

## Cash-based responses in emergencies

Paul Harvey

Assistance to people in emergencies can sometimes appropriately be provided in the form of cash, enabling people to decide for themselves what they most need and to buy it in local markets. Whenever in-kind assistance is provided, whether it is food aid, shelter materials, seeds or blankets, cash should be considered as a possible alternative. Deciding if cash is the most appropriate response depends on context-specific judgements about markets, about whether people can buy what they need and about whether cash can be delivered and spent more or less safely than in-kind alternatives.

The study on which this Briefing Paper is based explores the suitability of cash and vouchers in the full range of emergency contexts, from natural disasters to wars, from rich developed countries to poor developing ones. 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. Recent experience 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.

### Recent cash-based responses

Recent years have seen a rapid growth in the use of cash-based responses in emergencies. Governments in Thailand, India, Sri Lanka and Indonesia provided cash support in response to the Indian Ocean tsunami in 2004, and the Pakistan government provided very substantial cash assistance in response to the Kashmir earthquake of 2005. Aid agencies' responses have included cash as an alternative to food aid, cash to support families hosting displaced people, as an

alternative to temporary shelter in camps, large-scale cash for work projects and cash grants to enable people to rebuild livelihoods.

In southern Africa, cash grants have been piloted as an alternative to food aid in Zambia and Malawi. There is also growing interest in the potential of cash transfers as part of longer-term safety nets, to provide a more appropriate response to chronic poverty and food insecurity and potentially reduce the need for large volumes of recurrent food aid in contexts such as Ethiopia and northern Kenya.

Cash projects have been successfully implemented in difficult and conflict-affected environments, including Somalia and Afghanistan. Private remittance companies have provided a relatively safe way of transferring cash. Cash support has also often played a substantial role in emergency response in developed countries. Following hurricanes Katrina and Rita, for example, the US government provided billions of dollars in cash assistance.

### When is cash appropriate?

Box 1 sets out the key issues that arise in comparing cash and in-kind assistance programmes. Typically, questions around cash are presented in terms of its supposed advantages and disadvantages as against commodity approaches. We argue that this is unhelpful: it often presents theoretical drawbacks to cash which may not be borne out in practice, and it tends to suggest that advantages and disadvantages are fixed, rather than context-specific. We avoid this by presenting the issues as open questions, which need to be thought through on a context-specific basis.

Any kind of resource transfer will impact on markets and local economies. A central question around cash transfers is how effectively markets

**Overseas Development Institute**

111 Westminster Bridge Road  
London SE1 7JD  
United Kingdom

Tel. +44 (0) 20 7922 0300  
Fax. +44 (0) 20 7922 0399

E-mail: [hpg@odi.org.uk](mailto:hpg@odi.org.uk)  
Websites: [www.odi.org.uk/hpg](http://www.odi.org.uk/hpg)  
and [www.odihpn.org](http://www.odihpn.org)



### Box 1: 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, for instance for additional finance staff. Whether a cash grant is more cost-effective will depend on the price of goods in local markets compared to the price an aid agency would have to pay to deliver the same goods. The relative costs to recipients of transporting in-kind assistance against the costs of travel to and from markets also need to be taken into account.

**Security risks:** the attractiveness of cash may create risks both for staff transporting cash and for recipients. Conversely, cash may be less visible than in-kind aid, 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 may be particularly vulnerable to being captured by elites. It may also be more prone to diversion, particularly where corruption is high, and to seizure by armed groups in conflicts. On the other hand, it may be possible to deliver cash more securely than in-kind aid, and the risks of diversion or looting during procurement and transport may be avoided. Again, the risks are different, context-specific and not necessarily greater or lower.

**'Anti-social use':** cash can be used to buy anything. Some of the cash received may be used for anti-social purposes, such as buying alcohol. Equally, though, 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 than with in-kind assistance have largely not been realised. Where cash has been specifically targeted at women, it has sometimes given them greater voice within the household. Again, however,

the gender-specific impacts of cash need to be assessed on a case-by-case basis.

**Choice, flexibility and dignity:** cash allows recipients to decide what they should spend the money on. This allows people to choose what they most need, and for this to vary from person to person. Greater choice may help to foster dignity in the receipt of assistance. Using banks as delivery mechanisms may enable people to avoid the indignity of having to queue for assistance at distribution sites.

**Market impacts:** any kind of resource transfer will affect markets and local economies. In deciding whether to provide cash or in-kind assistance, these effects 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 impacts on local economies through multiplier effects, and are less likely than in-kind transfers to discourage local trade or production.

**Consumption/nutrition:** food aid can be fortified to address micro-nutrient deficiencies. Cash may also promote 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 more problematic than targeting in-kind assistance.

**Skills and capacity:** implementing cash projects requires different skills and capacities. 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.

will be able to respond to an injection of cash. Put simply, will people be able to buy what they want 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. This requires a capacity to analyse markets at local, national and regional levels, both in the assessment process and in ongoing monitoring.

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?
- Where did people buy these goods before the disaster, and where will they buy them after the disaster? Will this be accessible – in terms of distance, cost and price?
- How have markets for key goods been affected by the crisis? Issues to consider include damage to transport links, warehousing and whether traders have lost stocks or died.
- Can people buy what they need in local markets? Depending on the objective of the cash project, this might be food, shelter materials, blankets or seeds.

- How competitive is the market, and will local markets be able to respond to an increase in demand? Is there likely to be a surge in demand for particular goods (such as building materials)?
- What is the normal seasonal pattern of prices, and how is the disaster likely to affect this?
- What is likely to happen to the prices of the goods people will want to buy over the course of the project?
- If there is a risk of price increases, are they likely to be directly caused by the cash transfer, or are they related to other factors?

Agencies are often reluctant to consider cash-based responses because of a perception that they may be more vulnerable to corrupt diversion, looting or theft. Assessing whether cash can be delivered safely by agencies, and spent safely by recipients, is one of the keys to determining whether cash is feasible. There are very clear concerns about giving people cash in the context of conflict and predatory political economies. However, evidence from existing cash and voucher projects suggests that ways can be found to deliver and distribute cash safely even in conflict environments; in some situations, cash has been less prone to diversion than in-kind alternatives.

Corruption and 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. Some of the key risks associated with in-kind distributions relating to the 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 and corruption risks associated with cash transfers. Recipients can collect their cash from banks or post offices discreetly, when it is convenient and safe for them to do so, rather than receiving assistance during highly visible distributions. Where banks do not exist, aid agencies have been able to use a variety of innovative delivery mechanisms, including mobile banking services, sub-contracted security companies and remittance and money transfer companies.

## The impact of cash

The basic question in considering the impact of cash transfer programmes is what people purchase with the money they receive. The lack of control over what cash is spent on is one of the reasons for caution in the use of cash-based approaches. For aid agencies accustomed to reporting to their donors and public supporters that they have provided food to starving children or plastic sheeting to people with no shelter, the provision of cash means accepting a worrying lack of certainty about what their assistance will be used for. Part of

the concern is that 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 buying food for hungry children; in conflicts, the funds could be used to purchase arms.

The evidence from monitoring reports and evaluations overwhelmingly suggests that people spend cash on the basic items that they need to survive and protect their livelihoods: there is very little evidence of cash being used in what can be labelled 'anti-social' or inappropriate ways. When conditions are particularly severe, people are likely to spend cash on basic needs, primarily food and small items such as soap. In situations where large debts are a major source of livelihood stress, cash has been used to pay off debts. Where the amounts provided are more generous or immediate needs less severe, people spend cash on key investments such as livestock or trading, and on services, notably health and education. Where cash grants have been provided for particular aspects of recovery after disasters, such as shelter or business recovery, monitoring and evaluation suggest that cash is spent for these intended purposes, and this has often been a condition of the grant. There is little evidence for the frequently raised concern that cash is more likely than in-kind assistance to be controlled by men within the household, and therefore less likely to be spent on food.

## Monitoring and evaluation

Monitoring and evaluating cash projects is sometimes seen as difficult because cash can be spent in a wide range of ways. Relief agencies 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 try to 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 it will be spent on. However, agencies can still monitor what people spend grants on, and can use this to build up a picture of the impact of cash transfer programmes. At 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.

Other issues to consider include security and corruption risks, gender concerns, the cost-effectiveness of cash compared to alternatives, and the wider impact of cash on local economies and businesses.

### Barriers to cash programming

Given the arguments in favour of cash-based responses, why have agencies remained so reluctant to use cash? The structure of the humanitarian system seems to inhibit consideration of cash and voucher responses. In the UN system, cash or voucher-based approaches are almost completely absent, perhaps because the dominant operational agency (WFP) provides food aid. This is part of a wider debate about the dominance of food aid in current humanitarian responses, and the extent to which this is due to the continued tying of aid to food surpluses in donor countries. There are, however, recent signs of movement in this respect. WFP is piloting cash-based responses, and has started to debate whether it could provide cash as an alternative to food aid when it is deemed appropriate.

The reluctance to consider cash is also related to the underlying attitudes and assumptions that humanitarian aid practitioners have towards the people that they are trying to help. There is a sense in which cash is threatening. Partly, this relates to the loss of control discussed above; giving people money involves a transfer of choice from the agency to the affected population. The widespread assumption that people will misuse cash hints at the feelings of superiority which sometimes underpin relations with 'beneficiaries', a term which itself suggests the passive receipt of assistance. These questions are rarely openly acknowledged or discussed, but they nonetheless play an important part in shaping how humanitarians relate to the people they seek to help.

More prosaically, aid agencies still sometimes lack the skills and expertise to implement cash approaches. The number of people with experience of cash projects is expanding as the number of cash responses increases and people learn on the job. Manuals and guidelines are also starting to be developed. There is, however, a need to guard against creating 'cash experts', and to avoid over-complicating what should be the fundamentally simple task of giving people money. Cash should not be seen as a sector in its own right, but as a

mechanism that needs to be considered across all sectors of humanitarian response. As such, all relief practitioners should see cash as one of the options available to them. This implies that information on how to implement cash based responses should be included in generic policies and guidelines, in induction training for new staff, in technical training courses, for instance on assessment methodologies, and in disaster preparedness and contingency planning processes.

### Conclusion

The growing importance of cash-based responses in emergencies has potentially far-reaching consequences for the management and delivery of humanitarian relief. It is likely that cash-based programming will continue to grow, probably at the expense of in-kind mechanisms in some contexts. Cash is an alternative to all forms of in-kind assistance, and 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.

Humanitarian actors need to develop the skills to assess whether cash-based responses are appropriate, and to implement them when they are. Donors will also need to develop the skills and capacity to make informed decisions about whether to fund cash responses. The central role played by national governments in providing cash aid in Pakistan and following the Indian Ocean tsunami suggests that, where governments have the capacity, they are the most appropriate delivery channels. This 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 within social protection strategies may also lead to a reduced need for the regular provision of large volumes of food aid, particularly in parts of Africa. Giving people cash to enable them to buy what they need is a simple concept, and should be a staple part of humanitarian response.

**Paul Harvey** is a Research Fellow with the Humanitarian Policy Group.