Cash transfers in emergencies

A review drawing upon the tsunami and other experience

Radhika Gore and Mahesh Patel

Social Policy and Economic Analysis
UNICEF East Asia and the Pacific Regional Office

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1 INTRODUCTION

Cash transfers involve providing cash or vouchers directly to households, as opposed to providing a service or a commodity. Cash transfers have long been used to address social and economic vulnerabilities such as poverty, old age, disability or unemployment and to complement household income in times of exposure to shock. Governments and international organizations implemented a range of cash initiatives in the tsunami-affected areas, where local conditions were amenable to delivering cash: there were functioning markets and infrastructure not far from the damaged areas, and the affected countries were largely self-sufficient in food before and after the disaster.

In recent years, cash transfers have gained attention in emergency response. One reason is that with improved infrastructure and more resilient markets in middle and low income countries, cash transfers have several advantages over in-kind aid. A key advantage is that unlike in-kind aid, cash allows households flexibility in deciding their spending needs. This can have positive results for children through its impacts on nutrition, health and education. Cash can help generate local market activity and restart livelihoods. It is often a more empowering and dignified form of support. There is evidence that it can give women more decision-making power over resources.

The reluctance to deliver cash transfers stems from their associated risks. Cash is said to be susceptible to theft, corruption and misuse. It is prone to targeting errors. It can cause inflation and distort local markets. However, practitioners are finding solutions to mitigate these risks and have observed that many of the risks also apply to in-kind aid (Creti & Jaspars, 2006). Under appropriate conditions, the effectiveness of cash may well outweigh its risks.

The funds and technical expertise being directed to cash programmes reflect the broad interest in cash in emergencies. For instance, Oxfam produced a manual on cash transfer programming in emergencies; the World Bank provided $35 million towards cash grants to tsunami-affected households in Sri Lanka; the Swiss Agency for Development and Cooperation (SDC) implemented cash projects in eight countries over 1999-2004 and has an advisory unit called ‘Project Cash’ that focuses solely on cash-based responses; and the UK Department for International Development (DFID, 2006b) helped Brazil to share lessons on conditional cash transfers with several African countries.

Cash transfers are also drawing attention due to the emerging global interest in social protection. This interest is motivated by the lack of coverage and weak social protection systems in Asia, sub-Saharan Africa and Latin America and the difficulties with economic transition in Central and Eastern European countries (World Bank, 2003) and is coupled with demographic change and deepening disparities in many parts of the world. As a result, “a wider set of providers, instruments and programmes is needed to meet the increased demand for social protection” (Barrientos & DeJong, 2004, p. 9). As a component of social protection, cash transfers are a significant policy option to support vulnerable children and households.

This paper draws upon examples from the tsunami and other contexts to explore the recent experience in emergencies. It presents existing evidence of impact of cash transfers on children; reasons that cash transfers have been under-utilized; and suggestions for how UN agencies could support cash programmes. It is conducted from the perspective that providing cash in emergencies is not only a part of humanitarian response, but also a feature of social protection policy.

The scope of the study includes conditional and unconditional cash grants and cash-for-work programmes. It does not examine loan or credit programmes, such as micro-credit loans. Neither does it examine vouchers, which may present an alternative to cash[1]. The methodology consists of a literature review, field visits and interviews. It draws extensively on recent documentation of cash programmes, particularly from the tsunami.

2 USING CASH VERSUS IN-KIND AID IN EMERGENCIES

Historically, the rationale for cash interventions in emergencies is based on 'entitlement theory' and its application to the study of famine. Entitlement theory focuses on the process of famine rather than its outcome. It proposes that famines result not from a lack

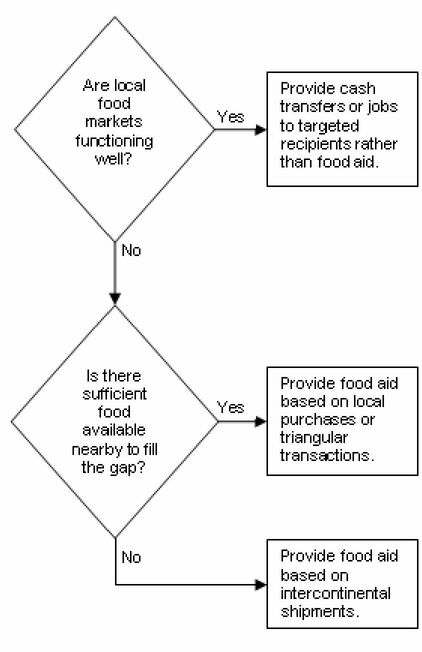
[1] As Harvey (2005) described, vouchers may be used instead of cash due to factors such as donor constraints, security concerns with the use of cash, or market weaknesses. There is a debate on the merits of using cash versus vouchers. There are contentions, for example, on the effect of vouchers on the quality of commodities or services and on the competition among suppliers. Vouchers require more regulation and planning and can be stigmatizing.

of food in a region, but rather when people lose their entitlements, i.e. their means of acquiring food (Khogali & Thakar, 2001). People can lose their entitlements, known as ‘entitlement failure’, in two ways. A ‘pull’ failure implies the loss of the means or lack of income to purchase food. The inability of the market to respond, either due to lack of food supply or due to traders cornering the market, is known as a ‘response’ failure.

Food aid addresses the ‘response’ failure by ensuring that people can still consume food when it is in short supply. Cash transfers address the ‘pull’ failure by giving people the means to purchase food. The benefits of cash over food aid are that it allows recipients to make their own consumption decisions and it stimulates local markets. This boost to the local economy can facilitate the supply and distribution of food from other regions to the affected area. It may further stimulate the production of food locally and thus address the ‘response’ failure.

The *Sphere Minimum Standards for Disaster Response* (2004) state that general food distribution might not be appropriate when: “adequate supplies of food are available in the area (and the need is to address obstacles to access), and a localized lack of food availability can be addressed by the support of market systems” (p. 121).

Figure 2.1: Decision tree for usage and procurement of food aid



Source: Barrett & Maxwell, 2004.

The tsunami-affected areas demonstrated such conditions. First, there were functioning markets and infrastructure close to the affected areas. In a relatively short period, goods could be delivered from nearby regions to the affected areas. In Sri Lanka, the disaster mainly affected the coast, without major damage to inland transport and market infrastructures (Oxfam, 2005b). Market infrastructure was seriously affected in Aceh, Indonesia, but new markets and businesses were rapidly established in several places[2].

Second, the affected countries were largely self-sufficient in food before and after the December 2004 tsunami. The tsunami damaged coastal crops, yet in both Sri Lanka and Indonesia, a majority of the production was unaffected by the disaster (Oxfam, 2005b).

[2] CARE International studied the viability of implementing a cash intervention in Aceh (Adams et al, 2005). The study concluded that a market-based mechanism seemed workable in many areas, i.e. food was available at stable prices in the markets; transportation infrastructure was adequate, and the operating environment was sufficiently safe and secure.

Sri Lanka's harvest, as of March 2005, was expected to meet a large proportion of its needs. As of April 2005, Indonesia had large stocks of rice left over from 2004.

With local markets being more developed and resilient in many parts of the world, there has been increasing use of livelihoods approaches in food security assessments and practitioners are finding ways to mitigate the risks associated with delivering cash (Harvey, 2005). Organizations concerned with food security, including the World Food Programme (WFP), have begun to consider the advantages of cash interventions.

3 TSUNAMI EXPERIENCE: A SAMPLING OF CASH INTERVENTIONS

The following table presents a sample of cash interventions from the tsunami.

Table 3.1: A sample of cash interventions

Organization	**Description of cash programme**	**Scope: Number of people reached, amount of transfer**
Government of Indonesia	Department of Social Welfare cash allowance programme for purchase of non-staple foods to supplement the food relief.	Tsunami-affected households (IDPs living in barracks, those who have returned to their original villages and live in tents/other structures, and host families) received Rph 3,000 per day per person (approx. $10 per month).
Government of Sri Lanka	Cash grant and cash and food rations as part of an assistance package to tsunami-affected households.	Monthly grant of Rs 5,000 ($50) to all identified households for two months. Rs 375 ($3.75) cash and food ration to 880,000 households by mid-2005.
UNDP	Cash-for-work project in the first six to eight months of the tsunami, involved clearing debris and rubble.	Total cost of the project was $14 million. It reached 46,000 households (Approx. $300 per household, including project admin costs).
WFP	Cash transfer pilot project which targets approx. 4 percent of beneficiaries in WFP's Vulnerable Group Feeding target group in tsunami-affected districts in Sri Lanka.	12,000 people (i.e. 3,300 households) in three districts. The amount of cash was based on the local market value of food rations per capita per week, i.e. equivalent to $1.50, disbursed over Nov 2005 to Feb 2006.

UNICEF	Support to two government schemes to deliver education grants to tsunami-affected children, Sri Lanka.	The schemes provide between $2.50 and $5 per child per month. The grants (total $22,500) will support 65 children for five years each.
UNICEF	Cash transfers for tsunami-affected separated and orphaned children in Aceh, Indonesia	1,300 caregivers (1700 children) received approx. $44 per child per month for three months.
Swiss Development Corporation	One-off cash payment to host families who had hosted two or more IDPs in their own house for three months in Aceh, Indonesia.	11 sub-districts in Aceh. Retroactive payment of approx. $98 each to 7,239 eligible host families.
Oxfam	Cash-for-work projects in tsunami-affected areas in Indonesia for clearing debris, building bridges, repairing roads, cleaning wells.	Reached over 62,000 people.
Save the Children UK	Cash-for-work project in Aceh. The work involved clearing debris and rehabilitation and restoration of public assets and natural resources.	Provided over 18,000 short-term jobs, targeted towards single parents with children; able grandparents; families looking after vulnerable children; families with no other income option. Children under 18 years were allowed to work only in cases where they desperately needed money, only for 2 or 3 hours and received the full rate.
World Bank	Financial support to a government-run cash grant scheme for tsunami-affected households in Sri Lanka.	The scheme provided $50 per month for up to 4 months to 220,000 affected families. The WB disbursed approx. $ 35 million towards the scheme.

4 POSITIVE IMPACT ON CHILDREN

Household expenditures can reach children in several ways. Household income can be spent directly on children, such as on education and health. Income can be spent on the household as a whole in order to satisfy basic consumption needs such as food, fuel, water and shelter. Expenditures can be made towards productive purposes, such as investment in livelihoods, which go beyond basic consumption needs and which indirectly benefit children (SCUK et al, 2005).

There is little systematic analysis of the impact of cash transfers on children in emergencies. Most of the available evidence is from conditional cash transfers and pensions in development contexts (Rawlings & Rubio, 2005; de Janvry & Sadoulet, 2005). A sample of this evidence is presented in the following table and is based largely on the DIFD practice paper on social transfers and chronic poverty (DFID, 2006a).

Table 4.1: Impact of conditional cash transfers and pensions on children

Country	**Type of programme**	**Impact**
	Income poverty	
Mexico	Progresa – conditional cash transfer	Reduced the poverty gap among beneficiaries by 36 percent between 1997 and 1999.
Nicaragua	Red de Proteccion conditional cash transfer	Decreased the percentage of beneficiaries living in extreme poverty by one-third (15 percentage points) to 30 percent.
South Africa	Pension	Income of the poorest 5 percent of the population increased by 50 percent. Overall, the social security system reduced the “destitution gap” by 45 percent.
	Food security	
Mexico	Progresa – conditional cash transfer	70 percent of participating households showed improved nutritional status. Strong impact on stunted growth: The growth rate among children aged 12-36 months increased by one centimetre a child a year.
Nicaragua	Red de Proteccion conditional cash transfer	Beneficiary households consumed more nutrient-dense foods, including fruit and vegetables, made more frequent purchases of beans and rice and occasionally meat.
South Africa	Pension	Having a recipient of the social pension in a household was correlated with a 3-4 cm increase in height among children.
	Education	
Bangladesh	Cash for Education programme	Resulted in a 20-30 percent increase in school enrolment; beneficiary children are likely to stay in school up to two years longer than other children
Brazil	Pension	Helped increase school attendance, especially among 12-14-year-old girls.
Nicaragua	Red de Proteccion conditional cash transfer	Brought about a 23 percent increase in school attendance for the target population between 2000 and 2003.
	Health	
Mexico	Progresa - conditional cash transfer	12 percent reduction in ill-health among beneficiaries up to age five & 19 percent fewer days of illness among adults.
Namibia	Pension	Pensioners spend approx. 13 percent of the pension on health care for themselves, but in many cases also spend on health for the entire household.
Nicaragua	Red de Proteccion conditional cash transfer	The transfer is conditional on attending clinics for vaccinations; timely immunization among recipient children aged between 12 and 23 months increased by 18 percent
	HIV/AIDS	
Kenya	Cash transfers to OVC	OVC will be more able to access and benefit from both education and health services. Improved nutrition helps the effectiveness of anti-retroviral drugs.

As Table 4.1 shows, a cash transfer scheme does not have to target children in order to reach them. Programmes which target groups such as older people or poor households can also have positive impacts on children. In these programmes, two important defining factors are the duration of the cash transfer and the child's access to the cash transfer through a caregiver, i.e. the adult beneficiary. From the child's perspective, "what is important is the outcome - whether their families or carers feel they can afford to care for them, whether they can go to school, get medicines and treatment when ill, and whether their needs are prioritised or relegated behind the needs of other children and older household members" (SCUK et al, 2005, p. 26).

Conditionality can affect how children benefit from cash transfers. A conditional cash transfer (CCT) imposes "a behavioral condition on transfer recipients. The condition typically sets minimum requirements on beneficiaries' attention to the education, health, and nutrition of their children" (de Janvry & Sadoulet, 2005, p. 1). CCTs can potentially deliver a double impact. They can create an immediate decline in income poverty if the transfer is larger than the cost of the condition, and can promote social development which has long term effects. However, CCTs rely on the existence of health facilities and accessible schools. Impact is measured in terms of beneficiaries' use of the facilities, i.e. to what extent children attend school or women visit maternal health clinics. In an emergency, the quality and access to services could be compromised.

Unconditional cash transfers, including cash-for-work programmes, by definition do not specify how the recipients must spend the cash. Their impact on children has been under-studied. For instance, the study *Making cash count* (SCUK et al, 2005), a review of unconditional cash transfers in 15 countries of east and southern Africa, finds that there are several knowledge gaps and not enough collection of systematic and detailed data on children. However, in general, results show that the household is better able to meet basic consumption needs due to these programmes. Data collected from the Zambia pilot project, which was targeted at households headed by older people and households caring for orphans and other vulnerable children (OVC), and from the Kenya pre-pilot cash assistance scheme[3], which aimed to strengthen the capacity of families to protect and care for OVC, indicated changes in nutritional status, school enrollment and other indicators directly relevant to children.

Conditionality is a debated issue in social protection. On the one hand, it can ensure that critical needs are met, such as outcomes in nutrition or school attendance. On the other hand, imposing restrictions how the cash can be spent may diminish one of the main advantages of cash over in-kind aid: flexibility. Conditions that are behavioral, such as requiring mothers and infants to attend health care facilities, may be more constructive.

By allowing a household to make spending decisions according to its specific circumstances, a cash transfer can help address the diverse needs of children in the

[3] In the Kenya pre-pilot project, conditionality turned out to be a desired feature of the programme. Community representatives suggested and agreed amongst themselves to adopt conditions related to school attendance for children of school-going age; immunization; and the acquisition of birth certificates. These conditions are to be incorporated in the pilot phase of the scheme.

household. Variation in consumption can improve the quality of results. People can access a wider range of foodstuffs, which can provide a more nutritionally balanced diet (Harvey, 2005). Barrett and Maxwell (2004) noted that food aid often has the desired nutrition and health effects when it is part of a complete package of assistance. For young children in particular, food security is not only about the quantity of food purchased, but also about the quality of the diet, including the variety of foods consumed. Cash can allow households to purchase local items, which may better suit their needs than the items selected and procured from elsewhere by aid agencies[4]. In addition, cash can enhance a sense of empowerment and dignity among recipients.

UNICEF's cash transfer activity in Aceh illustrates these advantages. The monthly cash transfer was meant to benefit children separated or orphaned due to the tsunami. The cash could be spent either specifically for that child or towards general household expenditures that would indirectly benefit the child. While most caregivers spent it on food, clothing and education, in some cases, depending on the child's age and the income-level of household, both caregivers and children preferred to invest the money in other ways, such as to save the money for fees for entrance exams for secondary school, to buy a bicycle that could be shared with other children in the household, or to buy fishing tools (in the case of a 17-year old boy). The transfer helped to address the circumstances of each child and each household.

[4] For example, following floods in Mozambique in 1999-2000, recipients spent some of the cash transfer on construction materials, notably traditional, local materials.

The outcome of a cash transfer also depends on how it is targeted. Where transfers are given to the 'poorest of the poor', i.e. those who require external assistance simply to survive, they fulfill a social welfare function (SCUK et al, 2005). Where cash transfers are given to the 'middle poor', i.e. "those who are working, or able to work, but need support to raise their consumption to a minimum level, or to stabilize their incomes against shocks…cash transfers are often invested, and can contribute directly to economic growth and poverty reduction" (SCUK et al, 2005, p. 29). Income support can allow poor households to undertake more lucrative and possibly more risky productive activities, such as planting certain varieties of crop versus others.

It is important to note that while cash transfers do raise incomes directly, this is often not enough to lift people above the poverty line, though it can help reduce the severity of their poverty[5]. Experience from Zambia attests to this perspective. The pilot cash transfer scheme in Zambia provided a monthly cash sum which was the equivalent of the average price of a 50kg bag of maize, and translated to a second meal for the household if the entire transfer is spent on maize. The transfer did not lift the households out of poverty, but rather assisted in their survival (Schubert, 2004).

Cash transfers are one component of social protection. For more sustainable effects, social protection policies should have both short and long-term roles in poverty reduction and help people to conserve and accumulate assets and transform their socio-economic relationships (Barrientos, Hulme & Moore, 2006).

[5] Large scale national programmes such as social pensions in South Africa are exceptions; they are estimated to reduce the number below the poverty line by five per cent (SCUK et al, 2005).

5 THE RELUCTANCE TO USE CASH, AND WHY IT'S NOT ALL THAT BAD

Popular views on using cash in emergencies are mixed. Some of the criticisms are that cash is difficult to deliver and monitor since it presents a security risk and is susceptible to theft, corruption and misuse; it can be disadvantageous to women; and it can distort local markets. Recent experience shows that there are ways to minimize the risks and that the effectiveness of cash transfers may well outweigh the risks.

Security risk

Cash is assumed to be more vulnerable to theft than food, particularly in an environment of heightened insecurity, violence or conflict. However, while food may not be as easy to loot as cash, food convoys are visible and easy to attack (Creti & Jaspars, 2006). Many of the security risks associated with cash distribution also apply to in-kind distribution. Evidence shows that there are ways to deliver cash safely even in conflict environments. In Afghanistan and Somalia, the local *hawala* (money transfer) system was used to distribute cash. In Ethiopia, SCUK sought insurance coverage against losses in transporting cash to areas where there were no banks (Harvey, 2005).

In cases where local banks or money transfer systems are functional, cash may be the more secure alternative. "Any possible risks should be balanced against the benefits of providing cash, such as responding quickly, allowing choice, and stimulating the economy” (Creti & Jaspars, 2006, p. 24).

Misuse

The concern with misuse of cash is that it could be spent on non-essential items, such as alcohol or cigarettes. However, studies show that beneficiaries largely spend on buying food, household provisions, school uniforms and books, agricultural inputs, loan repayments and other priority items. “Individuals and households appear to make careful and strategic decisions about how to use this additional income for the best interests of the household…” (SCUK et al, 2005, p. 27). In UNICEF’s cash project in Aceh, most households spent on basic needs such as school fees, food and healthcare expenses.

The risk of misuse also exists for commodities; food, construction materials and clothing can be sold and converted to cash. In its manual on cash transfers, Oxfam stated its belief that, “stopping cash distributions will not stop people buying non-essential commodities” (Creti & Jaspars, 2006, p. 13). While people are unlikely to report misuse on standard reporting formats, this is true as much for cash as it is for commodities.

The extent of monitoring required will depend on the objectives of the cash transfer. A conditional transfer targeted to children, where the cash is provided to the caregiver in order to be spent for the child’s wellbeing, will require more follow-up than a cash-for-work programme in which the cash has no terms attached. Monitoring can be done successfully with adequate training and tools. For UNICEF's cash project in Aceh, social workers were trained in the mechanics of the transfers and in monitoring their use at the household level. Each social worker had to submit a bi-weekly monitoring sheet based on visits to beneficiary households. The monitoring format allowed flexibility in explaining 'other' expenditure which did not fit into the prescribed categories of spending.

Corruption

While corruption can seriously undermine the success of a cash programme, evidence suggests that the risks of corruption are no greater than with in-kind aid. For both cash and in-kind aid, delivery systems and management capacity have to be robust. This implies adequate attention towards training and institution building (SCUK et al, 2005). Recipients have to be informed about the size of their entitlement. This makes it "more difficult for implementing agencies and staff to siphon off funds….Furthermore, leakage appears to be reduced where the poor are aware of their rights and are able to access information for monitoring the performance of schemes" (DFID, 2005, p. 31).

The emphasis on management and transparency is illustrated in the pre-pilot cash transfer programme for OVC in Kenya. Caregivers were aware of the amount of money they were to have received and confirmed that they received it. Recognizing that leakage is still a probability, the planning team for the next phase of the project is examining secure options for the disbursement of funds, such as through the Kenya Post Office, to ensure that it is as transparent and rapid as possible (UNICEF, 2006).

Harvey (2005) noted that technological advances may provide options for minimizing corruption in all types of distributions, including cash. For example, UNHCR used iris-recognition technology in monitoring repatriation from Afghanistan to Pakistan in order to reduce the risk of people claiming multiple grants and in Bam, Iran, the government set up bank accounts for recipients and transferred cash directly into them.

Errors in targeting

Targeting can be divisive within communities for any kind of assistance, whether in-kind or cash. The concern with cash transfers is that cash is widely valuable across income levels, particularly following an emergency, and that the divisiveness may be heightened in a situation of political or social insecurity. Misspecification in the selection criteria may lead to errors of inclusion or exclusion. Identifying the target group could be constrained by a lack of data or technical expertise, which may not be readily available following an emergency. Targeting may inadvertently provide incentives for people to demonstrate spurious eligibility. For instance, if the benefits are targeted to households with children, one risk is that this can cause caregivers to take in more children into the household in an attempt to secure more income from the scheme (SCUK et al, 2005).

As in targeting for in-kind aid, mitigating these risks requires robust selection criteria and strong management oversight. Beneficiaries should be clearly identified, with participation and agreement of the community, and should be registered. Targeting should not rely on purely technocratic or economic parameters, but rather use criteria that are in step with local culture and norms (Oxfam, 2005b). A DFID (2005) paper noted that "there is a wide range of targeting mechanisms that have been used in different countries and many could be adapted to other situations. But, all targeting mechanisms are potentially flawed …" (p. 3). Targeting errors should be reasonably anticipated, with the benefits of targeting weighed against the risks.

Disadvantage to women

A common concern about giving cash to households is that women might be vulnerable within the household, and have less control over cash than over food or other commodities. However, there is evidence to the contrary. Household structure and arrangements as well as social and cultural norms influence how households allocate resources internally. Where household decisions are negotiated between its members, "the impact of cash transfers will depend on who receives the benefit, because it will strengthen their individual bargaining position" (Barrientos & DeJong, 2004, p. 15).

Cash transfers can empower women by enhancing their decision-making position and improving their status in the household and the community. In Sri Lanka, international NGOs implemented cash-for-work programmes that involved clearing rubble and rebuilding transitional shelters. Both men and women were offered the same daily wage rate. This rate was close to the average daily wage that prevailed for men, but it was higher than the usual wage for women (Jayasuriya et al, 2005).

Transfers targeted at women can have a stronger overall impact on development indicators, particularly on girls. Studies in Brazil and South Africa reported that when a woman received a pension, the impact on nutrition and school enrollments among co-resident children was stronger, particularly for girls (Barrientos & DeJong, 2004).

Inflation and distortion in the local labour market

A potential outcome of injecting cash into the local economy is an increase in prices of goods, affecting both beneficiaries and non-recipients of the cash transfer. However, in-kind aid can also distort the market: food aid can depress the local price of food, thus hurting local producers[6]. By contrast, a price rise can have an overall positive impact by helping to stimulate the production and flow of goods through the market mechanism (Harvey, 2005). The increased consumption capacity of households can be met through increased flows of food (i.e. existing stocks) from other regions, and an increase in the production of food (i.e. new stocks) in the short run. Inflation is not unequivocally a negative effect, and under the right market conditions, the risk of inflation is low.

A similar concern is that cash-for-work can distort local labour markets by abruptly affecting the supply of labour. When wage rates in a cash-for-work programme are higher than the local norm, they present an incentive for people to participate in the programme and leave less labour available for other jobs at the existing (lower) wage rate. However,

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[6] There is much debate on whether or not food has disincentive effects on local markets and agriculture. Harvey (2005) presented a list of studies which address the comparison between food aid and cash transfer in economic terms.

cash-for-work programmes usually run for a short period, and any distortion is likely to be quickly corrected. In the meantime, they can stimulate a range of positive outcomes. For instance, cash-for-work programmes mobilized people to make the tsunami-affected areas habitable, encouraged people to return to their villages and paid women and men equal wages. Moreover, there are ways to mitigate the risk of labor market distortions. In the tsunami-affected areas, some NGOs limited the number of days people could work, and others suspended the project during important agricultural periods (Adams, 2006).

6 WHY CASH TRANSFERS HAVE GAINED CURRENCY IN RECENT TIMES

In many middle and low-income countries, market mechanisms have become active and resilient, including at the local level. Infrastructure and technology for transport, communications and financial transactions have improved. As Creti & Jaspars (2006) described, "Nowadays almost everyone lives in a cash economy: people earn wages, sell goods and services, and buy what they need with cash … In many emergencies, the problem is that people are unable to buy food and other basic goods, not that such items are unavailable. If markets are still functioning, emergency-affected populations can be supported to buy the commodities that they need on the market" (p. 6). As described above, the tsunami-affected areas had favourable conditions for delivering cash.

The current interest in cash interventions is driven partly by a re-thinking of food aid policy and practice. Shipping food across oceans is expensive and slow, particularly when it is procured far away from its distribution points (Barrett & Maxwell, 2004). The

U.S. is the world's largest food donor, supplying about half of the world's total food aid (Oxfam, 2005a). Barrett and Maxwell (2004) showed that the most sizable cost of the food aid is shipping, which includes subsidies to freight lines industry. Moreover, it takes more than five months, on average, for U.S. emergency shipments to reach their destination. This causes delays and can cost lives in the initial period of an emergency. Only about 10 percent of global food aid is procured in developing countries. When it is, it is typically at a lower cost and greater timeliness in deliveries.

As Oxfam described (2005a), some practices in providing food aid can create adverse side-effects that can hamper economic recovery. Food aid can displace exports from other countries. It can reduce domestic production of food in the recipient country and damage the livelihoods of poor farmers. When food aid is 'monetized', the risk is that the sale of food in the recipient country can lower prices locally, and displace or discourage local farmers' production[7]. If the late arrival of food aid coincides with the harvest period, it may depress local food prices, and lower incomes of farmers and farm workers.

According to USAID's Office of Food for Peace, distributing food by itself is of limited use in reducing food insecurity. "Food needs to be combined with other non-food (cash and in-kind) resources … to insure that it has an impact beyond just feeding people. This is true even in the case of emergencies when food alone, in the absence of potable water

[7] When food aid is 'monetized' it is sold onto local markets in recipient countries in order to generate cash, which can then be put to other development uses.

and health and sanitation, for example, may not be sufficient to save lives" (USAID, 2005, p. 4). The outlook of major aid organizations reflects these ideas[8].

Governments and donors have begun to place increasing importance on social protection. Factors that have prompted this interest include the lack of coverage and inadequate social protection systems in many parts of the world; the income variability and deepening disparities associated with globalization; and the demographic challenges of ageing, rural-urban migration and changing family structures[9].

The World Bank (2005) noted that in most East Asian countries, "governments have traditionally played a very limited role in implementing direct public interventions on social protection." People have relied on informal mechanisms such as family and community ties. In countries with socialist traditions, governments still play a role in social protection. However, both traditional and socialist approaches are under strain. In sub-Saharan Africa, establishing and expanding social cash transfer programmes is a matter of priority in both government strategies and donor-led efforts (Schubert, 2005). In Latin America, the past few years have seen the success of CCTs, which can alleviate poverty in the short term and improve nutrition, health, education and other social development goals in the long term (ECLAC, 2006; Gertler et al, 2006; Morley & Coady, 2003). CCTs in Mexico and Brazil are pioneering initiatives in this regard, and have helped fuel an interest in cash transfers globally.

[8] See WFP's strategic plan for 2004-2007, the draft strategic plan for 2006-2010 of the Office of Food for Peace (USAID, 2005) and an OECD study commissioned in 2005 (Fleshman, 2006)
[9] For discussions on social protection, see Devereux & Sabates-Wheeler (2004, 2006), ECLAC (2006), ILO (2001, 2005), DFID (2005), ADB (2003), and World Bank (2003).

7 UN AGENCIES: EXPERIENCE AND PERSPECTIVES

Much recent experience with cash in emergencies has been led by NGOs such as Oxfam and Save the Children UK (SCUK) and supported by donors such as DFID and SDC and multilateral institutions such as the World Bank. UN agencies in general have not considered cash transfers as a standard option in their emergency response. For instance, the *Core Commitments for Children in Emergencies* (UNICEF, 2005b), which outlines areas of activity for UNICEF's response in the protection and security of children and women, does not include cash transfers.

The constraints that UN agencies typically cite involve their mandates, accountabilities operational requirements and staff capacities. One concern is that donors and auditors need to see tangible and verifiable results, and cash transfers, which beneficiaries can spend at their discretion, may not be viewed favourably. However, donors such as DFID have already demonstrated an interest in cash transfers, and solutions to strengthen monitoring can be instituted. Official records such as bank transaction receipts can be used to verify that a beneficiary has received the transfer. Monitoring the use of the cash can be done as for other kinds of assistance. In UNICEF's cash activity in Aceh, social workers were trained to fill in monitoring sheets based on house visits; the sheets were used as part of the documentation for the liquidation process.

Another concern is that staff capacity is limited; designing a cash programme requires an understanding of the risks, some knowledge of local market dynamics and a familiarity with household decision-making. However, within the humanitarian community, the expertise with managing cash transfers is growing. With continued interest from donors and governments and increasing evidence of impact, it is set to grow further.

Besides directly implementing cash programmes, there are alternative ways for UN agencies to lend their support. The perspective from WFP is that while they do not currently have the operational or management set-up to deliver cash transfers as a separate activity, they could support logistics, assist in larger distribution networks and leverage their food delivery systems[10]. WFP is revising its emergency needs assessment methodologies, and in the future it could consider non-food responses to food insecurity more explicitly (Harvey, 2005; WFP, 2006).

8 CONCLUSION

The evidence shows that cash transfers can achieve outcomes in social development and poverty reduction. Short-term transfers can have enduring effects. Targeted transfers can empower beneficiaries, promote gender equality and enhance women's decision-making power. By complementing livelihoods, cash transfers can help households recover after an emergency and can stimulate local economic activity. While the evidence is encouraging, there are gaps in knowledge: there is little analysis of the impact of cash on children and of its resonant effects in the local economy in an emergency context.

[10] These points were discussed during the ODI conference on cash transfers in emergencies, January 2006, London.

Children face similar risks as do adults with respect to social and economic vulnerability. They also face additional risks due to their age and dependency. Like adults, children have a right to benefit from social security and other social safeguards of their well being. Social protection policies need to be viewed from a child's perspective, i.e. cash transfers targeted to adults need to be examined for their impact in providing social protection to children, and cash programmes need to be designed so that they account for children's specific vulnerabilities.

Thus, suggestions for action, particularly directed to UN agencies, are as follows:

Analysis and advocacy: Gather evidence and analyze the impact on children. Advocate on the use of emergency funds, so that they can be applied towards cash programmes, where appropriate. Advocate for cash transfers in national policy response, highlighting the vulnerabilities of children and the connection between cash transfers, poverty reduction and social protection. Collaborate with organizations who are actively engaged in dialogue and research on cash transfers in emergencies.

Technical and financial support to cash transfers in emergencies: Develop a needs assessment methodology, and establish procedures and guidelines. Develop capacity and familiarize practitioners with the modalities of cash transfers: how to design and manage a cash activity. Pilot test projects to assess the applicability of cash transfers, targeting and monitoring methods, delivery mechanisms, cost-effectiveness, etc.

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