

**Cash and Emergency Relief**  
**An Overseas Development Institute Conference**  
**19 January 2006**

## **Introduction**

A conference to discuss the use of cash in emergency relief was held on the 19<sup>th</sup> January 2006 in London. The conference was attended by 89 senior policy makers from within donor governments, UN agencies, the Red Cross Movement and NGOs as well as practitioners involved in cash based programming and key academics.

[Click here](#) for the participant list

The conference aimed to provide a forum to raise awareness within the humanitarian system of the growing body of experience with cash responses and to provide an opportunity for debate at a senior policy level about when and where cash responses are likely to be appropriate and what changes might be needed in the structure of humanitarian response for cash to be more widely considered in these cases.

There is a developing interest in and growing body of experience with cash and voucher based responses to emergencies. However, the humanitarian system as a whole remains dominated by the in-kind provision of relief, largely in the form of food aid, non-food items, seeds and shelter materials.

There exist real concerns about the feasibility and appropriateness of giving people cash. Will it be spent wisely, will women be disadvantaged, is it more prone to corruption or diversion than in-kind alternatives and will it cause inflation? Evidence from a growing range of cash programmes in a wide variety of contexts suggests that it can be delivered successfully and that these concerns can be overcome. In spite of this, cash responses are often not considered even where they might be appropriate and there remain structural institutional and organisational constraints to the wider adoption of cash based approaches.

The conference opened with an introduction by the chairman, Peter Walker, who emphasised that this conference was an opportunity to exchange information and discuss issues rather than a decision making meeting. This was followed by a [presentation](#) by Paul Harvey, from the Humanitarian Policy Group at ODI, of the findings of their recent research into the use of cash in emergencies. He pointed to the [Cash and Vouchers in Emergencies Resource Guide](#) that demonstrated the tremendous growth in cash based responses in the last 2 years even though, overall, they remain quite marginal and he spoke of the need for cash to be part of a range of response options to be considered. This was followed by presentations from six operational agencies demonstrating their recent experience with cash based projects:

### **Save the Children UK Cash for Livelihoods Recovery in Kashmir**

Household cash-transfers and business grants to earthquake affected people in Kashmir, funded by DFID. For full presentation [click here](#).

### **Horn Relief Cash-based Responses in Northeast Somalia**

A summary of Horn Relief's experience and learning from cash responses over the last two years. For full presentation [click here](#).

### **Swiss Agency for Development and Cooperation Cash-based responses in Sri Lanka**

SDC Experiences with large scale cash-based responses since 1999, with examples from Sri Lanka and Bosnia. For full presentation [click here](#).

**WFP Sri Lanka Cash Pilot**

Presentation of WFP's project in Sri Lanka, which is designed specifically to compare the impact of cash and food transfers on household food consumption, food security and livelihoods, and compare the costs and benefits of each type of transfer. For full presentation [click here](#).

**Mercy Corps**

Mercy Corps presentation of their experience with cash-for-work programming in Afghanistan and their experience with cash in Indonesia, which included both cash-for-work and cash grants.

**Oxfam**

Oxfam GB presentation of its expanded its cash transfer programming (cash for work, grants, vouchers, social safety nets) to respond to different humanitarian contexts such as drought and chronic food insecurity, floods and tsunami, urban and political insecure contexts. For full presentation [click here](#).

The remainder of the day was devoted to panel discussions, both in plenary and in smaller groups, of the key debates and issues being raised for the humanitarian system with respect to the use of cash. The rest of this document provides a summary of these debates.

## Debates

The conference debated the question “Should cash based responses be used more widely?” before dividing into smaller groups to debate other questions. This opening plenary session was intended to examine some of the larger questions around the role of cash in relief and provide the setting for the rest of the debates.

### Opening Plenary: Should cash based responses be used more widely?

The panellists brought up a number of critical topics to be discussed in considering wider use of cash, which included:

#### 1. Mainstreaming and ‘gearing up’

There have been many pilot projects but as few agencies have significant experience with projects of larger scale there are organisational and institutional challenges that would need to be overcome in order to increase significantly the use of cash.

#### 2. Acceptance

There are considerable politics involved in securing increased funding for cash based responses. While the conference is to consider the use of cash in addition to the many other possible responses, cash is very often considered as an alternative to food-aid but the supply of food resources is a very political issue internationally that reaches far beyond the humanitarian relief community.

#### 3. Appropriateness within a range of options

All of the panellists seemed to agree that there was a role for the use of cash in emergencies that could be adopted more widely but that cash is not always going to be the most appropriate response and indeed there will probably always be situations in which food-aid is the most appropriate response. Emphasis was placed on making it clear that there should not be a dichotomy of food and cash, that what should be discussed is the more mainstream consideration of cash based responses as an option in appropriate situations. All of the panellists spoke of the need for policies and tools for use in considering and delivering cash based responses and the need for further experience in delivering large cash responses.

The comments and questions from the floor discussed two main topics:

#### 1. Analysis and understanding of impact and appropriateness:

- What are the effects of cash beyond a straightforward income transfer: are there significant potential negative effects; are there significant additional positive effects (multiplier effects)? Positive multiplier effects on local economies would be a powerful argument in favour of more cash responses, but they remain largely unproven.
- There was a broad concern that agencies do not have the capacity to do economic analysis adequately enough to understand such effects.
- How much do we need to know to decide when cash is appropriate? Several people expressed that there exists reluctance to use cash because of judgements about its use and incorrect, and hypocritical, myths and assumptions about how people may use cash.

#### 2. Targeting and Chronic poverty

- There was significant concern over the ability to target cash and the purpose of cash responses. Who should receive cash as a priority? Are there people who needed assistance just as much before an emergency as after and, if so, what will happen after the emergency response?

- How should cash responses be linked to social safety nets and assistance for the most vulnerable and the chronically poor, who may not have viable livelihoods restored by relief responses? Should cash responses support government relief systems that often use cash?

### **Group Debates**

The opening plenary discussion provided the foundation for thinking about additional questions, which were then debated in smaller groups to allow fuller participation and discussion. The questions debated in smaller groups were:

1. Should cash have played a greater role in the Tsunami response?
2. Can the United Nations deliver cash based responses?
3. Cash in the transition: social protection and the role of governments.
4. What do cash based responses imply for the international food aid system?

### **Should cash have played a greater role in the Tsunami response?**

The panellists discussed their experiences with cash in the Tsunami response to set off the discussion, and these fell into three general topics:

1. Reluctance and fears that prevented use of cash:
  - fears that people would buy the ‘wrong’ things
  - concern that money would go to fund the conflict either willingly or through extortion
  - agencies had little experience with cash, did not have systems for distributing it, and did not have enough market information
  - fear of getting involved in anything that could become, or could be construed as, corruption – especially due to the huge amount of funding involved that made agencies feel nervous about very close scrutiny by donors
2. The role of government
  - In Aceh, the government did give cash to accompany WFP’s rice for two months but there was no evaluation and it came from the government’s normal funds; no donor came forward to help or extend it.
  - In Sri Lanka, the government operated a good scheme (Tafren). Donors saw that it was working well and wanted to join in.
  - In Tamil Nadu, the first aid was government aid (within 3 days) which was a mixture of cash and in-kind. NGOs came later.
  - In the Maldives the government produced a list of beneficiaries and their losses, and told aid agencies to replace them, from poor to rich. Agencies had to negotiate to say that they wanted to give according to need, and that they wanted to distribute cash grants, but the government would not allow it.
3. Specific examples of cash responses
  - Following needs assessments by locally recruited staff, British Red Cross designed a recovery programme involving housing and livelihood cash grants for up to 10,000 families. Families wrote their own livelihood recovery plans (no conditionality attached) based on a £1000 cash grant to be disbursed in four tranches. Banks were used to disburse the money upon the request of the local Red Cross volunteers working with the families, so as to avoid any possible

corruption allegations. Targeting of beneficiaries was done at whole village level and did not consider previous economic status.

#### Group discussion

The discussion was wide ranging and did not come to a specific conclusion in answer to the question but had three general areas of interest in which participants contributed their experiences and concerns:

1. Mechanisms for distribution
  - Some agencies have distributed money to villages (at, say, \$50 per head) rather than to households. This is quicker, and by and large it was then distributed to households.
  - Registration caused one agency to be very slow with their cash distribution.
  - Host families are a very important area for cash.
2. Implementation issues
  - It sometimes seems that NGOs work in competition with the government, rather than as a complement to the government.
  - Coordination is especially important with cash because cash is invisible – whereas you can see a boat or a sewing machine when you go to do a needs assessment, you cannot see cash, and could easily duplicate or miss targets.
3. Appropriateness and application
  - The tsunami context was seen by many people as appropriate for cash because much infrastructure was still in place – there were access problems for about a week and then the markets recovered.
  - Price increases in the construction industry have been blamed on cash transfers and have resulted in agencies having to provide top up cash transfers. However, the price rises in the construction industry would have occurred whether cash for houses was given or houses given in-kind, because either way, demand for construction materials would have exceeded supply.
  - An example was given of Mercy Corp's use of cash, to guarantee a £200,000 bank loan to rebuild an ice factory, that was seen to demonstrate a broader and imaginative approach to the use of cash. The ice factory was vitally important to the local economy, directly providing employment, and providing the ice that the fishing industry critically relied upon. Such an example was posited to demonstrate that livelihoods analysis and the use of cash need to be very thorough and broad, if they are to truly address the complex economies that provide people's livelihoods.
4. Organisational change
  - Cash needs to become part of the culture of agencies – it should not just depend on whether people on the ground have done it before or not (which is often how it is now).
  - Agencies do what they do best, and what they have experience in. This makes it hard for them to change what they do. Agencies do not have cash experts, and they need training and knowledge sharing.

## Can the United Nations deliver cash based responses?

The panellists made four presentations based on their experience with UN agencies:

1. Based on experience in Cambodia and Liberia in 2004 a panellist made four points based on these experiences in relation to the use of cash:
  - The extent to which specific types of programming, such as cash, is possible is often determined by the availability of staff with the necessary skills.
  - One aspect of cash is that it empowers recipients to make their own choices about what is best for them. This should be their right and is a compelling case for the use of cash.
  - Appropriate response by the UN is a concern for the whole humanitarian community, so those outside the UN, such as NGOs, should continue to push the UN to use cash when it is appropriate.
2. With regard to food-aid and the World Food Programme:
  - The food aid coverage of emergencies and protracted crises by World Food Programme and some NGOs is dependent in part on in-kind contributions (particularly from the U.S.). There are questions as to whether a significant shift away from in-kind and to cash food aid contributions - should the U.S. and other in-kind donors decide to make that move – would result in cash contributions large enough to allow aid agencies to continue covering food gaps as they are under the present system or to expand that coverage.
  - WFP's comparative advantage is currently in delivering food and providing a far-reaching logistics structure - a structure on to which cash responses might theoretically be tagged on; however, they do not now have the financial systems or technical expertise to shift in any large way into delivering cash. Should they decide to build that capacity, it would have to be done without displacing food logistics capacity - which will nevertheless still be needed in situations where a cash response is just not feasible.
3. There are two important questions to consider:
  - One is to what extent can the UN deliver any assistance at all (with WFP being the exception), regardless of the cash question? UN agencies have suffered from a large decline in operational capacity and are often dependant upon NGO partners to do their implementation, so it is a question for both the UN and NGOs.
  - The other is what is meant to be accomplished with cash interventions? There is need for a common analysis and understanding of household income scenarios and how much cash is required in different situations. Deciding when to use cash will depend on the context and the objective of the agency. If we look at Sri Lanka the question for Save the Children is will using cash impact on children? Is child labour no longer needed? In Sri Lanka education is free, so if you can solve the household cash needs people will put their children into school. Perhaps providing cash in Darfur to households to buy fuel would mean that women would not go to collect fuel putting themselves at risk, and thus cash could have a role in protection programming.
4. The FAO have been involved in social protection cash transfer programmes in Brazil and Mexico, the experience of which can be drawn upon to improve future cash responses. Issues arising from this experience:
  - Markets are very diverse and complex and can be difficult to understand, especially enough to predict the effect of cash responses upon them.
  - Cash transfers to households cannot replace public services.

- For the UN there is not just the question of having the capacity to do cash but also the level of political pressure that the organisation is under and the risks that member states/donors are willing to take. NGOs do not have the same accountability pressures and can take more risks.
- The emphasis on cash is being driven by an argument that food aid is not working or does harm, but there is very little empirical evidence to support this.
- Integrating cash responses with government systems could be challenging in places with weak government infrastructure.
- The UN has the capacity to do much better situational analysis and can provide leadership in this regard.

Group Discussion:

The discussion that followed was very broad with the following general topics discussed:

1. Analysis and assessment capacity
  - Situational analysis and assessment requirements to determine the appropriateness and effects of using cash
  - Do UN agencies consider cash as a programming option when doing analysis? UN agencies such as WFP and FSAU are developing the tools for this.
2. Relationships between UN and NGOs
  - UN and partner NGOs have designed systems to provide food and many years of food aid has a high momentum to be overcome. New systems would need to be developed to deliver cash.
  - The extent to which operations could deliver more cash is largely a question of the capacity of partner NGOs.
  - Politically, there are significant obstacles and institutional interests that prevent the consideration of cash as it threatens large scale apparatus of distributing of goods, particularly food.
3. Examples of UN cash responses
  - UNHCR Afghanistan has distributed \$50 million in cash assistance to help refugees return home. This success should be an example within the UN that cash is something that can be a standard consideration across the organisation when choosing response options.

## Cash in the transition: social protection and the role of government

Panellists presented some current thinking within donors and an example of a programme being considered in Sri Lanka:

1. Some current thinking within DFID:
  - Making the transition between emergency response, recovery and the longer term is difficult and cash may be a way of making this link.
  - Emergency responses taking place in protracted, chronic crises. The issue is whether this is the right way to respond to something that is recurrent? There is a need to change the way we respond to chronic food insecurity, chronic vulnerability and long term shocks.
  - Whether emergency response is cash or food, there is a need for a strong synergy between emergency and long term phases and, in this respect cash is a more empowering form of transfer. But the debate is not between cash and food, rather cash, food and a lot of other inputs. It is about changing the approach, not the instruments.
  - Social protection programmes should accompany the whole continuum from relief to development and be more intense at the beginning and then slowly decline.
  - Cash responses should link with the long term social protection systems that governments may deliver. There is a need to focus more on strengthening the relationships with the affected government during emergency responses. However, in many countries linking with government safety net systems is not feasible. There is a debate over whether, in some cases, donors and NGOs should take care of social protection while the government sorts out the private sectors and other key areas.
  
2. A cash transfer programme being considered by an NGO in Sri Lanka:
  - Background: Since February 2005 the Government of Sri Lanka has paid significant cash transfers to affected families. WFP is also providing food rations to the same households. Cash for Work programmes are implemented on a large scale by international NGOs and provide temporary employment for those who lost their livelihood. Income generation activities are planned for the long term. Grants in-kind to replace income earning assets and restart economic activities are the main instrument used by multilateral, bilateral and NGO donor agencies.
  - Problem: this three pronged approach does not help the poorest households who are labour scarce. This is a key factor that had been ignored or overlooked by the various international agencies' analysis. Labour scarce household members have started to refer to the tsunami as to the 'golden tsunami', which is now over because they don't receive unconditional cash transfer any more and they cannot graduate to the other two strategies.
  - Proposal: a capital based income generation scheme. The interest which will be generated from a capital deposit (granted by the agency) will help solve labour scarce households' longer term problem. It would be like a non contributory, privatised pension.

### Group Discussion:

The discussion that followed was very broad with the following significant points from the presentations discussed:

1. "It's not just about cash"
  - Participants agreed that the issue is about the whole approach of emergency response and transition, especially the approach to long term, chronic, crises.



2. Roles of government and agencies
  - The role of relief agencies in other actors in providing social protection in substitution for government is not well defined
  - There is considerable debate over how to prioritise effort on filling large gaps in social protection and investing in long term measures, in the context of weak state
3. Institutional learning
  - There is a failure within the NGO community in terms of institutional learning. The turn over is high and people are busy trying to respond to security concerns in country, mainstreaming gender, HIV-AIDS, RBM, etc. This impinges of the quality of the response as well as the learning.
4. Possible shift in donor support
  - There is a tendency to put money where systems are tested but some donors are strongly attempting to ensure they support the most appropriate response to a particular crisis, which may mean taking risks.

## What do cash-based responses imply for the international food aid system?

The panellists made the following three presentations:

1. The opening panellist suggested that there are three things to be considered:
  - For there to be more cash programming, there needs to be more cash available for it from government donors. Food-aid has been driven by 'resource availability' not needs with only some countries making their food aid budgets available as cash instead of in-kind food.
  - What is an appropriate response in given condition? It is actually quite simple to decide if transoceanic food shipping may be appropriate. If local market can't supply and nearby supplies aren't available, then it may be appropriate.
  - If cash resources are available, and cash responses are appropriate, we still need better analytical ability, which means a different way of doing early warning, vulnerability analysis, needs assessments. There is a need to understand and be able to analyse markets better, understanding pricing, supply chains, etc. better than we presently are able and a similar need to be better at evaluating real overall impact (especially the negative).
  
2. The second panellist added:
  - There is a need to understand clearly the purpose of assistance, in order to choose the most appropriate response.
  - How can donors be influenced? Presently, NGOs aren't changing what resources are actually made available to them: the US Government makes in-kind food available and NGO's are not successfully getting them to give cash instead. This is partly because the United States' ideology is not to give cash to people. The US Government gives food-aid and indeed this is the US policy domestically. The 2 billion odd overseas food-aid is dwarfed by some 50 billion of food-aid which is given domestically. Most people believe that the US doesn't like to give cash to people and doesn't like welfare.
  
3. The next panellist picked up this political discussion and followed on from it by stating that indeed it is politics that controls the international framework:
  - The issues around food-aid have become very controversial and lots of 'horse trading' is happening. Things at the WTO are not focussed on what the humanitarian community thinks is best. The WTO talks cover the food-aid convention, which got WFP and food relief people involved in them.
  - Should emergency food aid be exempt from WTO trading rules? Well, the definition of emergency food is a problem. Some of what WFP considers emergency food could be 5 years after an event. The Europeans argue with the Americans over the tying food aid (almost 100% US food is from US, while some 80% EU food is from developing world). These are very different contributions making a compromise position difficult.
  - Aid overall is increasing but there is no consensus on whether food-aid should be increasing. Since the original food-aid convention, the world and global markets have radically changed, calling into question the very appropriateness of a food-aid convention.
  - A final point is a question, are adequate resources available for emergency interventions? The answer is no. Food aid availability is very unstable as it depends on supply rather than need.

### Group Discussion

The discussion that followed was largely over the WTO negotiations and discussions in them concerning food-aid, and whether responses should rely more on markets, thus requiring the provision of cash rather than in-kind donation of food:

1. Emergencies requiring food-aid  
There was general agreement that in certain emergency situations imported food aid was certainly required, and WTO trade rules should not hinder the supply of in kind emergency food aid under such circumstances.
2. Default response  
However, the world presently defaults to large food-aid based responses, even when local markets could provide food and even when other responses such as cash might be more appropriate. One strongly voiced point of view was that this was largely a result of lobbying of the US congress by those with vested interests in the food-aid system (notably, not the producers).
3. Is cash actually available? Changes take time.  
A large problem that was discussed was that if the majority of tied food-aid might be more appropriately sourced elsewhere, or partially given as cash instead, it isn't necessarily the case that such cash would be available. However, panellists encouraged people to remain optimistic and look to long-term positive change through collective effort. We should be looking at the future and have a long term vision that we should work towards realising through political change.
4. Minimum amount of food delivery to maintain capacity?  
A particular structural question was raised about the necessary minimum level of global food-aid required to maintain a system capable of large scale emergency response. If transoceanic food-aid were to be significantly reduced, would the systems be capable of 'gearing up' for the time when very large scale emergency food is needed?

## **Closing Plenary Session: Where next for cash based responses?**

The intention of this session was to consider what cash responses mean for both donors and aid agencies: what key outstanding questions and concerns need to be addressed in further research and learning? The session was not about forming a plan of action but to stimulate thinking about what this means for the organisations for whom the participants work and for the humanitarian system more generally.

The chairman opened by asking panellists and participants to think about what they will take away from the conference and one thing that they will do as a result to realise a vision for the future.

The group was reminded by one panellist that humanitarianism is certainly not just about delivering tangibles to people. There appeared to be consensus that more thought should be applied to seeking a long term vision, thinking about how to achieve it, researching more the role of cash, and particularly, communicating more our learning from the increasing experiences of cash responses.

Discussion from the floor emphasised that cash is not a panacea and that it is one of many options for assistance that should be always considered in determining the most appropriate response. There seemed widespread desire to develop tools for cash programming and analysis, the discussion was largely within the following dialogues:

### **1. Cautious expansion**

Cash will likely continue to grow in use and several people pointed out that we should try to be critical about its limitations and open about experiences where it has been unsuccessful.

### **2. Expertise**

A universal theme that ran through all of the discussions and debates was a need for frameworks and toolkits for analysis of emergency situations to better understand the appropriateness of cash based responses and evaluation of its impact. Most agencies do not have a lot of experience with cash based responses and the pool of experts is thus quite small. A desire was expressed for agencies to work together to look for ways to increase the amount of expertise with cash responses, perhaps for example by sharing staff with each other and developing training systems together.

### **3. Research and learning – gathering and sharing evidence**

Much experience has been with small scale pilot projects, the effects of which may differ from large scale cash projects. There is a great need for ‘active-learning’ and integration of robust research and data collection into larger scale projects. The example of WFP’s pilot project in Sri Lanka, which involved a research organisation from the start of the project design, was mentioned as a good example. It was also mentioned that more effort should be made to learn from governments who have significant experience with substantial cash response systems and social safety nets.