Helpdesk Research Report: Cash transfers in fragile/conflict-affected environments

21.02.11

Query: What has been the experience of social cash transfers - conditional or unconditional - in fragile and/or post-conflict states? Are there examples of this kind of scheme, or do they only operate in relatively stable countries? What are the conditions that generate success? What are the lessons learned?

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1. Overview

In-kind assistance has traditionally dominated social protection programming in fragile and conflict-affected contexts (Holmes, 2009). In recent years, however, there has been a rise in the implementation of cash transfer schemes in such environments. These programmes have often been relatively small scale, in comparison with larger commodity distributions. Despite this rise in cash programming in such environments, there is limited research and evaluation of this area. This helpdesk report aims to draw out some of the challenges, outcomes and lessons learned from experiences in fragile or conflict-affected environments from the available literature.

Challenges

There are various concerns about adopting cash transfer programmes in fragile and conflict-affected settings (see Holmes, 2009; Harvey, n.d.; Holmes and Jackson, 2007; Willibald, 2006). These include:

- Insecurity, ongoing conflict in some areas and the risk of a return to conflict, hindering the safe delivery and receipt of cash benefits
- Weak state capacity that constrains the ability of governments to plan and implement cash transfer schemes
- Difficulties in targeting
- The possibility of creating inflation in weak markets
- The absence of a banking system
- The risk of corruption and diversion and capture of cash by elites and armed groups

Cash is not, however, necessarily more prone to corruption than food aid projects (Mattinen and Ogden, 2006). Harvey (2007) stresses that all kinds of interventions, whether cash or in-kind, are challenging in such contexts. Thus, ‘the question is not whether cash is harder than in more peaceful environments, but whether cash is more or less difficult than possible alternatives’ (p. 4).

Outcomes

The following are some of the reported positive and negative outcomes of various cash transfer schemes in fragile and conflict-affected states:

- Limited effect on poverty reduction: The GAPVU cash transfer programme in Mozambique, although small, is seen to have contributed to food security and poverty reduction. Its urban focus however, and income criteria, meant that the programme only served a tiny fraction of the poor (Samson et al., 2006). In Nepal, cash transfer programmes are considered to have had a minimal effect on poverty reduction. This is due in part to low coverage, low levels of benefits and limited institutional capacity. The government has recently expanded the cash transfer programme through lowering the pension age and by including members of marginalised indigenous groups regardless of age, which may result in more pro-poor outcomes (Holmes and Uphadya, 2009). In Bosnia, the cash transfer schemes implemented shortly after the Dayton peace agreement were found to be poorly targeted and failed to reach many of those eligible based on the established criterion (declared income). There were also substantial leakages to those considered ineligible. As such, while the aid programme reached many of the poor, it also excluded a large percentage of the neediest (Andersson et al., 2011). In Afghanistan, a study found that most relief agencies' programmes (primarily cash-for-work) did not reach the very poor (Hofmann, 2005).
- Increase in access to services and ability to meet needs: Evaluations of emergency cash transfer programmes (and longer-term social protection programmes) demonstrate that some of the cash from programmes is spent on accessing services such as schooling and health care (Harvey, 2007). In Somalia, the use of cash resulted in an immediate improvement in purchasing power and targeted populations had flexibility to prioritise their needs (Mattinen and Ogden, 2006). In the case of cash programmes for ex-combatants, money received was spent on meeting living expenses and family needs (Willibald, 2006).
- Additional social benefits: Although poverty reduction impacts have been limited in some cases, there have been positive outcomes in other areas. In Nepal, the social security scheme, in particular the pension scheme, is considered to have improved relationships with other family members and reduced beneficiaries' dependence on their families. It has also contributed to a sense of citizenship, which is particularly important in a post-conflict context. (Holmes and Uphadya, 2009). In Colombia, there is evidence that the conditional cash programme, *Familias en Acción*, has had a positive impact on social capital. It has contributed to higher levels of cooperation and trust in beneficiary communities (Attanasio et al., 2009). Such social advantages have greater importance in fragile and conflict-affected settings than in peaceful countries (Holmes, 2009).

Lessons learned

Some lessons drawn from experiences in fragile and conflict-affected settings include:

- Conducting analysis, including market analysis: It is important to develop the capacity to conduct proper analysis that will allow for informed decisions about the appropriate mechanism to adopt (Harvey et al., 2007). In particular, it is essential to understand how local economies and markets work, and to determine whether markets are strong enough to respond to increased demand from cash transfers. This will determine the risk of cash transfers contributing to inflation. If markets are weak, cash transfer schemes may not be appropriate (Harvey, 2007; Mattinen and Ogden, 2006).
- Linking demand-side and supply-side interventions: If cash programmes are preferred, weaknesses in the availability of infrastructure, goods and services can be addressed through concurrent investment in the supply side. The maternity incentive scheme in Nepal is an example of where successfully linking demand-side and supply-side interventions (investment in health care provision) has improved programme effectiveness (Holmes and Uphadya, 2009). In other contexts, programmes could target specific geographic areas that already have adequate supply-

side health and education systems. This could, however, result in the poorest of the poor being bypassed (Cohen et al., 2008).

- Strengthening the social contract: Linking demand-side and supply-side interventions can also contribute to strengthening the social contract. Cash transfers can be more effective in supporting state-citizen relations if they are linked with complementary services, such as those that support access to legal support and to civil documentation (Holmes, 2009).
- Addressing institutional capacity constraints: Although it is important in the medium and long term to rely on government structures to implement transfer programmes and to support government ownership, there is a concern that in the short term, local institutions will be overburdened. This could result in implementation and delivery errors. In Nepal, there is concern that plans to scale up cash transfer programmes have not included additional provision for implementation or capacity strengthening (Holmes and Uphadya, 2009).
- Ensuring proper skills and resources: The poor distribution of funds and significant leakages in the cash transfer scheme in Bosnia were partly attributed to the lack of relevant skills in humanitarian agencies: agencies needed the skills to handle disbursements and to train national organisations to do so (Andersson et al., 2011). In Mozambique, attempts to scale up the successful GAPVU cash transfer programme resulted in problems with corruption. Limited resources were allocated to overheads and administrative expenses, which lead to insufficient capacity to ensure that funds were delivered to targeted beneficiaries (Samson et al., 2006).
- Tackling targeting issues: Cash is generally considered more attractive to the broader community, as opposed to specific forms of in-kind assistance. As such, agencies may have to put more effort into targeting and will need the skills and resources to do so (Harvey, 2007). In order to determine who to target, information on the economy and population is essential. In some conflict-affected environments, however, much of this information could have been lost or destroyed (Holmes and Jackson, 2007). Community participation can be an important element of targeting (Holmes and Jackson, 2007; Hofmann, 2005).
- Balancing the goals of poverty reduction and social cohesion: The dual objective of reducing poverty while also supporting social cohesion and the peace process is difficult to manage. Scarcity of resources usually results in the targeting of priority social groups, which can create community divisions and tensions (Holmes, 2009).
- Ensuring safe delivery mechanisms: Past experience indicates that there are a range of innovative and appropriate methods to safely transfer money to people. In Somalia and Afghanistan, for example, reliance on existing remittance organisations, money transfer companies and local banking systems have been effective and safe methods of delivering cash to beneficiaries, even in insecure areas (Holmes, 2009; Harvey, 2007; Mattinen and Ogden, 2006; Hofmann, 2005). Money can also be more discrete than the delivery of highly visible in-kind transfers (Harvey, 2007; Hofmann, 2005).
- Countering corruption: There is some concern that cash transfers are more susceptible to corruption.However, this concern has less to do with cash as an instrument and more to do with eligibility criteria, choice of payment location, and commitment shown in relation to the enforcement of such regulations (Willibald, 2006). There is a risk of corruption with any instrument if there is a lack of accountable and transparent checkpoints. These need to be established and built into government and local government, and should include the involvement of civil society groups. It is also important to identify where corruption may occur in the process of implementation in order to better address the risk (Holmes and Jackson, 2007).
- Setting up a monitoring and evaluation system: Monitoring entails ensuring that the cash provided reaches the targeted beneficiaries and that leakages are minimal. It is also useful in tracking how cash is used. In addition, commodity prices must be monitored to ensure that extra cash does not cause inflation such that beneficiaries cannot purchase the goods and services they require (Hofmann, 2005; Holmes and Jackson). In order to determine the impact of cash schemes (and to improve policy and programming design), it is essential to set up a monitoring and evaluation system within government offices and to improve collection and analysis of disaggregated data (Holmes and Uphadya, 2009). Community participation (e.g. social audits) is also important for monitoring. In Somalia, programme success was attributed in part to strong community involvement, reliance on community structures, and high levels of transparency and monitoring (Mattinen and Ogden, 2006).

2. General literature

Conflict-affected contexts

Harvey, P., n.d. 'Social Assistance in Conflict and Post Conflict Affected Countries'

This paper provides an overview of the difficulties of providing social protection in the context of fragile, conflict-affected environments. It highlights the following challenges:

- "Ongoing conflict, the risk of a return to conflict and high levels of insecurity make implementation of social protection programmes more difficult and achieving predictable and regular transfers particularly problematic.
- Weak state capacity – meaning that the ability of governments to develop policy and plan and implement programmes is limited
- In some contexts governments may themselves be abusive and predatory making it difficult for international actors to work with them.
- Donors may have restrictions on working directly with governments with which they have political differences.
- Low revenues – fragile governments may have a particularly low revenue base making the affordability of social protection especially challenging" (p. 7).

The paper argues that it is essential to engage in comprehensive analysis of both informal and formal processes of politics and networks of power in order to determine whether state owned and delivered social assistance is appropriate and feasible.

Holmes, R., 2009, 'Cash Transfers in Post-Conflict Contexts', ODI Project Briefings, no. 32, Overseas Development Institute, London
http://www.odi.org.uk/resources/download/3507.pdf

In-kind assistance has traditionally dominated post-conflict social protection programming; however, there has in recent years been a rise in the use of cash transfers in conflict-affected contexts. This brief aims to address the dearth of research on cash transfers in such settings by discussing emerging evidence on the experience of cash transfers in fragile and post-conflict contexts. It draws on case studies of Nepal and Sierra Leone.

There are various concerns about adopting cash transfer programmes in conflict-affected settings. These include:

- The feasibility of delivering cash
- The possibility of creating inflation in weak markets
- Difficulties in targeting
- Appropriateness of cash as a social protection instrument
- The risk of corruption
- Limited governmental institutional capacity, affecting delivery

Cash transfers, however, can have social advantages in fragile and conflict-affected settings, that are less important in peaceful countries. The redistributive nature of social protection, for example, may reduce the likelihood of conflict. In addition, the visible and tangible nature of cash transfers can support positive state-citizen relations and state legitimacy. In both Nepal and Sierra Leone, one of the objectives of social protection interventions has been to promote social cohesion and contribute to the peace process, through for example, targeting previously excluded groups and relying on decentralised government structures to implement transfers.

In Nepal, cash transfers have been in place since the mid-1990s and continued during the conflict. Originally provided to the elderly, disabled and widowed, the government has since sought to extend cash transfer programmes to excluded minority groups. The value of cash transfers has been low, however, and transfers have rarely been linked to other programmes and services (aside from education and maternal health subsidies). Funding bottlenecks and low institutional capacity have further diluted value and reduced actual coverage. Delivery has also been constrained due to continuing armed conflict in some areas of the country and poorly functioning decentralised government structures.

In Sierra Leone, there has been little prior experience with cash transfer programming. Pilot schemes launched in 2007 comprised transfers to the elderly and a cash-for-work programme for unemployed youth, ex-combatants and former refugees. This programme was short-term, however, and had limited linkages to longer-term initiatives. The small value of transfers and limited coverage suggests that it is unlikely that the schemes will contribute to any significant poverty reduction.

Some challenges and lessons drawn from experiences in Nepal, Sierra Leone and other conflict-affected settings include:

- Institutional capacity: although it is important in the medium and long term to rely on government structures to implement transfer programmes and to support government ownership, there is a concern that in the short term, local institutions will be overburdened. This could result in implementation and delivery errors. In Nepal, plans to scale up cash transfer programmes did not include any additional provision for implementation or capacity strengthening.
- Targeting: the dual objective of poverty reduction and supporting social cohesion and the peace process is difficult to manage. Scarcity of resources usually results in targeting priority social groups, which can create community divisions and tensions. Such tensions can result even in peaceful countries, but can be especially detrimental in conflict-affected contexts, particularly if the conflict has its roots in social divisions.
- Delivery mechanisms: innovative and appropriate programme design and implementation can be learned from other countries. In Somalia and Afghanistan, for example, reliance on the existing forms of money transfer mechanisms (such as remittance organisations) have been effective and safe methods of delivering cash to beneficiaries, even in insecure areas.
- Social contract: cash transfers can be more effective in supporting state-citizen relations if they are linked up with complementary services such as supporting access to legal services and to civil documentation.

Emergency contexts

Harvey, P., Holmes, R., Slater, R. and Martin, E., 2007, 'Social Protection in Fragile States', Overseas Development Institute, London
http://www.odi.org.uk/resources/details.asp?id=3466&title=social-protection-fragile-states

This paper explores the key issues around options for social protection in fragile states. It includes a section on 'Cash transfers and shifts from emergency food aid to social protection' (see pp. 21-24). While cash transfers have often been considered difficult in conflict environments, their successful delivery in Somalia, Afghanistan, Mozambique and the DRC (in some instances, even where conflict was still ongoing) has made it an option. Many of the cash transfer projects managed by international aid agencies have been relatively small scale, however, in comparison with larger commodity distributions. As such, there are still questions about risks of inflation and corruption with larger scale projects. The paper emphasizes that the success of cash transfers in some emergency contexts does not mean that they will always be appropriate. It is important to develop the capacity to conduct proper analysis (e.g. market analysis to assess the ability of markets to respond to increased demand produced by cash transfers) and to make informed decisions about what range of mechanisms should be used.

Harvey, P., 2007, 'Cash based Responses in Emergencies', Humanitarian Policy Group Report no. 24, Overseas Development Institute, London
http://www.odi.org.uk/resources/download/229.pdf

This report discusses the use of cash transfers in unstable contexts. It argues that interventions of any sort, whether cash or in-kind, are challenging in complex emergencies and predatory political economies. Thus, 'the question is not whether cash is harder than in more peaceful environments, but whether cash is more or less difficult than possible alternatives' (p. 4).

There are two broad sets of questions that are relevant in evaluating the appropriateness of cash responses:

1. The state of markets: it is important to understand people's livelihoods and how local economies and markets work. In some contexts, markets may be particularly disrupted by crisis, making in-kind assistance more appropriate; whereas in other contexts, markets can be resilient and able to respond to increased demand. In the latter, increased demand can result in positive effects, benefiting local traders and businesses. A key consideration, however, is whether cash transfers will contribute to inflation.

2. Implementation: it is important to consider whether cash responses can be practically implemented – whether staff have the necessary skills; whether targeting is feasible; and whether there is a safe way to deliver cash to beneficiaries. Since cash is more attractive to the broader community, agencies may have to put more effort into targeting. However, the extra capacity required for this may be offset by reductions in the capacity needed to procure, transport and store in-kind assistance.

There is little empirical evidence to support the view that the greater attractiveness of cash results in greater security risks or corruption. Past experience indicates that there are a range of options and innovative methods to safely transfer money to people (e.g. banks, mobile services, and local remittances and money transfer companies as in Somalia and Afghanistan). Money can also be more discrete than the delivery of highly visible in-kind transfers.

In terms of outcomes, one of the findings, based on many evaluations of emergency cash transfer programmes (and longer-term social protection programmes), is that some of the cash from programmes is spent on accessing services such as schooling and health care. In addition, concerns about 'anti-social' or inappropriate use of cash are criticized for imposing value judgments or for lack of understanding of context. In Mozambique, for example, 'demobilised soldiers returning to their villages sometimes spent some of their demobilisation grant on alcohol, but far from being anti-social, this was part of a village celebration that helped to reintegrate them' (p. 38).

See also:
Harvey, P. and Holmes, R., 2007, 'The Potential for Joint Programmes for Long-term Cash Transfers in Unstable Situations', Humanitarian Policy Group, Report commissioned by DFID, Overseas Development Institute, London
http://www.odi.org.uk/resources/download/218.pdf

3. Case Studies

Holmes, R. and Uphadya, S., 2009, 'Cash Transfers in Post-Conflict Nepal', Overseas Development Institute, London
http://www.odi.org.uk/resources/download/4690.pdf

This paper assesses the cash transfer programme in Nepal. Cash transfers are a widely accepted mechanism in Nepal. The government's commitment to the social security scheme is considered a political tool – as cash is seen as a visible and direct transfer from government to people. The paper finds that:

- The design of cash transfer programmes and implementation problems have resulted in limited poverty reduction. This is due in large part to: low coverage, low levels of benefits, low institutional capacity and funding bottlenecks, exclusion errors, continued violence in some areas and unpredictable delivery. The government has recently expanded the cash transfer programme through lowering the pension age and by including members of marginalised indigenous groups regardless of age, which may result in more pro-poor outcomes.
- Although poverty reduction impacts have been limited, there is some indication of other positive social impacts. The social security scheme, in particular the pension scheme, is considered to have improved relationships with other family members and reduced beneficiaries' dependence on their families. It has also contributed to a sense of citizenship, which is particularly important in a post-conflict context.
- Attention to the markets – the supply side of infrastructure, service and programmes – is essential in order to meet increased demand through cash transfers. This has been inadequate in Nepal, aside from the maternity incentive scheme, which has successfully linked demand-side and supply-side interventions (investment in health care provision), which has improved the programme's effectiveness.
- The changing political landscape in Nepal – and in other post-conflict contexts – can facilitate policy development and the introduction or expansion of a social security system.
- There is limited evidence on the impacts of the scheme. In order to determine impact (and to improve policy and programming design), it is essential to set up a monitoring and evaluation system within Government offices and to improve collection and analysis of disaggregated data..
- Institutional capacity constraints are a key challenge that needs to be addressed. The expansion of the cash transfer scheme may put the already limited staff under more pressure, resulting in possible implementation and delivery errors. Additional provision for implementation or capacity strengthening is important for scaling up.

Holmes, R., and Jackson, A., 2007, 'Cash Transfers in Sierra Leone: Appropriate, Affordable and Feasible?', Overseas Development Institute
http://www.odi.org.uk/resources/download/3163.pdf

While there is no official social protection strategy in place in Sierra Leone, this paper discusses the small number of cash transfer programmes (direct cash transfers and cash-for-work) that have been implemented by the government and international actors. It highlights some challenges in the implementation of social protection more generally:

- Institutional capacity constraints: delivery by the government, particularly of larger-scale schemes, is difficult due to limited staff and financial capacity, limited infrastructure, weak accountability mechanisms and weak institutional linkages and coordination.
- Targeting issues: information on the economy and population is necessary in order to determine who to target; however, this information was largely destroyed during the war in Sierra Leone. Further, while a range of targeting methods can be used, including community targeting, lack of monitoring makes it difficult to assess leakages and exclusion in these programmes.
- Dual objectives: social protection instruments are aiming to address risk and vulnerability in both the economic (income) and social (increasing social cohesion) realms. Targeting the groups that pose the most risk to social cohesion, rather than the most needy groups, may exacerbate social inequalities and tensions, rather than reducing tensions.

Some challenges specific to cash transfer schemes include:

- Market constraints: markets continue to be thin in many places in Sierra Leone, requiring additional interventions, such as market response interventions, or the combining of food and cash transfers.
- Infrastructural constraints: the absence of a financial system is problematic but not insurmountable.

- Corruption: there is some concern that cash transfers are more susceptible to corruption, especially given the lack of accountable and transparent checkpoints. These need to be established and built into government and local government and should include the involvement of civil society groups. It is also important to identify where corruption may occur in the process of implementation in order to better address the risk.

Andersson, N., Paredes-Solis, S., Sherr, L. and Cockcroft, A., 2011, 'Cash Transfers and Social Vulnerability in Bosnia: A Cross-sectional Study of Households and Listed Beneficiaries', Disaster Medicine and Public Health Preparedness
http://www.dmphp.org/cgi/content/abstract/dmp.2010.49v1

This paper assesses the Emergency Social Fund, established by international donors in Bosnia and Herzegovina in 1996 (the year after the Dayton peace agreement was signed). The Fund was given out as cash payments with the aim of stimulating the immediate post-war market. Surveys were conducted shortly before the completion of the 1-year programme to evaluate the programme's targeting. The paper reports that the cash transfer programmes were poorly targeted and failed to reach many of those eligible based on the established criterion (declared income). There were also substantial leakages to those considered ineligible. As such, while the aid programme reached many of the poor, it also excluded a large percentage of the neediest. The problem was not the eligibility criterion but the actual distribution of funds.

The paper outlines some of the advantages of cash transfer schemes articulated in the literature. They include: entitlement, dignity, choice, food diversity, and market stimulation. Commonly cited disadvantages include: security risks, corruption, diversion, increased gender inequity, antisocial use, and inflation of local markets. It stresses that many authors argue that these negative aspects can be minimized if humanitarian agencies have the skills to identify when cash transfers are appropriate and when adequate monitoring systems are in place. The paper argues that none of the humanitarian agencies operating in Bosnia at the time of the crisis had these systems in place or the skills to handle the disbursements or to train national organisations to do so.

Samson, M., van Niekerk, I., and Mac Quene, K., 2006, 'Designing and Implementing Social Transfer Programmes', Economic Policy Research Institute, Capetown
http://www.epri.org.za/rp38.pdf

This paper notes that even in fragile states (e.g. Nepal and Mozambique in the early 1990s), governments have carried out cash transfer programmes effectively. It provides a brief description of the GAPVU cash transfer programme in Mozambique. Cash transfer payments were made to more than 70,000 households. Although small, they contributed to food security and poverty reduction. It's urban focus however, and income criteria, meant that the programme only served a tiny fraction of the poor. Nonetheless, the programme was considered to function well in the first five years, despite the low state capacity and limited fiscal resources. Attempts to scale up the programme, however, with limited resources allocated to overheads and administrative expenses, resulted in problems with corruption. The programme was suspended and then re-emerged under a new name on a smaller scale. The paper stresses that this does not mean social transfer programmes should not be implemented in fragile contexts. Instead, properly-resourced, robust administrative systems and effective monitoring and supervision are needed.

Cohen, M. J. et al., 2008, 'Social Policy In a Fragile State: Institutional Issues in the Implementation of a Conditional Cash Transfer Program in Haiti', Prepared for Presentation at the International Studies Association's 49th Annual Convention, 29 March, San Francisco, CA
http://www.allacademic.com/one/www/www/index.php?cmd=Download+Document&key=unpublished_manuscript&file_index=2&pop_up=true&no_click_key=true&attachment_style=attachment&PHPSESSID=992ac9167a67f4c9a43d988a33a06963

This paper assesses whether a conditional cash transfer (CCT) programme could feasibly be implemented in Haiti, a low-income and resource-poor country that has been undergoing political transition. It finds that such a programme would be feasible through careful coordination of activities by key institutions. It recommends a pilot programme that would comprise of:

- Parallel conditional cash transfer and unconditional cash transfer pilot projects in order to engage in comparative learning. The authors note, however, that given limited capacity in fragile states and the strong desires of Haitian families to send their children to school, conditionalities may not be necessary. They would also be difficult to monitor.
- A monitoring and evaluation system in order to assure effective operations and maximise impact.
- Implementation in a small number of areas, with the potential to scale up after evaluation.
- Implementation in areas with adequate supply-side health and education systems. Joining supply-side programmes with efforts to improve the demand side through cash transfers could, however, result in the poorest of the poor being bypassed.

Social capital

Attanasio, O., Pellerano, L., Reyes, S. P., 2009, 'Building Trust? Conditional Cash Transfer Programmes and Social Capital', Fiscal Studies, vol. 30, no. 2, pp. 139-177
http://onlinelibrary.wiley.com/doi/10.1111/j.1475-5890.2009.00092.x/abstract

Many conditional cash transfer programmes target women and specify as a condition social activities, such as attending meetings and visiting a health centre. This provides an opportunity for women to socialise regularly with women in similar situations. Drawing on the case of the conditional cash programme in Colombia, *Familias en Acción*, this study finds quantitative and qualitative evidence of positive impact of the programme on social capital. It finds that the socialising conditions in such programmes can have the effect of improving cooperation and trust in beneficiary communities. The authors caution, however, that in other situations where benefits are only offered to a subset of households in a small locality, there is a potential for conflict that threatens pre-existing relationships.

DDR

Willibald, S., 2006, 'Does Money Work? Cash Transfers to Ex-Combatants in Disarmament, Demobilisation and Reintegration Processes', Disasters, vol. 30, no. 3, pp. 316–339.
http://onlinelibrary.wiley.com/doi/10.1111/j.0361-3666.2005.00323.x/pdf

This paper discusses cash transfer programmes for ex-combatants in Liberia and Sierra Leone. It provides an overview of advantages and disadvantages of cash transfer schemes highlighted in the literature and explores whether some of the disadvantages cited are valid, based on the DDR schemes. Advantages cited include: maintaining the dignity of beneficiaries; cost-efficiency; and positive knock-on effects on local markets and trade. Disadvantages cited include: money being spent on 'demerit' goods and services, such as alcohol and gambling; diversion and capture of cash by elites and seizure by armed groups; security risks for beneficiaries and programme staff; inflationary risks; negative implications for women who may have less control over cash than alternatives; and inadequate markets to meet increased demand. It is often argued that cash transfers are unsuitable in conflict-affected environments where states have collapsed, conflict may be ongoing, markets are weak and there is no banking system. Increasingly, however, cash schemes are being implemented in such environments.

Surveys conducted in Sierra Leone among ex-combatants find that money received was spent on meeting living expenses and family needs. A lesson learned from the case of Liberia is that money should not be provided to children (child soldiers) as they are unlikely to use the cash for productive purposes; rather, many spent cash on drugs. It is advised that cash be given to women dependents of ex-combatants, which can prevent misuse. The view that cash to ex-combatants can cause community resentment is valid in some cases; although it was found in Sierra Leone and the Republic of Congo that initial community resentment is likely to lessen once the gains of the transfers are recognised, and if additional community-focused programmes are implemented. As for whether cash fuels corruption, the paper stresses that the presence of corruption has less to do with cash as an instrument and more to do with eligibility criteria, choice of payment location, and commitment to the enforcement of such regulations.

Emergency contexts

Hofmann, C.A., 2005, 'Cash Transfer Programmes in Afghanistan: A Desk Review of Current Policy and Practice', Humanitarian Policy Group Background Paper, Overseas Development Institute, London
http://www.odi.org.uk/resources/download/309.pdf

This paper discusses cash-based programmes in Afghanistan, focusing on the cash-for-work scheme – the most common approach adopted. Arguments in favour of cash rather than food aid that have been cited in the literature and by the Afghan government include: greater efficiencies with cash transfers; the promotion of market recovery; individual choice; and better prospects for institutional strengthening. Cash was particularly desirable in Afghanistan as there was a lack of labour opportunities and high levels of indebtedness. The paper discusses some key issues with implementing and monitoring the cash scheme:

- Security: cash is sometimes considered more vulnerable to looting or misuse than food aid as it may be easier to take and hide. However, cash may also be handled with more discretion if appropriate security measures are taken. In Afghanistan, payments in the north were made directly to individual labourers as conditions were more secure there. In the south, however, insecurity required alternative delivery methods. Local banking systems (the *hawala*) were relied upon to transfer payroll cash to group leaders in the field, who then paid individual labourers. In other cases, the implementing agency paid salaries directly, but tried to limit looting by varying distribution days and not disclosing the time and date of payment in advance to anyone other than the senior staff in charge of distribution.
- Targeting: it is questionable whether cash-for-work programmes reach the most vulnerable. A study found that most relief agencies' programmes in Afghanistan did not reach the very poor. Where possible, cash-for-work programmes could be combined with other types of support for those who cannot work. Community participation is an important part of targeting.
- Monitoring and evaluation: community participation (e.g. social audits) is also important for monitoring. Monitoring entails ensuring that the cash provided reaches the targeted beneficiaries; and is useful in tracking how cash is used. It is also important to monitor commodity prices to ensure that extra cash does not cause inflation such that beneficiaries cannot purchase the goods and services they require.

Given the extensive experience with cash transfer schemes in Afghanistan, the paper argues that a more systematic 'lessons learnt' exercise would be useful. In particular, attention should be paid to the potential linkage of relief programming with longer-term social protection, which cash-based intervention seems to be enabling.

Mattinen, H. and Ogden, K., 2006, 'Cash-based Interventions: Lessons from Southern Somalia', Disasters, vol. 30, no. 3, pp.297-315
http://onlinelibrary.wiley.com/doi/10.1111/j.0361-3666.2005.00322.x/abstract

This paper discusses a cash-for-work programme implemented in southern Somalia. The implementation of the scheme in 2004 is considered in the literature as evidence that cash-based interventions are a feasible option in conflict-affected environments. This is the case so long as 'appropriate modalities are employed and objectives are clearly set in accordance with the needs and the context' (p. 301).

A cash scheme was considered appropriate in southern Somalia because there was a lack of purchasing power at the household level; households had a large number of differing needs and flexibility was beneficial; there were functional markets that seemed capable of increasing supply; and the economy was monetised – people were used to handling money.

The paper compares the common concerns about cash transfers with the experiences of this cash scheme and finds that:

- Cash was not more prone to corruption than food aid projects. While a small proportion of cash was given to the local authorities, this is common practice in Somalia and is considered a sort of 'tax' by village authorities in return for security and the general function of the village.
- There is no evidence that cash was spent on non-essential items, such as narcotics or weapons. Further, the risk of diversion of cash to such items is not exclusive to cash-based interventions, but is also evident with commodity distributions.
- There were no major security problems during the cash-for-work project. Any incidents that did occur were linked to the context and not to the use of cash. In situations of rising insecurity, distribution systems were modified. Cash was initially distributed directly by the implementing organisation to the beneficiaries. Subsequently, security concerns resulted in reliance on the traditional money transfer system.

The success of the programme is due in part to the following factors (see p. 312):

- There was an identified need for cash, which was determined through assessments. The use of cash resulted in an immediate improvement in purchasing power and targeted populations had flexibility to prioritise their needs. They were also used to handling money.
- There was a need for public works projects.
- Commercial networks existed; they were functional and able to adapt supply to demand, which prevented price inflation. While market assessments were not conducted in this case, they should be conducted systematically in determining whether a cash programme is beneficial and the risks of inflation low.
- There was strong community involvement and reliance on existing community structures.
- There was a strict protocol on management of security risks; and transparency and monitoring was also high.

Harvey, P. et al., forthcoming 2011, 'Cash Transfer Programming in Emergencies: Good Practice Review'

Although the vast majority of international humanitarian aid is provided in-kind, there is increasing adoption of cash or voucher schemes as an alternative or complement to in-kind assistance. This Good Practice Review (GPR) on Cash Transfer Programming is targeted to aid agency staff engaged in humanitarian response. It looks at programming that uses cash and vouchers to meet the needs of individuals and households affected by crisis.

"Cash transfers are not a panacea; nor are many of the 'fears' about using cash transfers, including the potential for anti-social spending and disadvantaging women, justified in practice. Ultimately, listing theoretical advantages and disadvantages of cash transfers in comparison to in-kind relief is not a helpful framework for discussion. The appropriateness of cash transfers depends on needs, market functionality and other key factors, which vary from context to context (p. 4)"

The Review covers various aspects of cash transfer programming, including:

- the question of when using cash is appropriate and the assessment process needed to make evidence-based decisions about when and when not to use cash.

- planning and designing cash-based responses such as deciding how much money to give people, choosing between different types of cash projects and combinations of cash and in-kind assistance.
- implementation issues related to targeting, registration, methods of delivering cash to people, human resource needs and particular concerns around gender, corruption, security and vulnerability.
- sectoral issues relating to the use of cash to meet needs for food, non-food items, shelter, nutrition and in response to displacement.
- additional issues raised by cash for work and voucher projects (all of the sections apply to unconditional transfers so there is no separate section on them).
- monitoring and evaluation.

4. Additional information

Author

This query response was prepared by **Huma Haider**, huma@gsdrc.org

Experts consulted

Paul Harvey, Humanitarian Outcomes
Jesse McConnell, Reform Development Consulting
Anna McCord, Overseas Development Institute
Lorraine Sherr, University College London

Selected websites visited

Chronic Poverty Research Centre, Eldis, European University Institute, Households in Conflict Network, GSDRC, Human Security Gateway, Ingenta journals, MICROCON, OECD, Overseas Development Institute, The World Bank