial cash-based assistance (Government of Thailand, 2005; Government of Pakistan, 2006; Adams, 2006). Disaster responses in rich countries also include a substantial amount of cash assistance (Government of Australia, 2006). In response to hurricanes Katrina and Rita in the United States, the US government provided over $4 billion and the American Red Cross $1.57 billion in cash grants to affected households (FEMA, 2006; American Red Cross, 2006). Meanwhile, valuable tools and guidelines are being developed to help practitioners plan and implement cash-based responses (Creti and Jaspars, 2006; Jaspars, 2006; Rauch and Scheurer, 2003).

Concurrent with the expanding use of cash in emergencies, there is growing interest in the role of cash transfers as part of long-term development and social protection. Lesotho has introduced a universal pension, plans are under way for a national safety net programme in Kenya and conditional cash transfer programmes are expanding in Latin America (Samson et al., 2006). In countries such as Ethiopia, which face chronic or recurrent crises, it is hoped that these long-term safety nets will reduce the need for external humanitarian assistance.

The case for greater use of cash-based responses in emergencies is not new; it was made eloquently by Dreze and Sen in *Hunger and Public Action* in 1989, and again by Peppiat and Mitchell in 2001 (Dreze and Sen, 1989; Peppiat et al., 2001). Given the theoretical case for cash, and the positive experiences being accumulated around the implementation of cash-based responses, why does international relief remain dominated by in-kind assistance? Humanitarian aid agencies still overwhelmingly provide people with food aid and other material items (shelter kits, non-food items, agricultural inputs). Projects to rebuild livelihoods are still more likely to give people sewing machines or fishing boats than to provide money to enable people to invest in their own priorities for recovery.

Obstacles to the use of appropriate cash are partly institutional, in the sense that some donors continue to tie assistance to food aid (Clay and Riley, 2005). Reluctance to use cash is also a function of the individual attitudes of aid providers, and the sense that cash is threatening because it implies handing over power from the agency to the beneficiary. These barriers are, however, beginning to erode. The World Food Programme (WFP) has piloted cash-based responses in a number of countries, and is revising its assessment guidelines to make more explicit the process by which planners choose between different response options (Sharma, 2006; WFP, 2005a; Mwale, 2006; Gentilini et al., 2006). Donors have started to revise their policies and are becoming more receptive to funding cash-based responses.

This growing interest in cash programming is welcome, and we believe there is a strong case for continuing to expand the use of cash in emergency responses. At the same time, however, it is important to recognise that cash-based responses are not a panacea, nor are they universally appropriate. They are one element of the humanitarian toolbox – a complement to in-kind assistance, not a replacement for it. Cash-based responses have their own risks; cash transfers may trigger inflation in local markets, are just as likely to be poorly implemented and managed, and suffer from problems of exclusion, poor targeting and corruption, just like any other type of project.

Despite these reservations, we argue that cash-based responses should play a growing role in humanitarian response to crises. This paper analyses recent experience with cash programming to highlight emerging lessons and issues that need further analysis. This is a relatively new field for aid agencies and, while a foundation is being laid for developing learning, skills and capacities, much remains to be done. This report therefore also considers what the key next steps should be in taking forward cash-based responses to emergencies.

1.1 Methodology

This report draws on the findings of an initial literature review and discussion paper, a case study of a cash project in Ethiopia, a study on the use of vouchers in agriculture, a desk review of responses in Afghanistan, a project documenting learning from

cash-based responses to the tsunami, a conference held in the UK, a study for Save the Children in Sri Lanka and evaluations of Oxfam programmes in Zambia and Malawi.[1] Throughout the project, an effort has been made to gather and analyse grey literature such as proposals, reports and evaluations from agencies implementing cash-based responses around the world. All of the background reports and many additional resources are available at: http://www.odi.org.uk/hpg/Cash_vouchers.html.

1.2 Structure

This report is structured as follows:

- Chapter 2 sets out the sort of interventions focused on in this report, explains what we mean by cash-based responses and examines the appropriateness of cash in different types of emergency context.
- Chapter 3 sketches out past experience with cash-based responses.
- Chapter 4 examines how to assess whether cash is appropriate and feasible, and what this implies for the analysis of markets.
- Chapter 5 examines key issues in particular sectors, focusing on cash support for basic needs and access to food, livelihoods recovery, shelter and disarmament, demobilisation and reintegration and support through cash for work and vouchers.
- Chapter 6 looks at key implementation issues related to targeting, timing, disbursement mechanisms and managing corruption and security risks.
- Chapter 7 examines issues of impact.
- Chapter 8 explores the question of how to monitor and evaluate cash projects, and assess their cost-effectiveness.
- Chapter 9 discusses how cash-based responses fit into the debate around relief, development and the emerging social protection agenda, and the links between cash responses and other emergency interventions.
- Chapter 10 examines some of the key barriers to the further adoption of cash-based approaches, the position of donor governments and what new skills need to be developed to enable the effective delivery of cash.
- The conclusion (chapter 11) looks at what expanding the use of cash in emergencies implies for the actors involved in the provision of humanitarian relief.

1 These sources are: Adams, 2006; Adams and Harvey, 2006; Adams and Kebede, 2005; Adams and Winahyu, 2006; Aheeyar, 2006a and 2006b; Deshingkar et al., 2006; Harvey, 2005; Harvey and Savage, 2006; Harvey and Marongwe, 2006; Hofmann, 2005; Longley, 2006; ODI, 2006; Savage and Umar, 2006; and Schubert, 2006.

Chapter 2
Types of cash response and emergency context

One of the difficulties of writing about cash-based responses is what to include in the analysis. Cash is a possible alternative for any form of relief provision, as long as a private market exists. Even health and education could in theory be provided in the form of vouchers, or supported through cash grants. Cash is also fundamentally fungible. We might give people a grant in the expectation that they will use it to build a house, buy livestock or carry out a business plan, and aid agencies often attach conditions to grants to ensure that this happens. But once cash has been given to people, it is their choices rather than those of aid agencies that determine what that cash will be spent on. This flexibility and fungibility make it much harder to assign cash-based responses to the categories that relief actors are familiar with. Does cash fit within food security interventions, livelihoods or shelter, or all three? Is it a sector in its own right? Or a cross-cutting issue? Who should take the lead?

We argue that cash-based responses are a mechanism or tool for providing people with resources in emergencies. As such, they need to be considered across all sectors. All humanitarian actors involved in the transfer of resources to disaster-affected populations need to consider whether these resources should be provided in the form of cash, or as in-kind assistance. Cash has most often been considered as a replacement for food aid, but whenever in-kind assistance is provided in any sector cash is a possible alternative. In the shelter sector, cash can be given as an alternative to building materials to allow people to build their own homes. It can be provided to purchase non-food items such as blankets and pots and pans, and to buy livestock, seeds, tools or other agricultural inputs. Cash could also be provided to increase access to public goods such as health, education or veterinary services.

A number of interventions fall under the general banner of 'cash and voucher responses', and an array of different terms are used to describe them. Table 1 sets out the basic types of intervention that this report covers, and some of the names by which these interventions are commonly known.

The types of intervention described in Table 1 are the main focus of this study. In order to restrict the scope of the project and keep it to manageable proportions, the focus has been on cash for work and cash grants to individuals and households, as opposed to the provision of cash to support national governments, communities or organisations. Other types of intervention that are not considered here include:

- Monetisation of food aid – where food aid is sold by aid agencies, and the funds raised are used for development projects (Cekan et al., 1996; Tschirley and Howard, 2003; Barrett and Maxwell, 2005).
- Microfinance/credit – where people are given loans and/or encouraged to save (Mathison, 2003; Miamidian, 2005).
- Insurance schemes for emergencies (Twigg, 2004; WFP, 2005b).
- Budget support – the provision of cash to national governments to deal with emergencies through, for example, importing food.
- Grants to communities for particular projects.
- Waiving school fees or user fees for health care (Bate and Witter, 2003; Bitran and Giedion, 2003; Poletti et al., 2004: Save the Children UK, 2006).
- Suspending taxes.

The fact that this report does not have the scope to examine these issues should not be seen as minimising their importance. Waiving school fees or healthcare charges or suspending taxes may be particularly effective in supporting incomes, and could be relatively easy to implement. For instance, food economy surveys in Africa consistently show that school fees are one of the biggest and most difficult items of expenditure for poor households.

It is also commonplace that a portion of commodity distributions (food aid, non-food items, shelter) are sold by the recipients to meet other essential needs. In any situation where a significant proportion of a commodity is being sold by

Table 1: Types of cash and voucher interventions

Type of intervention	Labels commonly used
Giving people money as a direct grant with no conditions or work requirements	Cash grants Cash relief
Paying people in cash for taking part in a public works programme	Cash for work Employment, public works
Giving people money on condition that they do something (attend school, plant seeds, demobilise)	Conditional cash transfers Demobilisation programmes
Giving people vouchers for a particular type of good (e.g. seeds) or a bundle of goods	Voucher programmes

beneficiaries, the end result is a transfer of a combination of cash and commodities, and as such could be seen as a cash transfer, albeit an inefficient one. A study of food aid in Afghanistan found that beneficiaries were selling a portion of this assistance for between three and six times less than it had cost to deliver (Development Researchers Network, 2003).

Often, the cash provided by aid agencies or governments accounts for only a small proportion of the total cash affected people receive, and is dwarfed by private transfers of funds. Remittances and transfers through religious groups, kin groups, death and burial societies, rotating fund societies and other forms of community association often play a substantial role in maintaining people's incomes in developing economies (Black, 2003; Kapur, 2003; Van Hear, 2003). Remittances can play an important role in survival during crises, and recovery after disasters (Bhatia, 2003; Deshingkar and Aheeyar, 2006; Fagen, 2006; Lindley, 2006; Savage and Suleri, 2006; Wu, 2006; Young, 2006). Remittance flows can demonstrate that distributing cash safely is feasible and, in Somalia and Afghanistan, remittance systems have provided aid agencies with a mechanism for distributing cash.

2.1 Comparing cash and in-kind assistance

Cash-based responses have often been compared to in-kind assistance, particularly food aid, and there has been a tendency to present the key issues in terms of the advantages and disadvantages of cash (Harvey, 2005; Devereux, 2002; Peppiat et al., 2001). This approach often presents theoretical drawbacks which may not be borne out in practice. It also tends to suggest that advantages and disadvantages are fixed rather than context-specific, whereas cash may be more effective than food aid in some contexts, but not in others. To get around this problem, Table 2 sets out some of the key issues that arise in comparing cash and in-kind assistance programmes, not in terms of advantages or disadvantages but as open questions, which need to be evaluated on a case-by-case basis.

2.2 Emergency contexts

Humanitarian relief is delivered in a huge range of contexts, from natural disasters to wars, from rich developed countries to poor developing ones. This study accordingly looks at the suitability of cash and vouchers in the full range of emergency contexts. Sometimes, it is assumed that cash provision may be possible in relatively well-developed countries with banking systems, but not in less developed contexts, or that cash can be used in peaceful environments but not in complex emergencies. The experience reviewed here challenges these assumptions, suggesting that cash or vouchers are a possible response even where states have collapsed, conflict is ongoing or there is no banking system.

Clearly, however, some of these factors make implementing a cash- or voucher-based response more difficult. Table 3 (page 6) suggests one way of approaching this. It proposes two main distinctions: between wars or complex emergencies and natural disasters, and between quick-onset disasters, slow-onset emergencies and chronic or long-running crises. So, for instance, an earthquake would be a quick-onset natural disaster, and Burundi would be a chronic complex emergency. Floods in Bangladesh could be seen as a quick-onset natural disaster or, given their frequency, a recurrent or chronic one. Table 3 suggests some of the issues that arise in different types of emergencies (these are elaborated in more detail in later chapters). Cash or vouchers will only be appropriate in situations where food or the other items that people need are available in local markets, or can be supplied relatively quickly through market mechanisms. In some situations there may be an absolute shortage of food or other items at local or national levels, or markets may be disrupted. In these circumstances cash or vouchers will not be appropriate. Judging the ability of markets to respond to an injection of cash is a critical component of assessing the appropriateness of cash, and will be considered in detail below.

Cash responses are simpler in situations that are relatively peaceful and secure and banking systems and markets are strong. They are harder in contexts of conflict, corruption and insecurity, and at the start of an emergency when markets and financial systems are more likely to be disrupted. What must be stressed again is that factors such as insecurity and weak markets make cash interventions more difficult to implement, but they do not necessarily make them impossible, as demonstrated by successful cash interventions in very difficult environments such as Somalia and Afghanistan.

The contextual difficulties presented by emergencies do not apply only to cash responses. Interventions of any sort, whether cash or in-kind, are difficult and prone to diversion in complex emergencies and the predatory political economies that characterise them. In difficult complex emergencies such as in the Democratic Republic of Congo (DRC), Burundi or Afghanistan, the question is not whether cash is harder than in more peaceful environments, but whether cash is more or less difficult than possible alternatives.

The type and stage of an emergency is clearly important in making judgements about the possible appropriateness of cash. In the early stages of an emergency, particularly a quick-onset crisis, markets may be particularly disrupted and in-kind assistance may more appropriate. Yet even during quick-onset emergencies markets may still be functioning, and it may be possible to deliver cash more quickly than in-kind alternatives because it is logistically less demanding. In long-running crises, where the distinction between chronic poverty and acute emergency needs is often difficult to locate, such as northern Kenya and Ethiopia, there is increasing interest in the potential of longer-term cash-based safety nets to reduce people's reliance on regular humanitarian relief, largely in the form of food aid.

Table 2: Key issues in comparing cash and in-kind assistance

Cost-effectiveness	Cash programmes are likely to have lower transport and logistics costs. However, there may be other costs, such as a need for additional finance staff. Whether a cash grant is more cost-effective for recipients will depend on the prices of goods they purchase in local markets compared to the price it would cost an aid agency to deliver. There is also a need to take into account the relative costs to recipients of transporting in-kind assistance against the costs of travel to and from markets.
Security risks	The attractiveness of cash may create risks both for staff transporting cash and for recipients once they have received it. However, cash may also be less visible than in-kind options and there may be ways of distributing it that reduce possible security risks. The risks of cash compared to in-kind alternatives are different and context-specific.
Corruption and diversion risks	Cash may be more attractive than in-kind assistance, and so particularly prone to being captured by elites, to diversion or to seizure by armed groups. However, it may also be safer to deliver than in-kind aid, and avoids the risk of corruption, diversion or looting during procurement and transport.
'Anti-social' use	Cash can be used to buy anything, and can be spent for anti-social purposes such as alcohol consumption. Equally, in-kind assistance can be sold and used anti-socially.
Gender	Concerns that cash may disadvantage women because they have less say in how it is spent have largely not been realised. Where cash has been specifically targeted at women it has sometimes given them greater control within the household.
Choice, flexibility and dignity	Cash allows recipients to decide what they should spend the money on. Greater choice may help to foster dignity in the receipt of assistance. Using banks as delivery mechanisms can also enhance dignity in the receipt of assistance by removing the need for people to queue at distribution sites.
Market impacts	Any kind of resource transfer will impact on markets and local economies, and in deciding whether to provide cash or in-kind assistance these impacts need to be assessed. The main possible negative effect of cash transfers is the risk that they will cause or contribute to inflation in the prices of key goods. Cash transfers are also likely to have positive effects on local economies and less likely than in-kind transfers to have disincentive effects by discouraging local trade or production.
Consumption/nutrition	If a transfer has particular food consumption or nutrition objectives then food aid may be more likely to be consumed, and can be fortified to address micronutrient deficiencies. It has sometimes been argued that cash promotes dietary diversity by enabling people to buy a wider range of foodstuffs.
Targeting	Because cash is attractive to everybody it may be more difficult to target, as even the wealthy will want to be included. In practice, targeting cash projects does not seem to have been any more problematic than targeting in-kind assistance.
Skills and capacity	Implementing cash projects requires different types of skills and capacity. Logistics are often simpler, but there may be a need for additional finance capacity. Assessments and monitoring need to include analysis of markets. Both cash and in-kind assistance still require a focus on targeting, registration, robust distribution systems and transparency and accountability.

Table 3: Emergency typology and the applicability of cash and vouchers

	Quick-onset	Slow-onset	Chronic/long-running
War/complex emergency	Concerns around security will be particularly important and banking systems less likely to exist. There may still be innovative ways to deliver cash (*hawala* systems, remittance networks). In some conflicts, cash may be safer because it can be delivered more discreetly		
	Markets may be disrupted, making cash difficult or inappropriate	If there is a slow descent into conflict, there may be opportunities to consider cash and vouchers as part of preparedness measures, and to establish robust and discreet transfer mechanisms	In long-running conflicts, markets often re-establish themselves in periods or places of relative security. If conflicts go on for decades there may be a need to consider how long-term welfare and service delivery can continue even in conflict
Natural disaster	Cash may be difficult in early stages due to displacement, disrupted markets, and damage to infrastructure, but may be more feasible during recovery phase	Slow-onset events may provide greater opportunities to plan cash or voucher interventions and to link them with long-term social protection or welfare programmes	Many natural disasters are recurrent (floods in Bangladesh or droughts in Ethiopia). Cash or voucher interventions could be pre-planned as part of preparedness measures, and linked with mitigation and social protection

Chapter 3
Current and past experiences of cash-based responses

This chapter provides a brief overview of recent experiences with cash- and voucher-based responses. It is in no sense comprehensive, but it offers an illustration of the growing range, scale and diversity of cash programming around the world.

3.1 The Indian Ocean tsunami

Cash-based responses played an important role in the response to the Indian Ocean tsunami of December 2004. National governments took the lead in the response to the disaster, and cash-based programming was often the main focus of their work. Examples are summarised in Box 1.

The international aid response was, in contrast, largely in-kind. WFP made blanket distributions of food aid throughout 2005, shelter assistance was mostly material (temporary shelters in camps and the provision of material for permanent housing), and livelihood support largely involved providing items such as fishing boats and sewing machines. From the start of the response, however, there was a clear argument for considering cash-based responses. The countries affected possessed sophisticated market economies, and in some the damage to markets and infrastructure was very localised. Agencies also had more opportunity to innovate in the tsunami response because the vast majority of their funding was provided by the general public, meaning that they were not restricted by donor preferences and policies.

Some cash projects were implemented as part of the international aid response. Cash for work projects mainly focused on clearing debris from beaches. Some were very large; one Mercy Corps project in Indonesia, for instance, was disbursing over $1 million a month to nearly 18,000 people at its peak (Doocy et al., 2006). Cash was provided to people hosting displaced families in Indonesia and Sri Lanka (Hermann, 2006; Sewalanka Foundation, 2005), and donors provided funding and technical support to assist with the Sri Lankan government's cash programmes (Adams and Winahyu, 2006). CARE and Save the Children piloted projects providing a mixture of cash and vouchers as an alternative to food aid in Indonesia, and WFP piloted the provision of cash as an alternative to food in Sri Lanka (Chuzu and Viola, 2006; Cole, 2006; Meyer, 2005 and 2006; Sharma, 2006).

Box 1: Government cash responses following the tsunami

- In **Thailand**, the government provided cash grants as compensation to the relatives of the dead and the injured (Government of Thailand, 2005). The government also provided tax and loan reprieves such as temporary income tax exemptions.
- In **Indonesia**, the government aimed to provide IDR 3,000 per person per day, starting in March 2005 and running throughout 2005. This was intended as a complement to a food ration from the WFP. In practice, cash delivery by the government, and its receipt by disaster-affected households, was extremely patchy.
- In **India**, people received $2,264 for each death in the family (lesser amounts were provided for injuries), $22 per person per month for four months to cover basic needs and $22 per household to cover basic household goods such as kitchen utensils and stoves. The government also provided cash to Self Help Groups, to repair and replace fishing equipment, pay school fees, provide grants to women in fishing communities for fish-related businesses and increase pension benefits, and for agricultural reclamation and support to orphans. Most affected people seem to have received this cash support.
- In **Sri Lanka**, the government provided $1,515 in compensation for deaths, $25 for household items, $50 in emergency resettlement allowances, $8.50 a month for approximately 12 months and four unconditional transfers of $198 per household. Most households seem to have received these payments. The government also provided cash grants for people with damaged and destroyed houses.

Sources: Adams and Winahyu, 2006; Deshingkar et al., 2006; Schubert, 2006.

3.2 The South Asia earthquake

The Pakistan government played a leading role in the response to the earthquake there in 2005 (Khan, 2006), including a substantial cash component which, by July 2006, had reached Rs45 billion ($747 million) (Earthquake Emergency Recovery Project, 2006; Government of Pakistan, 2006). Interventions included:

- Grants to repair damaged houses (instalments of Rs25,000 and Rs50,000). By July 2006, grants had been provided to three million of the four million houses damaged by the earthquake, with the remaining million being processed.
- Compensation for relatives of the dead and for the injured.
- With World Bank help, support to 250,000 families with no bread-winner, amounting to Rs3,000 per month for six months.

International assistance was again overwhelmingly in-kind, but there were some examples of cash-based responses. Catholic Relief Services (CRS) provided cash grants of $35 to help people transport shelter materials and hire additional labour (Causton and Saunders, 2006). Save the Children provided grants of Rs12,000 to 4,250 poor households and Rs75,000 to village shopkeepers to support livelihood recovery (Save the Children, 2006).

3.3 Southern Africa, Ethiopia, Kenya and Somalia

Cash transfers have been piloted as part of relief responses in southern Africa. In 2005–2006 Oxfam implemented pilot projects in Zambia, and Oxfam and Concern Worldwide both have pilot projects in Malawi. The Concern project provided a combination of cash and food; the amount of the transfer was adjusted according to household size, and was reviewed each month to allow for changes in food prices. An evaluation concluded that it was a ‘model for innovative design and delivery of emergency relief using cash transfers’ and that it could be applied in non-emergency social protection (Devereux et al., 2006). An evaluation of Oxfam’s projects concluded that ‘cash transfers should be considered more widely by other stakeholders in Zambia and Malawi in future relief responses’ (Harvey and Savage, 2006).

There is also increasing interest in using cash transfers as part of longer-term safety nets and social protection programmes. A small pilot project in Zambia has provided regular cash transfers to the poorest households, and universal pensions were introduced in Lesotho in 2004 (Devereux et al., 2005; Samson et al., 2006; Schubert, 2005). Pensions in Namibia and South Africa have been in place for many years, and have had a significant impact on poverty (HelpAge, 2004). Studies have concluded that the pension in South Africa has reduced the number of people living below the poverty line by 5%, and has also had a positive impact on children’s health and nutrition (Barrientos et al., 2003; Devereux et al., 2005).

In Ethiopia, the Productive Safety Net Programme (PSNP) is designed to enable chronically food-insecure households to move out of dependence on emergency appeals by providing them with a predictable cash income (GFDRE, 2004). The programme is government-owned and -delivered, but NGOs act as facilitators and implementing partners in some administrative areas (known as *woredas*). Evaluations have found that the arrival of cash has created inflationary effects and has not, as hoped, triggered an increase in supply in the local agriculture sector. There have also been delays in payments to beneficiaries due to local authorities’ inexperience with delivering cash (Kebede, 2006; Sharp et al., 2006; Slater et al., 2006). There has been growing interest in longer-term safety nets in northern Kenya. Oxfam has examined the feasibility of cash-based safety nets in Turkana, and the Kenyan government planned to introduce a pilot project during 2006 (Levine and Crosskey, 2006a and 2006b).

Box 2: Cash for social protection

Pensions in Lesotho
In November 2004, and despite opposition from multilateral institutions including the International Monetary Fund (IMF), the Lesotho government introduced a universal pension of M150 ($25) a month to all its citizens over 70. The pension represents around 1% of national income, 3% of government expenditure and 44% of the health and social welfare budget. The programme is operating successfully, and there are plans to lower the eligibility age to 65. Nepal is the only other lowest-income country to run a universal pension programme.

Social grants in South Africa
Social security in South Africa consists of grants to older people, disabled individuals and children under 14. There is an income-based means test. Extensive evaluations have found that:

- Children (particularly girls) in households receiving grants demonstrate better weight for height indicators, improved nutrition and better school attendance than children in comparable households that do not receive grants.
- Grant recipient households spend a greater proportion of their income on food and education, and less on alcohol, tobacco and gambling than similar households not receiving grants.

Sources: Samson et al., 2005 and 2006; HelpAge, 2004.

Box 3: Cash grants in Somalia

Oxfam, Horn Relief, Norwegian People’s Aid and various local NGOs implemented a cash response in the Toghdeer, Sool, Bari and Nugaal regions of Somalia in 2005. In 2006, Oxfam and Horn Relief also implemented a cash grant and cash for work project in Lower Juba and Gedo. Cash for work projects have also been implemented in the south. Agencies have used money transfer companies to deliver funds to beneficiaries. One evaluation, of a project providing grants and cash for work in northern Somalia, found that beneficiaries were able to meet basic needs such as food, debt repayment, water purchases, clothing, education and medicine. Some limited restocking was also possible, and debt repayments revitalised credit systems.

Sources: Acacia Consultants, 2005, Ali et al., 2005, Narbeth, 2004; Doocy et al., 2006.

3.4 Afghanistan

Afghanistan’s National Rural Access Programme (NRAP) provides a widespread cash for work safety net. Funding for the project comes from the World Bank, Japan and the European Commission. The cash provided – a total of $126 million in the programme’s first phase – has been used mainly for food and

paying debts, which has helped to revitalise credit markets. As in Somalia, money transfer companies have been used to deliver cash to insecure areas, particularly in the south (Hofmann, 2005; Lockhart, 2006). The programme aims to distribute employment opportunities equitably across the country, and includes vulnerable groups like women and the disabled. It works in close coordination with other development programmes to develop a rural road network connecting villages to markets, health and education services and employment opportunities.

The programme's main successes include the creation of a visible government presence in less than a year, with an outreach extending to all regions: an estimated one in ten rural houses has been reached with direct cash transfers. However, the programme has not acted as a safety net for the chronically poor, and has not been able to react fast enough when shocks such as drought occur. Institutional capacity to implement the programme has been inadequate, and targeting has been difficult because data is poor. Insecurity has meant that the programme cannot run in all parts of the country (Lockhart, 2006).

3.5 Other examples

The examples given above are by no means the only places where cash has been a part of recent relief responses. Harvey (2005) provides brief sketches of other recent cash-based responses, and voucher-based responses are dealt with in Chapter 5. Brief descriptions of other examples are given below.

- Following the conflict in Lebanon in 2006, *Hezbollah* stated that it would provide $10,000 to affected individuals, to help meet housing costs and to buy food and furniture (New York Times, 2006). During the conflict, *Hezbollah* was reportedly providing $100–$300 per week to needy families (IRIN, 2006).
- The Jamaican government provided over $150 million in cash assistance in the wake of Hurricane Clarendon in 2004 (Government of Jamaica, 2005).
- In response to a succession of exceptionally harsh winters in Mongolia, the Swiss Development Corporation (SDC) provided cash grants to herders in 2002 and 2003. In 2003, 2,348 households received a one-off grant equivalent to about $200. Beneficiaries invested around half the cash they received in buying animals (Dietz et al., 2005).
- Cash has sometimes been used in cross-border operations when access to a country in conflict is particularly restricted. For example, in Ethiopia in the mid-1980s cash was used to support agricultural production and food purchases in Tigray and Eritrea (Darcy, 1991). More recently, cash has been used as part of cross-border operations between Thailand and Burma. Clearly, there are difficult issues around the degree of monitoring that is possible and the maintenance of neutrality, but the potential low visibility and ease of transport of cash as compared to bulky commodities present opportunities in situations where agencies' movements are restricted.

3.6 Experiences in the West: examples from the United States and Germany

Emergency responses in developed countries often contain a substantial cash-based component. Here we consider two cases: the response to hurricanes Katrina and Rita in the United States in 2005, and the response to floods in Germany in 2002.

The US government provided huge amounts of cash assistance in response to Katrina and Rita. By January 2006, over $4 billion had been allocated for temporary rental expenses, housing repairs and critical disaster-related needs, including reimbursement for damaged property and belongings (FEMA, 2006). There were, however, major concerns with corrupt abuse of this assistance, and the Government Accountability Office estimated that FEMA made about $1 billion in potentially fraudulent payments to registrants using invalid information to apply for disaster assistance (United States Government Accountability Office, 2006). The American Red Cross also provided significant amounts of cash assistance, estimated at $1.57 billion, with a five-member household eligible for a grant of $1,565. The cash distribution provided disaster victims with critical resources, bolstered the local economy and eased the economic burden on communities hosting large numbers of evacuees. People were provided with stored-value cards loaded with a predefined amount based on disaster-related need. These act as debit cards and can be used in ATMs or shops (American Red Cross, 2006; IFRC, 2006).

The German Red Cross used cash in its response to flooding in 2002, where an emergency allocation of over €3 million was distributed 31,000 people, primarily the elderly, the unemployed and single-parent households. In-kind assistance was provided in areas where shops were inaccessible or unusable due to flooding. In partnership with church agencies, the Red Cross also provided grants worth €3,000 to poor households with no insurance coverage, for household goods and clothing; 15,000 households were helped in this way. Further grants, for shelter, were given to people not covered by government shelter programmes (IFRC, 2006: 17).

3.7 Cash relief in history

Cash-based responses have a long history, despite their frequent portrayal as new and innovative. Clara Barton, one of the founding figures of the American Red Cross, helped to organise cash relief following the Franco–Prussian War of 1870–71, and in response to the Galveston floods in Texas in 1900. In late nineteenth century India, famine responses included what we would today call cash for work programmes (Dreze and Sen, 1989). Cash grants were paid to refugees from Bosnia in the Austro-Hungarian empire in the 1870s (Manasek, 2005). In 1948, the British colonial administration in Sudan distributed cash to famine-affected populations, and cash formed part of a relief response in Tanzania in 1960 (Mwaluko, 1962). Millions were

employed in cash for work projects in the early 1970s in Maharashtra, India. Large-scale cash for work programmes were implemented in Botswana in the 1980s; in 1985–86, 'labour based relief programmes' were providing employment to 74,000 people (Hay, 1986 and 1987; Li, 1987; Quinn, 1987). Although this is not an exhaustive list, it serves to make the point that providing people with cash in emergencies has a long pedigree, and should not be seen as new or exceptional.

Chapter 4
Assessment and appropriateness

The fact that cash transfers have been successfully used in some emergency contexts does not mean that they will always be appropriate. What is needed is the capacity to make informed decisions about what range of mechanisms should be used in delivering relief. In our earlier discussion paper, we argued that cash transfers were often not considered because assessments remain resource-driven (Darcy and Hofmann, 2003; Haan et al., 2005; Harvey, 2005). This chapter first considers the assessment process, and the place of cash-based responses within it. It then looks in more detail at the question of analysing markets in order to make judgements about the appropriateness of cash.

4.1 Cash and the assessment process

Assessments are often part of a process of resource mobilisation, with needs being defined in terms of the goods and services on offer (Darcy and Hofmann, 2003). This approach militates against cash responses: a lack of food is directly translated into a need for food aid, and a lack of shelter into a need for the provision of shelter materials. Existing mechanisms for response are reproduced, making any sort of innovation, including the use of cash and vouchers, difficult. This standardisation of response was one of the central findings of reviews of food security interventions in Ethiopia, the Great Lakes and Afghanistan (Christoplos, 2004; Levine and Chastre, 2004; Lautze, 2002 and 2003). Some progress is being made towards consideration of alternatives to food aid. The new WFP emergency food security assessment handbook explicitly includes cash transfers as one of the range of responses that can be considered, and efforts have been made to more systematically consider non-food responses and conduct market analysis (WFP, 2005a; Donovan et al., 2005; Stites et al., 2005).

Part of the problem stems from the fact that assessments are rarely a purely technical exercise. As one recent study of needs assessment in Ethiopia concludes, needs are often more negotiated than assessed; methodologies and analytical frameworks are not consistent, and judgements tend to be qualitative and subjective (Haan et al., 2005). Stites et al. (2005: 50) note that ‘as food aid is the dominant paradigm, it will require institutional change – and not simply a reworking of assessment methods – to make the shift from emphasising food based responses’. At an organisational level, there may be obstacles to adopting assessment methods or frameworks that lead to new types of response. An organisation that has traditionally handled a great deal of food aid, for instance, may shy away from assessments that are likely to lead to other types of intervention. Expertise may be lacking, or there may be an over-reliance on particular resource streams, such as US government Title II food aid (Stites et al., 2005: 18).

Box 4: Food aid availability

Food is frequently provided in-kind by major donors, especially the United States, which uses food aid allocations to support American agriculture in times of excess supply (ITAP, 2005; Barrett, 2005). The United States is the world’s largest donor of food aid, accounting for 57% of global food aid deliveries in 2004. Next is the European Union, with 20%, and Japan, with 8% (WFP, 2005). As the largest donor, the US can frequently be relied upon to provide large amounts of food aid in response to WFP appeals, even when this may not be the most appropriate intervention for the situation (Stites et al., 2005: 18).

4.2 Judging the appropriateness of cash

A first step in being able to consider the possible appropriateness of cash or vouchers is simply for assessments to be less resource-driven, and for a range of interventions to be considered. Two broad sets of questions then arise. The first relates to the need to understand people’s livelihoods and how local economies and markets work. Will people be able to buy the goods they need? Is there likely to be an inflationary impact from a cash injection? How are local credit markets functioning? The second relates to whether a cash or voucher response can be practically implemented. Do staff have the necessary skills? Is there a safe way of getting cash to beneficiaries? Will targeting be feasible? This chapter focuses on the issue of market analysis in relation to cash-based programming. Subsequent chapters examine the key issues around the practicalities of implementation.

In making a judgement about appropriateness, it is important to remember the emergency context, and the fact that assessments will often be rapid, insecurity may be an issue, capacity and resources are likely to be constrained and the amount of information available is often limited. Decisions about what to do will still have to be made in a context of limited and imperfect information. Recent rapid livelihoods assessments carried out by Save the Children in Chad, and following the tsunami and the Pakistan earthquake, demonstrate that it is possible to produce quick assessments which suggest a range of possible interventions (LeJeune, 2004, 2005; Save the Children, 2005a and 2005b).

Table 4 provides a checklist of the key issues that need to be considered in assessing the possible appropriateness of cash. Issues around security, corruption, gender and targeting are included here for the sake of comprehensiveness, but discussed in later chapters.

Table 4: Cash assessment checklist

Issue	Key questions	Methods
Needs	What was the impact of the shock on people's livelihoods? What strategies are people using to cope with food or income insecurity? What are people likely to spend cash on? Do emergency-affected populations have a preference for cash or in-kind approaches?	Standard household economy and livelihoods assessment approaches Participatory approaches Interviews, surveys
Markets	How have markets been affected by a shock (disruption to transport routes, death of traders)? Are the key basic items that people need available in sufficient quantities and at reasonable prices? Are markets competitive and integrated? How quickly will local traders be able to respond to additional demand? What are the risks that cash will cause inflation in prices of key products? How do debt and credit markets function, and what is the likely impact of a cash injection? What are the wider effects of a cash project likely to be on the local economy, compared to in-kind alternatives? Will government policies affect availability of food or other commodities?	Interviews and focus group discussions with traders Price monitoring in key markets compared to normal seasonal price trends Interviews and focus group discussions with money-lenders, debtors and creditors Assess the volume of cash being provided by the project compared to overall size of the local economy and other inflows such as remittances Ensure that remote areas are covered in analysing how markets work Market analysis tools such as commodity chain analysis, trader survey checklists National and local statistics on food availability Agricultural calendars for seasonality Government subsidies and policies
Security and delivery options	What are the options for delivering cash to people? Are banking systems or informal financial transfer mechanisms functioning? What are the relative risks of cash benefits being taxed or seized by elites or warring parties compared to in-kind alternatives?	Mapping of financial transfer mechanisms Interviews with banks, post offices, remittance companies Interview with potential beneficiaries about local perceptions of security and ways of transporting, storing and spending money safely Analysis of the risks of moving or distributing cash Political economy analysis
Social relations and power within the household and community	How will cash be used within the household (do men and women have different priorities)? Should cash be distributed specifically to women? How is control over resources managed within households? What impact will cash distributions have on existing social and political divisions within communities? Are there risks of exclusion of particular groups (based on ethnicity, politics, religion, age or disability)?	Separate interviews with men and women Ensure that different social, ethnic, political and wealth groups are included in interviews Political economy analysis
Cost-effectiveness	What are the likely costs of a cash or voucher programme, and how do these compare to in-kind alternatives?	Costs of purchase, transport and storage of in-kind items compared with costs of cash projects

Table 4 (continued)

Issue	Key questions	Methods
Corruption	What are the risks of diversion of cash by local elites and project staff? How do these risks compare to in-kind approaches? What accountability safeguards are available to minimise these risks?	Assessment of existing levels of corruption and diversion Mapping of key risks in the implementation of cash transfers Analysis of existing systems for financial management, transparency and accountability
Coordination and political feasibility	What other forms of assistance are being provided or planned? Will cash programmes complement or conflict with these? How would cash transfers fit with government policies, and would permission to implement such projects be obtained?	Mapping of other responses through coordination mechanisms Discussions with government officials at local, regional and national levels
Skills and capacity	Does the agency have the skills and capacity to implement a cash transfer project?	Analysis of staff capacity for implementation, monitoring and financial management

4.3 Analysing markets

Any resource transfer will impact on markets and local economies. When deciding whether to provide cash or in-kind assistance, these impacts need to be assessed.

A central question is how effectively markets will be able to respond to an injection of cash. Put more simply, will people be able to buy what they need locally at reasonable prices? There is certainly a need for caution in assuming that this will be the case. Markets in developing countries are often weak and poorly integrated, and may be particularly constrained or disrupted in conflicts and during natural disasters. Pockets of famine sometimes occur in particularly remote or inaccessible areas precisely because of the weakness of local markets. There is also a need to guard against underestimating the strength of markets. Even in remote or conflict-affected areas, markets are often surprisingly robust and traders can respond to increased demand.

The main possible negative effect of cash transfers on markets is the risk that they will cause or contribute to inflation in the prices of key goods. Positive effects include increased demand, benefiting local traders and businesses. People may also choose to pay off debt, allowing credit markets to start functioning again. These possible positive and negative impacts need to be compared to the possible impacts of in-kind assistance. Food aid, for instance, may lower prices for food. This could potentially have a positive impact on poor people (who have to purchase food), and a negative impact on farmers (who rely on selling it). Likewise, the provision of shelter materials might lower the price of bricks, helping people who need to buy them, but harming local traders and manufacturers. There is a substantial literature and much debate on whether food has disincentive effects on local markets and agriculture (Abdualai et al., 2004; Barrett and Maxwell, 2005).

To be useful, market analysis needs to be both timely and accessible. Detailed market assessments that arrive too late to influence decision-making, and which contain dense and hard-to-interpret economic language, are likely to be unhelpful. There is a need for rapid analysis at the start of the emergency, to allow initial judgements to be made; for ongoing monitoring of markets, to see if initial assumptions about whether markets can meet demand are proving correct; and for more detailed analysis when time and space allow. Detailed market analysis may call for specific skills, and external experts may need to be hired. All the same, this should not be left exclusively to a few in-demand specialists: a basic level of market analysis should be within the grasp of a wide range of staff.

The prices of key commodities are often monitored as part of existing early-warning systems, and assessing the types of goods available in local markets and interviewing traders is

Box 5: Using market analysis to decide where to implement cash: CARE in Aceh

CARE initially supplied food relief to affected areas on Aceh's west coast. However, as markets recovered a cash and voucher pilot project was also instigated. CARE's market analysis involved interviews with households, meetings with local traders and consultations with people about whether they would prefer cash or food. For each distribution site, the assessment produced a 1 to 5 ranking for the functioning of food markets, transportation and safety and security. The cash and voucher programme was implemented in two sites with the highest ranking (Chuzu and Viola, 2006).

fairly straightforward. Indeed, better market analysis is needed regardless of whether cash is provided, in order to better understand how people are surviving and how best they can be supported. As Lautze (1997) argues, village markets are a critical arena for information, political exchange and socialising; monitoring markets should be one of the fundamentals of a livelihoods strategy. Cash projects implemented by Save the Children in Ethiopia collect weekly price data from local markets, and hold market focus group discussions with buyers and sellers from different segments of the community every two weeks. This information is used to track the effects of the cash injection on the local economic system in terms of market supply, demand and price (Save the Children UK, 2001).

The key questions to ask about markets when thinking about the possible appropriateness of cash are relatively simple. Essentially, they are:

- What are people likely to buy if provided with cash?
- Which markets need to be analysed (e.g. food, building materials, seeds)?
- Where did people buy these goods before the disaster?
- How have markets for key goods been affected by the crisis? (Issues to consider here would be damage to transport links, warehousing, traders having lost stocks, and traders having themselves died.)
- Can people buy what they need in local markets?
- How competitive is the market and will local markets be able to respond to an increase in demand?
- What is the normal seasonal pattern of prices, and how is the disaster likely to impact on prices?
- What is likely to happen to the prices of the goods people will want to buy over the course of the project?
- If price increases are a risk, are they likely to be directly caused by the cash transfer, or related to other factors?
- Where will people go to buy goods if provided with a cash transfer? Will their destination be accessible – in terms of distance, cost and price?

4.3.1 Inflation risks and the impact of cash on prices

An important concern with any cash project is the risk of inflation. If a cash response results in a rise in the prices, then it could potentially do more harm than good by increasing the vulnerability and food insecurity of people not participating in the programme, by making key goods more expensive (Basu, 1996). Analysing the likelihood of inflation is therefore an important part of judging the appropriateness of cash as against in-kind assistance, but it is often difficult to predict with confidence what will happen to prices. Inflation risks and prices for key goods therefore need to be monitored through the course of a project and compared with regular seasonal patterns.

To assess whether any rise in prices is directly linked to a particular project, rather than part of a general market trend, agencies should ideally also monitor prices in markets where cash projects are not being implemented. This may also require a judgement about the relative value of the cash being provided compared to other resource inflows into the local economy. An evaluation of cash grants provided in Mongolia in 2003 found that shop owners in one district had outstanding loans equal to the total amount of cash support being provided (Dietz et al., 2005).

Often, cash projects have been of relatively small scope and scale and have been implemented in a context of ongoing and much larger distributions of food aid. For example, a Red Cross

Box 6: Market analysis following the 2005 earthquake in Pakistan

A Save the Children assessment following the 2005 earthquake in Pakistan found that many shops and businesses had been destroyed. The availability of goods from the centres of Rawalpindi and Islamabad was unaffected by the earthquake. Supplies were significantly down from normal, but this was due to lack of demand. Given the size of the market in the earthquake-affected area compared to Pakistan as a whole, and the fact that most goods were manufactured outside the area, there was no reason for prices of food supplies to increase significantly as a result of the earthquake. Business in general in food shops was consistently reported to be down by 70–80% on pre-earthquake levels. Shopkeepers attributed this to a number of factors: loss of income on the part of buyers; lack of demand for food due to the provision of in-kind relief; and, in Muzaffarabad city, migration of wealthier households to other cities.

Prices for transport rose dramatically after the earthquake. Rates charged by transport companies rose by between 50% and 100% in Azad Jammu and Kashmir. This was mainly attributed to the combination of reduced supply of local transport (due to damage to vehicles and repair shops and the deaths of drivers) and the extremely high rates for local transport paid by relief agencies. The result was an increase in food prices of around 15–20% in the villages, with the most remote being the worst affected. The assessment concluded that markets had to be assisted as quickly as possible, with support for reconstruction and credit to shopkeepers going hand-in-hand with a phased increase in the provision of relief through cash transfers, rather than in-kind aid (Save the Children, 2005a; Save the Children, 2006).

Following the Pakistan earthquake, WFP also carried out a market assessment and trader survey in the most food-insecure areas. Market analysis proved useful because of variations in the extent of the damage to markets (some had been destroyed, while others had quickly recovered). The survey concluded that food assistance in urban areas would be likely to hinder market recovery, and food aid distributions were retargeted to rural areas (Donovan et al., 2005; Hoskins, 2006; WFP, 2006).

cash programme in Ethiopia in 2000 injected about $750,000 into two *woredas*. An evaluation found that this was insignificant in a region home to over 14 million people (Wilding and Ayalew, 2001: 37). It is also important to remember that in-kind assistance projects may create inflation risks if goods are purchased locally.

The likelihood of inflation is connected to the competitiveness and resilience of local markets, and the capacity of local traders to respond to the increased business that the cash injection is likely to stimulate. Generally, evaluations have found that, if given adequate warning, traders respond quickly, and market mechanisms are often surprisingly effective and robust, even in remote areas and areas affected by conflict. An evaluation of a project providing cash grants to herders in Mongolia, for instance, found that, despite poor infrastructure, huge distances and high transport costs, the local economy was able to supply people with the products they wanted to buy (Dietz et al., 2005: 14). In Puntland, Somalia, during a drought in 2004, interviews with local traders suggested a highly competitive retail market (Narbeth, 2004: 26). Market-based responses may be particularly problematic where there are government restrictions on movements of food between regions, or where conflict makes trading more difficult. In areas where markets have been particularly weakened, there may be a need to consider complementary interventions to strengthen markets as a complement to cash transfers. In Turkana, for example, Oxfam combined food aid and cash at the beginning of its programme there, partly to bring prices down in the market and make cash more effective (Acacia Consultants, 2003; Creti and Jaspars, 2006). Alternatively, agencies may make provision to switch from cash to food if prices rise significantly (Wilding and Ayalew, 2001: 35; Adams and Kebede, 2005).

4.3.2 Multiplier effects

Cash projects are also likely to have multiplier effects on local economies by boosting local business and trade. The extent to which this happens depends on whether the goods that people buy with the cash are produced locally. Measuring multiplier effects in a quantitative sense would require far more data than is normally collected, but evaluations have made qualitative observations about the impacts of cash grants on local economies.

An evaluation of an Oxfam project in Zambia found some multiplier effects as food and other goods were purchased from local traders and producers (Harvey and Marongwe, 2006). A Save the Children project in Indonesia, which provided vouchers to be redeemed in local shops as an alternative to food aid, found that participating shopkeepers had been able to build stock levels and increase their customer base (Cole, 2006).

4.3.3 Tools and methods for analysing markets

A number of tools and methods have been developed for analysing markets. Donovan et al. (2005) and Jaspars (2006) provide an overview. Creti and Jaspars (2006) describe a market analysis tool which focuses on the value chain by which a commodity passes from producer to consumer. It also considers the influence of the market environment and market services on how a product reaches a particular market.

Box 7: Market trader survey

Basic characteristics and what trading operations are like in a normal year

- How do traders transport goods to market?
- How much competition do they face from other traders?
- What is the normal volume of sales at different times of year, for key goods?
- Who are traders' main customers?
- Do traders borrow money to buy goods and extend credit to customers?
- What are the seasonal trends in the prices of key goods?

Comparison between a normal year and the post-crisis situation in terms of:

- Transport access and costs
- Storage access and costs
- Availability of goods to sell
- Numbers of customers
- Prices of goods
- Availability of credit

Source: Adapted from Donovan et al., 2005.

Mapping techniques may highlight market constraints in different areas. The aim is to identify on a map markets which used to supply the commodities required, infrastructural blockages which have affected the supply chain and new sources of these items. The approximate number of wholesalers and/or retailers in different locations is then plotted. This will identify whether there are any obvious constraints to the supply of certain commodities. It could be the case, for instance, that there are no retailers in a particular village, suggesting a need to encourage suppliers from farther away. WFP's emergency food security assessment handbook recommends preparing a market structure diagram as a first step in understanding how a market normally functions, and what may have changed as a result of the crisis (WFP, 2005a).

Market integration is an economic term to describe linkages between markets. Supply chains from the main supply areas to demand areas are analysed to see if the marketing margin is high, and how this compares with the costs of trading (transport, profit margin). If the price difference is much higher than the cost of transporting the commodity, the market is segmented and not well integrated (WFP, 2005a).

Talking to traders is a key part of any market analysis. This should include visits to key locations, asking wholesalers about their current operations, assessing the constraints traders face in travelling to remote locations and understanding their

potential interest in supplying other areas if purchasing power is identified as a constraint and can be addressed.

4.4 Support to markets

Market analysis can also be used to identify interventions to support the recovery of markets. This might involve improving or repairing infrastructure such as damaged roads or bridges to enable the movement of goods, or direct support to traders, for instance through the provision of credit to enable restocking. A Save the Children cash programme in Pakistan following the earthquake included a grant to 100 village shopkeepers of Rs75,000 to help them restock. Save's rationale for this support was that:

> *Getting local shopkeepers back into business is central for restoring village economies to normality. A cash grant will provide those shopkeepers with the cash flow to re-stock shops and counteract the damaging effects of loss of business and loss of credit repayment from customers after the earthquake. It will also strengthen the damaged coping mechanism of the poor of accessing interest free credit from shopkeepers, especially over the winter* (Save the Children, 2006).

As we have seen, traders need to know about cash distributions in order to be able to respond effectively to them. This demonstrates the importance of transparency on the part of aid agencies. However, publicising cash distributions may be problematic for security reasons. A balance needs to be struck between restricting information about the details of cash transfers for security purposes, and letting recipients and traders have adequate information about overall levels and individual entitlements. SDC emphasises the importance of a transparent approach in its cash projects, and aims to announce beneficiary criteria, the amount of cash being provided and the number of recipients to the local media and in public places. For example, in Moldova announcements were made on TV and radio, local mayors were briefed in weekly meetings and beneficiary lists were displayed in local authority offices. Despite these efforts, independent monitoring found that beneficiaries often did not know that they had been selected, nor were they aware of the amount of money they should receive (Rauch and Scheurer, 2003; SDC 2004). Issues around the security of cash distributions are discussed more fully in chapter 6.

Stronger analysis of markets is critical to making judgements about the appropriateness of cash transfers. However, market analysis is also helpful in informing and designing humanitarian responses more generally, and it should not be seen as necessary just for cash-based responses. There are encouraging signs that the need to understand how emergencies affect markets is becoming more generally accepted, and this should help in developing a better balance between cash and in-kind responses.

Chapter 5
Sectoral issues

Cash has often been seen mainly as an alternative or complement to food aid, but its use can be much broader. This chapter considers recent cash responses covering a variety of sectors, and highlights some of the lessons that emerge. The sectors considered are:

- Providing cash to support basic needs (food and other essential items) through grants or cash for work.
- Providing cash to enable the recovery of livelihoods.
- Providing cash to support shelter needs (both temporary and permanent shelter).
- Providing cash to ex-combatants as part of DDR processes.
- Cash or vouchers to support agricultural inputs.

5.1 Objectives

One problem with viewing cash in terms of sectors is that, as we argued earlier, it should really be considered across all the traditional sectors of emergency response. Agencies might want people to spend cash grants on food or shelter, but cash is flexible and can be spent in a wide variety of ways. This is positive, in that it allows greater choice and is more responsive to the diversity of people's needs, but it also makes it harder to define particular objectives. Agencies have sometimes tried to overcome this by introducing measures to control what people spend cash grants on, but this can be problematic and administratively difficult. An alternative approach is to define objectives more broadly. An example would be a project that aimed to help people meet basic needs during difficult periods, and to invest in their livelihoods in easier times. Rather than monitoring a narrow set of objectives, the challenge would be to understand the broad range of different household uses to which aid resources can be put. Thus, while the sections that follow consider the use of cash within particular sectors, this does not imply that a cash intervention cannot address all of these areas simultaneously.

5.2 Cash and basic needs

Cash can be provided as a means of allowing people to meet basic needs and, in particular, as an alternative or complement to food aid. We use the term basic needs here to stress the point that cash is often spent on other crucial basic needs, such as soap, debt repayments and protecting access to health care and education. Indeed this can be a crucial advantage of cash, in that it enables people to meet a range of immediate priorities without having to sell in-kind assistance on unfavourable terms. Many of the key issues relating to cash for basic needs apply equally to other forms of cash support and revolve around how to judge appropriateness, how to understand the impacts (positive and negative) on markets and what cash is likely to be spent on, and are discussed in other sections of the report. This section focuses on the objectives of cash support for basic needs and the question of how to set the value of cash grants.

Cash projects intended to help people meet basic needs are most often designed as alternatives to food aid. Thus, the value of the grant is set at the cash equivalent of a food aid ration. In WFP's pilot cash project in Sri Lanka, for example, the amount was set as close as possible to a cash equivalent of the food aid ration (Sharma, 2006). However, there may be scope for looking at both the size and timing of cash grants to enable agencies to take advantage of the flexibility of cash to help people meet a wider range of basic needs. Evaluations of Oxfam projects in Malawi and Zambia, for example, found that:

> *There is also scope to think more creatively about how to take advantage of the flexibility of cash. Both of these projects were conceived as alternatives to food aid, and like a food aid programme both were designed to start at the height of the hungry season and end before the harvest. However, cash may be particularly useful in rebuilding livelihoods after the harvest. Likewise, there may also be benefits in starting cash projects earlier, for instance to enable people to buy agricultural inputs* (Harvey and Savage, 2006: 8).

Cash can also be an alternative to non-food items, and evaluations of cash-based responses find that people often use cash grants to purchase essential items such as soap. Following the tsunami, for example, the Indian government provided grants for basic household goods; in Sri Lanka, grants were intended to cover funeral expenses and resettlement costs, as well as food and household items. The Sphere Handbook suggests that appropriate household items are cooking pots, kitchen knives, wooden spoons, water collection vessels, eating plates, spoons, mugs and soap (Sphere Project, 2004). Often, these are packaged by NGOs as household kits and provided in-kind, and existing guidelines often fail to include cash as a possible alternative to in-kind distributions. Stites et al. (2005: 29) note that:

> *USAID's initial response strategy in emergencies is based on providing a limited number of commodities that are pre-purchased and stocked in large volumes. Regardless of the actual needs on the ground, these items become the first line of response in emergencies because they are prepositioned. For*

USAID they include plastic sheeting, 5 gallon jerry cans, 5 gallon collapsible water bladders and blankets.

Since non-food items are often stockpiled as part of contingency planning and emergency preparedness processes, there is a particularly strong tendency to provide these goods in-kind without considering the possible appropriateness of cash (Choularton, forthcoming). Rather than separately planning food and non-food responses, providing cash grants may enable agencies to meet both sets of needs at the same time. In-kind provision of items such as cooking pots and blankets may still be needed in circumstances where markets have been so disrupted that these items are not available locally, but the question of whether they are available or not in local markets should be more carefully and explicitly assessed. Cash could also be part of the support provided to displaced people in refugee and IDP camps, both as a substitute for food or non-food items and to enable access to materials for cooking and heat. There is, however, little documented experience with the use of cash in camps.

Deciding what constitutes an appropriate amount to support basic needs involves an assessment of the routine daily and weekly consumption costs that households incur (including services). 'One-off' costs (burial expenses for example) may also be important. It is also important to be clear whether the cash grant is intended to meet all of a family's basic needs, or just some of them. Disaster-affected populations may still have access to their own sources of food and income, and other humanitarian actors may be providing assistance to cover a proportion of a household's requirements.

Inflation in the prices of key goods may erode the value of a cash transfer over time. It may therefore be necessary to adjust the value of a grant in response to rising prices, or to develop contingency plans in the event of prices rising above a certain level. It may also be possible to address the market constraints that have caused a price increase, for example by repairing roads or supporting traders to restock. If inflation is caused by the cash transfer itself, people who are not benefiting from the transfer may be relatively worse off than those who are.

One way of addressing the risks of inflation is to provide both cash grants and food aid. This approach was taken by Concern Worldwide in Malawi, where the intention was to cover a quarter of the beneficiary household's food needs with cash, and a quarter with food. Devereux et al. (2006: 10) noted that: 'the decision to provide a food package as well as cash transfers was taken in order to protect the subsistence consumption of beneficiaries against the possibility of complete market failure, in the context of a national food crisis during which adequate market supplies of staple foods were not guaranteed'. Providing a combination of food and cash may be appropriate when there are concerns about the availability of food, access and market weakness. However, the potential advantages need to be balanced against the additional administrative and logistical complexity of providing both food and cash.

Box 8: An IFRC cash project in Niger

With technical support from the British Red Cross, the IFRC implemented a cash project in Malawi in 2005 designed to enable households in 90 villages to meet their basic needs. The project provided 5,713 households (34,000 people) with a cash grant of $240, enough to cover subsistence needs for 40 days.

An evaluation of the project found that families spent the money on foodstuffs, cattle and household implements. The cash was also used to pay off debts. Having cash in hand gave farmers more choice as to when to sell their harvest, ensuring better management of crops and livestock, and families were able to stockpile millet, to help them through the lean period. Households were able to diversify their diets, and many communities pooled part of the cash to fund common projects, such as digging wells. A number of the more remote villages covered by the programme used some of the cash they received to buy carts to transport goods and people to and from market towns and health centres. Concerns that distributing cash could lead to higher food prices proved largely unfounded. Weekly market monitoring indicated that overall market turnover increased by 40%, while the local bank reported a 30% increase in transactions, suggesting that the cash injection had boosted savings.

Sources: IFRC, 2006; University of Arizona, 2006a and 2006b.

5.3 Cash for work

There are a number of different labels for cash for work – labour-based employment schemes, public works and employment-intensive infrastructure programmes – and increasing numbers of guidelines (Creti and Jaspars, 2006; Harvey, 1998; ILO, 2005). The obvious contrast is with food for work schemes, and many of the issues raised by cash for work projects are also found in food for work projects. The key issues are where to set the wage, whether projects can be self-targeting, and if not how to select participants, how to address the needs of those unable to work, the quality of assets being built, what sort of work to get people to do and how to measure and monitor the work being done. Cash for work has been used in many contexts; recent examples include the PSNP in Ethiopia, the tsunami response and projects in Somalia (Adams and Winahyu, 2006; Mattinen and Ogden, 2006; Kebede, 2006).

Work requirements for relief have a long history. In nineteenth century Britain, for example, distinctions were made between the able-bodied and the non-able-bodied poor. The able-bodied poor were thought prone to idleness, and assistance was only provided through workhouses that were explicitly meant to serve as a deterrent to indolence. Relief during the Irish potato famine was provided through public works:

Box 9: Cash for work in Somalia

ACF implemented cash for work as part of a food security programme in the Wajid area of southern Somalia in 2004. In all, $138,891 was distributed to 4,029 households. The salary was set at a level that enabled restocking (one of the objectives of the project) and distributed as a lump sum on completion of the work, to encourage households to make larger investments. Initially, cash was distributed directly by ACF, but in the second phase, for security reasons, beneficiaries were given vouchers which they could redeem with local businesspeople.

Post-distribution monitoring showed that cash was predominantly used to repay debt. Access by beneficiaries to credit increased even prior to the distributions. During the 'hunger gap', more cash was spent on food and only a small amount on livestock (the amount spent on livestock rose from 5% to 29% after the harvest). Traders were able to respond to the increased demand. Villages that received cash were able to plant and harvest more and purchase more seeds than villages where the project was not implemented.

A key finding was around the timing of the project. It was concluded that direct grants might have been more appropriate during the hunger gap, and that to meet the objective of restocking, cash for work would be most effective following the harvest.

Source: Mattinen and Ogden, 2006.

> *By late December 1846, 500,000 men, women and children were at work building stone roads. Paid by piece-work, the men broke apart large stones with hammers then placed the fragments in baskets carried by the women to the road site where they were dumped and fit into place. They built roads that went from nowhere to nowhere in remote rural areas that had no need of such roads in the first place* (History Place, 2000).

In colonial Kenya in the 1930s, some recipients of relief assistance had to fish or work on locust eradication campaigns as a condition for receiving aid (Harvey and Lind, 2005). Depending on the circumstances, cash for work projects can be potentially enormous; one programme, in Maharashtra, India, in the early 1970s, provided between 100 and 180 million person days of employment each year. At its peak, Mercy Corps' cash for work programme in post-tsunami Aceh was providing work for 17,865 people in 60 villages, at a cost of over $1 million a month.

The rationale for cash for work, as opposed to the simple provision of a cash grant, rests on two main ideas: that projects can build useful assets, and that having a work requirement makes projects self-targeting.[2] Sceptics argue that there is rarely time to properly design and manage public works programmes in relief projects; as a result, programmes are poorly designed and implemented, are insufficiently managed and have little provision for maintenance. There is certainly ample evidence of public works creating poorly built and badly maintained assets (whether people are paid in food or cash) (Harvey, 1998). There is also a risk that, by linking work on community projects to payment, communities will be less likely to work on a voluntary basis in future years. The idea that cash for work is self-targeting is also problematic. In practice, self-targeting is often impossible because it entails setting very low wages (so that the scheme attracts only the very poorest), with the result that participants may not earn enough to meet basic needs.

In practice, wage rates are often fixed at the cash equivalent in food of nearby or previously operated food for work projects, or are calculated to meet minimum requirements (either in calories or for a basic set of goods). Larger payments have sometimes been justified as a way of injecting cash into an economy as part of the recovery process (as in the tsunami response, for example). While this may be warranted as a short-term and exceptional response, it may then be difficult to reduce payments later, and grants may be a better way to deliver additional resources into an affected economy. Setting relatively high wages may also affect the labour market by attracting workers from other forms of employment or from surrounding areas, if the wages or the work being offered are more attractive than available alternatives. In post-tsunami Sri Lanka, for example, there were reports of farmers buying machinery to replace workers lost to cash for work projects. The requirement to participate in public works schemes may take people away from other productive activities, though the evidence for or against such disincentive effects is slim and inconclusive (Maxwell et al., 1994). A recent review of the Productive Safety Nets Programme in Ethiopia found that some households were spending large amounts of time on public works projects at the expense of working on their own land (Kebede, 2006). People surviving during or recovering from emergencies are almost always more than fully occupied in attempts to rebuild their livelihoods, so careful thought is needed before imposing onerous work requirements that may disrupt people's own attempts at recovery.

Another difficulty with the self-targeting rationale is that, if it is to be meaningful, cash for work projects must be open to as many people as want to participate. This is often impossible due to capacity constraints. In large parts of the developing world, poverty is so severe and widespread and employment in such short supply that any form of work, even at low wages, is attractive to more people than aid agencies have the

2 A work requirement is also thought to avoid 'dependency', or is seen as a way of linking 'relief' and 'development' by addressing food insecurity via the assets being built; these ideas are explored more fully in Harvey and Lind (2005).

capacity to employ. This usually means that households need to be targeted. To minimise difficult targeting decisions, a common tactic is to restrict the amount of work an individual or a household can do, providing smaller amounts of work to more people. While this maximises participation, it can also reduce the impact of projects by spreading the benefits thinly throughout the community. Given the well-known difficulties of targeting in general, public works programmes need to be able to offer large amounts of work if they are to make a significant impact. If the poor can be successfully targeted, it may be preferable to employ fewer workers from the poorest households for a longer period, rather than employing a larger number of people for a shorter time.

A related issue is the risk that cash for work projects exclude some of the poorest households, particularly those that have no labourers, or have high dependency ratios. There are various options for addressing this issue:

- Making a free payment or grant to households unable to work.
- Setting aside types of work that are more suitable for people who are physically weak or otherwise less able to do hard physical labour.
- Supporting childcare at project sites.
- Meeting the needs of people unable to participate through other humanitarian interventions.

Depending on the type of work, cash for work programmes can exclude women, and agencies have often made particular efforts to avoid this. Programmes in Afghanistan, for example, have tried to offer work that women can do within the particular constraints of Afghan society, such as weaving and embroidery (Hofmann, 2005; Mercy Corps, 2003; Oxfam, 2004). In the tsunami response, the payment of equal wages to men and women was seen as potentially empowering, and projects were set up specifically to encourage women to challenge social attitudes (Adams, 2006; NESA, 2006). Participation in a cash for work programme may represent a woman's first opportunity to earn an independent income (AIDMI, 2005: 8).

5.4 Cash support for livelihoods recovery

The complex and various ways in which people make a living mean that cash support may be particularly appropriate in assisting people to rebuild their livelihoods (Ellis, 2000). The fact that cash can be spent on a wide variety of items means that people can make their own decisions about what to invest in, and whether to rebuild previous livelihoods or establish new ones. Cash grants should not be seen as all that is needed to enable people to re-establish successful livelihoods. But they are one potential tool in a wider process of assisting people to recover and rebuild livelihoods following disasters. Livelihoods recovery is a broad umbrella term that could cover a range of interventions. In this section, we focus on cash grants to enable people to restart small-scale business, with a particular focus on the response to the Indian Ocean tsunami. Voucher projects that enable people to buy agricultural inputs or livestock are discussed later.

The diversity of people's livelihoods, and the fact that the damage disasters inflict on them is not uniform, make it difficult to decide who should be targeted, and how much they should be given. A key problem is that restoring or rebuilding pre-disaster livelihoods risks reinstating pre-disaster inequalities. Thus, a critical question at the design stage is whether to provide the same grant to everyone who has been affected, provide support relative to what people have lost or what they need to restart particular livelihoods, or aim to target the poorest. This decision has important implications for how livelihood grants will be targeted. Broadly speaking, there are three main choices:

- Targeting people based on poverty or vulnerability, and giving grants only to the poorest.
- Targeting based purely on whether people were affected by the disaster, and giving the same amount to everyone.
- Targeting based either on pre-disaster livelihoods, or on the livelihoods that people want to engage in after the disaster, and providing cash assistance at levels that enable particular types of businesses to resume.

Box 10: Setting cash for work rates in the tsunami response

In Aceh, wages for cash for work programmes were established at an early stage by UNDP's livelihoods recovery working group. The wage rate was set at the typical urban casual labour wages for Banda Aceh. Later, it was realised that, in some locations, the use of the urban unskilled labour rate was inappropriate as it exceeded the local rate for unskilled labour. This was particularly true for agricultural labour – and the risk of the crop being compromised was a major concern.

Wage rates for women everywhere were higher than normal: unskilled labour performed by women usually earns less than for men, but cash for work projects stipulated that the rates should be the same. While many men objected to this, agencies insisted on it. Indeed, it would have contravened labour laws if the wages had been different.

Some NGOs were sensitive to the local market rate when setting wage levels for cash for work projects. Mercy Corps in Aceh, for instance, reduced the number of labour days people could work in response to a complaint from a local brick-making enterprise which had difficulty in attracting labourers (the market rate for brick manufacture – a highly competitive industry – was significantly less). In Killinochi, Oxfam suspended its cash for work programme to free up labourers to secure the harvest.

Source: Adams and Harvey, 2006; Adams, 2006.

This decision in turn has implications for staffing numbers, the skills and knowledge required and how long it will take to deliver assistance. Trying to target different levels of cash assistance to individual households based on business plans or levels of loss requires much greater capacity and imposes significant burdens in terms of administration and monitoring. Providing variable amounts, rather than flat-rate grants, can be complex in terms of administration, and often requires lengthy procedures for deciding the amount that individual households receive, developing business plans and monitoring progress against these plans. There are also choices to be made about the timing of grants. Should they be a one-off payment, or a series of payments? And how long does support need to continue? The main trade-offs here are again between simplicity and control.

Cash grants may provide useful support to people rebuilding their livelihoods, but they should certainly not be seen as sufficient. People may still need technical assistance to develop and sustain small-scale businesses and enterprises. This could involve a wide range of complementary interventions, such as help with developing and implementing business plans, vocational training, support in developing and accessing markets, or assistance in procuring key assets (fishing boats, for instance). The list could be practically endless, as developing sustainable livelihoods is the very essence of longer-term development programming. For present purposes, the point is that cash grants should be seen as one potential tool in a wider process of assisting people to recover and rebuild livelihoods following disasters. Tying these activities to the receipt of cash grants, however, risks a potentially damaging shift in the relationship between an aid agency and a recipient, from one of support and advice in developing an enterprise to one of policing what a grant is being spent on.

Box 11: Flat-rate grants: the BRCS in Aceh

The British Red Cross Society (BRCS)'s cash programme in Aceh provided a relatively generous flat-rate grant of about $1,000 per household. The rationale for providing a flat-rate grant was that doing so was in line with the agency's principles of egalitarianism and non-discrimination. BRCS staff argued that the tsunami had wrought devastation and suffering regardless of wealth, in which case their programme should avoid discriminating against some groups because they had more than others before the disaster.

The programme contained a series of steps to try to control what people spent the money on. Beneficiaries were required to list the assets they wished to purchase with the grant; these lists were checked thoroughly to ensure that they did not exceed the value of the grant, that the quantities stipulated made sense and that the prices were correct. A wide range of categories of expenditure was allowed, including spending on education, assets and services. Grants were divided into four activity periods, with payment made in four tranches after a process of verification and approval. This administrative complexity meant that the total time from first to final payment was between two and nine months, with the majority of payments being made in four months. Arguably, by introducing such a complex system the programme diluted some of the potential advantages that accrue from the relative simplicity of flat-rate grants.

Source: Adams and Harvey, 2006; Adams and Winahyu, 2006.

Save the Children has developed an interesting approach to balancing flexibility with the need to predict impact for donors. In recent cash projects in Isiolo, Kenya, and Kashmir, Pakistan, the agency has encouraged the formation of what have been called 'community livelihoods committees', which have essentially acted as peer discussion groups about what to do with cash grants. Both programmes focused on livelihoods recovery, although in neither case did Save the Children impose conditions on how the money should be spent. Instead, agency staff facilitated discussions among recipients about how they might make the most productive use of the cash, who shared ideas and encouraged one another towards investment rather than consumption spending. Initial qualitative feedback has been that people have generally spent part of the cash on livelihoods activities and felt some peer pressure to make good use of the money. It has also produced some interesting group dynamics, with some recipients in Kashmir pooling part of their money to rehabilitate a road to a key market and some in Isiolo grouping together to negotiate better prices when purchasing animals (pers. comm.).

5.5 Cash and shelter

Shelter responses after disasters have tended to focus on providing temporary shelter in camps, and then assisting in the rebuilding of permanent housing (Barakat, 2003). Predominantly, this support is given in the form of in-kind aid: governments or aid agencies supply temporary shelters for people in camps, provide building materials for permanent homes, or rebuild houses themselves, usually through local contractors (Corsellis and Vitale, 2005). In the light of some of the problems commonly associated with the in-kind provision of shelter – poor-quality tents, for example, or badly designed or inappropriate housing – giving people cash to help them obtain temporary shelter or rebuild their homes can be a viable alternative. Cash grants have been used to support temporary shelter solutions by providing support to people staying with host families, to allow people to rent accommodation and as an alternative to in-kind materials such as plastic sheeting. In permanent shelter responses, cash grants have been used as an alternative to the in-kind provision of shelter materials and agency or contractor building of houses. The World Bank has labelled this an 'owner-driven' as opposed to 'donor-driven' approach, and it is being increasingly used. There are recent examples from the Gujarat earthquake, the tsunami response and the response

to the Pakistan earthquake (Duyne Barenstein, 2006a and 2006b; World Bank, 2004a and 2004b).

Some of the key questions to ask in thinking about the role of cash in shelter responses include:

- Will providing cash be cost-effective?
- What are the risks of inflation in the price of building materials? What contingency plans can be put in place to deal with this risk?
- Are there particular environmental concerns, for instance around the sourcing of timber? Can these be addressed in cash approaches?
- How will agencies ensure that buildings are safe and disaster-resistant, and that they meet minimum quality standards?
- Are there enough individuals with the right skills and capacity to build houses if people are given cash (both beneficiaries' own skills and those of specialist craftsmen and contractors)?
- Can beneficiaries manage the responsibility of rebuilding their home? Does this responsibility contribute to psychosocial recovery, or is it an unwelcome burden?
- How much cash is appropriate? Should you provide the full amount for rebuilding a house, or should you provide less on the assumption that people will make up the remainder from their own resources (taking into account assistance from other actors)?
- Should conditions be attached to a grant? Should the cash be provided in tranches released against progress? Should the aid agency see its role as supporting or directing the rebuilding effort?
- Will special measures be needed to support the landless or tenants, or to help people re-establish or assert their ownership and property rights?
- What other activities may be needed to complement cash, such as technical support for beneficiaries?

5.5.1 Cost-effectiveness and inflation risks

Reconstruction following disasters often leads to inflation and shortages of both building materials and people with building skills. This is clearly a concern for the appropriateness of cash-based responses. If there is serious inflation in the local market for building materials, this will erode the value of the cash grant, and may mean that people are unable to complete rebuilding work. In the response to the Indian Ocean tsunami, NGOs provided top-up grants to offset the effects of inflation.

In-kind shelter projects may also suffer from inflation in local markets if procurement is being done locally, although in this case rising prices are more likely to be borne by the aid agency than the beneficiary. If cash is still appropriate for other reasons, then one way of dealing with inflation is to include contingency plans to increase the size of the cash grant. Complementary market interventions may bring down prices, or the agency could combine cash with the in-kind provision of items that are particularly vulnerable to inflation. Specific market-support measures could include overseas procurement of items in especially short supply, steps to address transport or infrastructure problems that may be weakening markets, or support for the local manufacture of key materials, such as bricks. Shortages of skilled labour for rebuilding could also be addressed through complementary interventions, such as training in key building skills or measures to help skilled builders to reach the project area.

5.5.2 Environmental concerns and disaster resistance

A reluctance to consider cash-based responses in shelter projects often stems from concerns about safety, disaster resistance and environmentally sound building practices. If people are given the cash to build their own houses, how can the agency ensure that the rebuilt housing is earthquake-proof or flood-resistant, or that the timber being used is ethically sourced? These are important issues, but should not necessarily rule out the use of cash if it is otherwise appropriate. One possibility is to see the role of outside agencies as more supportive than directive. People can be provided with advice and support in designing disaster-resistant housing, in dealing with contractors and in sourcing building materials. Environmental concerns can also be addressed in ways other than the in-kind provision of materials. For instance, agencies could explore ways to ensure that ethically sourced timber was available in sufficient quantities and at affordable prices, or they could provide particularly environmentally sensitive materials themselves. It might also be possible to address environmental concerns through building codes and legal frameworks.

5.5.3 Agency skills and capacity

A shift to cash-based shelter responses will call for different skills from aid professionals working in the shelter sector. Shelter programmes have tended to attract engineers and architects, whose understandable focus is on building things for people. Each new emergency always seems to attract a flurry of different designs for model houses. In temporary shelter provision, the focus has tended to be on camp-based responses – on procuring tents and setting up camps for displaced people. These skills may sometimes still be appropriate and necessary, but cash-based alternatives also require an ability to analyse rental and housing markets or to assess the availability of building materials and the risks of inflation in local markets. Much of this is about a shift in attitudes – a move away from a preoccupation with physical reconstruction towards a supportive role in enabling people to develop their own answers to shelter problems.

5.5.4 Exclusion and land rights

In any shelter project, questions of land ownership, title and rights are extremely important (Barakat, 2003; Wily, 2003). People without secure land titles or who are renting are often more likely to be excluded from shelter assistance. Following the Pakistan earthquake, for example, the government provided

Rs200,000 (about $3,400) to house-owners whose homes had been destroyed. However, this risked excluding tenants who did not own the land on which their houses stood, as well as people renting houses in towns. One report observed that landlords, who had themselves suffered financial losses from the earthquake, were reluctant to use the money to rebuild accommodation occupied by tenants. In other cases, landlords collected compensation for damage to their tenants' homes, but passed only a fraction of this money on to the tenant (IRIN, 2005). The physical destruction of paperwork proving ownership and land title – a common effect of disasters – can also open up the risk of exclusion or corruption. This implies that cash projects may need to include complementary activities to ensure that people are not excluded, can access government support and can re-establish clear rights to land.

5.5.5 Control and conditionality

A particular issue with cash-based shelter responses concerns the degree of control agencies exercise over how people spend the money they are given. Should aid providers try to ensure that cash is spent on shelter and nothing else? If so, how can they do this? One way around this concern is simply to frame objectives more broadly, and accept that, if shelter is not people's main priority, it is legitimate for them to spend the cash in other ways. Equally, agencies (and indeed their donors and host governments) may need to accept that cash-based assistance allows people greater choice over *where* they decide to rebuild their homes, and that they may exercise this choice either by deciding to live elsewhere, or by staying in vulnerable areas in defiance of efforts to relocate them (De Haan, 2003; Hammond et al., 2005).

The kind of flexibility cash-based shelter responses may demand appears to be in short supply. Governments, whether in disaster-affected countries or further afield, may be reluctant to acquiesce in people's decisions as to where rebuilding takes place; in post-tsunami Sri Lanka, for example, people whose houses were within the government-designated exclusion zone were initially debarred from cash assistance, leaving those arguably most in need of help ineligible to receive it. Likewise, agencies have typically sought to retain some control over expenditure by attaching conditions to shelter grants, or by providing the grants in tranches in line with the progress of the building work. As discussed above, providing cash in tranches considerably increases the administrative burden for aid agencies, and there may be other means of ensuring quality and safety, for instance through inspections of the work or complementary activities to enhance beneficiaries' building skills or to increase the capacity of government institutions responsible for developing and enforcing building codes.

5.5.6 Temporary shelter

The standard response of international aid agencies to displacement has been to provide temporary shelter in camps. It has long been known, however, that many people prefer to take refuge with friends, relatives or neighbours. For example, over 90% of displaced people in the Democratic Republic of Congo (DRC) live with host families, rather than in camps (Inter-Agency Displacement Division, 2005). During the crisis in Lebanon in 2006, the majority of displaced people were accommodated by relatives and friends. A year after the tsunami, some 300,000 people in Aceh – out of a displaced population of about 430,000 – were living with host families (Oxfam, 2005a). These people are often overlooked in the provision of assistance because they are less visible than camp-based populations, or because it is assumed that they are less in need of help.

Hosting also places a significant economic burden on families in terms of space and household expenses. Where markets are functioning, helping host families by giving them cash is an obvious option. The Swiss government has played a leading role in pioneering the provision of cash support to host families. In Serbia between 1999 and 2001, 11,000 families hosting approximately 52,000 Serbs who had fled from Kosovo were supported with a grant of CHF50 per month (SDC, 2003). Between 2000 and 2002, SDC and UNHCR implemented a programme in Ingushetia in Russia which provided cash to 11,000 families hosting displaced people from Chechnya (SDC and UNHCR, 2002). Concerns have been raised that providing cash to host families undermines the traditional community obligation to help extended families and neighbours in times of disaster. It is also possible, of course, that the reverse is true: that supporting hosting arrangements allows community solidarity to continue by easing the burden of hosting. As far as is known, host families have not objected to receiving cash help; in Sri Lanka, the Swiss aid agency Helvetas found that cash payments had not clashed with cultural norms, nor had they undermined people's sense of duty to support needy relatives (Helvetas, 2006). Cash grants have also been provided to displaced populations to allow them to rent accommodation in Sri Lanka after the tsunami (pers comm.).

Box 12: Cash for host families: SDC Aceh and Helvetas in Sri Lanka

SDC distributed cash to 7,000 families hosting displaced people in Banda Aceh and Aceh Besar, giving them a one-off cash payment of IDR900,000 (around $100) in April or May 2005. Payments were made through an Indonesian bank, and were collected by beneficiaries at their local branch. Helvetas implemented a similar project in Sri Lanka's Ampara District. Over 4,000 beneficiaries received two payments of $100. The grant was intended to provide economic support for a six-month period. Payments were made directly into beneficiaries' bank accounts. Half of the beneficiary families shared the contribution with the guest family. The most common purchases among host families were electricity and food; guest families spent most on food.

Source: SDC, 2006; Sewalanka Foundation, 2005.

Cash-based responses might also be appropriate to support people in building temporary shelters or rebuilding damaged shelters. CRS in Pakistan provided cash as a complement to in-kind provision as part of its response to the 2005 earthquake. In addition to material assistance, each household received a cash grant of 2,000 rupees ($35). No specific conditions were attached to the cash, though recipients were given general guidance on the range of intended uses. It was made clear that a portion of the cash was meant to enable recipient households to find their own means of transporting shelter materials from distribution points to their house site. Another portion was to support additional labour costs in building the shelter. An interim evaluation found that the vast majority of the grant was spent on shelter, and that households complemented the cash with considerable investment of their own. Households themselves chose to develop what was initially envisaged as an 'emergency' shelter programme into the beginnings of permanent housing, and also took responsibility for site planning, the sale or transfer of assets and the use of salvageable resources (Causton and Saunders, 2006).

5.5.7 Permanent shelter

Evaluations of cash-based approaches to the provision of permanent shelter have been largely positive. In particular, a cash-based response is seen as avoiding the well-documented pitfalls of contractor-driven reconstruction. These drawbacks include the construction of culturally or environmentally inappropriate housing, inflexibility, poor workmanship and corruption; in one example, substandard building work and corruption concerns prompted Save the Children to suspend its contractor-driven reconstruction programme in post-tsunami Aceh (Duyne Barenstein, 2006a; Save the Children USA, 2006). In her study of different approaches to shelter following the Gujarat earthquake, Duyne Barenstein (2006b: 25) concludes that cash support for owner-driven housing reconstruction is socially, technically and financially viable: 'in a context where people are traditionally involved in building their own dwellings, they have the capacity to construct houses that are more likely to respond to their needs and preferences than houses provided by outside agencies'.

Several governments and agencies developed cash programmes in the tsunami response. In Sri Lanka, for example, the government provided a cash grant to fund a self-build programme. The grant was fixed at $2,500 for a new house, and $1,000 for repairs to a damaged house. For full rebuilding, grants were released in four instalments over six months, as the foundations, walls, roof and finally the windows were completed; for damaged homes, the money was released in two instalments of $500, again over six months. In Aceh, UN-Habitat provided cash support for permanent housing in collaboration with the Indonesian government, amounting to $4,468 per house. Funds were transferred in four instalments, with each subsequent payment contingent on satisfactory completion of the previous tranche's work. Households were responsible for selecting contractors, and market assessments were carried out to help beneficiaries decide between competing bids. Also in Aceh, the BRCS developed a project that enabled beneficiaries to choose between self-built and contractor-built housing. Despite offering what was at the time thought to be a generous cash grant, no households opted to do the building work themselves. In the end, BRCS withdrew the option to self-build in the belief that engaging contractors promised better-quality results and beneficiaries were probably not best placed to manage the construction project; it was also felt that excluding beneficiaries from the actual building work did not necessarily imply their exclusion from the reconstruction process as a whole, reinforcing the point that choices between cash and in-kind assistance are context-specific and depend on the skills and capacity of the implementing agency (Adams and Harvey, 2006; Adams and Winahyu, 2006).

5.6 Cash and disarmament, demobilisation and reintegration

Cash payments have sometimes been used as part of disarmament, demobilisation and reintegration (DDR) programmes. This raises a set of particular concerns: will the cash stimulate a market in small arms, allowing the purchase of newer and more dangerous weapons? Will it create resentment within the community? Willibald (2006) provides a useful summary of the potential benefits and drawbacks of cash payments as part of DDR processes (Willibald, 2006, see Table 5).

In the first two phases of the programme in Sierra Leone, ex-combatants were provided with what was labelled as a 'transitional safety net allowance' of SLL 600,000 (about $300). This was paid in two instalments, one on departure from a demobilisation camp and the other three months later. In the third phase, 'reinsertion benefits' of SLL 300,000 were provided. Cash payments were seen as potentially creating community resentment, necessitating additional community-focused programmes (Knight and Ozerdem, 2004; Martin and Lumeya, 2005; Tesfamichael et al., 2004). Where children associated with fighting forces are involved, the use of cash presents additional difficulties relating to child protection. Might cash payments present an incentive for re-recruitment or abuse by adults trying to gain control of the cash? Can children make sensible investment decisions? This may be a case where vouchers might be appropriate, for instance for education or training, but there is a clear need for further research in this area.

5.7 Vouchers

Voucher projects are designed to give people access to a specified range of commodities or services. Vouchers may be denominated in money terms or in physical quantities of specific commodities. They can be used to purchase commodities from traders or exchanged at distribution outlets, markets and special relief shops. Traders then redeem the vouchers at a bank or directly from the implementing agency (Creti and Jaspars, 2006; Longley, 2006). To the extent that relief

Table 5: Benefits and drawbacks of cash in DDR programmes

Potential benefits	Potential drawbacks
Cash may increase compliance with voluntary disarmament commitments	Cash may create an illegal arms market and stimulate arms-smuggling across national borders
Cash may be attractive to ex-combatants seeking immediate compensation	Cash may allow the purchase of newer and more dangerous weapons
Cash may accelerate disarmament and demobilisation by encouraging ex-combatants to disarm rapidly, demobilise and move back to their communities	Cash may fuel expectations and demands among ex-combatants, which may entail security risks and may lead to rearmament
Cash may reduce political unrest by helping to disperse ex-combatants and reducing the likelihood of rearmament	Cash may discourage ex-combatants from seeking employment
Cash may soften impacts on communities by reducing the extra pressures placed on host communities and families when ex-combatants return	Cash may cause community resentment by privileging ex-combatants over civilians, and may be seen as rewarding the perpetrators of conflict
Cash may be easier to implement in post-conflict contexts where the infrastructure is poor and institutions are weak	Ex-combatants may have little experience of managing money and operating in a cash economy
Cash may stimulate local institutional capacity-building, for instance by encouraging banks to manage large amounts of money	There may be barriers to delivery in a post-conflict setting, such as a lack of institutional capacity and infrastructure

agencies specify the commodities people can exchange for vouchers, there may in fact be little difference between voucher projects and direct in-kind distributions. Indeed, the ration card used in many food distribution systems could be seen as a voucher providing access to a fixed quantity of food.

Vouchers have been used to redeem a wide variety of items, from sewing machines to schoolbooks, and voucher programmes have been implemented in a range of different contexts in Africa and elsewhere. However, most experience to date has been with the use of vouchers in the provision of seeds and other forms of agricultural inputs, so this section focuses on this aspect of voucher programming in particular (Bramel et al., 2004). Examples include:

- The Malawi Starter Pack Scheme (later known as the Targeted Inputs Programme) in 2001–2002. In this pilot project, vouchers were used to acquire a standard package of seed and fertiliser through local retail shops. A much smaller pilot project involving ‘flexi-vouchers’ that could be exchanged for a wider range of household items was also tested (Cromwell and Harnett, 2000: Levy, 2003).
- CARE-Zimbabwe implemented a voucher project in 2002–2003, in which farmers received a standard package of seed and fertiliser by exchanging vouchers with rural traders (CARE Zimbabwe, 2004).
- CRS has implemented restocking interventions in Ethiopia. The value of the voucher was sufficient to buy several chickens, a single lamb or, when combined with another person’s vouchers, a young bull (for traction). Any ‘change’ was spent on small tools or plastic water containers (Longley, 2006).
- FAO implemented a project in Somaliland in 2003 in which vouchers could be exchanged for tractor hours.
- In Kenya in 2004–2005, the International Committee of the Red Cross (ICRC) implemented a pilot voucher project to enable pastoralists to access veterinary services and drugs (Mbithi Mutungi, 2005).
- In Mozambique, seed vouchers were introduced in response to floods in 2001, following 12 years of direct seed distributions. Since 2001, more than 225 seed fairs have taken place, providing about $950,000 of inputs to over 100,000 drought-affected farmers (Longley, 2006).

Voucher programmes are seen as having advantages over the direct distribution of seed and agricultural inputs. They are said to be straightforward, timely and cost-effective, provide farmers with a choice of planting materials, strengthen seed systems and local markets and give farmers the opportunity to test modern varieties (Bramel et al., 2004). Seed fairs are thought to serve important developmental goals, for example acting as a link between farmers and the commercial seed sector and connecting host and displaced communities (Remington et al., 2002). They also allow farmers to exchange information, and may play an important role in the re-emergence of seed markets where they have been weakened by conflict.

Assuming that agricultural inputs are needed, vouchers do seem to be an effective way of enabling farmers to obtain seed, and evaluations of seed voucher programmes have been broadly positive. Whether vouchers are more effective and efficient than cash is, however, less clear. Vouchers may be more appropriate where insecurity or other restrictions make cash distributions impractical, or where support to markets is

Box 13: Working with vendors in a voucher project in Indonesia

Save the Children US implemented a project in Indonesia in 2006 which provided vouchers redeemable in local shops as an alternative to food aid. The agency undertook vendor surveys in markets close to displacement camps and the villages of beneficiaries. Vendors were invited to meetings where eligibility criteria were explained. Vendors had to be enthusiastic, had to stock and sell rice, oil and sugar, had to have adequate storage, had to have, or to open, a bank account, had to have an official business licence, and had to have a business relationship with reliable suppliers. An evaluation of the project concluded that more vendors could have participated in the programme. Some appear to have been put off by the criteria (despite meeting them), and others worried about not getting repaid.

Prior to distributions team members undertook market price surveys, assessed the stock and preparation of commodities in participating shops, reviewed contracts with vendors and supplied them with a list of beneficiaries and corresponding voucher numbers, so that vendors could stock and package the right amount of commodities. After distributions, staff monitored voucher collections and helped vendors complete the reports they needed to fill out to get reimbursed. According to the evaluation, the key components in the scheme's success were:

- Signed contracts between vendors and Save the Children stipulating prices, responsibilities and payment timetables.
- Sustained staff interaction with and monitoring of vendors.
- Assessment data which demonstrated the availability of commodities.
- Vendor criteria being met before the programme started.

The voucher redemption process worked as planned; beneficiaries reported that vendors had the correct products and in the right quantities, and that quality was good. Vendors interviewed expressed a strong sense of commitment to the programme, both from a business angle and from a desire to help in the reconstruction of Aceh. Vendors also had significant capital invested in stocking the first month's commodities. Vendors received a 5% commission in addition to the agreed retail price for each commodity.

Source: Cole, 2006.

needed. Vouchers that are restricted to particular commodities, such as food or seeds, may be more effective than cash if the objective is not just to transfer income to a household, but also to meet a particular goal, such as improving nutrition or boosting agricultural production (Osborne et al., 2001; Winicki et al., 2002). Vouchers may have advantages where insecurity makes the use of cash particularly problematic. There may be greater potential for vouchers to be self-targeting if they are restricted to commodities that richer households are less likely to want. Proponents also argue that vouchers are easier to monitor than cash, and are less likely to be used for unintended purposes.

Voucher programmes generally require more planning and preparation than the distribution of cash. A voucher project implemented by Oxfam in Niger in 2004–2005, for example, was so burdensome that it was eventually stopped in favour of direct food distributions and cash for work (Pietzsch, 2005). Agreements need to be established with traders so that vouchers can be exchanged, and seed fairs take time to set up. If vouchers are not providing goods that people see as priorities then a parallel market may develop, with vouchers being traded for cash at a discounted price. In some situations, the receipt of vouchers may stigmatise the recipients. In the UK, a programme to provide vouchers to asylum seekers was abandoned in 2001 in the face of fierce criticism and a campaign from civil society groups, which saw them as discriminatory. Recipients were targeted for abuse and harassment in the community (Oxfam and Refugee Council, 2005). Shops may be reluctant to accept vouchers because of the extra administration costs that they create, and there may be difficulties to do with change if the full voucher amount is not spent. In seed voucher and fair projects the involvement of commercial seed providers, at the expense of small-scale informal seed sellers, can limit the impact on local markets. Implementing agencies frequently retain too much control over voucher programmes, deciding what types of seed can be exchanged, thus limiting choice; assisting vendors with procuring seed, rather than trusting them to source it for themselves; setting prices, rather than leaving them to be negotiated by farmers and vendors; or advising farmers on how to spend their vouchers, rather than allowing them to decide for themselves.

More broadly, the question remains whether seed vouchers and fairs are just another way of addressing the wrong problem. The rationale for the use of vouchers in agricultural support programmes is based on a growing critique of the traditional approach to distributing seeds and tools – what Remington (2002) has described as the 'seeds and tools treadmill'. Essentially, critics of traditional approaches argue that, in many situations, the primary constraint facing farmers is not the availability of seed, but access to it (Longley et al., 2002: Sperling and Longley, 2002). Yet if shortage of seed is not the main issue, it is not clear why seed should be provided at all, whether through direct distributions or through vouchers. As Longley (2006: 52) argues: 'without a proper needs assessment and problem analysis there is a risk that the former seeds and tools treadmill is being replaced with a seed vouchers and fairs treadmill'.

One of the main reasons for the use of vouchers rather than cash seems to be that it satisfies donor regulations. What seems to be missing is a more explicit assessment of the appropriateness of voucher projects, compared both to in-

Table 6: Vouchers: advantages and disadvantages

Advantages	Disadvantages
Vouchers linked to a particular commodity, such as food or seeds, may be more effective if there are specific goals (better nutrition or increased agricultural production), rather than being used purely to transfer income	Vouchers entail costs in printing, distribution and redemption
Women may have more control over vouchers in household expenditure	Vouchers may increase the administrative burden of implementing a project in comparison to cash
Vouchers can make it harder for recipients to use resources anti-socially	People may not be able to receive change from vouchers and may have to purchase more than they need
It may be possible for vouchers to be self-targeting if receiving vouchers is seen as stigmatising	Vouchers restrict what people can get and may not meet their priority needs
	If people do not want the goods vouchers buy, or need cash for other items, a parallel market in vouchers may develop
	Vouchers may stigmatise recipients
	Traders may be reluctant to participate and may make redeeming vouchers difficult

kind alternatives and to cash. The additional administrative burden and complexity of voucher approaches suggest that they are only likely to be preferable to cash in situations where they can address a particular market weakness, or where there are particular objectives linked to the need for a particular commodity.

Chapter 6
Implementation challenges

This chapter looks at key challenges in implementing cash-based responses. Some of the issues faced are generic to humanitarian response: targeting cash, for instance, does not seem to be significantly more difficult or different than targeting in-kind assistance. A key distinctive feature of cash is the range of ways in which it can be delivered. It can be directly provided by an aid agency, but there is also scope to explore the role of banks and other formal and informal financial institutions. How to deliver cash is discussed in section 6.2, on disbursement mechanisms. A particular concern with the use of cash in emergencies has been whether it might be more vulnerable to insecurity or corrupt diversion. We consider this question in sections 6.3 and 6.4, and argue that the risks are different, but not necessarily greater.

Box 14: Family sharing in Maida village

In Maida village, Malawi, one elderly beneficiary explained how her family shared Oxfam cash transfers. She explained that she and her son both shared their transfers each month with four other households covering three generations of the family. Of each transfer of 2,500MK she received, she gave 500MK to her two daughters, while her son shared 1,000 to 1,500MK between another of her daughters and his father, who lived in another household.

Source: Savage and Umar, 2006.

6.1 Targeting

The question of how best to target assistance in emergencies, and indeed whether to target it at all, clearly applies not only to cash and voucher interventions but also more widely. The subject has a substantial and growing literature in its own right (Jaspars and Shoham, 1999; Sharp, 1999; Sharp et al., 2006; Taylor et al., 2004; WFP, 2006). Two issues make targeting cash potentially difficult. The first is the possibility that cash will be more attractive to people not in the intended target group, such as the relatively wealthy. Money is clearly attractive to everybody in a community in a way that sacks of maize or jerry-cans might not be. The second is that, because of the flexibility of cash, it is sometimes less clear what the target group should be. There may be a case for taking advantage of the flexibility of cash to enable very broad and simple targeting criteria. This raises issues of impartiality, with some wealthier households receiving aid possibly at the expense of the poorest, but given the difficulties of targeting, accepting a degree of inclusion error may be the most realistic option.

Recent experience with cash transfers suggests that targeting cash is not significantly more difficult than targeting in-kind assistance. This echoes the findings of Peppiat et al. (2001: 15), which concluded that, ‘while targeting can undoubtedly be more difficult for cash distributions, it does not appear to have arisen as a fundamental problem’. Targeting can sometimes be problematic, but no more so than is usually the case. For instance, an evaluation of an Oxfam project in Zambia found that ‘the targeting difficulties faced were more to do with generic issues than issues particularly related to cash, especially in the initial stages of targeting and registration’, although once the cash programme was up and running the greater attractiveness of cash may have made verifying target households more difficult (Harvey and Marongwe, 2006). In some contexts, however, cash might be more difficult to target. For instance, in Darfur recipients of food aid felt that cash would be more likely to be diverted by local elites and warring parties (pers. comm.). The possibility that cash may be more difficult to target because it is more attractive to recipients means that implementing agencies may need to put more effort into targeting. The extra capacity needed to ensure more careful targeting may be offset by reductions in the capacity needed to procure, transport and store in-kind assistance.

One of the interesting questions in cash transfer programmes is whether beneficiaries share cash in the same way that food aid is often shared within communities. The evidence on this is mixed. Some evaluations have found that people are less likely to share cash than in-kind assistance, and that it is seen as more of an individual entitlement. However, it less clear whether people subsequently share the food that they buy with their cash. An evaluation in Zambia found that, while the cash itself was rarely shared, the food it bought was commonly given to friends, relatives or other families, in the form of gifts or as payment for piecework (Harvey and Marongwe, 2006). In an IFRC cash project in Niger, 46% of households pooled a portion of the cash provided with other households to fund joint ventures such as repairing wells and mosques and building cereal banks (University of Arizona, 2006b).

6.2 Disbursement mechanisms

This section examines the options available to agencies planning to make cash payments to people. This builds on the section in the Oxfam guidelines on ‘methods of cash delivery and payment’, which list three methods:

- direct payments by an implementing agency;
- local banking systems; and
- local money transfer companies (Creti and Jaspars, 2006).

Box 15: Delivery options and examples

- Zambia – Oxfam contracted a bank and a security company to deliver pre-packaged cash envelopes to remote villages.
- Ethiopia – government vehicles transport cash so that armed guards can accompany the money without breaking security guidelines prohibiting arms in aid agency vehicles.
- Malawi – Oxfam paid for local policemen to accompany the distributions.
- Somalia and Afghanistan – remittance transfer mechanisms.
- Indonesia – banks and direct delivery as part of the tsunami response.
- Sri Lanka – banks, direct delivery and pre-existing social welfare mechanisms.
- Kenya – helicopters.

Long-term social protection

- Namibia and South Africa – private security companies deliver cash via mobile ATM machines, using biometric technology.
- Zambia (Kalomo cash pilot) – bank accounts opened for beneficiaries near urban areas; schools and health centres used as pay points in remote rural areas.
- Lesotho – cash delivered through post offices.

Sources: Adams and Winahyu, 2006; Devereux et al., 2005; Harvey and Savage, 2006; Samson et al., 2006.

Reviewing experience from a large number of different contexts, what is striking is the variety of options and innovative methods that have been found to transfer money to people. Agencies have used remittance systems in Afghanistan and Somalia to minimise the security risks of transferring money in conflict environments, banks have been used where these are accessible, and even in remote areas contracts have been signed with banks to deliver mobile services.

6.2.1 Assessing different options

Choosing which mechanism to use for transferring cash clearly has to be a context-specific judgement, assessed on a case-by-case basis. It is not, therefore, possible to make hard and fast recommendations about which mechanism is likely to be most appropriate. It is, however, important to explicitly assess the costs, strengths and weaknesses of as wide a range of options as possible, ideally as part of a pre-disaster contingency planning exercise.

In weighing up the different options for disbursing cash, managers need to consider a number of issues:

- What options are available?
- How far will beneficiaries have to travel to reach the disbursement point?
- How much cash is being transferred, and how frequently are payments required?
- Security and corruption risks relating to different options.
- How long will it take to establish disbursement arrangements?
- How cost-efficient are the various options? What is the total cost of getting the cash into the hands of the beneficiaries (this includes 'invisible' costs, such as staff requirements and vehicles)?

The first step in any assessment process is to map out the alternatives. It is important in doing this to include not just formal banks, but other transfer mechanisms as well, such as remittance companies and post offices, which can be overlooked. It is also important to consult beneficiaries before making a final decision. Simply asking people how they ordinarily receive and transfer cash may suggest possibilities that have not been considered. Group discussions could be held involving different sections of the community to explore the advantages and disadvantages of different options.

Accessibility

Whatever mechanism is chosen, beneficiaries must be able to get to their cash without having to travel too far, or waiting too long. How far is acceptable may depend on how frequently disbursements are going to be made and how frequently people need to visit the disbursement point. For large or one-off cash grants, the distance may be less important than with smaller, regular payments. If people regularly visit a town, for instance for shopping or trading, then asking them to make this journey to pick up their cash may be acceptable, even if the town is a relatively long way away. A disaster may affect the options available; banks may be closed due to disaster damage, and transport or communications may be disrupted. The cash transfer mechanism an organisation uses may change over time, as the environment or programme intervention changes.

Some banks may be willing to provide mobile services; Oxfam in Zambia contracted Standard Chartered Bank, which hired additional tellers and sub-contracted a security company to deliver cash in pre-packaged envelopes to remote villages. It is also important to consider the mobility of groups such as the elderly and the disabled, who may need special support. Literacy and familiarity with modern banking technology also require some thought. The BRCS used a bank in Banda Aceh that provided ATM services. For illiterate people or people who did not understand the language used in the machine (Bahasa Indonesia) this may have been a barrier. New users may worry about forgetting their PIN number, and may write it down or tell it to other people, raising security risks. That said, if people are comfortable using ATMs these machines have clear advantages in terms of ease of access. Gender issues may also need to be considered, relating to whether women will have access to cash transfers through bank accounts if they are not the account holders. Agencies have sometimes opened joint back accounts in order to try and ensure access for women.

Security and corruption risks
The first priority has to be choosing a mechanism which allows cash to be delivered safely by the agency, and spent securely by beneficiaries. Payments through bank accounts are often seen as minimising security risks for both agencies and beneficiaries, and where banks are accessible they are normally the preferred option. Direct disbursement may sometimes still be necessary in the absence of banks.

In a recent project in northern Kenya, Save the Children decided to use a helicopter to transport cash to distribution sites, on the grounds that this avoided the security risks involved in transporting cash by road, and enabled the agency to reach beneficiaries in their own communities, reducing their exposure to risk by shortening the distances they had to transport the cash they received. One of the advantages of cash is that expensive disbursement options such as air transport may still be relatively cost-effective because cash is carried in much smaller volumes than in-kind assistance. In this case, Save the Children found that helicopters compared well with other alternatives (Croucher and Karanja, 2006).

Different delivery mechanisms will also create different types of corruption risk. For instance, using banks may add another layer of accountability, but may also introduce an additional point at which corruption can occur. One of Save the Children's reasons for using helicopters in Kenya was that it allowed staff to maintain direct interaction with the beneficiary group, reducing the risk of fraud by avoiding the involvement of any third parties.

Timing and speed
The cash transfer mechanism should be relevant to the needs of beneficiaries at particular times, and should relate to the purposes for which the cash has been provided. Transfers for basic needs require the quick, regular delivery of relatively small amounts of cash. Transfers for livelihood recovery are likely to include larger sums of cash, but the cash is likely to be needed later in the emergency response and recovery phase, allowing agencies more time to plan and establish effective systems.

Cost-efficiency
Different transfer mechanisms will incur different costs, and assessing the relative cost-effectiveness of various options should be an important part of the selection process. It is important when considering costs to include both the costs for the implementing organisation and those potentially borne by the beneficiary, such as transport fees incurred in collecting cash. It is also important to consider costs that may not easily be quantified, such as staff time and the time beneficiaries spend accessing the cash.

Using banks may appear to be more expensive because the costs are often more explicit – a percentage of the transfer or a flat fee. The costs of payments made directly by an agency may be less obvious, and may relate to the amount of time staff have to spend on the project. These costs should be budgeted for as explicitly as possible, and may include finance and administrative staff, drivers and field staff.

Box 16: Direct distribution: risks and adaptation in Aceh

Mercy Corps' cash for work programme in Aceh had an average of over 10,000 participants a month and mean monthly disbursements of over $650,000. This created considerable challenges for the payment process. Timely delivery of wages was particularly difficult, especially in the first months of the programme, when support mechanisms were still being put in place and the programme was rapidly expanding. Initially, payment was on a daily basis (since labourers had no other access to cash), but as the programme grew the logistics of daily distributions became too complicated and weekly payments were introduced. Group leaders were paid directly, and were responsible for disbursement among members of their work group.

One cash for work manager in Aceh found it very difficult to transfer funds at the beginning of the project. His agency's finance team refused to take responsibility for the cash transfer system, forcing him to do it himself. This involved taking an advance from the bank against his name the day before distribution; because the finance office would not let him keep the cash in the agency's safe overnight he kept it at home. The sums he had to transfer for each site were equivalent to around $10,000 – and he sometimes carried cash for more than one site. On one occasion, he took IDR750m ($75,500) home.

The risks involved were clearly too great, and an alternative solution was quickly found. Cheques were provided to village facilitators (or money was paid into their bank accounts), and they transferred the payments to the workers in the villages. Signed payment slips were returned to the finance department. Facilitators were paid a service fee, essentially becoming the subcontractor for the cash disbursement. The problem with this arrangement, as the manager realised, was that it simply transferred the risk from him to the facilitators. The agency considered using banks, but opening an account for everyone on the project was deemed too difficult. No one thought of using the post office, which may well have solved the problem.

Source: Adams and Harvey, 2006.

6.2.2 Direct disbursement by the implementing agency
It may sometimes be necessary for aid agencies to deliver cash directly to beneficiaries, either individually or in groups. Direct distribution involves considerable input from administrative, management and financial staff, and requires the development of cash transfer systems, procedures and guidelines. These systems should record the requesting, withdrawal and

Table 7: Advantages and disadvantages of direct payments by agencies during the tsunami response

Advantages	Disadvantages
The organisation has close control over the process	The administrative and management workload is high
The organisation builds trust. Many agencies noted that direct cash disbursement instilled confidence in their capacity to deliver	There are security risks for staff in transporting and delivering cash
Support may be more visible and more closely associated with a particular agency than is the case when cash is disbursed through banks	There are corruption risks
Direct payments may be convenient for beneficiaries if the distribution site is close to their homes	The fact that the distribution is more visible may create security risks for beneficiaries. Visible distributions may prompt moneylenders to demand loan repayments
	Beneficiaries may exert pressure on field staff to give out more money

disbursement of funds. It is important to recognise the considerable workload that cash disbursements may mean for staff, and to include finance staff in the process of planning and developing systems.

Table 7 details some of the advantages and disadvantages of direct payments that emerged from cash programming during the tsunami response.

6.2.3 Disbursement through formal financial institutions
Where banking systems or other financial institutions such as post offices are available, these have been the preferred method for transferring cash. Banks offer obvious advantages of security, and having a bank account allows people to access funds whenever it is convenient. Using banks may also help to link people with the formal financial sector for other goods and products, such as credit and savings. Payments can be made into individual accounts, or the bank can make payments to people without requiring them to open accounts (for example payments made in a bank branch on production of identification). Where formal sector banking systems do not exist, agencies have sometimes used informal financial institutions, such as remittances providers in Somalia and Afghanistan.

The most obvious consideration for determining whether to use formal financial institutions is whether reliable institutions exist. In the immediate aftermath of a major disaster banks and post offices are likely to have been affected: buildings may be damaged or destroyed and staff may have lost their lives. Institutions or branches which have not been affected may be available and may be able to offer an outreach service. Following the Indian Ocean tsunami, some areas were severely hit and some escaped with very little damage, meaning that banks in one village may have been completely destroyed, while in the next village they were completely untouched. Banks and the post office compiled inventories of damage in sub-branches, and made plans to rehabilitate services (Aheeyar, 2005). Remittance systems are often re-established remarkably quickly following disasters (Savage and Suleri, 2006; Fagen, 2006). For instance, in Gonaives, Haiti, following Cyclone Jeanne in 2004, staff working in remittance transfer agencies had reopened their partially flooded offices within three days, restored internet links, enabled people to contact relatives overseas and arranged for cash payments and in-kind deliveries to be made outside of Gonaives (Fagen, 2006).

Using banking systems creates a particular set of challenges during the registration process. Banks are likely to require a rigorous system for checking identity documents in order to reduce the risk of payment errors, for which they might be held liable. SDC, which used a bank to disburse cash in Aceh, found that it was meticulous in checking identity documents. Problems arose because of the different spelling of names on registration lists and ID cards, typing errors in database entry, people not having ID cards and people having more than one ID card. This can be seen as a positive accountability check, but it may also delay disbursements. Many payments in the SDC project were rejected, and claimants were referred back to the registration agents (Herrman, 2006).

Table 8 details some of the advantages and disadvantages of using financial institutions to disburse cash during the tsunami response.

6.3 Corruption

There is great reluctance to talk openly about corruption, and corruption risks are very hard to monitor and evaluate in any form of relief programming, not just cash (Ewins et al., 2006; Willits King and Harvey, 2005). Corruption is nonetheless sometimes seen as a greater risk in cash projects because cash is more attractive than in-kind aid items. However, there is little empirical evidence for this; what evidence there is suggests that risks of corruption are no greater than in other forms of relief. Perhaps a better way of looking at the issue is to accept that all kinds of resource transfer bring with them risks of corrupt diversion, and cash assistance presents a different type of risk

Table 8: Advantages and disadvantages of using financial institutions during the tsunami response

Advantages	Disadvantages
Risks of corruption may be reduced: • Bank staff may be better able to check for abuses and inconsistencies • Local elites and NGO staff do not need to handle the cash	Beneficiaries may not be familiar with banks or other formal financial institutions, and may be reluctant to deal with them
Reduced workload for agency staff	Banks may be unwilling or unable to reach remote or insecure areas
The transfer process may be more dignified for beneficiaries	Banks may take longer to prepare disbursements and cannot always be flexible in the timing of disbursements
Receipt of the cash may be less visible and, if accounts are used, recipients may be able to keep cash in greater safety	
Banks may have their own insurance for moving cash and existing security arrangements	
Recipients may become more familiar with financial institutions and so better able to access savings and credit services in future	
For the banks, involvement may provide a way of attracting new customers. The Post Office in Aceh province, for example, is interested in the potential of such extra business due to the decline in the use of postal services with the advent of the internet	

profile than in-kind transfers. The important thing is to understand where these risks lie, and act to minimise them. Indeed, some aspects of cash programming may make it less vulnerable to corruption than in-kind, commodity assistance. For instance, some of the key corruption risks around in-kind transfers occur during procurement, storage and transport, none of which apply to cash transfers (Ewins et al., 2006). Samson et al. (2006) argue that the electronic transfer of cash reduces corruption opportunities, and is easier to audit (Samson et al., 2006: 67). Wilding and Ayalew (2001) found that cash provided in a Red Cross programme in Ethiopia allowed for ‘a significant reduction in the incidence of slippage (theft) and wastage associated with food distribution’.

It is possible that we are seeing a ‘pilot-project effect’: most cash programmes are still relatively small-scale, and the real test will come when programming is scaled up and projects are managed less intensively. In common with in-kind transfers, many of the risks with cash occur at the registration and targeting stage. Community targeting creates incentives for local committees and powerful elites to manipulate beneficiary lists through cronyism or by demanding bribes, and ‘ghost’ or duplicate names may be included on registration lists. In Sri Lanka, concerns about possible abuse during the registration process led one agency to contract an independent organisation to conduct the registration process (Helvetas, 2006; Adams, 2006). As we have seen, corruption has also been a concern in the application and registration systems for cash grants following hurricanes Katrina and Rita in the United States (US Government Accountability Office, 2006; IFRC, 2006). There is also a risk of diversion during the distribution phase; in one project in Aceh, for example, a significant number of recipients were found to be passing a proportion of the grant they received to district heads and village representatives (Herrman, 2006: 68).

One way of reducing the risk of corruption is by being as transparent as possible about the amounts people are entitled to. In Oxfam’s cash for work programme in Uganda, beneficiaries knew the wage that they would receive for the work done. This transparency was welcomed, and contrasted with previous food distributions, which beneficiaries felt had not been transparent and had suffered from substantial leakage (Khogali and Takhar, 2001b). Save the Children in Ethiopia aims to minimise the risks of diversion in part by ensuring that all cash payments are made in the presence of ‘heads of the food security desk or rural development sector, Save the Children monitors, and DAs and PA officials’. Save the Children’s Contingency Committees are tasked with deciding whether it is appropriate for Save to take over direct payments from the local government in the event of diversion (Save the Children UK, 2003b).

6.4 Security

Security, like corruption, is often seen as a more serious risk in cash transfers than in in-kind aid. Assessing whether cash can be delivered safely and spent securely by recipients is one of

Box 17: Corruption: findings from selected evaluations

Oxfam cash project in Zambia (2005/6)
The evaluation team asked whether people had encountered any corruption, either during the registration process or during distributions. Very few incidents were reported, and there was no evidence that corruption was more of a concern than it would have been in a commodity distribution. One non-beneficiary reported having tried to bribe the registration committee to get on the list. The bid failed because the extra forms that Oxfam had promised to deliver did not appear. This was the only incident reported during the evaluation.

Several interviewees noted that cash transfers could potentially reduce the risks of corruption. Political interference in the relief process may be less likely because cash could be distributed more directly than food aid, reducing the number of actors involved. In one village focus group discussion, people felt that cash transfers were less vulnerable to manipulation than food aid, where corruption allegedly starts with transporters who deliver a smaller number of bags. Those responsible for offloading and storage may also steal bags of food (Harvey and Marongwe, 2006).

ACF cash for work project in Somalia (2005)
ACF found that a small proportion of cash was given to the local authorities. This was, however, common practice in Somalia, and was considered a kind of 'tax' imposed by the village authorities, in return for guaranteeing the security and general functioning of the village. Food aid projects were subject to the same procedure, and a similar 'tax' was collected from local businesspeople (Mattinen and Ogden, 2006).

the keys to determining whether or not it is feasible. There are very clear concerns about giving people cash in situations of conflict and predatory political economies. Even if cash can be safely delivered to recipients, there are legitimate fears about what happens to it after it reaches traders or beneficiaries, and whether its arrival could make conflicts worse. However, evidence from existing cash and voucher projects suggests that ways can be found to deliver and distribute cash safely even in conflict environments. Most evaluations of cash transfer projects conclude that cash can be delivered safely and securely (Harvey, 2005).

Aid agencies implementing cash projects have developed a number of interesting and innovative ways to minimise potential security risks. In Afghanistan and Somalia, agencies have successfully used local remittance companies to deliver money to people in remote and insecure areas. In Ethiopia, Save the Children takes out insurance coverage against the risk of loss in transporting cash to projects in areas where there are no banks (Knox-Peebles, 2001). In Zambia, Oxfam sub-contracted delivery in remote rural areas to Standard Bank, which used security company vehicles to deliver the cash, accompanied by local policemen (Harvey and Marongwe, 2006). Other security precautions include varying payment days and locations, minimising the number of people who know when cash is being withdrawn and transported and using different routes to reach distribution points (Creti and Jaspars, 2006: 43). As we have seen when discussing transparency in dealing with local traders, there is a clear dilemma between the need for openness and the need, for security reasons, for confidentiality about the time and location of distributions and beneficiary lists. In Aceh, military personnel demanded to see lists of beneficiaries who had received a cash grant. NGO staff refused, and reported the incident to the authorities (Adams, 2006).

The fact that evaluations of cash transfer projects have found little evidence of corruption and insecurity associated with cash and voucher approaches does not imply that these risks do not need to be carefully assessed in each context. Most cash projects in insecure environments have been relatively small-scale, and security risks may grow as larger programmes are implemented.

As with corruption, the security risks associated with cash should perhaps most helpfully be viewed as different, rather than necessarily greater or smaller, than those associated with in-kind transfers. Once again, some of the key security risks associated with in-kind distributions relating to transport and storage of bulky commodities do not apply in the same way to cash transfers. The use of banks and other financial institutions potentially reduces the security risks associated with cash transfers. Rather than aid agencies needing to deliver either large amounts of cash or in-kind commodities to beneficiaries in highly visible distributions, recipients can collect their cash from banks or post offices more discreetly when it is convenient and safe for them to do so. Insecurity and corruption present real challenges to the implementation of cash and voucher approaches, and there is a need for strong monitoring and accounting systems to minimise these risks.

Box 18: Using remittance companies in Somalia

To enhance project security, Horn Relief and NPA used two money transfer companies to distribute cash to beneficiaries. These companies were responsible for transferring $50 grants to each of the registered beneficiaries, verifying and documenting each recipient and maintaining records of each transfer. The transfer companies undertook full liability for all project monies and agreed to cover any lost or misallocated funds. Before the companies were selected, extensive discussions were undertaken to ensure that they had fully functioning distribution networks, including lists of all the villages in which they had agents and systems (HORN RELIEF, 2004).

6.5 Timing and timeliness

The issues around timing and timeliness are two-fold. The first concerns how rapidly cash-based responses can be delivered, and the second concerns when it should be provided. In theory, cash-based responses should be more rapid than in-kind assistance because there is no need to purchase and transport goods. In practice, however, they often seem to take longer to establish. This is partly because they are often seen as new, innovative and risky; systems and procedures are not established and need to be set up from scratch. In Ethiopia, once systems for cash distributions had been established, Save the Children found that cash distributions were quicker than food distributions (Adams and Kebede, 2005: 19). But the same evaluation also noted delays in payments of up to several weeks because tight administrative and financial systems resulted in bottlenecks in some parts of the chain.

There is a clear need to integrate planning for cash-based responses into overall disaster preparedness and contingency planning. The rapid delivery of cash may not be appropriate at the early stages of an emergency because markets are too disrupted or the infrastructure is damaged. However, while in-kind assistance may be more appropriate in the early stages of an emergency, this should not automatically be assumed. Cash may still be useful and if agencies are prepared can be delivered rapidly. There is also a need to guard against making systems over-complicated. Rapid response (whether in-kind or in cash) often entails devolving decision-making power and responsibility to as local a level as possible. This may mean giving field managers and offices the authority to distribute small grants to affected households in the immediate aftermath of a quick-onset emergency without elaborate procedures.

Timing is also important. In the Ethiopia project described above, it was found that distributing cash grants after the harvest was more likely to lead to productive investment and enabled shifts in contractual sharecropping arrangements between rich and poor households (Adams and Kebede, 2005). In Somalia, ACF found that cash provided during the hungry season was largely spent on food; spending on restocking was more likely when cash was provided after the harvest (Mattinen and Ogden, 2006). Alternatively, there may be benefits in starting cash projects earlier, if doing so enables people to buy agricultural inputs to help with the harvest (Harvey and Savage, 2006). One project in Mongolia provided cash in October, when prices for animals were high and there was limited time to gather enough fodder resources for the winter. May or June would have been a better time for animal purchases (Dietz et al., 2005).

Understanding seasonality and how this relates to the objectives of cash projects is clearly important. If cash is intended to help people meet basic needs, then it is likely to be most useful during hungry seasons or particularly difficult periods, but food prices may be higher than normal and the cash will buy less. There may be a case for considering whether food aid would be more appropriate, or whether a combination of food and cash would be suitable. Likewise, in quick-onset emergencies cash provided in the early stages may be spent on meeting basic needs and coping with the immediate aftermath of displacement. Cash provided later on may be spent on recovery, such as rebuilding houses or investing in livelihoods.

Chapter 7
Assessing the impact of cash

The first question that needs to be answered in considering the impact of cash transfer programmes is what people purchase with the money that they receive. The lack of control over what cash is spent on is one reason for caution in the use of cash-based approaches. In particular, the funds provided could be used for anti-social or inappropriate purposes. Men could control the cash provided and spend it on alcohol and cigarettes, rather than food for their hungry children; in conflicts, the funds could be used to buy arms. While these are legitimate concerns, the evidence from monitoring reports and evaluations overwhelmingly suggests that people do not use the cash they are given to purchase non-essential goods. When needs are particularly severe, people are likely to spend cash on basic essentials, primarily food and items such as soap. Where large debts are a source of livelihood stress, cash grants have been used to pay them off. Where the amounts provided are more generous or immediate needs are less severe, people make key investments in livestock or services, such as health and education, or social functions, such as funerals and weddings. Findings on spending patterns in longer-term social protection programmes have similar conclusions. Devereux et al. (2005: 26) note that 'a striking finding from all our case study programmes is the diversity of uses to which cash transfer income is put'. The study divides expenditure into eight useful categories:

- Food (maize-meal, vegetables, meat).
- Groceries (soap, paraffin, matches, candles).
- Household items (blankets, clothes).
- Services (health, transport, education).
- Assets (chickens, pigs).
- Income-generating activities (farming, trading).
- Social costs (funerals, community groups).
- Savings (in cash or assets such as jewellery).

Evaluations consistently find that people prefer cash to food partly because of the greater flexibility that it provides. Cash can allow people access to a wider range of foodstuffs, for example. In Ethiopia, a Red Cross evaluation found that people bought cheaper grains (maize and sorghum) rather than wheat, and so increased their calorie intake (Wilding and Ayalew, 2001: 40). A Save the Children cash for work project, also in Ethiopia, found that households receiving food aid enjoyed a much less varied diet than ones receiving cash (Knox-Peebles, 2001). What cash is spent on seems to depend on the wealth and vulnerability of the receiving household. In Save's Ethiopia project, for instance, poor households used cash to buy second-hand clothes and basic necessities, as well as food; 'middling' cash-receiving households invested in farm tools, seeds, small stock animals and loan repayments (Knox-Peebles, 2001). In one project in Russia, SDC found that elderly recipients were likely to spend more on medical treatment than younger ones, and often saved some of the cash until spring to buy seeds for kitchen gardens (SDC and UNHCR, 2002).

7.1 Nutrition

It is always difficult to attribute nutritional impact, even in food aid programmes (Shoham, 2004). One of the arguments sometimes put forward for food aid is that it is likely to have a greater nutritional impact, and so is therefore more appropriate if a project has explicitly nutritional objectives. There may be a greater propensity for food aid to be consumed as food, and it is less likely than cash to be used for other purposes. The US food stamps programme has found that people 'buy more food with food stamps than they would with a cash transfer' (Osborne et al., 2001; Winicki et al., 2002). Food aid can also be fortified to address particular vitamin or mineral deficiencies. But there is also evidence that cash can be as effective as food aid in supporting nutrition. An evaluation of Oxfam's cash grant programme in Zambia, for instance, found that people were able to buy amounts of food 'roughly comparable to a standard food aid ration, and therefore of similar nutritional value' (Harvey and Marongwe, 2006: 3). CARE and Save the Children cash and voucher projects in Aceh found that 'food consumption of targeted beneficiaries met acceptable standards of quality and quantity throughout the pilot duration' (Cole, 2006: 2). An evaluation of WFP's cash transfer pilot project in Sri Lanka found that 'a switch from food to cash benefits was not likely to affect consumption significantly' (Sharma, 2006). Monitoring data from an Oxfam emergency cash programme in Zambia suggested an increase in dietary diversity (Harvey and Marongwe, 2006).

7.2 Livelihoods

Cash transfers have sometimes been argued to have broader impacts on livelihoods than simply protecting immediate consumption. Cash's greater flexibility means that it can be used for productive investments. There is some evidence of this, but as we have seen it depends crucially on the amount of cash that is given, and when. Where cash is being provided as emergency relief, the majority of the funds seem to be spent on immediate consumption. However, where the situation is less acute, or where the amounts of cash provided are more generous, cash can help to stimulate productive investment. A review of Oxfam's cash for work project in Turkana, Kenya, found that larger sums were more likely to be spent on productive assets such as livestock, or setting up small shops (Frize, 2002).

Box 19: Cash as a stimulus to investment in northern Kenya

Habiba Abdi Ahmed moved to Boji Yare settlement from Wajir in 2000. She is a widow; her husband was killed in clan clashes in 1994. She has four children, including a divorced daughter with four children of her own. This family is dependent on her.

Along with three other women, Habiba was chosen by the community to work on Oxfam's roads project. Their main tasks were pulling away tree branches, cut down by the men, making tea for the workers and carrying water.

Habiba worked for 60 days on the project, earning about £45. She used this to buy three sheep, clothes for all her dependants and sugar. She bartered the sugar for milk, which she sells at the milk market in town, making a few shillings' profit on each bottle. She uses this profit to supplement the family's household budget. She is also able to contribute to community obligations, such as funerals. She even managed to attend her brother's funeral in Isiolo. Later, she opened a tea kiosk. Today, her assets are six sheep and savings of about £20.

Source: Creti and Jaspars, 2006.

A key finding from Save the Children's cash project in Ethiopia was the potential for relatively generous cash grants provided to vulnerable households following the harvest to shift the balance of power in negotiating contractual sharecropping and livestock arrangements with richer households. Farmers bought oxen or seed, enabling them to avoid sharecropping arrangements where they had to give half of the harvest to a richer household in return for seed on loan or the use of oxen. Cash grants provided a better bargaining base for poor households. Because fewer poor households were entering into sharecropping agreements, there was greater competition amongst rich households for land to share-crop, and incentives were being offered such as the landlord paying land tax, or allowing a higher proportion of the harvest to be retained. Agreements by which poor households agree to look after the livestock of richer neighbours had also shifted because cash grants had allowed poor households to buy livestock and withdraw from these agreements. This was leading to better contractual terms, such as allowing people to retain a higher proportion of offspring in return for herding and pasture (Adams and Kebede, 2005).

In Malawi in 1999, a flexi-voucher was provided to some households as an alternative to the provision of 'starter packs' of seed and fertiliser. These vouchers could be exchanged for cash at selected retail outlets. Although most of the recipients used the cash to buy basic household necessities, the money saved enabled them to work on their farms, rather than having to do casual labour during the planting season. It was thus seen as a more effective way of increasing production than buying seeds or fertiliser (Harnett and Cromwell, 2000). An evaluation of a 2005–2006 Concern project in Malawi providing both food aid and cash transfers found evidence of various forms of investment. The cash enabled people to buy government-subsidised maize and fertiliser (a finding echoed by an Oxfam programme the same year). This highlights the possible complementarities between cash transfers and other interventions. The Concern evaluation also found that some households invested part of the cash they received in buying or renting land for cultivation (Devereux et al., 2006; Savage and Umar, 2006).

7.3 Access to services

In many developing countries, fees are charged for health care and education. Even where user fees are not in place, people face costs such as school books, uniforms, medicines, transport and possibly informal or corrupt 'charges'. A consistent finding from evaluations of emergency cash transfer programmes (and longer-term social protection programmes) is that some cash is spent on accessing services. In Zambia, the Oxfam programme was found to protect school attendance in a year when the poorest would otherwise have had to withdraw children from school. Transfers were also crucial in enabling some households to obtain health care. For households suffering a health shock, expenditure on health care sometimes made up the bulk of the transfer. For example, one woman interviewed had spent most of the cash she received on hospital fees and food for her son, who had suffered a major fracture (Harvey and Marongwe, 2006). In Ethiopia, cash transfers enabled more timely access to health care because recipients did not have to sell grain before attending clinics (Devereux et al., 2005).

In Malawi, a Concern project found that many households invested in education, using cash transfers to buy notebooks and pens and, in a few cases, to supplement secondary-school fees. Without the cash transfers children may not have attended school during the hungry season due to hunger or lack of suitable clothes. Health care was also a common form of expenditure in the same project, with people paying for hospital bills, buying pills in local stores and for consultations with traditional healers (Devereux et al., 2006). Of course, a simpler way of supporting access to health and education is for it to be provided freely in the first place or, where fees are in place, for these to be waived during crises.

7.4 'Anti-social' or inappropriate use

One common concern about cash is that it will spent 'anti-socially', by which people usually mean spending on cigarettes or alcohol. The concept of anti-social use is problematic because it implies a moral judgement on the part of the giver about what is and is not anti-social. In Mozambique, demobilised soldiers returning to their villages sometimes spent some of their demobilisation grant on alcohol, but far from being anti-social, this was part of a village celebration that helped to reintegrate them. In the context of a war, we might not

approve of using income to purchase arms, but this might be seen as a legitimate priority by people wanting to defend themselves. It seems likely that, in countries where illegal activities form a major part of some livelihoods (such as poppy production in Afghanistan), income might be spent on those illicit activities. Nor is the risk of anti-social use unique to cash. Food aid and other in-kind assistance can be sold, or can free up income to be spent on other items.

There is in fact very little evidence of anti-social spending in cash projects; overwhelmingly, people use the cash productively, to meet immediate needs, or to protect and rebuild livelihoods. As Devereux et al. (2005) note, in their study of social protection programmes, 'individuals and households appear to make careful and strategic decisions about how to use this additional income for the best interests of the household'. That said, it is very difficult to find out about anti-social use through standard monitoring. People are intrinsically unlikely to tell a monitor working for an aid agency that they spent part of a cash transfer on alcohol, cigarettes and guns, and current monitoring and evaluation methodologies make going beyond standardised responses in interviews, surveys and focus group discussions difficult. A wider range of methodologies may help to get at these issues. These might include greater triangulation through talking to a wider range of actors in communities and more independent monitoring and evaluation. But independent monitors or evaluators would need to be local, with deep understanding of local contexts and with the ability to dig beneath the surface of conventional responses. Finding these sorts of skills is difficult, particularly given the short time-scale of most evaluations. SDC has contracted monitoring to independent local organisations in order to encourage people to raise concerns freely, and the agency has found that this works well. Monitoring by some agencies has also looked for different types of expenditure. In Somalia, for example, a post-distribution monitoring team conducted interviews with qaat traders to see if there had been any increase in sales following the cash distribution (Narbeth, 2004; Ali et al., 2005).

In areas where there are major problems with alcohol or drug addiction, some households will clearly spend part of their income on drugs or alcohol, and it would be surprising if cash transfers were not also used for these purposes. A household economy review in Turkana, for instance, noted almost universal addiction to tobacco (Levine and Crosskey, 2006a). In Bam, where cash transfers were part of the government and Red Cross response, opium addiction is widespread (some reports suggest up to a quarter of the population are addicted). In contexts like these, it would be very difficult to attribute spending on undesirable goods to the cash transfer itself. It is, however, unclear whether the existence of a cash transfer increases the consumption of undesirable goods, and if so whether this increase is higher with cash than with other types of resource transfer. As part of an SDC project in Moldova, local village committees purchased essential items on behalf of families where there was a high risk that cash would be misused. It is important here to disentangle general societal ills from the particular impact of cash (Rauch and Scheurer, 2003). If alcohol addiction is an endemic problem, then places where cash is provided will also have instances of alcohol consumption. It is possible that a resource transfer could provide the trigger for greater consumption, but to blame cash for this is to confuse a symptom with a cause.

Box 20: Evaluating anti-social use in Zambia

An evaluation of an Oxfam cash transfer programme in Zambia which examined the question of anti-social use concluded that:

> *Neither Oxfam's monitoring nor the evaluation team picked up any evidence of anti-social use, but evidence is unlikely to emerge from relatively brief interviews. Other organisations reported concerns that some of the cash was being spent on beer, but it was impossible for the team to assess the extent to which this was anecdotal or represented relatively isolated cases. Beer brewing, and therefore presumably beer consumption, is part of the local economy. The market analysis, for instance, found in interviews that some women use beer brewing to earn money to buy food. It would therefore be unsurprising if a major resource transfer into a community resulted in some increase in business for local beer brewers. But this might be equally true of an in-kind resource transfer, such as food aid. Opinions on this varied. Staff from another NGO working in the area were convinced that, in the local cultural context, cash brought with it particular problems. As one staff member put it, 'there are three things you can buy in the village: food, beer and sex'.*

Source: Harvey and Marongwe, 2006.

7.5 Debt and credit

Cash grants are frequently used to repay debts. This is sometimes seen as problematic on the grounds that it is not supporting consumption or investment. It can, however, be seen in positive terms, as enabling credit markets to start functioning again. In Afghanistan, Lautze et al. (2002) found that 'deepening poverty has led to high overall debt burdens, widespread delinquency on loan payments and outright default'. The report argued that there was an acute crisis of purchasing power, and recommended cash transfers to increase purchasing power and promote loan repayment.

In many crises, informal credit systems are an important part of how people attempt to cope (and there is a need for greater understanding of credit systems and their role in livelihoods). Debts spiralling out of control can be an important indicator of vulnerability, and for an individual family making a start in paying off debts in order to regain creditworthiness can be

vital in protecting livelihoods. In an evaluation of cash projects in Somalia, it was found that people invested a significant amount in debt repayments in the first two months of the project; these repayments 'revived the credit systems and reduced the burden on the business community as well as other social support systems' (Acacia Consultants, 2005: 6). In some situations, the existence of high levels of debt might make a cash programme inappropriate. Three-quarters of participants in an SOS Sahel cash for work programme in Ethiopia expressed a preference for food rather than cash, partly for fear that, if cash was given, debts would then be called in (Mitchell, 1996). In Mongolia, beneficiaries received considerable attention from traders to whom debts were owed; in some cases, creditors accompanied them to the bank.

There is sometimes concern that cash grants may undermine repayment rates for micro-finance institutions, and it is important to consider how grants for livelihoods recovery interact with the micro-finance and credit sector. What is the appropriate balance between grants and loans? Do grants risk undermining the long-term sustainability of micro-finance institutions, whose loan portfolios might already be struggling to cope with the effects of the disaster? However, it is also possible to argue that grants make a positive contribution by enabling people to restart livelihoods, thereby enabling them to repay debts and re-enter credit markets. The question of the balance between grants and loans was a thorny one in the tsunami response. The tsunami inflicted significant damage on micro-finance institutions and their members and some institutions had to write off loans, using grants received from donors. Cash transfers received by tsunami-affected people were used to repay existing debts and to restart livelihood activities. However, there were concerns in some areas that uncoordinated cash interventions were affecting the credit culture and the commitment of micro-finance clients to repaying their loans (Aheeyar, 2005). The key here appears to be close coordination between agencies providing grants and loans, and a clear distinction between the two. It may also be possible to explore links between cash grant projects and longer-term micro-finance provision, for instance by helping grant beneficiaries to make links with loan providers.

7.6 Dignity

It is sometimes argued that cash- and voucher-based responses enable aid agencies to operationalise their commitment to ensure dignity in the delivery of assistance. Mitchell and Peppiat (2001), for example, argue that beneficiaries determining their own needs 'represents a fundamental step towards empowerment'. A Red Cross voucher programme in the West Bank explicitly aimed to preserve people's dignity by allowing them to make their own decisions in the purchase of essential commodities. A review found that having the freedom to buy basic items in a shop was psychologically far preferable to queuing for food assistance, a finding echoed in evaluations of other cash projects. CRS has argued that, by transferring planning and decision-making responsibility to disaster-affected people, seed fairs and vouchers promote justice and empowerment (Catholic Relief Services et al., 2002). Beneficiaries of a Save the Children cash and voucher project in Indonesia stated that vouchers and cash gave them a sense of freedom and ownership that they had not experienced during food distributions (Cole, 2006). In Mongolia, cash recipients reported that they could go to the bank 'like customers' and collect the money like any other account holder (Dietz, 2005).

7.7 Gender

The concern that cash could be especially problematic in gender terms seems to stem from a small number of assessments where women expressed a preference for food over cash. In the SOS Sahel cash for work programme in Ethiopia, women said they preferred food as this had an immediate impact on food security (Mitchell, 1996). In Burundi, the wives of men participating in a food for work project asked for part of the wage in food; women in Guatemala preferred to be paid in food, which they felt they could control (Walsh, 1998). In general, however, there is little evidence to support the view that cash necessarily disadvantages women, although like anti-social use this is a difficult subject, and one that standard monitoring and evaluation methodologies are unlikely to make much headway with.

It seems that people usually decide how cash is spent equitably within the household, and prioritising women as recipients can be empowering (Khogali and Takhar, 2001a). There is also evidence that the provision of cash enhances caring practices because it enables women to feed their children more frequently, diversify their diet and obtain medical care more quickly (Adams and Kebede, 2005; Save the Children UK, 2005). A WFP cash pilot project in Sri Lanka found that, in households where women already had greater control over resources, receiving cash rather than in-kind transfers led to improved and diversified dietary quality and reduced expenditure on alcohol (Sharma, 2006). Providing cash support to host families to support displaced people as an alternative to camp-based help may also have positive gender impacts, given the well-documented concerns around women's security and privacy in camps (Oxfam International, 2005).

The wider development literature suggests that cash transfers targeted at women have a stronger impact on the living standards of their children, particularly girls, and that cash transfers directed at women may also have equalising impacts on bargaining power within the household (Barrientos and De Jong, 2004; Haddad et al., 1997). In South Africa, old age pensions improved the nutritional status of children in the household (particularly girls) if they were received by a woman, but not by a man (Duflo, 2000). In cash and voucher programmes, as in many commodity-based distributions, women are sometimes prioritised as recipients. For example, in Somalia project staff stressed that women were the

preferred beneficiaries, and 49% of the recipients were women. Horn Relief saw this as an achievement in Somalia's highly patriarchal society (Ali et al., 2005). Efforts have also been made to ensure that women can participate in cash for work programmes (Hofmann, 2005). In a WFP cash pilot project in Sri Lanka, it was found that, in households in which women already had higher control over resources, receiving cash rather than in-kind transfers led to improved and diversified dietary quality and reduced expenditure on alcohol (Sharma, 2006).

Particular concerns have sometimes been raised about the potential for cash payments to encourage domestic violence. Oxfam (2005) noted that, in Sri Lanka, domestic abuse is a real threat, and it has grown with added stress on families since the tsunami. According to one field officer: 'the government is giving people payments after they lost their relatives and houses in the tsunami. The husband went to claim the payment and spent it on Arrack [a local liquor made from palm sap] to get drunk. When the wife asked where the money had gone to he hit her'. Again, however, to blame cash for domestic violence seems to be confusing a symptom with a cause. It could also be the case that relief (whether provided in cash or in kind) alleviates tensions within households by enabling people to meet basic needs. Deciding whether cash assistance would make domestic violence more likely is extremely difficult.

Cash-based programming clearly needs to be sensitive to possible forms of gender-based discrimination. In the response to the tsunami, female-dominated businesses, such as small-scale cottage industries and fish processing, were not always as visible as businesses run by men, and were less likely to be supported with livelihood recovery grants. There were also concerns about women being excluded from cash grant projects, and we have already seen how cash for work programmes can exclude women. In Sri Lanka, Oxfam found that 'women had difficulty in accessing benefits, especially cash payments and rations, because families are registered for government and insurance purposes in the man's name' (Oxfam, 2005: 11).

Chapter 8
Monitoring and evaluation

This chapter focuses on the monitoring and evaluation of cash transfer programmes. Key issues to consider, and methods and indicators that might be developed to address them, are set out in more detail in Table 9. As a minimum, agencies should monitor:

- What people are spending the cash on.
- The accessibility of markets and where people are buying key goods.
- What is happening to prices.
- Whether people are receiving the right amount of cash, and are able to spend it safely.

In many ways, the difficulties involved in evaluating cash transfer projects are no different from those encountered in evaluating humanitarian programmes more generally. The system is peculiarly bad at evaluating or analysing impact, and there is a tendency to evaluate process and interventions on their own terms without considering alternatives (Hofmann et al., 2004). In crises, any sort of assistance will almost always be better than none, so concluding that cash or any other form of resource transfer was better than nothing is not particularly helpful. The OECD DAC criteria of appropriateness, connectedness, coherence, coverage, efficiency, effectiveness and impact provide a sensible starting point (Beck, 2006).

While evaluating cash transfer projects shares many of the features of evaluations in general, it also presents some particular challenges, primarily because cash is a flexible instrument and people may decide to spend it in a wide range of ways. If agencies have set particular objectives for cash, it may make sense to evaluate whether it has been successful in those terms. At the same time, however, it may be better to look more broadly at wider impacts, both intended and unintended.

In monitoring and evaluating the impact of cash transfers, the most obvious question is what people spent the money on. In some ways this is easy to answer, as people tend to be able to give fairly detailed accounts of the choices they made and the reasons behind them. But there is a need for caution about the reliability of these accounts; monitors may be told what beneficiaries think they want to hear in the hope that aid will continue. Strong information about markets and prices, and how these evolve over time, is key to judging the appropriateness, impact and cost-effectiveness of cash. It is important to know not just what people were spending cash on, but where and at what price.

The cash provided by aid agencies is unlikely to be people's only source of income. Deciding what people did with the particular amount of cash provided by an aid agency is difficult in part because it may simply go into the overall pot of money that a household has. One way of dealing with this issue is to ask people what they did specifically with the cash provided by the aid agency. This can work relatively well if the cash was important in their livelihoods and people planned with some precision what to spend it on. People in Zambia, for instance, valued the cash grant precisely because it gave them the chance to budget a particular amount, rather than having to rely on unpredictable and irregular flows of cash from casual labour. Again, however, there is a risk of bias in people's responses. A more accurate picture of attribution requires an understanding of how spending decisions change in line with income. This is much more difficult and requires detailed data on baseline incomes and expenditure patterns. While this kind of information is accessible through household economy approaches or detailed household surveys, getting it is likely to require a greater investment in resources for monitoring and evaluation.

In several recent disasters, national governments have played a leading role in providing cash transfers to assist disaster-affected populations (for instance in Lebanon, Sri Lanka, India, Thailand and Pakistan). These cash transfers tended not to be as closely monitored and evaluated as aid agencies direct most of their attention to monitoring and evaluating their own projects. However, the government schemes were key in people's livelihoods and recovery, and agencies could arguably have played a role in monitoring their effectiveness and advocating for groups that might have been excluded. For example, in India agencies working among marginalised communities reported that inland fishing communities that have historically been marginalised due to their low social status were often not registered for assistance (Deshingkar et al., 2006). More active monitoring of these issues might have enabled greater advocacy for excluded groups. Similarly, in Sri Lanka more attention could have been paid to government cash assistance schemes and how these related to aid agency efforts.

8.1 Process and methods

As with in-kind interventions, there needs to be a clear distinction between process (how well are we doing the work?), design (is the cash value right? Is the disbursement system right?), context (are price changes due to our intervention? Is the security situation better or worse than we anticipated?), results (who got what?) and impact (what people did with the cash and the wider impacts on livelihoods and local economies).

8.1.1 Beneficiary preferences

Great care is needed when trying to assess whether the beneficiaries of a cash programme preferred cash, or would

Table 9: Key questions for monitoring cash projects

Key questions	Methods/indicators
Process and design	
Did people get the right amount of cash, and were distributions efficient?	Post-distribution monitoring surveys Amount received Time spent waiting at distribution sites
Was cash delivered and spent safely? Were any security issues reported? Were any beneficiaries disadvantaged by the transfer system chosen?	Interviews, focus group discussions, analysis of any security incidents Accessibility of transfer mechanism Distance to distribution point Focus on potential discrimination against particular groups in the transfer mechanism
Was targeting effective?	Assess whether beneficiaries met targeting criteria and whether people who met the criteria were excluded. Ideally, make comparisons with targeting in other interventions
Was there any corrupt abuse of cash by agency staff, local elites or authorities involved in targeting or distribution?	Interviews, focus group discussions – ideally by an independent body
Did the agency have sufficient skills to manage the cash programme effectively?	Interviews with project staff
What were beneficiary views on the use of cash? If cash is an explicit alternative to in-kind assistance, which option did beneficiaries prefer?	Interviews and focus group discussions, with special attention to the reasons for any preferences
How cost-effective was cash compared to in-kind alternatives?	Cost-effectiveness analysis
How did the cash project coordinate with other interventions?	Mapping of other interventions. Interviews with other aid agencies working in the area Interviews with agency staff working on other projects Interviews with affected communities about the range of interventions
Impact and outcomes	
What did people spend the cash on? How did this affect livelihoods?	Interviews, surveys, focus group discussions Significance of the transfer as a component of household income
Where and how accessible were the markets where cash was spent? Did any beneficiaries find it difficult to reach markets (distance, time)?	Interviews, surveys, focus group discussions Distance to market Time taken to purchase goods Focus on potentially vulnerable people, such as the elderly
How have prices changed, and were prices influenced by the cash transfer?	Market price monitoring
What was the impact of cash transfers (positive or negative) on the local economy?	Interviews with traders and local businesses
How was the use to which the cash was put decided within the household? Were there any tensions?	Interviews, focus group discussions with key informants, grant recipients and non-beneficiaries. Separate discussions with women and men
Have women or marginalised groups been empowered as a result of the cash project?	Interviews and focus group discussions (e.g. awareness that women have a right to equal pay for equal work)

Table 9 (continued)

Key questions	Methods/indicators
Did cash meet specific objectives, such as shelter recovery, small business promotion or promoting savings?	Depends on objective, but look at e.g. the number of beneficiaries who managed to start up an income-generating activity; the number income-generating activities still going after x months; the number of houses built, the number of beneficiaries with savings
Were there wider/unintended impacts? How has the cash project affected traditional systems of community self-help? How has the cash project influenced local debt and credit markets?	Use of cash to repay existing debts Influence of cash on willingness to repay debts Interviews with credit providers (both formal and informal)
Cash for work	
Did cash for work projects build useful and sustainable community assets?	Assess the quality of assets built and sustainability issues, such as arrangements for maintenance
Did cash for work projects affect local labour markets?	Local casual labour rates before and after cash for work projects Interviews and focus group discussions with labourers and employers
What was the level of employment (disaggregated according to gender)?	Number of people who worked, disaggregated by gender and if possible marital status, household type (female/male-headed) and former occupation Number of work days provided in total by the project Number of average work days per household Number of work days provided in total for village and average across project area
Did labour-poor households and other at-risk groups benefit economically (and sufficiently) from the project?	Find out whether policies were in place to ensure support was provided to labour-poor and vulnerable households Find out if children worked, or if they were excluded. If children were excluded, were their needs addressed?

Box 21: Helvetas' impact monitoring

Helvetas in Sri Lanka provided livelihood restoration grants to 162 families registered under its Cash for Host Families project. The average grant amount was Rs 20,000. An impact analysis was carried out six months after the last instalment was provided and 40 beneficiaries were interviewed, with people selected from each of the main categories of livelihood for which support was provided (petty trading, paddy cultivation, poultry, livestock, carpenters and masons and other activities).

Of the 40 families interviewed, 31 said that they had benefited from the grant. In nine cases the activity had collapsed, the grant was diverted to other uses or the activity had not been started or had been stopped. The impact of grants was greatest for those in skilled trades (masons, carpenters, tailors), many of whom had returned to pre-tsunami income levels. Activities typically carried out by women, such as rice pounding, provided only marginal returns. Helvetas provided people with a cash book to record expenses and income, but none had maintained it.

Source: Helvetas, 2006.

rather have received in-kind aid. There may be a tendency for recipients to express a preference for what they have received before, in the hope of being given additional assistance. But the reasons given for people's preferences can still be interesting, and people sometimes make relatively informed comparisons, so it can still be useful to ask about preferences as long as the answers are treated with care. An evaluation of WFP's pilot project in Sri Lanka conducted by the International Food Policy Research Institute (IFPRI) found that there was a strong preference for cash assistance in areas with stronger markets; in poorer areas, where the physical and market infrastructure was less robust, the strong preference was for food aid (Sharma, 2006: 4).

8.1.2 Comparing cash with alternatives

It is important to compare cash with *something*. Evaluated on its own, it is clearly better to get cash than to get nothing, but this is relatively meaningless without some point of comparison. How this is done, however, calls for a good deal of care. Comparing a well-implemented, intensively managed small-scale cash project with a less well-implemented

Table 10: Calculating costs of different types of food aid

Local food purchase	Regional food purchase	Food aid provided by donor country
Cost per MT of food aid purchase	Cost per MT of food aid purchase	Amount charged to donor government (such as Food for Peace) for food per MT
		Cost to taxpayer of any subsidies in producing the food
Cost per MT of loading, transport, shipping and handling (LTSH) for transporting food to final distribution points	Cost per MT of LTSH for transporting food to final distribution points	LTSH costs for transporting food to final distribution points including any shipping subsidies
Distribution costs of implementing agency	Distribution costs of implementing agency	Distribution costs of implementing agency
Other direct and indirect operational and support costs	Other direct and indirect operational and support costs	Other direct and indirect operational and support costs

Box 22: Comparing cash with food

WFP's cash pilot in Sri Lanka was designed explicitly to compare cash and food aid. Within each selected Division, half of the villages received cash and the other half received food aid.

The pilot was evaluated by IFPRI using an analytical method known as double difference. This allows for a comparison between different groups (in this case villages receiving cash and villages receiving food). Comparisons were made before the transfer began, and during implementation. The evaluation included a baseline and follow-up survey and econometric analysis of survey data. Focus group discussions explored issues around food consumption, the allocation of cash resources, control over cash and household preferences. A cost-effectiveness analysis was also carried out, and operational issues around capacities, leakage and security were also evaluated.

Overall, the results indicate some significant changes in consumption patterns between cash- and food-receiving households. Cash households were more likely to spend some of their benefits on diversifying their diet, buying more expensive cereals, more meat and dairy products and more processed foods. However, this increased diversity in consumption was achieved at the expense of reduced consumption of the basic staple, rice. Another significant impact of the cash programme was increased spending on clothing and footwear. Almost half of the cash households also reported using the cash to finance business and home improvements. However, cash households were significantly less likely than food households to be working in casual labour markets, raising the question whether the cash was acting as a disincentive to work. On the other hand, although cash transfers improved household liquidity, they did not significantly affect overall household indebtedness.

Source: Sharma, 2006.

because less intensively managed and larger-scale food aid programme tells us very little about the relative merits of cash. Comparative assessments are also difficult because evaluations typically only look at one type of assistance.

8.1.3 Cost-effectiveness

Cost-effectiveness is clearly a crucial question. It is also difficult to evaluate because of the variety of ways people spend cash. If people spend most of the cash provided on a single item, such as food, or on a narrow range of goods it may still be possible to compare the cost of buying goods locally with the cost to the aid agency of purchasing and transporting them. Cash responses have most frequently been compared to food aid, usually by attempting to calculate the costs of the cash programme, and then working out what providing the same level of benefits would have cost if food aid had been used. These sorts of calculations are fraught with difficulties, such as how to compare the transport and distributions costs of in-kind approaches with the administration costs of cash transfers, and how to take exchange rate fluctuations, inflation and shifts in prices into account. Making cost-effectiveness calculations and comparing cash and in-kind approaches can also be difficult because overhead costs are unclear. It is, however, a key question in judging appropriateness, so it is important to find creative ways to make cost-effectiveness comparisons. As long as agencies are explicit about the assumptions they make this should still be useful even if the analysis has its limitations. It is better to have some bad figures to argue about than no figures at all.

It is also important to be clear about what sort of in-kind assistance cash transfers are being compared with, and what costs are being included in the analysis. For instance, in comparing cash transfers with food aid it should be possible to make a comparison with food aid purchased locally, aid purchased regionally and aid provided by the donor country.

Box 23: Calculating cost-effectiveness

Evaluations of Oxfam cash transfer projects in Zambia and Malawi in 2005–2006 attempted to compare the cost-effectiveness of cash transfers as against food aid. There is a great need for caution in making cost-effectiveness comparisons, so the figures should be used carefully. Because people spent most of the money on food, and most of the food purchased was maize, it was possible to compare the cost at which people bought maize with the cost of purchasing and transporting food aid. This involves estimating an average figure for the price at which people were able to buy food. This is necessarily inexact due to limitations in price data. It is also important to note what is left out of these calculations. The higher cost of cash transfers, for instance, does not take into account possibly greater multiplier effects within local economies.

In Zambia, the cash project appears to have been cost-effective at the time the project was designed, in terms of the cost of food locally compared to the cost of regional purchase and transport. However, the dramatic appreciation of the kwacha over the lifetime of the project affected this calculation, and in retrospect the cash transfer project appears to have been slightly more expensive than food aid. The non-cash costs of the project (Oxfam staff, transport and support) were high and, at over 30% of the value of the cash distributed, above what should be good practice for cash distributions. This can be partly explained by the fact that Oxfam was starting direct operations in the project areas, and partly by the need to invest more in a pilot project. It is nonetheless still a cause for concern, and skews any cost-effectiveness comparisons. In Malawi, at the start of the project when prices were lower, and when recipients were able to access some subsidised food from the national grain marketing board ADMARC, there may have been a cost advantage to cash transfers. But as ADMARC supplies dwindled and import shortages drove up prices, this advantage was probably lost (Harvey and Savage, 2006).

In Aceh, an evaluation of a CARE pilot project providing cash and vouchers as an alternative to food aid found that it was probably cost-effective, but comparisons were hampered by reluctance on the part of WFP to share food procurement and transport costs (Adams, 2006). The evaluation compared the staff and equipment requirements for the CARE food aid and cash/voucher projects, noting that many of the positions needed for the food aid programme (warehouse staff, truck drivers, security guards and labourers) were not required for the cash and voucher project, and that ‘distribution personnel and monitors are required in significantly fewer numbers’. The evaluators calculated that the administration costs of the cash project were 18% of the total cost, and that this was less than food aid costs (Chuzu and Viola, 2006). An evaluation of a similar project implemented by Save the Children US in Aceh found that the administrative costs of the cash transfer programme, at 5.2%, were higher than for the food aid programme, where they were 3.8%. However, it also noted that many of the costs involved in the food aid programme were difficult to estimate. It was also noted that the cash project was a smaller-scale pilot, and that there were likely to be economies of scale if it was expanded to reach the same number of beneficiaries as the food aid programme (Cole, 2006).

Issues to consider when making cost-effectiveness comparisons include:

- Overhead costs. These may include expatriate as well as national staff, finance and logistics staff and headquarters and main office as well as sub-office costs.
- Exchange rate fluctuations. If the aim is to compare food bought locally with cash to food aid purchased regionally, exchange rates need to be taken into account.
- Changing prices. Analysing cost-effectiveness requires good monitoring of prices for key goods. This is then used to calculate an average cost for buying a particular item, to compare it with the cost of providing that item in-kind.
- Transport and purchase costs. If food aid is provided by WFP to an implementing partner, then it is important to include the costs incurred by both WFP and the partner in procuring, storing and transporting the food.
- Costs to recipients. These include the cost of transporting food from distribution sites, selling in-kind assistance to buy other goods or travelling to markets to buy goods with cash.
- Scale. Smaller-scale pilot projects may be more expensive because larger projects may enjoy economies of scale with overhead and staff costs.

One of the interesting findings from several cost-effectiveness comparisons is that the cost of transporting food from distribution centres is often not included. Jenden (1995) found that ‘some beneficiaries in a 1994 relief programme in Ethiopia were forced to pay up to half their rations in transport’. If food is distributed as whole grains, substantial costs are also sometimes incurred in milling the grain. An assessment of food security among IDPs in Uganda found that poorer households had to sell about 10–15% of the food aid they received, predominantly to pay for milling (Save the Children UK, 2003a).

The costs to recipients of transporting in-kind assistance and possibly selling part of it to meet other needs must be balanced against the costs of cash transfers. If people are given cash, there will be costs in terms of time and possibly transport to travel to markets in order to buy goods. For people in remote rural areas, these costs can be significant. Some recipients in Oxfam’s cash programme in Zambia had to walk for five hours or more to reach markets. In some cases, people had to stay overnight near the market before walking back the next day (Harvey and Marongwe, 2006).

Table 11: Comparing costs to recipients of cash and in-kind transfers

In-kind assistance	Cash transfers
Cost of transporting food aid from the distribution site to home	Costs of getting to and from markets to buy goods with the cash provided
If people have to sell part of in-kind assistance to meet other needs they may get a low price for it	Cost of transporting goods purchased in local markets
Milling costs if whole grains are distributed	Milling costs if whole grains are purchased
Time and costs to get to distribution site	Queues at banks, time and costs travelling to the bank
Costs that apply to both mechanisms	
Time waiting at distribution sites (but may be less for cash transfers if well organised)	
Time and possibly transport costs to get to and from distribution sites	

Comparing the costs of cash transfers with in-kind alternatives should not be the only criterion on which decisions about the appropriateness of cash are made. There will be times when in-kind assistance is needed even when it is more expensive, for example where transport networks are disrupted. Indeed, food aid is likely to be needed most where it is most expensive to deliver.

Chapter 9
Cash, relief and development

Cash-based responses to emergencies do not exist in a vacuum; they are part of a wider process of emergency assistance. It is therefore important to consider how they interact with other interventions. Cash transfers also provide a particularly productive way of thinking about the interactions between relief and development assistance through exploring links between emergency cash transfers and the growing interest in cash as part of longer-term social protection strategies and safety nets.

9.1 Complementary interventions

Cash transfers may be a potentially appropriate response to emergencies in some contexts, but they should certainly not be seen as all that is needed. Other interventions will still be required. Some may complement cash transfers particularly well, while others may raise difficult coordination issues.

As noted in the discussion on analysing markets, in contexts where markets are weak there may be a case for considering support to markets in tandem with cash transfers. Projects to support access to agricultural inputs may also benefit from links with cash transfer programmes. In Malawi, it was found that cash transfers enabled poor households to benefit from government subsidies for fertiliser. Of course, extending the period for which cash is provided or just providing more cash might be an equally effective way of enabling greater access to inputs if markets are functioning well.

Cash transfers may also facilitate links with the formal financial sector. While clear distinctions must be maintained between emergency cash grants and longer-term microfinance, to avoid undermining repayment cultures, cash transfers may enable people to pay off debts and therefore regain access to credit, including credit provided by microfinance institutions. There are clearly also potential synergies between existing remittance systems and cash transfers, notably in the use of remittance companies to deliver cash. There may be scope for exploring whether linking people into formal financial systems through cash transfers enables them to access potentially cheaper and more secure formal means of transferring money. Finally, it is important to remember that cash does not always need to be an alternative to in-kind assistance, and that the two can be complementary.

Giving people cash does not imply simply dumping the money and leaving them to fend for themselves. People receiving cash for shelter, for example, may need help to secure land rights, build disaster-resistant housing or manage procurement and contractors. Cash or voucher projects that provide access to agricultural inputs can complement this with extension advice. Cash grants to enable people to restart small businesses can assist people to develop business plans and provide technical support. Providing cash does not mean that agencies should lose a focus on proximity and witness for disaster-affected populations. Indeed, one argument in favour of cash transfers is that, by reducing the need for capacity to be devoted to the procurement, transport and storage of in-kind assistance, time and resources can be freed up for a more sustained engagement with disaster-affected communities, and greater investment in transparency and accountability at local levels.

9.2 Social protection and its links to humanitarian relief

There is a growing body of analysis and experience around the use of cash in social protection programmes. There may be lessons from this experience for cash and vouchers in emergency relief, and opportunities for exploring possible links between social protection and cash-based responses to emergencies. Cash-based safety nets are increasingly being seen as viable even in poor countries in Sub-Saharan Africa. In contexts where aid has been provided for many years, such as Ethiopia and northern Kenya, greater investment in cash-based safety nets is seen by donors in part as a way of reducing the need for recurrent spending on humanitarian relief. Longer-term safety nets are viewed as a better way of dealing with chronic poverty, food insecurity and destitution.

Support to social protection and welfare programmes raises the possibility of a new way of thinking about interactions between relief and development assistance. Traditionally, international relief assistance was seen as a temporary response to short-term crises that had overwhelmed national or local capacities. However, this has long been recognised as problematic in many of the circumstances where relief is provided; in some contexts, distinguishing between welfare needs arising from chronic poverty and acute needs arising from shocks is extremely difficult. Bradbury (2000) has pointed out that, in countries such as Sudan and Somalia, levels of malnutrition that would once have triggered a crisis response have come to be accepted as normal, to be dealt with in development terms. The HIV/AIDS epidemic is creating growing levels of vulnerability, which may require both relief and development responses (Harvey, 2004).

As Harmer and Macrae (2004) argue, a consensus is emerging within the development community around the need to pay greater attention to the basic welfare needs of populations living in difficult environments. The British government, for example, has committed itself to increasing its spending on social protection by supporting national programmes in at least ten countries in Africa and South Asia by 2009 (DFID, 2006). If social protection and welfare responses to chronic

poverty are accepted, and donors are willing to support them, there may be opportunities to expand welfare safety nets during periods of crisis, to help people to deal with shocks. There may also be opportunities to develop cash transfers that began as emergency interventions into longer-term social protection programmes. These linkages could, of course, equally apply to in-kind relief and development assistance. However, cash is increasingly being used in long-term social protection programmes, making it more feasible in emergencies. Aid actors are likely to be more comfortable with cash, channels for distributing cash to remote rural areas may already be developed and state and local capacities to deal with cash may already have been strengthened (Harvey and Holmes, 2006).

The growing recognition that long-term welfare safety nets may be a key component of social protection strategies has stemmed in part from positive experiences with conditional cash transfers in Latin America, which have resulted in increased children's enrolment in education, improved health and a reduction in the poverty gap for participating households. The provision of pensions in South Africa and Namibia has played an important role in reducing poverty and enabling old people to bear some of the burden of the HIV/AIDS epidemic (Case and Deaton, 1998; Devereux et al., 2005; HelpAge, 2004; Samson et al., 2006). Universal pensions have also been introduced in Lesotho, and cash transfer safety nets have been piloted in Zambia (Samson et al., 2006). Other recent examples include the productive safety net project in Ethiopia, which provides six months of support to households in designated food-insecure districts. There are also plans to pilot a safety net programme in Kenya, and at the time of writing there were well developed plans to carry out feasibility studies in Uganda and Rwanda.

The emerging literature on the role of cash transfers in social protection strategies suggests that a series of choices need to be made around different types of cash transfer. For example, cash transfers can be universal, such as a pension for all people over a certain age, or they can be more narrowly targeted; they can have conditions attached, such as a work requirement or attending school, or they can be unconditional. Samson et al. (2006: 29) suggest that four central questions need to be asked in selecting social transfer instruments:

- Who benefits from social transfers?
- What size of social transfer is provided to beneficiaries?
- Are targeting mechanisms employed to reach the poor?
- What conditionalities (if any) are imposed?

As Samson et al. (2006) point out, the choice of instrument has to be context-specific, is likely to be subjective and political, and will depend on the available funding.

It cannot be assumed that longer-term cash-based safety nets will be a substitute for humanitarian relief. A long-term safety net may reduce people's vulnerability to food insecurity but, following a shock such as drought, floods or conflict, humanitarian relief will still be needed. Nonetheless, growing interest in safety nets raises the possibility of a better way of addressing chronic poverty, and so reducing the humanitarian caseload. The renewed interest in social protection may also provide an avenue for moving forward what had become a stagnant debate about the appropriate roles of relief and development actors in fragile states and chronic crises (Harvey and Holmes, 2006). Some of the fundamental tensions between relief and development revolve around the fact that relief is basically about giving people assistance, and development approaches have tended to be intrinsically opposed to free handouts (Harvey and Lind, 2005). This has made exit strategies from humanitarian relief very difficult as the poorest or most food-insecure households are extremely unlikely to be able to generate the developmental ideal of 'sustainable livelihoods'. Accepting the humanitarian notion

Table 12: Examples of cash transfers for social protection

Conditional cash transfers	Brazils's Bolsa Familia Mexico's Opportunidades Programme	Grants targeted at poor households with conditions such as having to attend school or health clinics
Public works	Maharashtra employment scheme in India PNSP in Ethiopia	People receive cash payments for labour on public works projects
Social pensions	Lesotho, Namibia and South Africa	Lesotho's pension is universal. South Africa's is targeted at the poorest
Child benefits	South Africa UK	People with children receive cash grants (may be targeted at the poorest)
Disability grants	South Africa	Support for people with disabilities
Targeted cash grants	Kalomo pilot project in Zambia	Poorest households are targeted for a small grant

Box 24: Moving from food aid to safety nets in Turkana

Aid providers in Turkana in northern Kenya have discussed moving from food to cash-based safety nets as a way of breaking a cyclical dependence on aid. Arguments against continuing food aid include:

- The justification for *ad hoc* assistance has to be made in the language of 'humanitarian response'. This focuses attention on phenomena like droughts, although the problem is one of structural poverty and marginalisation.
- It is difficult to make decisions about the amount and kind of aid needed, since the problem is always couched in a short-term context.
- 'Relief aid' is programmed on its own each year, and not as part of an overall package designed to lift Turkana out of poverty.
- *Ad hoc* food aid has to be appealed for each year.
- No one can say in advance whether aid will be given, and if so at what levels. State and non-governmental agencies cannot plan for a coherent response to Turkana's poverty, and the pastoralists themselves cannot plan either.

A 'safety net' programme could be conceived differently. A long-term commitment to making a given transfer means that it can be programmed as an integral part of a longer-term package of interventions designed to tackle widespread, long-term poverty. Furthermore, if pastoralists can rely on the transfer, they can make more sensible decisions about herd management, and will in principle be able to invest sensibly to build up their herds to a viable level. They are also given responsibility for managing their own 'drought cycle'. Setting aid levels according to the difficulty of each year puts this responsibility on the humanitarian actors (including the state). A standard transfer for all conditions (though not ruling out extra assistance for a particularly severe drought) could be set that allows pastoralists to increase their herds in good years, so that they can sell more animals in worse years. The safety net level could be set to ensure that, over the 'cycle', there is a net increase in herds. A welfare 'transfer' could be payment in cash, in kind or a combination. Years of relief food aid have not solved the structural problems of poverty in Turkana, and a safety net is unlikely to do so either. The transfer would have to be set at a high level (over $400 per household per year for several years), though even this amount is less than $0.20 per person per day.

Source: Levine and Crosskey, 2006a: 8.

that giving people free help is sometimes an appropriate form of assistance opens up the possibility that cash-based emergency relief projects could link with longer-term cash-based safety nets to provide a more appropriate transition from relief to development for the poorest and most insecure members of society.

Chapter 10
Cash transfers and the humanitarian system

Two years ago, we concluded that cash was rarely even considered as a possible response to humanitarian crisis. Today, while in-kind responses continue to dominate most international responses, real progress has been made. This chapter discusses the skills and expertise that will be needed to expand cash-based programming. It then examines donor views on cash-based responses, and looks at why cash is seen as threatening, both organisationally and in terms of individual attitudes.

Box 25: Planning the way forward: key messages from an IFRC seminar

The Red Cross movement provides an example of how thinking about cash is being taken forward within organisations. A seminar in May 2006 was held in Geneva to share experiences with cash, and debate further steps. The seminar concluded with the following key messages:

- We need to share the information and experience on cash programmes that we already have amongst ourselves and externally.
- We need to normalise the use of cash in muti-sectoral integrated programming, planning and disaster preparedness.
- We need to review and update existing policies (and therefore guidelines) to ensure that cash programming is included appropriately.
- We need to increase capacity in-house.
- We need to allocate appropriate financial and human resources to cash programming.

Source: IFRC, 2006.

10.1 Skills and expertise

Skills to implement cash-based responses in emergencies will need to be expanded if cash is to be used more widely. To some extent, this will happen naturally as the number of cash projects increases and people learn on the job. One of the findings from this review of cash-based responses has been that, where agencies have implemented cash projects, they have often done so because key staff members have been open to the possibility of using cash thanks to previous exposure in other contexts. Mercy Corps used cash as part of its response to the tsunami partly because the agency's Country Director had previously implemented cash for work projects in Afghanistan.

One way of addressing this issue would be to create an expanding body of experts in cash programming. However, this risks over-complicating what should be the fundamentally simple task of giving people money. As argued above, cash should not be seen as a sector in its own right, but as a mechanism across all sectors of humanitarian response. This implies integrating cash into training for assessment methodologies and for technical experts in sectors such as shelter and food security. Cash would also need to be included in generic policies and guidelines, and in induction training for new staff. There could usefully be a greater focus on cash in the food security chapter of any future Sphere revision. Consideration of cash should also form part of the process of developing the skills of UN agencies in their role as cluster leads. There is also a need to incorporate cash into disaster preparedness and contingency planning processes.

Some specific skills will need to be developed. These include:

- Assessments: a greater focus on markets and systematic assessment of different delivery mechanisms for cash.
- Shelter: greater focus on hosting rather than camp-based solutions, and an understanding of rental markets.
- Monitoring: improved skills and capacity to monitor prices and analyse inflation risks.
- Database management: greater capacity to manage complex databases as part of transferring resources through banks and other financial institutions.
- Donors need to have the necessary skills to make judgements about funding cash projects, and choosing between competing proposals for cash and in-kind assistance.

Other issues relating to cash programming should be part of all good programming, such as transparency to ensure that people understand what they are entitled to.

There may be scope for considering the development of training resources or conducting training workshops specifically on the use of cash in emergencies, as a means of increasing the number of staff with the confidence to see cash as a possibility. Guidelines for using cash in emergencies have been developed, but there is no substitute for practical experience. Investing in secondments and internships in agencies where cash projects are being implemented could be fruitful.

10.2 Donor views on cash

One important question for aid agencies considering developing capacity and expertise in cash transfer programming is whether key donor governments are likely to fund cash-based responses.

The UK's Department for International Development (DFID) has been a leading funder of cash-based responses, as has the Swiss Agency for Development and Cooperation (SDC), which has a specific unit tasked with implementing cash transfer projects. The European Commission Humanitarian Aid Office (ECHO) has also distributed cash in the form of cash-for-work programmes, although ECHO does not have policies or guidelines covering this. In recent years the US government's Office of Foreign Disaster Assistance (OFDA) has become increasingly open to cash transfers. As we have seen in the tsunami response, developing country governments have provided cash as part of their own emergency responses.

These examples aside, many donor governments, though not necessarily opposed to the idea of cash transfers, have not actively considered them. Despite interviewing a wide range of donor government representatives, this study found it surprisingly difficult to identify what cash-based responses donors were funding, and whether they had policies in place to govern their decisions over whether to fund cash transfer programmes or not. For most donor governments, this is a new area of work, there are no formal policies or guidelines and views on the issue tend to depend on the individual. Emergency cash programming is typically flexible and *ad hoc*, and based on requests and assessments from the field. Where cash is accepted, it tends to be seen primarily as a tool to be used in the support of livelihoods, rather than as an alternative to emergency distributions of goods and services.

All of the donor representatives interviewed for this research reported that they received few if any proposals for cash-based responses. This may of course be because agencies recognise that donors are reluctant to fund cash-based work, and so do not propose it. In some cases, it is clear that donors influence the type of proposals they receive; for example, ECHO and DFID issue calls for proposals in emergencies that focus on particular sectors, based on assessments by their own representatives rather than on needs assessments by submitting agencies.

There is a clear need for donors to move beyond an *ad hoc* and sometimes sceptical response to cash-based responses. In particular, donors should:

- Make explicit in guidelines and policies that cash-based responses for both immediate life-saving assistance and recovery will be considered where appropriate.
- Make explicit in calls for proposals for particular sectors, such as food security, shelter and non-food items, that cash-based responses will be considered as alternatives to in-kind assistance.
- Develop criteria for making judgements about whether to fund cash-based proposals.
- Be willing to fund investment by humanitarian aid agencies to further develop the skills and capacities needed to implement cash-based responses.

10.3 Attitudes and assumptions

Any consideration of the use of cash in emergency response also involves a set of wider issues around the attitudes and assumptions that humanitarian aid practitioners have towards the people that they are trying to help. In particular, it seems to be the case that aid professionals find the idea of giving people money threatening. Partly, this stems from a fear that agencies have less control over cash than they do over commodities. There is also a – rarely acknowledged – belief that aid agencies know what people in crisis need better than these people do themselves. Sesnan (2004) argues that:

> *New aid workers are warned by older and wiser aid workers never to give cash money to beneficiaries. Complex justifications are developed. Some, like the fear of setting a precedent, might be more plausible than others, like 'they'll just spend it' or they will misuse it. The fear of giving money is almost pathological among aid agencies, even though, or maybe because, it would be simpler and cheaper to give than any other form of help.*

One way of interpreting this is to argue that agencies are reluctant to use cash because of bureaucratic self-interest. Without the complicated logistics of commodity-based relief, fewer people would have jobs and the humanitarian industry might have to contract. As Sesnan (2004) puts it: 'could it be that we were satisfying our needs as organisations, rather than theirs as beneficiaries?'. Organisations entirely based on the delivery of commodities, or that rely on food aid for a large percentage of their income, are unlikely to readily embrace alternatives. There may also be a marketing dimension to this reluctance to use cash, though whether the giving public would be less likely to donate to charities if their donations ultimately went in cash aid rather than food, shelter or other commodities is a largely unexplored question. Indeed, the potential cost-efficiencies of cash may go some way to addressing perceptions of waste and inefficiency within the humanitarian sector, thereby encouraging greater giving.

More broadly, some of the arguments against cash, particularly the belief that it will be misspent, hint at the sense of superiority that sometimes underlies relations between aid agencies and their 'beneficiaries' (a term that itself suggests the passive receipt of assistance). There may be times when aid agencies do indeed know better what people in crisis need. Poor and mostly illiterate people may not have the expertise to appreciate the complex causes of malnutrition, or to make an informed choice about how their resources should be spent (Herson, 2004). At the same time, however, we should acknowledge how humiliating the aid relationship can be for the people at the receiving end. As Harrell-Bond (1999) puts it: 'outsiders view African refugees as helpless: as needing outsiders to plan for them and to take care of them'. This assumption is the cornerstone of nearly all appeals for funds. Getting funding is

certainly one rationale for presenting this image of helplessness, but other relations of power are also predicated on notions of paternalism (Hyndman, 2000: 121). Sen (1999: 175) argues that 'the sense of distance between the ruler and the ruled – between "us" and "them" – is a crucial feature of famines. That distance is as severe in the contemporary famines in Ethiopia, Somalia, and Sudan as it was in Ireland and India under foreign domination in the last century'. These attitudes of paternalism and superiority remain an important factor in humanitarian response, despite the professed commitment to greater participation on the part of affected populations; some of the reluctance to use cash is linked to these prejudices.

10.4 Organisational barriers

Some obstacles to the consideration of cash-based responses are inherent in the way the humanitarian system is currently designed. This seems to be a particular problem in the UN, where cash has no place in consolidated and flash appeals (Harvey, 2005). The World Food Programme has implemented cash pilot projects in Sri Lanka, Georgia and Malawi (Gentilini et al., 2006; Mwale, 2006; Sharma, 2006). Traditionally, WFP has provided only food aid, but there seems to be no intrinsic reason why it could not define its mandate as one which aims to combat hunger most effectively and is therefore able to provide cash or food assistance depending on which is most appropriate (Clay, 2004; Clay and Benson, 1998). Stites et al. (2005: 50), in a review of non-food responses for WFP, conclude that the agency needs to decide whether it should remain 'the food aid agency', or become a 'food security agency'.

WFP's piloting of cash is particularly significant given the dominance of food aid in current humanitarian responses, and the extent to which the provision of food is linked to food surpluses in donor countries (Barrett and Maxwell, 2005). As Devereux (2002: 11) points out, 'the obvious pragmatic reason why food aid deliveries tend to be preferred to cash transfers is that donors are more likely to have food surpluses than cash to disburse'. The appropriate role of food aid and the extent to which food aid policy is influenced by production subsidies is beyond the scope of this study, but there is certainly a continuing perception at the field level that food aid is a free or additional resource, and one which is more likely to be available than alternatives (Clay, 2004). For instance, in southern Africa in 2002–2003 aid agency staff commonly reported that, while cash might have been more appropriate than food, food aid was what was available, and was better than nothing. This begs a whole range of questions that the humanitarian system has been adept at avoiding for many years. One set revolves around the responsibility of donors to provide the most appropriate resources for meeting needs identified in emergencies. The OECD-DAC has long had a commitment to untying aid, but food aid has remained exempt (Clay and Riley, 2005). Aid agencies also have a responsibility to make an assessment as to the most appropriate response, and to make a case to donors for providing the appropriate resources. In situations where food aid was a second-best option, it might still be right to use it if it is all that is available, but the fact that it is second best should at least be made explicit.

Outside of the UN system, there seem to be fewer barriers to considering cash- and voucher-based responses; indeed, NGOs, the Red Cross and donors such as SDC have led the way in the increasing use of cash and vouchers. In assessing those agencies which have been most open to the use of cash and vouchers, two possible patterns emerge. The first is that agencies which have adopted livelihoods-based assessment methodologies and which have invested in the development of capacity and expertise in this area have tended to be more likely to recommend cash and voucher responses. The second observation is that the agencies which have traditionally programmed large amounts of food aid, and which have close links to government food aid resources, particularly US resources, have tended to be less involved in cash responses. There are organisational investments in food aid programming capacity in these agencies, and financial incentives to maintain high levels of food distribution. There are some exceptions to this; US NGOs in Afghanistan, for instance, moved much of their programming to cash for work following a clear policy shift by USAID in 2002. CARE has also shown interest in piloting cash and voucher responses as alternatives to food aid, and CRS has played a leading role in the development of voucher approaches as alternatives to agricultural inputs. However, only when the major food aid providers (WFP, CARE, World Vision, CRS) stop automatically programming food aid and start more explicitly considering alternatives will large-scale transfers be a real possibility, both because of the delivery capacity of these agencies and because, if they continue providing food aid, cash responses will not necessarily get onto the agenda.

Cash transfer programmes implemented by international aid agencies have tended to be relatively small scale in comparison to in-kind assistance programmes, and certainly in comparison to large-scale food aid programmes which often attempt to cover entire affected populations. In 2005–2006 in Zambia and Malawi, for example, food aid was provided on a nationwide basis to all those identified as in need of food security assistance (Harvey and Savage, 2006; Devereux et al., 2006). This suggests that some of the findings about the effectiveness of cash transfers might be related to their size, and to the fact that they are more intensively managed and monitored. We might be seeing pilot-project effects; maintaining effective implementation will clearly present challenges as cash transfers are scaled up.

There are, however, some examples of larger-scale cash transfer programmes, notably including state-led responses to recent disasters. As we have seen, responses to the tsunami by the governments of Sri Lanka, Thailand and India included significant and nationwide cash components, as did the Pakistan government's response to the 2005 earthquake (Adams and Winahyu, 2006; Government of Pakistan, 2006). These examples

illustrate that large-scale cash transfers are possible, at least in countries with relatively well-developed state capacity. Some aid agency responses have also been on a relatively large scale. Mercy Corps' cash for work programme in Indonesia in response to the tsunami employed at its peak nearly 18,000 people, and disbursed over $4.5 million in direct payments during its seven-month lifespan (Doocy et al., 2006; Mercy Corps, 2006). Oxfam's cash transfer programme in Zambia targeted 13,500 households (Harvey and Marongwe, 2006a).

The strongly positive evaluation of smaller-scale cash programmes presents a clear case for thinking about how to scale up cash-based responses. Currently the humanitarian system is trapped in something of a dilemma: agencies have the skills and capacity to deliver food aid on a large scale, so food aid gets the majority of funding because donors are confident that it can be delivered. For instance, in the 2005–2006 response to the Horn of Africa drought, HPG (2006: 5) found that 'in the face of a well understood, analysed and accepted food system and widely available food assistance, donors were simply not convinced that livelihoods interventions stood a better chance of saving lives'. Similar skills and capacity need to be developed in relation to cash-based responses, but this will take time.

Chapter 11
Conclusion

A strong body of evidence is starting to emerge to indicate that providing people with cash or vouchers works. It is possible to target and distribute cash safely, and people spend money sensibly on basic essentials and on rebuilding livelihoods. Cash transfers can provide a stimulus to local economies, and in some contexts can be more cost-effective than commodity-based alternatives.

There are caveats to this conclusion, and cash and vouchers should clearly not be seen as a cure-all or as universally appropriate. Cash responses may not be advisable in the early stages of an emergency if markets are disrupted, or in very remote areas where markets are particularly weak. Cash transfers can be delivered successfully even in conflict environments, but concerns about security and diversion will be particularly pressing in unstable contexts. There is still a need for cash transfers managed by aid agencies to be scaled up, and questions remain over how successful scaling up would be. However, the success of small-scale projects and pilots suggests a strong case for carefully increasing the scale of cash projects. National governments have successfully implemented large-scale cash projects, and where affected states have the capacity to deliver cash they are likely to be the most appropriate actors. Questions remain over the inflationary potential of large-scale cash programmes, and how quickly and effectively markets would be able to respond to increased demand. However, none of these concerns should detract from the clear conclusion that there is scope for significantly increasing the use of cash and vouchers as an instrument in humanitarian response, in a wide range of contexts.

Cash transfers need to be seen as part of the toolbox of humanitarian response: as a complement to in-kind assistance, as well as an alternative to it. As Dreze and Sen (1989) pointed out, 'cash support and food supply management are not, by any means, mutually exclusive activities'. It is important to stress that giving people cash does not imply dumping the money and leaving people to fend for themselves, and that complementary interventions, to support land rights or rebuild roads for example, will still be needed. Cash support is one option for transferring resources to individuals, but humanitarian response also encompasses the provision of services such as health, education and water. These public goods will not necessarily be provided through the private market even if cash is made available, and are still likely to require government or aid agency intervention. Humanitarian action is also about providing a witness to human suffering, and cash transfers should not be seen as removing the need for aid agencies to focus on proximity and solidarity with disaster-affected populations.

The growing importance of cash-based responses to emergencies has potentially far-reaching consequences for the ways in which humanitarian relief in emergencies is managed and delivered. It is likely that cash-based programming will continue to grow, probably at the expense of in-kind mechanisms in some contexts. Humanitarian actors need to develop the skills to assess when and where cash-based responses are appropriate, and to implement them where they are. Donors will also need to develop the skills and capacity to make informed decisions about whether to fund cash responses. The fact that governments may be the most appropriate deliverers of cash-based assistance may imply a reduced role for international aid agencies, in some contexts. The growing interest and investment in cash transfers as part of longer-term safety nets may also reduce the need for the regular provision of large volumes of food aid in some contexts of chronic food insecurity, particularly in parts of Africa.

Cash is an alternative to all forms of in-kind assistance, and this paper has argued that it needs to be considered across all sectors of humanitarian response. This will have important implications, not just for food aid responses but also for shelter, non-food items, agriculture and wider livelihood responses. However, since food aid dominates humanitarian assistance, the implications of any increase in cash programming will probably be particularly significant here. Both agencies and donors need to re-examine existing food aid policies, and take a hard look at the appropriateness of food aid. Although cash will be complementary to food aid in some circumstances, in others it is likely to be an alternative to it, suggesting a tighter and narrower role for food aid in the response to emergencies.

11.1 Recommendations

The recommendations made in the 2005 discussion paper are still applicable, and are reproduced here with a few additions and changes.

Assessment

- Assessment capacity should be independent or able to stand up to external analysis, and the results should be published. This would make assessments less likely to be resource-driven or tied to the existing expertise of particular agencies.
- Aid agencies should be able to routinely consider cash or vouchers as alternatives to commodity-based approaches, as part of the assessment process.
- There should be further investment in the skills and capacity needed to assess markets at local, national and regional levels.

Evaluation, learning and expertise

- Further investment should be made in the rigorous evaluation and documentation of cash- and voucher-based responses, in order to make a clear case about their impact and effectiveness, and when and where they are appropriate.
- There should be investment in further learning and training to enable those involved in assessments and programme management to assess the possible appropriateness of cash and voucher responses, and to implement them where appropriate.
- Efforts should continue to develop a documented body of practice and practical guidelines on cash and voucher responses in emergencies.
- There should be a greater willingness to examine attitudes of paternalism and superiority on the part of aid practitioners towards recipients, and efforts made to overcome these at individual and organisational levels.

Architecture

- As part of UN reform, consideration should be given to where responsibility for implementing cash-based responses to food insecurity should lie, to allow for the inclusion of cash and voucher responses in the UN appeal process.
- Aid should be untied, and donors should undertake to provide the resources identified as most appropriate by assessments.

Links with social protection

- Cash-based welfare safety nets may be a more appropriate mechanism for addressing chronic and long-term food insecurity and poverty than the recurrent use of humanitarian aid as the instrument of last resort.
- Ways should be investigated to link emergency response more closely with emerging social protection systems and safety nets, which increasingly have a cash-based component.

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