Position Paper ● Technical & Research Department

CASH-BASED INTERVENTIONS

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Introduction

This paper aims to provide a brief summary of cash-based interventions in general and within ACF in particular, and to tackle some of the current contentious issues. It also provides some practical guidance for the design and set up of cash-based interventions and outlines future directions for cash-based interventions within ACF.

Purpose of Cash-based interventions

Commodity distributions, in particular food aid, are still the predominant relief response. In recent years, however, these have been subject to increasing criticism with a growing awareness that commodity distributions may not be the most appropriate response (see e.g. Levine, S. & Chastre, C., 2004). Food aid, by far the largest response, has been questioned due to its inefficiency as well as its negative side-effects (e.g. Clay, E., 2005; Barrett, C. & Maxwell, D., 2005; Oxfam, 2005, ACF, 2005). More especially in-kind or tied food aid has been criticised. Additionally, the revised Sphere Minimum Standards for Disaster Response state that food aid may not be appropriate when adequate food supplies are available in the intervention area or when a lack of food availability can be addressed through support of market systems (The Sphere Project, 2004).

Although still under-utilised in the humanitarian sphere, cash-based interventions are increasingly recognised by donors and humanitarian actors as an alternative or a complement to commodity-based emergency responses, to meet immediate food or other basic needs, as well as to enhance the recovery of livelihoods. From the donor or agency perspective, these are an increasingly cost-efficient and rapid way of addressing a wide variety of needs, if adequate pre-conditions exist. Studies show that the overheads associated with cash-based interventions as compared to commodity distributions are remarkably smaller (see e.g. Ali et al, 2005; Harvey, 2005). From the beneficiary perspective, they enhance beneficiaries' dignity and empowerment, enabling them to take control of the relief themselves and adapt it to their individual needs in a timely manner.

Cash-based interventions can be divided into three rough categories:

- **Cash for work programmes**, where the beneficiaries are paid cash wages for work on public or community works schemes.
- **Cash grants**, where free cash is provided to the target groups.
- **Vouchers**, which give the beneficiaries access to pre-defined commodities. Vouchers can be given as a grant or in exchange for work and their value can be stated in cash or in commodity.

The general aim of all cash-based programmes is an immediate increase in the affected population's purchasing power, enabling them to access their basic needs (food and non-food) or/and to invest in the recovery of their livelihoods. Cash-based interventions are also likely to stimulate economic recovery, as local supply is involved (market intervention). The basic pre-conditions for cash-based interventions are monetised economy, reactive markets able to respond to an increase in demand and access of beneficiaries to these markets. Security is another pre-condition, although cash-based interventions have been successfully implemented in complex emergencies, such as Somalia.

Even if the benefits of cash-based interventions are largely recognised by the humanitarian community, there are a number of key issues still being debated (see for example Ali et al., 2005; Harvey, 2005; Oxfam, 2006).

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- *Is cash more difficult to target?*

Targeting of cash may be perceived as more difficult than targeting commodities, since cash is of value to everyone. Experience shows that targeting *in general* is a challenge (see e.g. Jaspars, S. and Shoham, J., 1999; Taylor, A. and Seaman, J., 2004; Save the Children UK, 2004), and that targeting of cash, often using same or similar targeting methodologies as for example commodity distributions, is just part of this broader debate. Recent programmes have shown that targeting cash can be done successfully (e.g. Harvey, 2005[1]; Oxfam, 2006[2]; ACF, 2006). Adequate and adapted methodologies must be put in place according to each context.

- *Is cash more prone to diversion than commodities and/or does it encourage corruption?*

Various studies suggest that cash has not been more prone to diversion than commodities. An ACF study from Somalia (2006) found, however, that a small proportion of the cash was given to the local authorities. Nevertheless, this is common practice in Somalia and is considered a kind of "tax" for the village authorities, who in turn guarantee the security and the general functioning of the village. Food aid projects in the area are subject to the same practice. This "tax" is not exclusive to aid projects, but it is also collected from local businessmen for example. This said, diversion and corruption remain a real risk, and calls for adequate accounting systems and monitoring.

- *Is cash used for anti-social purposes?*

Monitoring of cash-based interventions in various countries have showed that anti-social use of cash is not common and that often women are in charge of its use (e.g. Ali et al., 2005; Oxfam, 2006; Harvey, 2005; Adams and Kebete, 2005; Peppiat et al., 2001; ACF, 2006). It should also be noted that the risk of aid being used to access non-essential items is not exclusive to cash-based interventions, it exists also for commodity distributions – for example food aid can be sold to buy cigarettes.

- *Does cash increase security risks?*

Insecurity presents a challenge to the implementation of cash-based programmes. Experience suggests, however, that these challenges come be overcome even in highly insecure contexts, such as Somalia (Harvey, 2005; Oxfam, 2006; ACF, 2006). It is also important to stress that problems related to insecurity are not limited to cash-based programmes, but are comparable to difficulties faced when implementing alternative programmes, e.g. commodity distributions.

- *Does cash cause inflation?*

Several case studies, e.g. Ghana (1994, quoted in Peppiat et al., 2001), Bangladesh (1998, quoted in idib.), Somalia (2003-2004, Ali et al., 2005), Ethiopia (2000, quoted in Harvey, 2005), Bangladesh (2001, ibid.) and Indonesia (ODI/UNDP, 2005) tend to show that long-term price changes and inflation due to cash transfers are rare. Nevertheless, there is evidence of the contrary from Ethiopia, where overall food shortages caused price inflation (UNICEF, 1988 in ibid.), highlighting the importance of adequate market surveys before, throughout and after the project.

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[1] HPG Discussion Paper *Cash and vouchers in emergencies*, written by Paul Harvey, draws a wide panel of cash-based interventions implemented and evaluated during the last 20 years.

[2] Oxfam GB *Cash transfers in emergencies* capitalises and provides lessons-learnt from the extensive Oxfam experience in cash-based interventions in various contexts.

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Cash in ACF food security programmes

Food security in ACF was originally based on the World Bank's definition in 1986: 'To ensure *access* and *availability* of enough food of appropriate *quality* to all persons at all times.' Today the *utilisation* of food is also taken into consideration. Different types of interventions are put in place to reach this goal: among others, agricultural rehabilitation, *income* generating activities, direct distributions, cash-based interventions and food security surveillance and evaluations.

Cash-based interventions are often considered as an alternative to food aid, and are used when access to food, as opposed to availability of food, is an issue (ACF Food Aid Strategy, 2005). In other words, food is available but people lack the purchasing power to access it. Nevertheless, cash can, and has been used for a variety objectives other than food within ACF, e.g. restocking, rehabilitation of livelihoods or non-food emergency needs. Even if the main aim of cash-based interventions is related to food security, cash for work programmes in particular may also address a wider set of needs through the community works component (e.g. access to water in Somalia 2004-2006). Cash-based interventions have been implemented in the following countries, with positive results:

- Cash for work:
    - Somalia, 2003-2006, to promote access to basic needs, restocking and increase the availability of water through rehabilitation of water catchments.
    - Mongolia, 2004-2006, to promote access to basic needs, including food, and rehabilitate agricultural lands and infrastructures.
    - Indonesia, 2005, to address non-food emergency needs and enable rehabilitation of livelihoods and clear habitat after the tsunami (e.g. villages, agricultural lands, drainage/irrigation channels)
    - Afghanistan, 2005, to facilitate access to food and rehabilitate a key commercial route.
    - Haiti, 2005, to promote access to basic needs whilst rehabilitating cyclone damaged structures: drainage channels in urban area, salt ponds in rural areas (a key economic activity in the intervention area).
- Vouchers:
    - Myanmar, 2003, to address temporary food shortage.
- Cash grants have not yet been implemented but remain a viable option.

Future directions for cash-based interventions within ACF

Given the encouraging feedback from cash-based interventions and the current concerns with commodity distributions, ACF will continue to implement and to promote cash-based interventions (cash for work, cash grants and vouchers). Nevertheless, special attention must be given to the following modalities and concerns, when these interventions are considered[3]:

- *Setting the objectives - Empowerment of the beneficiaries*

Cash enables beneficiaries to address their basic needs, according to their own priorities, and to take control of the relief themselves. Nevertheless, this empowerment may be limited by the implementing agency by setting a specific objective, e.g. housing, restocking etc. To truly empower beneficiaries, humanitarian agencies and donors need to move away from

[3] The general modalities of cash- or food-based interventions are outlined in ACF Food Aid Strategy, 2005.

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paternalistic approaches and enable beneficiaries to make their own choices – leaving the objectives broader could be a step in this direction. This would also call for a change in donor policies and practices to accept wider and less defined objectives for cash-based interventions.

If, nevertheless, the objectives are made specific, these must respond to an identified need and be measurable. An in-depth understanding of the context is necessary to determine these needs as well as the feasibility to attain these through cash-based interventions.

- *Targeting the beneficiaries*

The most vulnerable populations are usually the people targeted by interventions. However, extra care has to be taken in targeting for cash for work as the 'work' aspect is often physically demanding and the most vulnerable do not always have the capacity to fulfil the work objectives. The timing and mode of payment for the most vulnerable must be taken into account during beneficiary identification – the 'work' detracts from the daily means to access food for the household and thus may put people in a precarious situation if they are not paid on a frequent basis. This subject is also dealt with in the next paragraph.

- *Timing of the distributions*

The objectives and the timing must be put in context with the seasonal calendars to better understand the likely impact of a cash injection. Food availability (particularly hunger gap) and labour calendar when cash for work is considered are of particular concern. It may be appropriate to consider direct cash grants over labour-based interventions when the timing of the public works cannot be successfully matched with the main objective of the project or the labour calendar. The grant may need to be paid in a lump sum if objectives, that require large amounts of money available at once, are fixed (e.g. purchase of assets).

- *Setting the grant/salary*

Setting the grant/salary requires an in-depth understanding of the socio-economic situation of the households, including their needs and their priorities, as well as the dynamics of the environment. Such an understanding is even more crucial if the project aims to fulfil a highly specified objective, e.g. restocking. The grant/salary may be set as the amount that the households lack to cover their basic needs, or as an amount sufficient to cover *all* the project objectives (e.g. restocking and basic food needs). Vouchers may be commodity-based (e.g. one goat) or cash-based (e.g. 20 USD). When cash for work is implemented, the salary is often set just below the on-going casual labour rates, to allow for self-targeting.

- *Exchange rate fluctuations*

Fluctuations in exchange rates need consideration, both on the proposal stage as well as during the implementation phase. Unexpected variations in the exchange rates may affect the salary/grant finally available to the beneficiary as budgets are often done either in euros or in dollars, while the payment itself is done in local currency. Agencies should give themselves the flexibility to review the programme modalities in such cases and donors need to remain open to potential amendments.

- *Monitoring*

Monitoring is an essential part of any cash-based intervention and it should be planned in advance. Monitoring at this early stage of cash-based programming is of even greater importance as ACF still needs to capitalise experiences and lessons learnt. Participatory techniques should be used in monitoring alongside household questionnaires, and the results should be systematically discussed with and validated by the beneficiaries. This could lead to new programming insights. Timing of the monitoring also needs to be taken into

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consideration – larger grants may require a longer period between the distribution and Post Distribution Monitoring than smaller grants.

- *Market analysis and market surveys*

Experience shows that methodical market surveys and market analysis is crucial, even if the risk of inflation is deemed limited or the project is small in size: in Kenya in 1984, traders were unable to supply drought-affected areas because of government imposed restrictions (Drèze&Sen, 1989 in Peppiat et al., 2001), and overall food shortages caused price inflation in Ethiopia in 1984 (UNICEF, 1988 in ibid.).

An exhaustive market analysis prior to the intervention and on-going markets surveys are hence essential: the commercial networks must be mapped, the flexibility of the supply and the risk of inflation assessed, the prices followed up regularly and the access to the markets by the potential beneficiaries continuously evaluated. Additionally, potential negative (or positive) impacts of cash-based interventions can be felt regionally and not only locally – care should be taken that an increased purchasing power in one area does not induce a drain and/or a potential price increase in a neighbouring area or region.

- *Complementary interventions*

Cash interventions may complement other interventions and vice versa. If, for example, food availability is momentarily low, e.g. during the hunger gap, complementary direct food assistance may be considered, to leave the cash available for other than food purchase[4]. If, however, the availability of food in the markets is sufficient and supply deemed flexible, distributing a higher amount of cash during the hunger gap period may allow for coverage of both food and other needs. In this case care should be taken as increasing the amounts of cash during a period of shortage increases the risk of price inflation. If complementary distributions are considered, the timing of these is likely to have impacts on the use of cash and should hence be taken into consideration.

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In conclusion, ACF will continue to integrate cash-based interventions into its range of responses to meet emergency and non-emergency needs of vulnerable populations worldwide. The on-going learning from cash-based interventions will further optimise the appropriateness and quality of support given to programme beneficiaries.

[4] In addition, the food prices tend to be high during the hunger gap, leading to poor cash-to-food terms of trade and a relative cost-inefficiency in the programming from a beneficiary point of view.

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