February 2005

Humanitarian Policy Group

HPG Discussion Paper

Cash and vouchers in emergencies

Researched, written and published by the Humanitarian Policy Group at ODI

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About HPG
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Executive summary

This discussion paper examines the use of cash and vouchers to provide people with assistance in emergency situations. The first product of an ongoing research project by the Humanitarian Policy group (HPG), it is based on a critical review of existing published and grey literature, initial discussions with aid agency staff and a survey of project documentation from recent and ongoing cash- and voucher-based responses.

Proponents of cash- and voucher-based approaches argue that they can be more cost-effective and timely, allow recipients greater choice and dignity, and have beneficial knock-on effects on local economic activity. Sceptics fear that they are often impractical because they incur additional risks of insecurity and corruption, and argue that cash may be more difficult to target than commodities. Even where these approaches are feasible, there are concerns that women may be excluded, that cash may be misused by recipients and that it may have negative effects on local economies and could fuel conflicts. Others feel that cash- or voucher-based responses sound interesting, but that in practice commodities are what is available, and what relief agencies have the skills and experience to deliver.

Crudely put, our literature review has thrown up two main findings. The first is that cash and voucher approaches remain largely under-utilised in the humanitarian sector. The second finding is that there is a growing amount of experience with cash and voucher approaches, and that the absolute dominance of commodity-based approaches is beginning to erode. This growing experience is mirrored in the development sector, where various types of cash transfer have been used in the area of social protection and safety nets. Of course, in the West cash has long been used for both long-term welfare payments and in response to emergencies, both through the insurance system and as part of relief action.

Literature and theory

What is being covered?
A confusing array of interventions fall under the general heading of 'cash and voucher responses'. This paper focuses on cash grants, cash for work and voucher programmes where the cash or voucher is given to individual households, not to communities or governments. Interventions such as monetisation, microfinance, insurance, budget support and waivers for school fees are beyond the scope of this study. Cash and vouchers have usually been considered as alternatives to food aid, but other types of intervention can also be supported through the provision of cash. Cash or vouchers should be considered as alternatives to agricultural inputs, shelter and non-food items, as well as an alternative to food aid.

Emergencies typology
Humanitarian relief is delivered in a huge range of contexts, from natural disasters to wars, in rich developed countries and poor developing ones. This study attempts to address the question of where cash and vouchers are suitable in the full range of emergency contexts. Sometimes it is assumed that cash 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 contexts but not in complex emergencies. The experience reviewed here challenges these assumptions, suggesting that cash or vouchers can be possibilities even amid state collapse or conflict, or where there is no banking system. Clearly, however, some of these factors make implementing a cash- or voucher-based response more difficult.

The economics of cash
The literature in this area often focuses on the advantages and disadvantages of cash. The main arguments are summarised in the table below. There is a need to emphasise that both columns summarise the *hypothetical* or *possible* pros and cons; as we will see in subsequent sections, some of the theoretical fears about the drawbacks of cash have not been borne out in practice. The existing evidence, for example, suggests that people rarely use cash for anti-social purposes, and that women are not necessarily particularly disadvantaged by the use of cash rather than in-kind approaches.

Vouchers
Vouchers are often used when cash is not seen as possible or appropriate. This may be due to donor constraints, to a desire to ensure that a particular type of good or commodity is purchased by the recipients, because of security fears about the use of cash or because of market weaknesses. Vouchers can be exchanged to purchase commodities from traders, at distribution outlets, markets or special relief shops.

By far the largest experience to date with voucher programmes is in the provision of seeds and other forms of agricultural inputs. Vouchers have also been used in other contexts. A large ICRC programme in the occupied Palestinian territories in 2002–2003, for example, distributed vouchers that could be exchanged for food and other basic goods. Other instances include the UK government's response to the Montserrat volcano eruption in 1996 and Save the Children's voucher programme in northern Iraq in the early 1990s. Voucher programmes may require more planning and preparation than the distribution of cash; agreements need to be reached with local traders, for example, and 'seed fairs' at which vouchers can be exchanged take time to set up. If vouchers are not providing goods that people see as priorities then a parallel market may well develop, with vouchers being traded for cash at a discounted price.

Evaluations comparing vouchers and commodity approaches have been broadly positive, emphasising that they give people more choice and can have positive effects on local markets. Where voucher approaches have been compared to cash,

Possible advantages and disadvantages of cash-based approaches

Possible advantages of cash	Possible disadvantages of cash
Cost efficient – distributing cash is likely to be cheaper than commodity-based alternatives because transport and logistics costs are lower *Choice* – cash allows recipients to decide what they should spend the money on. This enables people to choose what they most need, and allows for this to vary from person to person *Multiplier effects* – distributing cash can have knock-on economic benefits for local markets and trade if the money is spent locally, and it may stimulate agricultural production and other areas of livelihoods *Avoids disincentive effects* – unlike commodities (food, shelter) cash is unlikely to discourage local trade or production *Fewer costs for recipients* – food often costs recipients a significant amount to transport from the distribution site to their home. Cash avoids this *Dignity* – cash can be better at maintaining the dignity of recipients. It may, for instance, be possible to avoid long, degrading queues	*Inflationary risks* – if an injection of cash causes prices for key goods to rise, then recipients will get less for their money and non-recipients will be worse off *Anti-social use* – cash can be used to buy anything. Some may be used for anti-social purposes *Security risks* – Moving cash around may create particular security risks for staff implementing cash programmes, and for the recipients of them *More difficult to target* – because cash is attractive to everybody it may be more difficult to target, as even the wealthy will want to be included *More prone to diversion* – cash may be more attractive than alternatives and so particularly prone to being captured by elites, to diversion particularly where corruption is high and to seizure by armed groups in conflicts *Disadvantages women* – women may be less able to keep control of cash than alternatives such as food *Less available from donors* – donor governments may be more willing to provide commodities than cash *Consumption/nutrition* – if a transfer has particular food-consumption or nutrition objectives, then food may be more effective. For instance, food can be fortified to address micronutrient deficiencies

however, questions have been raised about whether the additional administrative burden that managing a voucher programme imposes for the implementing agency is worthwhile. Donor constraints and reservations about cash seem to play an important role in discouraging agencies from switching from vouchers to cash, even where this might be appropriate. There may, however, be situations in which voucher approaches are more appropriate than cash: when cash raises particular security difficulties which vouchers would not, where there is a need to restrict support to a particular type of commodity or where markets have been weakened and need revitalising.

Cash transfers in the development literature
Within the development literature, there is a growing body of experience and documentation of successful examples of cash transfers, particularly in Central America. A key feature of these programmes is that they were accompanied by systematic efforts to measure their effectiveness and impact. This is perhaps one of the key lessons for the humanitarian sector. If cash and voucher approaches are to be accepted, there is probably a need for similarly systematic attempts to assess their impact. The results of evaluations of these cash-transfer programmes have been broadly positive, showing measurable improvements to school enrolment rates, reductions in rates of child labour and improvements in child health and nutrition and in levels of consumption.

Renewed interest in long-term welfare safety nets and social protection may also provide opportunities for reinvigorating the debate around linking relief and development. There is an emerging consensus within the development community around the need to pay greater attention to the basic welfare requirements of populations living in difficult environments. There might be opportunities both for welfare safety nets to be expanded during periods of crisis to help people to deal with shocks, and for cash transfers that begin as emergency interventions to be developed into longer-term social protection programmes.

Assessment and appropriateness

It often seems that aid agencies are reluctant to consider cash because of concerns about its appropriateness, because agency policies or staff skills preclude it or because funding for cash or voucher approaches is not available. Getting cash and vouchers onto the humanitarian agenda and into the humanitarian toolbox would mean moving away from resource-driven assessments. As a first step, it would be encouraging to see agencies explicitly considering a range of intervention options as part of the assessment process.

Issues around the appropriateness of cash divide fairly neatly into two categories: practical questions around its feasibility, and economic questions around the ability of local markets to respond. In order to make judgements about the economics of cash and voucher responses, agencies therefore need to improve their capacity to assess local markets. The tools to do this already exist; the challenge is getting these tools into manuals and standard assessment checklists, and making market analysis a routine part of the assessment process.

Impact and cost-effectiveness

The existing documentation of cash- and voucher-based responses shows that they are overwhelmingly successful in terms of their impact. People spend the money they are given sensibly, cash projects have not generally resulted in sustained price rises and women have been able to participate, and have a say in how cash is spent. Cash responses have usually been found to be more cost-effective than commodity-based alternatives. The body of experience that these conclusions are drawn from is still small and there is a need for caution. There is still only limited evidence about the likelihood of inflationary impacts if cash and voucher projects were to be implemented on a larger scale. There is also only limited evidence about their feasibility in complex emergencies. What experience there is, however, strongly suggests, however, a case for the further development of cash- and voucher-based approaches and for piloting their application on a larger scale.

Operational aspects

One of the central reasons for caution in adopting cash- or voucher-based responses relate to insecurity and corruption. In many of the contexts in which humanitarian agencies work, there are clear concerns about putting cash into conflicts and predatory political economies. However, evidence from existing projects suggests that ways can be found to deliver and distribute cash safely even in conflict environments; indeed, in some situations cash has been less prone to diversion than alternatives. The tendency to assume that cash is a *priori* more vulnerable to looting or diversion perhaps needs to be examined. Cash is both highly portable and not necessarily as visible as large-scale commodity distributions. This suggests that, in some circumstances, cash could be safer for both staff and recipients.

Innovative ways have been found to minimise the risks of insecurity and corruption, and evaluations have found little evidence of insecurity or corruption relating to cash-based approaches. Since much of this evidence is context-specific, one of the generic lessons is probably the unsurprising point that there is a need for a locally nuanced understanding of particular security risks. For example, in Afghanistan and Somalia it has been possible to use the local *hawala* (money-transfer) system to distribute cash. In Ethiopia, Save the Children take out insurance coverage against losses in transporting cash to projects in areas where there are no banks. Recent technological advances may provide further options for minimising corruption in all types of distributions, including cash. UNHCR's use of iris-recognition technology in repatriation from Afghanistan to Pakistan is thought to have greatly reduced the risk of people claiming multiple repatriation grants by moving to and fro over the border. In Bam, Iran, the government has simply set up bank accounts for all recipients and transfers cash directly into them.

There is a risk that cash, particularly in the form of grants, could be more difficult to target and more prone to diversion. Cash distributions also bring with them the particular risk that those not targeted could be worse off if prices rise following a cash distribution. The cash and voucher experiences reviewed for this paper, however, did not suggest that targeting cash or vouchers was significantly more difficult than targeting commodity-based approaches. Targeting was sometimes problematic, but no more so than is usually the case.

The project experience collated for this review suggests that the operational challenges faced in implementing cash and voucher programmes in emergencies are surmountable. Justifiable fears of insecurity and the risk of diversion and corruption can be overcome and recipients can be successfully targeted. Proponents of cash and voucher-based responses also argue that cash can be an intrinsically more dignified way to provide assistance. Recipients of cash tend to prefer it to alternatives because of the greater flexibility and choice that it provides.

Institutional and organisational barriers

Given the arguments in favour of cash-based responses, why have agencies remained so reluctant to use them? The way in which the architecture of the humanitarian system is currently structured seems to inhibit consideration of cash and voucher responses. In the UN system, in particular the consolidated appeals, the almost complete absence of cash or voucher-based approaches suggests that cash is not being seen as an option in part because the dominant operational agency is mandated to provide food. There is also 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.

This raises a further set of questions around the responsibilities of different actors. Do donors have a responsibility to provide the most appropriate resources for meeting the needs identified in emergencies? National governments in the countries affected by disaster also have responsibilities in this respect. In 2002, the Afghan government tried to shift from food aid deliveries to a cash-based, labour-intensive public works programme. Aid agencies also have a responsibility to make a case to donors for providing appropriate resources. Outside of the UN system, there seem to be fewer barriers to considering cash and voucher responses, and NGOs and the Red Cross have led the way in their increasing use.

This leads us into the question of whether aid agencies currently have the skills and expertise to implement cash and voucher approaches. The answer to this at the moment is that these skills are in short supply. Existing guidelines and manuals often do not include cash. However, a growing number of practitioners are developing experience with cash- and voucher-based responses, and this will be taken into new assignments and organisations. Manuals are also starting to be developed.

Finally, there is the wider issue of the attitudes and assumptions that humanitarian aid practitioners have towards the people that they are trying to help. Cash seems to inspire a reluctance on the part of aid agencies that goes beyond practical fears about security or its inflationary effects. There is a sense in which cash is threatening. Partly, this is about a loss of control; giving people money involves a transfer of choice from the agency to the affected population. The widespread assumption that people will misuse cash, for example, hints at the feelings of superiority which sometimes underpin relations with the people agencies label as '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 the way in which humanitarians relate to the people they seek to help.

Conclusion

A strong body of evidence is beginning to emerge to the effect that providing people with cash or vouchers in a wide range of emergency situations works. It is possible to target and distribute cash safely, people overwhelmingly spend money on basic essentials, and cash provides a stimulus to local economies and is often more cost-effective than commodity-based alternatives. The evidence also suggests that, in some situations, cash may complement commodities. Cash should not necessarily therefore be seen as a replacement for other forms of aid, but as an additional instrument.

There is therefore a strong case for investing further in the rigorous evaluation and documentation of cash and voucher-based responses, in order to be able to make better-informed judgements about their impact. There is also a need for humanitarian practitioners to develop the skills and capacities they need to implement cash and voucher interventions, and for the development of a body of practice and guidelines.

The recommendations below provide a starting-point for thinking about how greater use of cash and vouchers in emergency response could be taken forward.

Assessment

- Assessment capacity should be developed. This should be either independent or robust enough to stand up to external analysis, made public and less driven by considerations of resources.
- Aid agencies should be able to consider cash or vouchers as alternatives to commodity-based approaches as part of the assessment process.
- Investment is needed in the skills and capacity to assess markets at local, national and regional levels.

Evaluation, learning and expertise

- Further investment is needed in rigorous evaluation and documentation of cash- and voucher-based responses, in order to be able to make a clear case about their impact and effectiveness, and when and where they are appropriate.
- Investment is needed in further learning and training to equip those involved in assessments and programme management to assess the possible appropriateness of cash and voucher responses, and to implement them where appropriate.
- A documented body of practice and practical guidelines on cash and voucher responses should be developed for staff involved in emergency responses.
- There needs to be a greater willingness to examine attitudes of paternalism and superiority on the part of aid practitioners, and to overcome these at individual and organisational levels.

Architecture

- As part of reform to the UN system, consideration should be given to where responsibility for implementing cash-based responses to food insecurity should lie, to enable cash and voucher responses to be included in the consolidated appeal process.
- Aid should be untied, and donors should endeavour to provide the resources identified as most appropriate, including cash.

Links with social protection

- There is a need for investigation into ways to link emergency response more closely with emerging social protection systems, which increasingly have a cash-based component.

These recommendations have potentially far reaching consequences for the ways in which humanitarian relief in emergencies is managed and delivered. It implies the likely expansion of cash based programming, probably at the expense of in-kind mechanisms in some contexts. This would require the development of additional skills within aid agencies to assess when and where cash based responses are appropriate and implement them where cash is appropriate. Donors will also need to develop the skills and capacity to make informed decisions about whether or not to fund cash based responses.

More fundamentally, it suggests a need to examine the current architecture of humanitarian responses and in particular the mandates of the main operational UN agencies. Food aid currently dominates the international relief response to emergencies and this paper argues that both agencies and donors need to re-examine existing food aid policies and take a hard look at the appropriateness of food aid in many contexts. Although cash will be complementary to food aid in some circumstances, in others it is likely to be an alternative to it, and this suggests a tighter and narrower role for food aid in the response to emergencies. 2005 will be a key year for the future of food aid, with a new Food Aid Convention and a new WTO Agriculture Agreement being negotiated, enabling these issues to be raised. Finally, there is a need to explore further possible linkages between emergency response and social protection and to examine what this means for the use of cash and in-kind mechanisms as well the implications it might have for relative involvement of international, national and local actors in responding to emergencies.

Chapter 1
Introduction

This discussion paper examines the use of cash and vouchers to provide people with assistance in emergency situations. It is the first product of an ongoing research project by the Humanitarian Policy Group (HPG) which seeks to analyse recent experiences with cash- and voucher-based responses. This paper is based on a critical review of existing published and grey literature, initial discussions with aid agency staff and project documentation from recent and ongoing cash and voucher responses. Work is ongoing; anyone with experience to add to this paper is encouraged to contact Paul Harvey at the Humanitarian Policy Group (p.harvey@odi.org.uk).

Despite a strong theoretical case for cash and vouchers, commodity-based distributions of food aid, seeds, shelter materials and non-food items remain the dominant form of response in most emergencies. The willingness of aid agencies and donors to consider cash and vouchers has been limited. There is, however, a growing body of experience these approaches. Recent examples include a cash grant distribution in Somalia, ongoing cash relief in Ethiopia, cash for work in the Democratic Republic of Congo (DRC) and Afghanistan, cash payments in Bam, Iran, the work of Catholic relief Services (CRS) in pioneering seed fairs and vouchers as an alternative to seed distributions, 13 cash projects implemented by the Swiss Agency for Development and Cooperation (SDC) in eight countries, including Ingushetia and Mongolia, and voucher and cash programmes in the occupied Palestinian territories.

Proponents of cash- and voucher-based approaches argue that they can be more cost-effective and timely, allow recipients greater choice and dignity, and have beneficial knock-on effects for local economic activity. Sceptics fear that cash and voucher approaches are often impractical due to additional risks of insecurity and corruption, and the fact that targeting cash may be more difficult than commodities. Even where they are feasible, there are concerns that women may be excluded, that cash may be misused by the recipients and that it may have negative effects on local economies, and could fuel conflict. Others feel that cash- or voucher-based responses sound interesting, but that in practice commodities are what is available and what relief agencies have the skills and experience to deliver.

This project reviews the evidence for these viewpoints; assesses when and where cash- and voucher-based responses are appropriate; examines whether they should be seen as complementary to, or replacements for, commodity-based approaches; and details the practical operational challenges in implementing effective cash and voucher responses.

Crudely put, two main findings emerge from this work. The first is that cash and voucher approaches remain largely under-utilised in the humanitarian sector. A review of all of the 2004 United Nations consolidated appeals, for instance, reveals almost no use of cash or vouchers. Instead, these appeals are dominated by the traditional humanitarian responses of food aid, seeds, shelter materials and non-food items. The humanitarian sector still largely provides people with food, seeds, plastic sheeting and water containers, rather than giving them the money to buy these items themselves.

The second finding, however, is that there is a growing amount of experience with cash and voucher approaches, and that the absolute dominance of commodity-based approaches is perhaps starting to erode. Cash for work remains the most common type of cash-based emergency response, and in particular emergency contexts there has been an interesting move away from food to cash in the resourcing of public-works programmes. For instance in Afghanistan, cash for work came to be increasingly utilised during 2002 and 2003. There is also a developing body of experience with cash grants, with recent examples in Bam and Somalia. Vouchers are increasingly being used as an alternative to seeds.

There are also signs of a shift within donors and aid agencies, suggesting that at least part of the humanitarian system is becoming increasingly willing to consider the appropriateness of cash and vouchers. There has, for example, been a clear move within the US Office of Foreign Disaster Assistance (OFDA); where once cash was not even on the agenda, OFDA has now funded a variety of cash responses and is keen to develop further policy and practice. OFDA in Ethiopia, for instance, committed more than $4.4 million to fund four pilot cash initiatives in 2003. It found that cash grants 'allowed individuals and communities to begin making a series of decisions, giving them the power to prioritise needs for their families and presenting them with a creative way to receive relief assistance with dignity' (USAID 2004). This growing interest is also reflected in the recent G8 statement on famine, which says that 'We will unleash the power of markets through cash-for-work and cash-for-relief programs' (G8 Statement 2004).

This growing experience with cash is mirrored in the development sector. Particularly in Latin America, conditional cash transfer programmes have been increasingly used and rigorously evaluated. These evaluations have shown extremely positive results in areas such as school attendance, health care utilisation and poverty (Tabor 2002b).

Of course, in the West cash has long been used for both long-term welfare payments and provided in response to emergencies, both through the insurance system and as part of relief responses. The response to Hurricane Charley in Florida in 2004 provides one example:

> *Three days after Hurricane Charley slammed into the Florida coast, the Department of Homeland Security's Federal Emergency Management Agency provided the first disaster aid checks to help victims of the storm. As*

of 7.00 am Tuesday 1,070 disaster assistance payments totalling more than $2 million were issued, with many being issued by electronic fund transfer and already showing up in bank accounts (Federal Emergency Management Agency 2004).

Nor, indeed, are cash-based responses especially new. In their book *Hunger and Public Action*, published in 1989, Jean Dreze and Amartya Sen show they have a long history in India and China, and were an important feature of famine response in the 1980s in Botswana, Ethiopia and Cape Verde.

This paper is structured as follows. Chapter 2 sets out its scope, and its limitations; areas such as micro-finance, for example, are not addressed. It examines theoretical issues relating to disasters, famine theory and economics, and what they have to say about when and where cash or vouchers are likely to be appropriate. The chapter also draws on the growing literature on the use of cash in development and social protection interventions, and asks what lessons this holds for the humanitarian sector, and for interactions between relief and development aid.

Chapter 3 introduces the results of the project's review of project documentation from recent cash-based responses. Brief thumbnail descriptions are given of a range of recent programmes from around the world. Chapter 4 then examines the assessment process and how decisions are made about the appropriateness of cash or vouchers.

Chapter 5 analyses the evidence from the projects set out in previous sections, looking at what the money was spent on, the wider impact on the economy, whether cash was inflationary and the gender-differentiated impacts of cash. Chapter 6 moves to the operational challenges of implementing cash projects, with a particular focus on whether cash and vouchers can be provided safely, or whether corruption and insecurity are key constraints. Chapter 7 examines the institutional and organisational barriers to the more widespread consideration of cash and voucher-based approaches, and Chapter 8 concludes the paper with reflections on what the growing use of cash and vouchers implies for the way in which humanitarian aid operates and is structured.

Chapter 2
Cash and vouchers: literature and theory

2.1 Introduction

This chapter sets out the main theoretical foundations that inform a growing interest in cash- and voucher-based responses, and the issues that need to be considered in making judgements about when cash or vouchers are appropriate. Several different (although linked) areas of theory have fed into the cash debate, including economic analysis of cash and in-kind approaches; famine and entitlement theory; and livelihoods analysis. Before examining the theory, section 2.2 delineates what areas the study covers, as well as the issues that are beyond its scope. Section 2.3 clarifies the issues that different types of emergency raise for the appropriateness of cash and voucher responses.

2.2 Cash and vouchers: a typology

A confusing array of interventions fall under the general banner of 'cash and voucher responses', and an array of different terms are used to describe them. Table 1 sets out the basic types of intervention that this report covers, and some of the names by which these interventions are commonly known.

The types of intervention described in Table 1 are the main focus of this study. There are other types of interventions which could be included under the general heading of cash and vouchers, but which are not considered. These are:

- Monetisation of food aid – where food aid is sold by aid agencies, and the funds raised are used for development projects (Cekan, MacNeil, & Loegering 1996;Tschirley & Howard 2003).
- Microfinance/credit – where people are given loans and/or encouraged to save (Mathison 2003).
- Insurance schemes for emergencies (Twigg 2004).
- Budget support – the provision of cash to national governments to deal with emergencies through, for example, importing food.

Each of these issues is important in is own right, and each has its own body of literature. They are, however, beyond the scope of this study. The focus is on the transfer of cash to individuals or individual households, as opposed to the provision of cash to support national governments, communities or organisations.

Cash and vouchers have often been considered as alternatives, in particular to food aid, but other types of interventions can also be supported in this way. This report argues that cash and vouchers need to be considered as alternatives for all types of commodity-based distributions. This would include:

- Food aid
- Shelter
- Non-food items
- Seeds, tools and other agricultural commodities such as fertiliser

Cash can theoretically act as a substitute for any area of need for which there is a private market, so cash or vouchers could also be seen as alternatives to the public provision of health, education and veterinary services. Indeed, there is debate around the effectiveness of school vouchers in education systems in the West (Brasington 2004;Sandstrom & Bergstrom 2002). However, giving cash instead of, or as a complement to, supporting education or health services raises particularly difficult technical and ethical questions and has not thus far formed part of emergency responses, and so will not be considered here. People may, however, spend some of the cash they receive on healthcare or education.

Table 1: Types of cash and voucher interventions

Type of intervention	Labels sometimes used
Giving people money as a direct grant with no conditions or work requirements	Cash grants Cash relief
Giving people money as part of an overall package of assistance, for instance in repatriation or as a complement to food aid	Repatriation grants
Paying people in cash for taking part in a public works programme	Cash for work Employment, public works
Giving people money, but with a condition that they do something (such as attend school, plant seeds or demobilise)	Conditional cash transfers Demobilisation programmes
Giving people vouchers for a particular type of good (e.g. seeds) or bundle of goods	Voucher programmes

If the objective of providing cash or vouchers is to transfer income to a household in order to help it survive a crisis or protect its livelihoods, then there are number of other ways in which incomes can be supported. These would include interventions such as waivers for school fees or healthcare charges, and suspension of taxes (Bitran & Giedion 2003;Poletti et al. 2004). These may be particularly effective in supporting household incomes. For instance, food economy surveys in Africa consistently show that school fees are one of the biggest and most difficult items of expenditure for poor households. But again, these types of interventions are beyond the scope of this study.

It is also commonplace, and often tacitly accepted as inevitable by aid agencies, that a portion of commodity distributions (food aid, non-food items, shelter) are sold by the recipients to meet other essential needs. In any situation where a significant proportion of a commodity is being sold by beneficiaries, the end result is a transfer of a combination of cash and commodities, and so could be seen as an example of cash transfer, albeit an inefficient one. For example, a study of food aid in Afghanistan found that beneficiaries were selling a portion of this assistance for between three and six times less than it had cost to deliver (Development Researchers Network 2003). Documentation of the extent to which commodities are sold is thin on the ground: while generally acknowledged to be widespread, this appears to be a facet of humanitarian aid that is widely ignored, perhaps because making it explicit would be awkward for both donors and implementing agencies (Agua Consult 2001;Sesnan 2004). Again, this will not be a main focus of this study, but in assessing the feasibility, appropriateness or cost-effectiveness of cash, it needs to be borne in mind that the end result of many commodity distributions may already be to provide people with cash, as well as commodities.

It is also important to remember, when considering cash and voucher-based responses, that the cash provided by aid agencies or governments is often dwarfed by private transfers of funds. Remittances and transfers through religious groups, kin groups, death and burial societies, rotating fund societies and other forms of community association often play a substantial role in income maintenance and risk management in developing economies (Black 2003;de Haan 2003;Kapur 2003;Tabor 2002b;Van Hear 2003;Wimaladharma, Pearce, & Stanton 2004). Ahmed (Ahmed 2000), for example, concludes that, in Somaliland in the 1990s, large private capital flows contributed to rapid economic recovery and the development of a dynamic private sector. An analysis of the political economy of conflict in Afghanistan found that remittances played a central role in survival strategies and livelihoods (Bhatia 2003). These private transfers are not the main focus of this study, but it will attempt to recognise their importance particularly when assessing aspects of cash transfers, such as possible inflationary effects. There may also be positive actions that aid agencies or governments could take to facilitate remittances or make them simpler or cheaper. However, these too are questions beyond the current scope of this study.

2.3 Emergencies: a typology

Humanitarian relief is delivered in a huge range of contexts, from natural disasters to wars, from rich developed countries to poor developing ones. This study accordingly looks at the suitability of cash and vouchers in the full range of emergency contexts. 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. The experience reviewed here 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.

Clearly, however, some of these factors make implementing a cash- or voucher-based response more difficult. Table 2 suggests one way of approaching this. It proposes two main distinctions: between wars or complex emergencies and natural disasters, and between quick-onset, slow-onset and chronic or long-running emergencies. So, for instance, an earthquake would be a quick-onset natural disaster, and Burundi would be a chronic war. Floods in Bangladesh could be seen as a quick-onset natural disaster or, given their frequency, a recurrent or chronic form of disaster. The table suggests some of the issues that arise in different types of emergencies, and these will be elaborated in more detail when examining actual cash and voucher responses in later chapters. Of course, cash or vouchers will only be appropriate in situations where food or the other items that people need are available in local markets, or can be relatively quickly supplied through market mechanisms. There may be some situations where there is an absolute shortage of food or other items at local or national levels, or markets are disrupted. In these circumstances cash or vouchers will not be appropriate.

Another way of visualising this issue is to see it as a series of axes. These are set out in Figure 1. Cash responses are simpler in contexts that are relatively peaceful and secure and banking systems and markets are strong. They are harder in contexts of conflict, corruption and insecurity, and at the start of an emergency when markets and financial systems are more likely to be disrupted. What must be stressed again is that factors such as insecurity and weak markets make cash interventions more difficult to implement, but they do not necessarily make them impossible. Also, the contextual difficulties raised by emergencies do not apply only to cash responses. Interventions of any sort, whether cash or in-kind, are difficult and prone to diversion in complex emergencies and the predatory political economies that characterise them. In difficult complex emergencies such as in the DRC, Burundi or Afghanistan, the question is not whether cash is harder than in more peaceful environments, but whether cash is more or less difficult than possible alternatives.

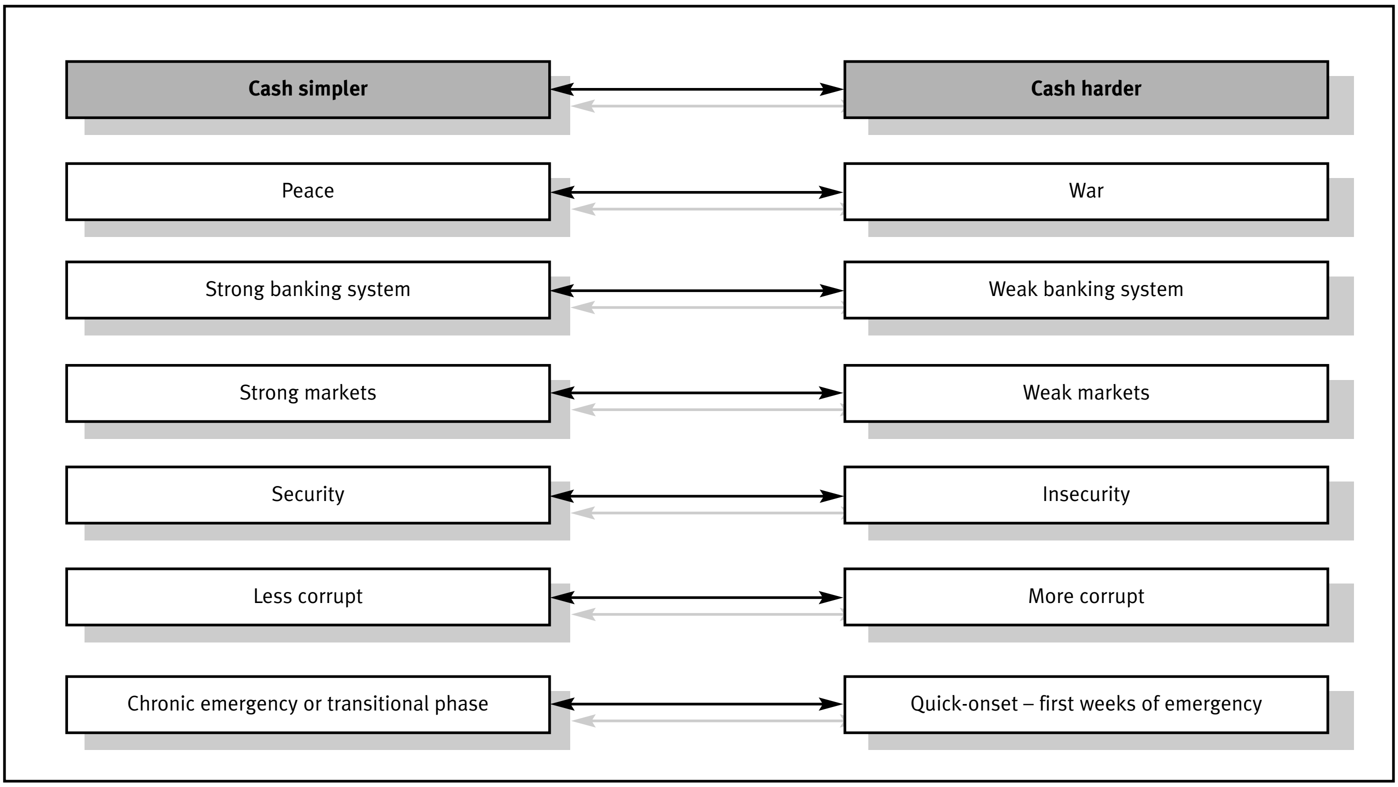
2.4 Famine theory, entitlements and livelihoods

Famine theory is marked by a lack of consensus and passionate debate (Devereux 2000a). Perhaps the most relevant part of this debate for present purposes concern's Sen's entitlement approach. In *Poverty and Famines*, published in 1981, Sen

Table 2: Emergency typology and the applicability of cash and vouchers

	Quick-onset	Slow-onset	Chronic/long-running
War/complex emergency	Concerns around security will be particularly strong and banking systems less likely to be present. There may still be innovative ways to deliver cash (hawala systems, remittance networks). In some conflicts, cash may be safer because it can be delivered more discreetly.		
	Markets may be particularly disrupted in early stages, making cash difficult or inappropriate	If there is a slow descent into conflict, there may be opportunities to consider cash and vouchers as part of preparedness measures and to establish robust and discreet transfer mechanisms	In long-running conflicts, markets often re-establish themselves in periods or places of relative security. If conflicts go on for decades there may be a need to consider how long-term welfare and service delivery can continue even in conflict
Natural disaster	Cash may be difficult in early stages due to displacement and disrupted markets, but may be more feasible during recovery phase	Slow-onset natural disasters are usually droughts. This may provide greater opportunities to plan cash or voucher interventions and to link them with long-term social protection or welfare programmes	Many natural disasters are recurrent (floods in Bangladesh or droughts in Ethiopia). Cash or voucher interventions could be pre-planned as part of preparedness measures, and linked with mitigation and social protection

Figure 1: Cash in emergencies



aimed to shift the analysis away from a preoccupation with famine as a failure of food availability and towards famine as a failure in people's access to food (their entitlement). This focus on access makes it clear that famines cannot only be analysed in terms of aggregate levels of food availability at national or regional levels; indeed, Sen showed that famines can occur even when sufficient food is available within a region or country. The entitlements approach does not of course rule out food availability as a possible cause of famine, but it does suggest the need for better analysis of the economics of famines, and how people try to survive them. Falling wages, reduced levels of employment or casual labour and high food prices may be just as important as falls in food production.

Devereux argues that entitlement approaches to famine point to quite different responses. Food aid responses follow logically from a food availability diagnosis. But if food availability is not the main constraint, for example where food is available in markets but people cannot afford it, then giving people cash becomes a possible response. Nonetheless, food availability models have proved remarkably persistent, and there remains a tendency to calculate food gaps at an aggregate level, and for food aid to be seen as the best way of meeting these gaps. In analysing the 2003 famine response in Ethiopia, for example, Lautze et al. found that humanitarian agencies were still conceptualising famine in terms of 'a prevailing narrative of food availability decline (e.g. drought leading to crop failure leading to starvation) and neglecting both non food related dynamics of the crisis and non food aid responses (Lautze 2003): 20).

In *Hunger and Public Action*, Dreze and Sen argued strongly for greater consideration of cash responses (Dreze & Sen 1989;Dreze & Sen 1990;Hay 1987;Li 987;RRC-UNICEF 1985;UNICEF 1988b) Although informed by entitlement theory, their arguments were not just theoretical, but were also based on an assessment of the practicalities of different forms of response. They argued:

> *One of the important factors accounting for the frequently belated and insufficiently effective nature of famine prevention efforts in Africa is the dependence of the chosen entitlement protection measures on the timely arrival of food aid, and generally on the complicated logistics associated with the direct delivery of food. The question, however is whether and how this situation can be remedied. Greater use of cash support is an obvious option* (Dreze & Sen 1989).

Entitlement theory has helped to inform the development of new ways of analysing and understanding poverty and food security. These have come to be labelled as 'livelihoods approaches'. As Scoones and Wolmer (2003) argue, although 'sustainable livelihoods' has become a development buzzword and umbrella term that means many different things to different people, the livelihoods approach has nonetheless contributed to a better understanding of the diversity and dynamism of poor people's livelihoods. There has long been a tendency for aid agencies engaged in both relief and development assistance to focus primarily on agricultural production and subsistence farming as the key component of rural livelihoods. As Ellis (2000) points out, however, poor people's livelihoods are often made up of a wide range of activities, including migration, petty trading, casual labour and non-farm activities.

Recognising the diversity of livelihoods also implies a wider range of possible responses to the threat of their collapse. If food security is seen primarily in terms of subsistence agriculture and food production, then food aid is the obvious response to food insecurity. Livelihoods analysis, in contrast, has tended to suggest a wider range of factors behind people's vulnerability. In Afghanistan, for example, Lautze (2000) has challenged the predominantly food production-based analyses of the famine in 2001-2002, arguing that the crisis was in fact in part a 'debt disaster', and that there was an acute crisis of purchasing power. A review by Save the Children of recent emergency food security interventions in the Great Lakes found that aid agencies in a range of different countries and contexts had largely responded to food insecurity with food aid and seed interventions, but existing livelihoods analysis suggested that these were often inappropriate (Levine & Chastre 2004). Similarly in Afghanistan, a recent review of agricultural strategies found a narrow set of responses dominated by seed distributions which, Christoplos argues, were driven by a misplaced narrative which saw livelihoods as dominated by subsistence agriculture (Christoplos 2004).

A further strand of famine theory examines the political economy of famines and complex political emergencies (Collinson 2003;De Waal 1997;Devereux 2000a;Duffield 1994;Keen 1994;Macrae & Zwi 1994). Both Sen's entitlements approach and livelihoods analysis have been criticised for not sufficiently incorporating issues of power and politics. Political economy analysis emphasises the need for humanitarian aid agencies to understand the nature and extent of communities' vulnerability to predation and asset-stripping by warring parties, and the role that relief plays in war economies. One of the key concerns with cash and voucher based responses is the extent to which they may be prone to exploitation and diversion by powerful elites, particularly in conflict and insecure environments. This will be

Box 1: Famine prevention in India

The Indian Famine Codes, first drafted in 1880, have been widely applauded as the most comprehensive and successful famine prediction mechanism yet devised. The Codes identified early-warning indicators of imminent crisis – crop failure, food price rises, sales of land and distress migration – to trigger public interventions, which included employment creation (public works) and free food distribution. The Codes are credited with preventing famines in 1906-7 and 1907-8, and with minimising mortality in several other crises. According to Dreze (1990), famine was successfully averted in Maharashtra state in 1972-73, when millions of people were employed on public works. Payment was made in cash, and private traders moved food into the state from surrounding areas to make up for inadequate government distributions.

The Maharashtra Employment Guarantee Scheme (MEGS) is one of the largest and longest-running public safety net programmes. Introduced in 1973, it provided a guarantee of employment within 5km of a person's home. At its height, MEGS created 100 to 180 million person days of employment each year, at a cost of about $1.20 per person day. Until 1988 the wage rate was low enough to target the poor; after 1988, when the government doubled the minimum wage, jobs were rationed and the scheme's guarantee element was eroded.

Sources: (Devereux 2000a): 27; (Dreze & Sen 1990); (Smith & Subbarao 2003) addressed in Chapter 6, but clearly any judgement about the feasibility of cash in complex emergencies needs to draw on political economy approaches to famine and conflict.

2.5 Economics and the choice of mechanisms

A clear set of economic issues arise in considering the appropriateness of cash. Economists have approached these in terms of a comparison with in-kind alternatives (Abdulai, Barrett, & Hazell 2004;Barrett & Maxwell 2005;Coate 1989;Faminow 1995;Smith & Subbarao 2003). Economists tend to see cash as inherently preferable to in-kind mechanisms because it is, economically, more efficient (Tabor, 2002b: 7). On the other hand, economic analysis highlights potential risks, such as the potential for local inflation, which needs to be carefully assessed, especially where markets are weak and disrupted, as is often the case in emergencies. Devereux (2002: 29) argues that 'the judgement about which resource to transfer (assuming the donor can exercise flexibility) should be based on a pre-assessment of local economic conditions, especially of market functioning. This applies to the choice of cash versus food: the positive and negative effects of each on local production, employment, trade and prices must be carefully assessed'.

As well as comparing cash to food, the literature often focuses on the inherent advantages and disadvantages of cash in its own right. Table 3 summarises our version of the pros and cons, but there are many others (see for example (Devereux 2002;Peppiat, Mitchell, & Holzmann 2001;Schulthes 1992;WFP 2004). There is a need to emphasise that both columns summarise the *hypothetical* or *possible* pros and cons; as we will see in subsequent sections, some of the theoretical fears about the drawbacks of cash have not been borne out in practice. The existing evidence, for example, suggests that people rarely use cash for anti-social purposes, and that women are not necessarily particularly disadvantaged by the use of cash rather than in-kind approaches.

Choice and need

Before it is possible to make judgements about the appropriateness of cash, it is first necessary to establish the objective of the assistance programme. Often this is defined in terms of a particular need, for example the need to be able to access enough food for a family to survive, or the need for adequate shelter after displacement. If a need is clearly established and agreed, then whether that need is met through an in-kind or a cash transfer makes no ultimate difference to the recipient. So, for example, if the aim is to give a household 50kg of maize as a contribution to their food needs, then this can either be delivered directly to them or they can be given cash to purchase the same amount of goods; the end result is the same. The choice between cash or in-kind distributions then becomes a question of efficiency. Two main questions arise:

Table 3: Possible advantages and disadvantages of cash-based approaches

Possible advantages of cash	Possible disadvantages of cash
Cost efficient – distributing cash is likely to be cheaper than commodity-based alternatives because transport and logistics costs are lower *Choice* – cash allows recipients to decide what they should spend the money on. This enables people to choose what they most need, and allows for this to vary from person to person *Multiplier effects* – distributing cash can have knock-on economic benefits for local markets and trade if the money is spent locally, and it may stimulate agricultural production and other areas of livelihoods *Avoids disincentive effects* – unlike commodities (food, shelter) cash is unlikely to discourage local trade or production *Fewer costs for recipients* – food often costs recipients a significant amount to transport from the distribution site to their home. Cash avoids this *Dignity* – cash can be better at maintaining the dignity of recipients. It may, for instance, be possible to avoid long, degrading queues	*Inflationary risks* – if an injection of cash causes prices for key goods to rise, then recipients will get less for their money and non-recipients will be worse off *Anti-social use* – cash can be used to buy anything. Some may be used for anti-social purposes *Security risks* – Moving cash around may create particular security risks for staff implementing cash programmes, and for the recipients of them *More difficult to target* – because cash is attractive to everybody it may be more difficult to target, as even the wealthy will want to be included *More prone to diversion* – cash may be more attractive than alternatives and so particularly prone to being captured by elites, to diversion particularly where corruption is high and to seizure by armed groups in conflicts *Disadvantages women* – women may be less able to keep control of cash than alternatives such as food *Less available from donors* – donor governments may be more willing to provide commodities than cash *Consumption/nutrition* – if a transfer has particular food-consumption or nutrition objectives, then food may be more effective. For instance, food can be fortified to address micronutrient deficiencies

- What are the relative costs of making an in-kind transfer and the amount of cash needed to purchase the same amount in the local market, for both the aid agency and the recipient?
- Can local markets meet the additional demand created?

This question of efficiency will be dealt with in more detail below. However, setting the choice up in this way implies being certain about what is needed in a given situation. One of the main arguments in favour of cash is that people have diverse needs, and in-kind transfers are poorly equipped to meet this diversity. Tabor (2002) puts this in economic terms:

> *with an in-kind transfer programme, beneficiaries consume more of the subsidised target good than they would in the absence of the programme. This results in consumption of the subsidised target good beyond the point at which its marginal benefit (or value to the beneficiary) is equal to its marginal social cost* (p. 8).

With in-kind transfers, unless it has been possible for aid agencies to provide all of the recipients with exactly what they most need, some people will receive things that they need less than other priorities, and may well sell some of what they receive in order to buy things that they need more. As discussed above, this is frequently what happens in food aid programmes. In making judgements about the appropriateness of cash or in-kind transfers, it is therefore important to compare, not just what people received and its cash equivalent, but what people ultimately do with what they get.

This issue has led economists to call for comparisons between food aid and cash to be made using what Faminow (1995) calls a 'cash equivalent value', defined as 'the minimum sum of money that would be accepted by beneficiaries instead of an in-kind transfer'. Barrett and Clay (2003), for instance, found that households in Ethiopia would take less in cash than the market value of food aid and be equally happy.

Positive and negative effects on markets

The central economic question around cash transfers is how effectively markets will be able to respond to an injection of cash. Markets in developing countries are often weak and poorly integrated, and may be particularly constrained or disrupted in conflicts and during natural disasters. Pockets of famine sometimes occur in particularly remote or inaccessible areas precisely because of the weakness of local markets. Devereux (1998) suggests that famine markets are often small and limited in duration, and provides a useful list of the considerations that traders may have in responding to famines (this is reproduced in Box 2). However, evidence examined in Chapter 6 suggests that, even in remote or conflict-affected areas, markets are often surprisingly robust and traders do respond to increased demand.

A second key question is whether a cash programme creates inflationary effects. If it results in a rise in food or other commodity prices, then it could potentially do more harm than good by increasing the vulnerability and food insecurity of people not participating in the programme (Basu 1996).

Box 2: Considerations that traders have in responding to famines

Logistical constraints
- Transport costs
- Costs of re-orienting distribution channels
- Inaccessibility of famine-affected villages
- Small surpluses available for merchants to purchase for resale

Limited rewards
- Small size of famine markets
- Short duration of famine markets
- Opportunity cost of losing regular customers elsewhere
- Illiquidity of assets offered by peasants in exchange for food

Risk and uncertainty
- Risk of being undercut by other traders
- Uncertainty caused by limited information about famine markets

Source: Devereux, 1998

Whether a rise in food prices produces net negative or positive impacts depends on the specific context and the speed at which traders respond. Dreze and Sen (1989) argue that there may be some circumstances in which price rises could have a positive impact:

> *Indeed in some cases an increase in food prices can emerge as an acceptable side effect of entitlement protection policies themselves. For instance, it is often sensible to protect entitlements by generating cash incomes for vulnerable groups, and some increase in food prices may then result from their greater purchasing power. Price increases will, in this case, play a positive part in shifting food in the direction of the poor. This will take place partly through the reduction of consumption on the part of other – less vulnerable – groups, and partly through increased flows of food from other regions, greater depletion of stocks, and perhaps some increase in the production of food even in the reasonably short run.*

The key questions are therefore:

- Does the injection of cash produce a rise in prices?
- How sustained are price rises and how quickly do local traders respond to increased demand?
- What proportion of the poor have been targeted in a cash response, and will significant numbers of people be left more vulnerable if prices rise?

Both cash and in-kind transfers will also have wider positive and negative impacts on markets. Food aid, for instance, may lower prices for food. This could potentially have a positive impact on poor people who have to purchase food, but a negative impact on farmers who rely on selling it. The provision of shelter materials might lower prices for people wanting to purchase materials, but harm the local traders who previously supplied them, or local manufacturers that made them. There is a substantial literature and much debate on whether or not food has disincentive effects on local markets and agriculture (Abdulai, Barrett, & Hazell 2004;Barrett & Maxwell 2005).

Other than the potentially negative inflationary effects previously discussed, cash transfers seem likely to have largely positive effects on the local economy. People's consumption will rise, benefiting local traders and businesses. People may also choose to pay off debt, allowing credit markets to start functioning again (this discussed in more detail in Chapter 5).

Cost-effectiveness

Assuming that markets can respond effectively to a cash injection, and leaving aside the issues of choice and flexibility discussed above, the choice between cash and in-kind transfers can also be framed in terms of cost-effectiveness. The general assumption in the literature is that cash is likely to be more cost-effective than in-kinds transfers because of the heavy logistical costs of transporting bulky commodities. Cash transfers may though have their own additional costs, which need to be balanced against this. For example, there may be additional security-related costs, or a need to invest greater amounts in monitoring and accountability if cash is at greater risk of being diverted.

Reutlinger and Katona-Apte (1984) suggest the use of an 'Alpha Value' to measure the relative efficiency of food aid. This would represent the value of food aid to the recipient, compared to the cost of procuring, transporting and distributing it. It should be possible to compare the costs of delivering in-kind assistance with those of cash or voucher transfers, although in practice these calculations are rarely made in emergencies.

It is also necessary to be clear about what cash is being compared against. In the case of food aid, there is an important distinction between direct transfers of food aid from donor countries, and food that is purchased locally or in third countries. Clay (2004) finds that local and triangular purchases of food aid are much more efficient than direct transfers. Local or regional purchase of food may also have potentially different effects on local markets, for example stimulating local production.

In making judgements about the efficiency of different types of resource transfer, it is also important to ensure that all of the costs to both the aid agency delivering the resource and the recipient are included. As already discussed, if the recipients of in-kind transfers sell part of what they receive, this is likely to substantially lower the net benefits. The costs to recipients of different types of transfers are also important. For example, food aid sometimes produces substantial costs for recipients in transporting goods from distribution sites to home villages. Cash also creates costs in terms of the time needed to buy goods in local markets.

2.6 Cash and food – alternative or complementary?

Debates about the appropriateness of cash-based forms of relief have tended to be framed in terms of the relative appropriateness of cash as opposed to food aid. In part this is understandable, as food aid has remained the dominant form of response in humanitarian emergencies. It may also stem from the fact that the theoretical case for cash tends to start with the entitlements approach to famine, and the distinction between threats to availability and threats to access. Setting cash assistance up in terms of opposition to food aid, however, can be unhelpful in a number of ways. It implies an either/or choice, when a combination of approaches may be appropriate. It also focuses attention on cash as a possible alternative to food, when it could equally well serve as an alternative to many other commodity-based interventions, such as seeds, shelter and non-food items.

Recent analysis of food aid policy has recognised the possible complementarity between food and cash assistance. Hoddinott et al. (2004), for example, conclude that:

> *the primary objective of food aid should be to reduce vulnerability to starvation and hunger brought about by covariant shocks such as conflict and natural disasters…Implicit in this objective is the recognition that in some cases – for example, where there are local food surpluses, well functioning markets, and where cash and food have similar effects on food consumption, child nutrition, and intrahousehold resource allocation – it may be more appropriate to provide cash than food.*

A number of evaluations make the point that cash and voucher programmes should not be seen in isolation, and that in some circumstances it may make sense for cash projects to be complemented by commodity-based approaches. In the Red Cross response to Hurricane Mitch, for instance, cash was provided as part of a rehabilitation package which also included seeds and fertiliser. The Red Cross found that including a range of items in the overall package, including cash, increased the likelihood that the assistance provided would be resilient (IFRC unpublished report 2000). Reviews of a cash project in the Sool/Sanaag region of Somalia argued that the cash provided would ideally have been complemented by a food distribution to allow cash to be spent on other essential needs (Narbeth 2004). A review of cash grants following the Mozambique floods found that 'most suppliers pointed to the scarcity of food as the prime reason for the increase in prices, and hence inflation, underscoring the importance of accompanying cash disbursement programmes with other complementary programmes to impact the supply side' (Abt Associaties Inc. & Agricultural Policy Development Project 2002).

The complementarity of cash or voucher mechanisms with other approaches is echoed in the literature on conditional cash transfers in a development context. Barrientos and De Jong (2004) argue that:

> *This does not for example mean that cash transfers can be effective on their own. They require a significant investment in the provision of basic services – water, education, housing, health, transport – to ensure that supply is able to respond to the increased demand arising from cash transfer programmes. Cash transfers and the provision of basic services to the poor are complementary* (Barrientos & DeJong 2004)p. 30).

The argument that cash and voucher approaches should complement commodity approaches was also made by Dreze and Sen (1989), who called for an 'adequate plurality' of response:

> *To recommend greater use of cash support is not to suggest that importing food into famine affected countries or areas is undesirable or unnecessary. Cash support and food supply management are not, by any means, mutually exclusive activities* (Dreze & Sen 1989)p. 102).

This study does not examine cash and voucher assistance solely in terms of alternatives to food aid, but as emergency responses in their own right. Sometimes they may in practice act as substitutes for food aid in particular, and sometimes there may be a need to compare cash and food as mechanisms for delivering assistance, for instance when assessing cost-effectiveness. However, there may equally be times when cash, food and other forms of in-kind assistance serve complementary functions. There may be issues of sequencing, when in-kind assistance is needed in the early stages of emergencies but can later be replaced by cash, and situations where the simultaneous delivery of both cash and in-kind resources will be particularly beneficial.

2.7 Vouchers

The main focus thus far has been on cash distributions. Vouchers present a somewhat different set of questions. Vouchers are often used when cash is not seen as possible or appropriate. This may be due to donor constraints, to a desire to ensure that a particular type of good or commodity is purchased by the recipients, because of security fears about the use of cash or because of market weaknesses. Vouchers may be denominated in money terms or in physical quantities of specific commodities. Vouchers can be exchanged to purchase commodities from traders, at distribution outlets, markets or special relief shops. Traders then reclaim the vouchers at a bank or directly from the implementing agency (Oxfam 2003). Literature on the use of vouchers in emergencies is even thinner than that around cash, so this report, based as it is around a literature review, does not cover the particular issues raised by vouchers in depth. Further field work and case studies will be carried out by the research project in an attempt to flesh out this subject.

By far the largest experience to date with voucher programmes is in the provision of seeds and other forms of agricultural inputs. Vouchers have also been used by the ICRC in the occupied Palestinian territories, where they were exchanged for food and other basic goods, in the UK government's response to the Montserrat eruption, and as part of Save the Children's programmes in northern Iraq in the early 1990s (Clay 1999;ICRC 2002;Jaspars & Young 1995). An internal ICRC review concluded that vouchers were appropriate in the West Bank, although the rationale for choosing vouchers over cash was not made explicit. In Montserrat, the British government eventually switched from vouchers to cash because recipients saw vouchers as too restrictive. Large-scale voucher systems are also part of social security systems in the West: the US food stamps programme, for instance, had 19 million participants in 2002, cost $20.7 billion and provided an average monthly benefit of just under $80 a month (Kostova Huffman & Jensen 2003).

Table 4 summarises some of the main advantages and disadvantages of vouchers found in the literature. Vouchers that are restricted to particular commodities, such as food or seeds, may be more effective than cash if the objective is not just to transfer income to a household, but to meet a particular goal, such as improving nutrition or boosting agricultural production. For example, the extensive US food stamps literature has found that people 'buy' more food with food stamps than they would with a cash transfer (Osborne, Haviland, & Kadane 2001;Winicki, Jolliffe, & Gundersen 2002). Research in the US seems to suggest that this finding may be related to gender relations in the household, as female-headed homes in one study spent the same amount on food whether benefits were in cash or food stamps, whereas multi-adult households did not. Vouchers restricted to food, therefore, may allow women to retain greater control over expenditure. Vouchers may have advantages where insecurity makes the use of cash particularly problematic. There may be greater potential for vouchers to be self-targeting if vouchers are restricted to commodities that richer households are less likely to want.

Voucher programmes generally require more planning and preparation than the distribution of cash. Agreements need to be established with traders so that vouchers can be exchanged, and seed fairs take time to set up. If vouchers are not providing goods that people see as priorities then a parallel market may develop, with vouchers being traded for cash at a discounted price. In some situations, the receipt of vouchers may stigmatise the recipients. In the UK, a programme to provide vouchers to asylum seekers was abandoned in 2001 in the face of fierce criticism and a campaign from civil society groups, which saw them as discriminatory. Recipients were targeted for abuse and harassment in the community (Oxfam & Refugee Council 2000). Shops may be reluctant to accept vouchers because of the extra administration costs that they create, and there may be difficulties to do with change if the full voucher amount is not spent.

Table 4: Vouchers: advantages and disadvantages

Advantages	Disadvantages
Vouchers linked to a particular commodity, such as food or seeds, may be more effective if there are specific goals (better nutrition or increased agricultural production), rather than being used purely to transfer income Women may have more control over vouchers in household expenditure Vouchers can make it harder for recipients to use resources anti-socially It may be possible for vouchers to be self-targeting if receiving vouchers is seen as stigmatising	Vouchers entail costs in printing, distribution and redemption Vouchers restrict what people can get and may not meet their priority needs If people do not want the goods vouchers buy, or need cash for other items, a parallel market in vouchers may develop Vouchers may stigmatise recipients Traders may be reluctant to participate and may make redeeming vouchers difficult

2.7.1 Seed vouchers

The rationale for the use of vouchers in agricultural support programmes is based on a growing critique of the traditional approach to distributing seeds and tools – what Remington (2002) has described as the 'seeds and tools treadmill'. CRS has taken a leading role in developing seed vouchers and fairs as alternatives to distributions (Catholic Relief Services, Overseas Development Institute, & ICRISAT 2002). Other agencies are also starting to implement seed fairs and voucher programmes (CARE Osterreich 2003).

Since piloting the seed fair and voucher approach in northern Uganda in June 2000, CRS has implemented it in 11 countries in Africa, in response both to conflict and drought (Catholic Relief Services 2003).

The critique of traditional seeds and tools approaches is powerful. It suggests that, in many situations, shortage of seed is not the primary constraint facing farmers (Longley 2002;Sperling & Longley 2002). If shortage of seed is not the main issue, this begs the question of why there is a need for seed to be provided at all; whether through distributions or vouchers. This is acknowledged by Remington et al. (2002):

> *Seed vouchers and fairs are based on assumptions that seed is available from the farmer seed system and it is of good quality; but that there is a problem of access. This assumption of an access problem is currently based on secondary information, which is that the target communities have been affected by disaster, that this has resulted in a significant loss of assets; and that donor agencies are responding through the provision of food and non-food assistance. There is a need for better understanding the seed security of target seed systems and particularly to clarify access concerns.*

Table 5: CRS seed fairs and vouchers, 2000-2003

Country	Number of seed fairs	Number of beneficiaries	Number of seed sellers	% of women seed sellers	Main crops
Burundi	30	33,000	1,135	25	Bean
Congo, Brazzaville	1	2,438	259	87	Groundnuts, Beans
DRC	1	2,438	259	87	Groundnuts, Beans
Ethiopia	34	10,733	587	30	Sorghum
Eritrea	14	3,581	4,736	61	Barley Teff
Kenya	51	30,278	2,169	56	Maize, Beans
Malawi	30	30,484	–	–	Maize (OPV)
Sierra Leone	40	3,951	337	41	Rice, Groundnuts
Sudan	8	4,980	2,230	38	Sorghum, Groundnut, Sesame
Uganda	52	31,748	1,865	28	Beans, Groundnuts, Sesame
Tanzania	30	13,615	409	16	Sorghum
Zimbabwe	22	22,500	1,386	72	Maize
Total	**313**	**189,746**	**10,670**		

One of the main reasons for the use of vouchers tied to the purchase of agricultural inputs rather than cash seems to be that this satisfies donor regulations.

A variety of other reasons have been put forward for using vouchers. They include difficulties in monitoring cash, and fears that cash could be used for unintended purposes. Remington et al. (2002) also argues that seed fairs can serve important developmental goals, for example acting as a link between farmers and the commercial sector, connecting host and displaced communities and allowing farmers access to a wider range of seed and new varieties. Seed fairs may allow farmers to exchange information. Seed fairs may also play an important role in stimulating the re-emergence of seed markets where these have been weakened by conflict. All of these may be perfectly good reasons for a voucher-based approach, but the question remains as to whether seed vouchers and fairs are just a more efficient and effective way of addressing the wrong problem.

Assuming that agricultural inputs are needed, vouchers do seem to provide an effective way of enabling farmers to access seed, which may be more appropriate than seed distributions in some contexts. When the choice is between vouchers and distributing seed directly to farmers, rather than a choice between vouchers and cash, evaluations of voucher programmes have found that vouchers are often more effective and appropriate. Evaluations of the seed voucher approach have been broadly positive. For example, CRS seed fairs in Ethiopia allowed beneficiaries to obtain good-quality seed. Beneficiaries preferred fairs to seed distributions because of the greater choice that they allowed, and the fairs helped to build understanding on the part of CRS, partner agencies and local government of the local seed system (Catholic Relief Services/Ethiopia Program 2003). Vouchers may also be more appropriate than cash where insecurity makes cash distributions impractical, or where market failures mean that there is a need to support the market. In Zimbabwe in 2002–2003, physical shortages of cash in the country made any form of cash distribution very difficult, and even voucher programmes were constrained by a lack of cash with which to pay traders. CARE in Zimbabwe provided vouchers to farmers which they could redeem for seeds and fertilisers with local traders. The seeds and fertiliser were still procured by CARE and the traders served as a conduit to the project beneficiaries and were paid a small commission from each farmer (CARE Zimbabwe 2004).

Vouchers have often been seen as an alternative to commodity-based distributions, particularly seeds, and evaluations that have compared them to commodity approaches have been broadly positive, emphasising that they give people more choice and can have positive effects on local markets. Where voucher approaches have been compared to cash approaches, however, questions have been raised about whether the additional administrative burden that managing a voucher programme imposes for the implementing agency is worthwhile. Donor constraints and reservations about cash seem to play an important role in restricting agencies from switching from vouchers to cash, even where this might be appropriate. There may, however, be situations in which voucher approaches are more appropriate than cash.

2.8 Cash transfers in development and social protection

There is a growing body of analysis and experience around the use of cash in social protection programmes. Lessons here may have some relevance for the use of cash and vouchers in emergency relief. There may also be opportunities for exploring possible links between social protection and cash-based responses to emergencies.

Cash transfers in the context of development aid are now usually discussed as part of debates around social protection, defined by the World Bank as public measures to provide income security to the population. (Holzmann, Sherburne-Benz, & Tesliuc 2003) argue that:

> *Social protection is moving up on the development agenda. Dismissed as ineffective, expensive or even detrimental to development in developing countries for a long time, it is now increasingly understood that assisting individuals, households and communities in dealing with diverse risks is needed for accelerated poverty reduction and sustained economic and social development.*

The overall picture is that cash transfers as part of safety nets and social protection policy are increasingly being seen as an effective option. Surveying the recent literature, Ravallion (2003) concludes that:

> *The conventional wisdom in mainstream development policy circles is that income transfers to the poor, and safety net policies more generally, are at best a short term palliative and at worst a waste of money. These views are starting to be questioned at two levels. Firstly, evidence from careful evaluations has pointed to a number of success stories. … Secondly, the presumption of an overall trade-off between redistribution or insurance (on the one hand) and growth (on the other) has come to be questioned* (Ravallion 2003) 3).

There is growing experience and documentation of successful examples of cash transfers, particularly in Central America. These are often called conditional cash transfer programmes, because the cash provided is conditional on specific behaviour by recipient households, such as school enrolment or the regular use of primary healthcare (Rawlings & Rubio 2003;Smith & Subbarao 2003;Tabor 2002a;Tabor 2002b) A key feature of these cash transfer programmes is that they were accompanied by systematic efforts to measure their effectiveness and impact. The first generation of evaluations aimed to examine: 1) the adequacy of administrative processes; 2) the extent to which cash transfer programmes reached poor areas and poor households; 3) the existence and size of expected impacts; 4) any unanticipated effects; 5) beneficiaries' and other stakeholders' perceptions about the programme; and 6) the cost-effectiveness of programme delivery mechanisms (Rawlings & Rubio 2003): 7).

Box 3: Cash transfers in rich and poor countries

Cash transfers are the principal component of the social safety net in industrialised market economies. However, they play a far more limited role in developing economies. The International Labour Organisation (ILO) has estimated that more than 80% of the population in industrialised nations is covered by one or more forms of cash transfer programme, compared with less than 10% of the workforce in Africa and Asia, 15% to 60% of the workforce in Latin America, 20-25% in the middle-income nations of North Africa, and 50-80% of the workforce in the European transition states. In terms of public expenditures, the distinction is greater still. Very few developing country governments allocate more than 1% of their gross domestic product (GDP) to cash based social assistance programmes, while Organisation for Economic Cooperation and Development (OECD) members set aside an average of 8% of GDP.

Source: Tabor 2002b: 1

This is perhaps one of the key transferable lessons for the humanitarian sector. If cash and voucher approaches are to be accepted as possible mechanisms for humanitarian response, there is probably a need for similarly systematic attempts to capture their impact (Hofmann 2004b).

In development as in relief, the use of cash transfers differs between rich and poor countries, as described in Box 3. Partly, this relates to the differences in capacity and financial resources between rich and poor countries. Rich countries have relatively strong states able to draw on significant tax revenues to fund social welfare schemes. Traditionally, these have been seen as unaffordable for developing countries. This is what Devereux (2003) describes as the 'Catch 22 of social protection – the greater the need for social protection, the lower the capacity of the state to provide it' (p. 5). This view, however, is increasingly being challenged, both on the grounds that poor countries could spend more of their own revenues and that international aid may have a role in supporting social protection measures in the medium and longer term. HelpAge, for instance, argues that basic social pensions can play a significant role in reducing chronic poverty, have long-term economic benefits and that resource-poor countries can afford to deliver them (HelpAge 2004).

The fact that support to social protection and welfare programmes in development contexts is increasingly part of the development agenda raises the possibility of a new way of engaging with the debate about interactions between relief and development assistance (Buchanan Smith & Maxwell 1994;Harmer & Macrae 2004). Traditionally, international relief assistance was seen as a temporary response to short-term crises that had overwhelmed national or local capacities. However, this has long been recognised as problematic in many of the circumstances where international relief is provided, for instance during long-running conflicts or in countries like Ethiopia, where distinguishing between the welfare needs arising from chronic poverty and acute needs arising from shocks is extremely difficult. Bradbury (2000) has highlighted what he calls a creeping process of normalisation in countries such as Sudan and Somalia, where levels of malnutrition that would once have triggered a crisis response come to be accepted as normal, to be dealt with in development terms. The HIV/AIDS epidemic is creating growing levels of vulnerability that may require both relief and development responses (Harvey 2004).

As Harmer and Macrae (2004) argue, a consensus is emerging within the development community around the need to pay greater attention to the basic welfare needs of populations living in difficult environments. If the need for social protection and welfare responses to chronic poverty is becoming increasingly accepted, and donors are increasingly willing to support them, then there might be opportunities to expand welfare safety nets during periods of crisis to help people to deal with shocks. There may also be opportunities to develop cash transfers that began as emergency interventions into longer-term social protection programmes. These linkages could, of course, equally apply to in-kind relief and development assistance. However, if cash, as seems to be the case, is increasingly being used in long-term social protection programmes, this may make its use more feasible in emergencies. Aid actors are likely to be more comfortable with cash, channels for distributing cash to remote rural areas may already be developed and state and local capacities to deal with cash may already have been strengthened. It is intended that the new Productive Safety Nets Programme in Ethiopia, which is designed to offer a multi-year approach to chronic food insecurity, will be at least partly cash-based.

The results of evaluations of these Latin American cash transfer programmes have been broadly positive, showing measurable improvements to school enrolment rates, reductions in child labour, and improvements in child health and nutrition and in levels of consumption. The results for Progresa in Mexico are summarised in Box 4. There is also some limited evidence to suggest that cash transfer programmes may help poor people to protect consumption in times of crisis. For instance, in Nicaragua consumption in households receiving conditional cash transfers were maintained during a period of low coffee prices and a drought; households in a control group not receiving transfers experienced a sharp decline in consumption (Rawlings & Rubio 2003).

Experiences with cash transfers as part of social protection programmes have not been limited to Central America. A review of social protection in India found that cash transfers such as pensions were relatively successful, and recommended their expansion. In parts of Orissa where pensions were doubled for a period, there was anecdotal evidence of a reduced rate of hunger-related deaths.

Cash programmes in development contexts suggest a range of innovative ways in which cash can be delivered in the absence of banking systems in rural areas. In India the post office system has delivered pension payments. In Namibia, where the pension delivery system was privatised in 1996, Cash

Box 4: Outcomes of conditional cash transfers in Mexico

The Mexican government introduced Progresa in 1997 to support poor households with children in rural areas. The programme pays subsidies conditional on children attending school, and mothers and infants attending regular primary health care and parenting sessions. Combined school and consumption subsidies are provided of up to $75 per household per month. The programme reached 2.6 million or 40% of rural households in 2002, when it was renamed Opportunidades and scaled up to cover urban areas.

The designers of Progresa included programme evaluation from the start, making it possible to make fairly accurate estimates of impact on a range of key variables. Key findings are:

- The programme is well targeted, with 58% of benefits going to households in the bottom quintile and 80% to households in the bottom two quintiles of national income distribution.
- The programme provided mean benefits equivalent to 20% of household income. It is estimated to have reduced the poverty gap (the extent to which income fell below the poverty line) by 36%.
- School enrolment has risen in participating households, especially for secondary schools and for girls.
- Participating households show reduced stunting for children aged 12-36 months, despite evidence that nutritional supplements are shared within the household.
- There is evidence of a decrease in the incidence of illness for children and adults. Among new-born babies, the incidence of illness declined by 25%. Adults report 18% fewer days in bed due to illness.
- Women report having greater control over household resources.

Source: (Barrientos & DeJong 2004): 27

Paymaster Services uses vehicles fitted with cash dispensing machines and protected by armed security guards to reach hundreds of designated payment points every month, where registered pensioners queue to meet them. Biometric identification is used for claimant recognition and verification (Devereux 2000b): 84).

The development literature on cash transfers also makes the point that they are only likely to be effective when they are complemented by other investment. Barrientos and DeJong (2004) argue that cash transfers require significant investment in the provision of basic services to ensure that supply is able to respond to the increased demand arising from cash transfers. They conclude that 'cash transfers and the provision of basic services to the poor are complementary (p. 30).

2.9 Chapter summary

This chapter has mapped out a set of theoretical hypotheses about the possible pros and cons of cash. To some extent, decisions about cash or vouchers rest on difficult and context-specific judgements about a range of issues, such as the security risks of different interventions, how well local markets are functioning and the likelihood of inflationary effects. The following sections examine existing cash- and voucher-based responses, and what recent experience suggests about how the issues identified in the theoretical literature have played out in practice. Theory suggests that judgements need to be made on a case-by-case basis, and that there may need to be some degree of flexibility in switching between mechanisms as market conditions change. There may also be potential for cash and in-kind mechanisms to complement each other in some circumstances. The key economic questions around the use of cash as a mechanism relate to the functioning of local markets, whether cash is likely to be inflationary and how quickly local traders will respond. This underlines the need for an analysis of how markets work as part of assessment and monitoring in emergencies, a theme which we will come back to in later sections.

Chapter 3
Cash and voucher responses: the current picture

As was suggested in the introduction, there is a growing body of experience in cash- and voucher-based responses. This research project has gathered together experience from around the world, in order to map the current picture. As many aid agencies as possible were contacted, and asked to provide information on cash and voucher responses. An extensive published and grey literature review was also carried out. Undoubtedly, this has not fully covered all of the responses throughout the world. Currently known recent examples are summarised in Annex 1.

It should be stressed that this is by no means exhaustive, but it does start to give a picture of the growing number and variety of cash- and voucher-based responses. There are some strange patterns in any review of such responses. One example is that cash is routinely accepted as a normal part of some responses, but is still seen as controversial and innovative in other contexts. For example, cash has long been used as part of repatriation grants by UNHCR and as part of demobilisation programmes (Isima 2004;Knight & Ozerdem 2004). Quite why cash is appropriate for soldiers but not for civilians and returning refugees, but not for IDPs, is rarely clear. One possible answer is the level of resources required. Refugee return programmes are often relatively well-resourced because they are politically popular, and demobilisation programmes involve much smaller numbers than large-scale relief programmes, so cash is seen as more feasible. It is also important to remember that cash and voucher responses are routinely part of emergency response in richer countries.

3.1 Selected responses

The thumbnail sketches below fill out the basic details of some of these responses, in order to provide a basis for the more thematic discussions that follow.

1. Cash grants in Mozambique
Following the floods in Mozambique in early 2000, USAID funded a project that provided cash grants of about $92 to 106,280 flood-affected rural families. A private consultancy firm was appointed to implement the project. Recipients were issued with cheques at distribution sites, where a commercial bank provided tellers who could cash the cheques, protected by a local security firm. The money was used in diverse ways, but most was spent on basic consumption. Most spending took place locally, and an impact evaluation concluded that the grants stimulated the local and national economy (Abt Associaties Inc. & Agricultural Policy Development Project 2002;Christie & Hanlon 2001;Hanlon 2004;Miller 2002).

2. Cash in Bam
There has been significant use of cash in the response to the Bam earthquake; Table 6 summarises the different types of cash assistance that have been available. A Red Cross assessment found that this cash assistance had made a clear difference to Bam, as evidenced by a renaissance of small trade and a growing number of small shops and stalls. Much of this assistance has been provided by the state and through previously-existing channels, such as the local Welfare Organisation, which registered vulnerable groups (female-headed households, orphans, the elderly and the disabled) immediately after the earthquake. The Iranian Red Crescent has also conducted cash distributions (IFRC 2004). All payments have been made into bank accounts opened for those registered, showing what is possible given a functioning banking system. There has still been a need to publicise when payments are put into bank accounts so that people are aware that the funds are there.

Table 6: Cash responses to the Bam earthquake

Type of support	Estimated cost (US$)
One-off payment by the state to those with family members who died in the earthquake	10m
Cash distributions in April and May to 32,000 families (paid by IRCS and still to be reimbursed by the state) at a cost of $2.2m per month	4.4m
Monthly payments to those on the Welfare Organisation list (estimated at $60 per case for six months for 5,800 cases)	2.1m
Payments by American NGO ERFO to 630 orphans	0.5m
Additional contributions by other NGOs	0.2m
Government grants (35m *rials* per case) and loans (60m *rials* per case) for the reconstruction of property	Figures not available
Total	**17.2m**

Source: BRC internal report

3. Cash grants in Somalia
In October 2003, an inter-agency assessment in the Sool and Sanaag regions of Somalia recommended cash grants as one of a range of possible responses to acute food insecurity. Horn Relief and Norwegian People's Aid subsequently distributed cash grants of $50 to 13,830 households. The NGOs registered vulnerable families, then provided the lists to remittance companies, who gave each household its $50. Once it was verified that the payments had been made the NGO could transfer the cash to the remittance company. A post-distribution survey found no evidence of misappropriation, or of cash fuelling the region's war economy. However, this one-off $50

distribution was unable to provide more than short-lived relief, and debt levels and distress were again starting to rise not long after the distribution (HORN RELIEF 2004;Narbeth 2004).

4. SDC cash projects

The Swiss development and relief agency SDC implemented 13 cash projects in eight countries between 1999 and 2004. SDC has an advisory unit called 'Project Cash' in its headquarters that focuses solely on cash-based responses and knowledge-sharing. Projects have been implemented in Ingushetia in the Russian Federation, Moldova, Georgia, Kosovo, Serbia, Mongolia and Macedonia (Rauch & Scheurer 2003;SDC 2004a).

Between 1999 and 2001 in Serbia, some 11,000 families hosting approximately 52,000 Serbs who had fled from Kosovo were supported with a grant of CHF50 per month (SDC 2003a). In Kosovo during 1999, SDC implemented what it called a 'cash for housing' programme. This provided financial and technical support to people rebuilding their homes in 13 villages in Kosovo. In exchange, the owner of the house had to host displaced people during the following winter. Four staggered payments were made: the first for roofing, a second for masonry, doors, windows and the completion of one room per family, a third for water and power supply installation and a final 10% for finishing the work. Between September and December 1999, 380 houses were rebuilt at an average cost of $5,700 per house. The costs per person were about one-third of the average cost of collective re-housing. SDC also argues that the project helped to consolidate social ties in the villages covered, boosted the local economy and empowered local institutions. Evaluations found that the project was completed more quickly than other shelter programmes, construction was of equal quality and beneficiaries appreciated the greater choice that cash provided (SDC 2003a). Cash grants were also a major part of Swiss returnee programmes to Bosnia in 1996, for approximately 80,000 people, and Kosovo in 1999, for about 52,000 people.

Between 2000 and 2002, SDC and UNHCR implemented a programme in Ingushetia in Russia, providing cash to about 11,000 families hosting people displaced from Chechnya. Each family received a one-off grant of $100. The funds were directly transferred from Switzerland to the Ingush postal bank system, and the post offices told verified host families when to collect the money. In the second year of the project, there were major problems with fraudulent attempts to be placed on beneficiary lists, and these disrupted project implementation by several weeks (Rickli 2002;SDC & UNHCR 2002). Between December 2003 and May 2004, SDC provided small grants to over 8,500 families in 196 villages in southern Moldova which had been affected by drought. The total budget for the project was $650,000 (SDC 2004b). In response to a succession of exceptionally harsh winters ('Dzuds') in Mongolia, SDC implemented a programme to provide small cash grants to vulnerable herders in 2002 and 2003 (Dietz 2005;SDC 2002;SDC 2003b).

Evaluations of these SDC cash projects have been largely positive, concluding that cash projects are fast and efficient, reduce overheads and increase the purchasing power of beneficiaries (SDC 2003a).

5. Cash for work in DRC

Household economy assessments carried out by Save the Children in 2002 suggested that, in some parts of eastern DRC, households were cash-poor not food-poor, and that there were areas calm enough for cash for work projects to be implemented (Guluma 2004) The intervention was on a small scale, targeting 345 households in Bwito and 490 in Masisi Plateau for road and school rehabilitation, with a total cash component of around $100,000. Save the Children saw the use of cash as both more cost-effective than food aid, and as having beneficial knock-on effects on the local economy.

6. Cash for work in Haiti

Oxfam has been implementing a cash for work programme in Cap Haitien, a town in the north of Haiti, in response to unrest early in 2004. Two thousand beneficiaries are receiving a combination of cash and rice, as well as taking part in public works programmes including canal cleaning and waste removal. Food for work programmes have been highly unpopular in the past in Haiti, and the programme was temporarily interrupted following complaints by recipients that they would rather receive full cash payments than vouchers for food (Alvarez 2004)

7. Assisted return to Afghanistan, 2002–2003 and 1990–92

During 2002 an estimated 2 million refugees returned to Afghanistan from Pakistan, Iran and Tajikistan (Turton & Marsden 2002). For those returning from Pakistan, a cash grant intended to cover transport costs was provided, which was originally set at $100 per family. There were large problems with what is called 'recycling': collecting the cash grant, returning by an alternative route to the country of asylum and then repeating the process. This was less of a problem in the return from Iran where the cash grant component was smaller, at $10 per person, and provided once the refugees had arrived in Afghanistan. In 2002, UNHCR introduced iris recognition technology, and the agency has concluded that 'has undoubtedly been a deterrent to the "recycling" attempts observed' (UNHCR 2003). UNHCR notes that the transport grant 'remained one of the largest direct injections of cash into the economy' (UNHCR 2004): 318).

A review of a repatriation grant provided during an earlier period of return from Pakistan to Afghanistan, between 1990 and 1992, found that cash served as an effective means of supporting refugee choices and facilitating spontaneous return, and that it was extremely cost-effective. A grant of $100 was provided to refugees deciding to return, along with 300kg of wheat, and their refugee passbook was cancelled. The grant was provided in rupees through local banks; an evaluation found that it boosted local economies in Pakistan, where refugees purchased basic requirements before leaving for Afghanistan. The evaluation acknowledged that it was not possible to link encashment to observed border crossings, and that some families may have opted for clandestine local settlement. It also found that the durability of the system was 'seriously jeopardised by its susceptibility to abuse', with the resale value of passbooks doubling in the first few months of the scheme (UNHCR 1994): 17).

8. Repatriation from Thailand to Cambodia, 1992–93
Between March 1992 and April 1993, about 370,000 refugees from border camps in Thailand returned to Cambodia. A combination of assistance was provided, including transport, food aid for a 400-day period and the option of a cash grant. The cash grant on offer was a generous $50 per adult returnee and $25 for each child, meaning that a large family could receive over $400. Around 85% of the returnees selected the cash grant option.

The cash grant expanded the range of options open to returnees, providing them with the means to move around the country and find lost relatives, and enabling new arrivals to establish an initial base with family members. It also meant that UNHCR no longer had to provide all the returnees with housing kits, an objective that they had been struggling to meet. The grants were most commonly used to buy building materials, land or housing plots, establish small businesses, assist relatives in income-generating activities and find family members. A UNHCR review concluded that 'the cash grant has played a very positive role in the initial settlement process' (Crisp & Mayne 1993).

9. Cash payments by the Red Cross in Guatemala and Nicaragua following Hurricane Mitch
Cash payments were provided as part of an agricultural inputs package. An evaluation found that cash had supported immediate subsistence and reinforced investment in production; that it was responsibly spent; and that there was no evidence of arguments within households over the control of the money. The evaluation also found that the combination of assistance was particularly effective, with cash complementing agricultural inputs and food (British Red Cross 1999).

10. Cash and vouchers in Ethiopia
The continuing cycle of famine in Ethiopia and the large annual volumes of food aid that continue to be delivered have prompted a growing interest in alternative interventions, including cash and vouchers. Save the Children has implemented a series of cash relief projects over the past few years, which will be reviewed in a separate case study as part of this research project. The findings of a series of reports and evaluations of these projects have been broadly positive, concluding that cash is appropriate and can be safely implemented, that inflation has not been a major problem and that cash is more cost-effective than food aid (Gebre-Selassie & Beshah 2003;Knox-Peebles 2001;Save the Children UK. 2004a). USAID provided $4.4 million in 2003 to fund four cash pilot projects which, as well as Save the Children, also included cash for relief initiatives by CARE, World Vision and the Ethiopian Orthodox Church, as well as a cash-for-seeds project implemented by the Comitato Internazionale per lo Sviluppo dei Popoli and the Relief Society of Tigray (CISP/REST) (USAID 2004). These are currently being evaluated.

CRS, World Vision, CARE and FAO have all implemented voucher-based seed programmes (UNOCHA 2003). In 2004, CRS introduced a livestock voucher scheme, where vouchers can be exchanged for small ruminants at livestock fairs, complemented by support to veterinary services (Catholic Relief Services/ Ethiopia Program 2004). In Tigray, the World Bank has financed an Emergency Recovery Programme for the State Council which has provided cash grants to war-affected IDPs and people deported from Eritrea to Tigray (Global IDP Database 2003). There are undoubtedly additional examples not covered in this review.

11. ICRC urban voucher programme in the West Bank, 2002–2003
This programme aimed to provide 20,000 of the most vulnerable families in urban centres of the West Bank with monthly vouchers in order to purchase a range of essential goods from local suppliers. The vouchers were worth $90, and had to be spent through selected contracted merchants, who then redeemed them with ICRC. Long periods of curfew made it difficult for ICRC to distribute the vouchers, and for beneficiaries to redeem them. The programme ended in 2003, when ICRC decided to stop support on the grounds that it was acting as a substitute for the responsibilities of the occupying power, Israel.

12. Cash for work in Afghanistan
In response to drought and conflict, huge volumes of food aid were delivered in Afghanistan during 2001–2002. Large-scale food aid programming continued into 2002–2003, but there was an increasing shift towards cash for work rather than food for work. In part, this seems to have been prompted by a study arguing for greater use of cash-based responses, and in part by government calls for a shift towards cash as part of a longer-term social protection strategy (Lautze 2002; Transitional Islamic State of Afghanistan 2003). A desk-based study of cash approaches in Afghanistan will be published as a background paper as part of this research project (Hofmann 2004a).

13. Cash in Bangladesh
Both cash grants and cash for work were used in response to the 1998 floods in Bangladesh. Oxfam, for example, provided cash grants as part of a food distribution, in order to revive the stagnant local economy (DEC 2000). Oxfam also implemented cash for work projects in West Bangladesh in 2001 (Khogali 2003;Khogali & Takhar 2001a;Oxfam 2003). This programme targeted 10,000 beneficiaries with 30 days' employment each. The government minimum wage was used to set the level of payment, and over 80% of the participants were women. The Oxfam project was designed as a recovery programme, following an initial emergency response focusing on food, shelter, water and sanitation and healthcare. As markets were closed by the flooding for the first three weeks, a review found that the use of cash at an earlier stage of the crisis may have been inappropriate (Khogali & Takhar 2001a) In response to the floods in Bangladesh in 2004, Save the Children provided roofing materials and a small amount of cash to 10,000 families for housing reconstruction (Save the Children UK. 2004b).

14. Cross-border cash
Cash has sometimes been used in cross-border operations, when access to a country in conflict is particularly restricted. For example, in Ethiopia in the mid-1980s cash was used as part of a cross-border operation to support agricultural production and food purchases in Tigray and Eritrea (Darcy 1991). More recently,

cash has been used as part of cross-border operations between Thailand and Burma. Clearly, there are difficult issues around the degree of monitoring that is possible and the maintenance of neutrality, but the potential low visibility and ease of transport of cash as compared to bulky commodities present opportunities in situations where the movement of aid agencies is restricted.

15. Kitgum, Uganda, 2001
This programme was implemented by Oxfam in response to ethnic violence in Kitgum; it targeted 8,000 households. A review found that cash met a diverse range of needs and was preferred to food aid, partly because previous food aid distributions had lacked transparency and been subject to substantial leakages. Some beneficiaries were concerned about the security risks associated with keeping cash and so spent the money as quickly as possible, often on livestock which were seen as a lower-risk form of saving (Khogali & Takhar 2001b).

16. Government shelter project in Gujarat
Following the devastating earthquake in 2000, the government of Gujarat implemented what it describes as the largest-ever housing reconstruction programme in terms of numbers and geographic area. Payments were made in three instalments, with the second and third given only after certification by engineers to ensure hazard-resistant construction. Payments were made directly into bank accounts, over 365,000 of which were opened in a three-month period (Gujarat State Disaster Management Authority 2002). There have been concerns about corruption.

17. Vouchers and cash in Montserrat
Following a volcanic eruption in 1995, food aid and shelter assistance was initially provided. From June 1996 the government of Montserrat introduced a food voucher scheme, later broadened to include all foods and basic toiletries, exchangeable in local shops. Vouchers were replaced in December 1997 by cheques to the same value, which could be cashed at banks and supermarkets. This change appears to have been both a response to pressure from participants, who wanted to be able to use assistance more flexibly, including for rent payments, and a response to the heavy administrative burden of the voucher programme. It also followed criticism of the voucher scheme from the UK parliament's International Development Committee. Support for shelter also moved from a policy where the government built houses to one called 'self-build', where grants were provided to enable people to build homes themselves (Clay 1999).

18. Save the Children voucher scheme in northern Iraq
Following the 1991 Gulf war, Save the Children distributed vouchers in northern Iraq to help new settlers survive the first difficult winters back in their village, and to assist others to settle permanently. Families could choose what they liked from a catalogue of resources, to the value of £140. The catalogue was developed from a discussion with communities about their needs and priorities, and included food, livestock, fertiliser, seeds and building materials. Once selection had been made Save the Children purchased the items locally, and delivered them to the villages. Livestock was the most popular item and food the second, but a wide range of goods was selected. According to Save the Children, the voucher programme was a successful and innovative response since it addressed the diversity of people's needs and enabled villagers to determine their own requirements (Jaspars & Young 1995).

3.2 Chapter summary
The examples given here undoubtedly do not fully represent recent experience around the world with cash- and voucher-based responses in emergencies. It has been easier to collect international NGO reports than those of governments and international finance institutions (IFIs), so responses by national governments and IFIs are probably under-represented. The selection also probably the geographic bias that come from being based in the UK; Latin America, Asia and French-speaking parts of the world are also under-represented. That said, the examples given suggest a growing and diverse body of experience, and represent a sufficiently large body of experience to allow for some preliminary conclusions about the effectiveness of cash and vouchers as mechanisms for responding in emergencies.

Chapter 4
Assessment and appropriateness

This chapter examines the assessment process and how decisions are made about whether cash- or voucher-based approaches are appropriate in particular contexts. In many circumstances, aid agencies still seem reluctant to consider cash as a possibility, because of concerns about its appropriateness, because agency policies or staff skills mean that it is not even considered, or because funding for cash or voucher approaches is not available. This chapter examines the appropriateness of cash and voucher responses; how the decision to use cash or vouchers is made; and what assumptions and assessment information are involved in making this decision. The wider institutional and organisation barriers to the greater use of cash and vouchers are considered in more detail in Chapter 7.

4.1 Is cash on the agenda?

One of the central conclusions of recent HPG work on needs assessments was that ‘assessment typically is subsumed within a process of resource mobilisation, with assessments being conducted by agencies in order to substantiate funding proposals to donors’. Further, there is a tendency to ‘define need in terms of the goods and services on offer, which people are found to lack’ (Darcy & Hoffman 2003). This approach tends to militate against cash responses because resource-driven assessments define needs in terms of the types of responses that humanitarian agencies are used to providing, which usually do not include cash. So, a lack of food is directly translated into a need for food aid, and a lack of shelter into a need for the provision of shelter materials. Possible alternative interventions for meeting the risks to livelihoods that assessments identify are rarely considered.

A review of the 2004 UN consolidated appeals provides a graphic illustration of this process. The humanitarian emergencies of 2004 ranged from conflict in Darfur to floods in Bangladesh, confronting people with a huge variety of risks to their livelihoods in a diverse set of contexts. The responses proposed, however, are almost uniformly standardised. They include food aid from WFP, seeds and tools from FAO, water, sanitation and nutrition from UNICEF and health from WHO. There is almost no mention in any of the CAPs of cash or voucher responses. Resource-driven assessments seem to reproduce existing mechanisms for response, making any sort of innovation, including the use of cash and vouchers, difficult.

Institutional factors in assessments also make it unlikely that cash or vouchers will be recommended. Assessments by particular agencies are likely to recommend responses which their agency is equipped to carry out. The fact that food security needs at a national level tend to be assessed by WFP and FAO means that food insecurity tends to be uniformly translated into a need for food aid. Food security assessments in particular seem often to move directly from a description of food insecurity to an estimation of the food aid tonnage needed, with little or no consideration of alternatives. Lautze’s analysis of the response to the 2003 crisis in Ethiopia (Lautze 2003) found that agencies were still operating largely with a ‘food first bias’. WFP is currently engaged in a revision of its emergency needs assessment methodologies and developing a new handbook, and there are signs that the agency recognises the need for assessments to consider non-food responses to food insecurity more explicitly. For example, the report of a technical meeting in Rome in 2003 notes that ‘emergency needs assessments should assess food insecurity and not focus narrowly on food aid requirements’ (WFP 2003b): 10).

This standardisation of response, particularly in the area of food security, was one of the central findings of reviews of food security interventions in the Great Lakes (Christoplos 2004;Levine & Chastre 2004), and agricultural rehabilitation in Afghanistan (Christoplos, 2004). Levine and Chastre, reviewing food security interventions in the Great Lakes over the last five years, conclude that:

- Many, if not most, food security interventions failed to address the needs of people affected by crises.
- Agencies had often decided on their response in advance, and began by asking who to help or how much help to give, rather than what was needed most. Food was given where it was known to be plentiful, and seeds were given to people who did not need them.
- Responses focused narrowly on food production, despite the fact that market factors play a large role in determining food security (Levine & Chastre 2004).

The impetus to consider cash as an option often stems from the fact that someone in the organisation has had previous experience with cash-based approaches (see Box 5 for an example). The growing use of livelihoods approaches in food security assessment is also encouraging the consideration of a wider range of options to support livelihoods, including cash. For Save the Children, the household economy tool is also stimulating thinking around a wider range of options. In a recent example, an assessment carried out by Oxfam in Haiti in March 2004 recommended the implementation of a cash for work project:

> *In the light of limited employment opportunities, low household purchasing power, higher levels of debt, and reduced consumption despite an apparent availability of foodstuffs on the market, a real need to inject cash into the local economy is evident. This would be with a view to stimulating demand and food intake* (Singh 2004).

A recent Save the Children assessment in Farchana refugee camp in Chad found that ‘food aid plays a very important role in the economy of Farahana camp because apart from a few opportunities for trade or labour within the camp itself, there are very few other ways that people can obtain cash or food income' (LeJeune 2004). The assessment recommends providing opportunities to earn cash income, increasing the food aid ration and providing cash relief:

> *If planned distributions of soap and salt go ahead, 'poor' households still need 6,000 Fr CFA a month to purchase other items. A monthly cash distribution to those poor households who are unable to benefit from any other created employment opportunities could be considered at least until the next harvest (October) when food and income options are expected to increase. This would reduce the need to sell their food aid and remaining possessions. Even if such a distribution were targeted at all poor households (45% of the camp population) this means just under 5 million Fr CFA (roughly $10,000) a month. Any such intervention must be combined with a study of the possible impact on inflation and to ensure that it really would increase households' purchasing power* (LeJeune 2004).

Being able to consider cash or vouchers as a possible intervention and adequately assess their appropriateness implies a different sort of assessment approach to the one that still dominates the humanitarian sector. As Darcy and Hofmann argue (2003) argue:

> *A more appropriate approach might involve analysis of the specific threats and vulnerabilities involved, and the planning of interventions designed to reduce both, and hence reduce risk. An analysis based on risk may indeed indicate the need for certain forms of intervention to mitigate that risk, but it does not presuppose the form of intervention.*

A good example is southern African, where inter-agency vulnerability assessments quantified the number of food-insecure people, then translated this directly into food aid tonnages. Since the Darcy and Hofmann study, there have been significant changes to southern African vulnerability assessments. The VACs in Malawi, Lesotho, Swaziland and Zimbabwe in 2004 presented all household food access deficits in terms of both food and cash requirements, and the FAO/WFP crop and food assessment missions in three of those countries acknowledged that cash might be a valid response (Malawi National Vulnerability Assessment Committee in association with SADC FANR Vulnerability Assessment Committee 2004).

It does seem that collaborative inter-agency assessments are sometimes better able to recommend a range of possible responses, which can include cash. UNOCHA led the inter-agency assessment in the Sool Plateau in Somalia in 2003 which recommended a combination of food and cash assistance, in addition to emergency water and health service provision and livestock off-take (United Nations 2003). The Disaster and Emergency Response sub-group in Bangladesh designed a process to consolidate the many assessments and reports conducted by UN agencies, NGOs and the Bangladeshi government, and then made recommendations for short-, medium- and long-term responses based on a broad consensus of agencies participating in the process. Cash support was included in the medium term (six weeks to three months) response. (Bangladesh Disasters and Emergency Response DER Sub-Group 2004). Unusually, the UN consolidated appeal has a proposal for economic recovery and infrastructure projects that includes cash for work, replacing the lost assets of women vendors and grants for small businesses (United Nations 2004).

Box 5: Why cash? Oxfam's cash for work intervention in Kitgum, Uganda

Ethnic violence in Kitgum in 2000 had left the affected population without most of their belongings, including household utensils, farming implements, clothes, livestock, food, granaries and complete houses. At the time of the intervention (November 2000) the dry season had already begun. This meant that support in the form of seeds and tools was inappropriate. This left Oxfam GB with the option of food provision, income transfer strategies or other livelihood interventions. An assessment in July/August 2000 recommended the use of cash for work schemes. This type of programme had not previously been implemented by Oxfam GB in Uganda. However, the Project Manager had been involved in similar programming in Orissa, India. The Oxfam Uganda team also collected information from other Oxfam offices in Africa. This, combined with the diverse needs of the affected population, led to a recommendation in favour of cash for work. The evaluation team believes that, in this situation, the choice of cash for work was correct. This was particularly the case given the recovery nature of the programme. Other factors supporting this conclusion include:

- The diversity of needs.
- The prominence of the cash economy; cash was normally generated through the sale of cash and food crops, and used to purchase commodities.
- Relative market integration and the availability of well-supplied trading centres.
- The limitations of a food aid approach.

Source: (Khogali & Takhar 2001b)

4.1.1 Judging appropriateness

A first step in being able to consider the possible appropriateness of cash or vouchers would simply be for assessments to be less resource-driven, and for a range of interventions to be considered. When this is the case, a series of questions then arise about how to assess the appropriateness of cash or vouchers compared to possible commodity-based alternatives. Two broad sets of questions can be identified in considering appropriateness. The first relate to the need to understand people's livelihoods and how local economies and markets work. For example, will people be able to buy the goods that they need, is there likely to be an inflationary impact from a cash injection, how are local credit markets functioning? The second question relates to whether a cash or voucher response can be practically implemented. Do staff have the necessary skills, is there a safe way of getting cash to beneficiaries, will targeting be feasible? Many of these questions will be examined in more detail in subsequent parts of this report. This section looks at what attempting to answer these questions would imply in terms of analysis and assessment methodologies.

Box 6 presents an example of an agency explicitly considering the possibility of using cash or vouchers to support shelter reconstruction in post-eruption Goma, but then deciding that this was not appropriate. Of course, other agencies may have come to different conclusions, and cash or voucher approaches may have been more appropriate in responding to needs other than shelter. Sesnan (2004), for example, argues that cash would have been a more appropriate response than in-kind approaches. An SDC feasibility analysis suggested that cash may have been appropriate for housing reconstruction, though no programme was in fact developed. A Save the Children UK household economy analysis of Goma after the volcanic eruption suggested that what Goma needed was an emergency injection of cash into its economy (Guluma 2004;MacAskil 2003).

In making a judgement about appropriateness it is important to remember the emergency context and the fact that assessments will often be rapid, insecurity may be an issue, capacity and resources are likely to be strained and the amount of information available is often limited. Decisions about what to do still have to be made in a context of limited and imperfect information.

Box 6: Cash or vouchers in Goma: the CRS decision making process

A CRS shelter project in Goma following the volcanic eruption in 2002 eventually went ahead with the distribution of shelter commodities, but cash and vouchers were explicitly considered as options (Saunders 2002). Shelter and settlement programmes are seen as ‘big ticket’ items with high costs per beneficiary when compared to other forms of assistance. This means that concerns over financial management and accountability are a major impediment to considering delivery mechanisms other than direct material provision, particularly in relief situations.

In Goma, a range of factors were considered in the process of assessing how best to respond to shelter needs. The displacement and destruction of the commercial centre of the town meant that there was considerable interest in priming an economic ‘kick start’ through investment in shelter reconstruction. Goma was the economic centre for the area, with an established network of suppliers, contractors and artisans that could be used in sourcing, distribution and construction.

There was a need for the rapid provision of shelter assistance to a significant number of displaced households (15,000) within a limited timeframe. This led to consideration of self-management by the affected households to minimise the management capacity that would otherwise be needed by implementing agencies. The range of materials and technologies required was limited, reducing the potential complexity of sourcing, procurement, distribution and construction. Agency presence and capacity in Goma were limited, and it was not envisaged that, after the response, a large presence would be required. Minimising the expansion of staffing and management overheads was a key factor.

Given security concerns in Goma, cash transfers were seen as a major risk. The city’s few major banks were functioning to a limited degree, and cash transfers between established account holders were possible, and were perceived to be less vulnerable to seizure and maladministration.

Options for material sourcing, procurement, distribution and construction included:

a) cash/vouchers to identified beneficiaries, to be redeemed at identified materials suppliers;
b) centralised procurement and storage, with vouchers for beneficiaries to access materials; and
c) decentralised procurement and direct delivery to individual house sites.

Providing cash to beneficiaries was rejected due to the difficulties and risks involved in large cash transactions in such an unstable environment. A voucher scheme would have necessitated identifying a limited number of preferred suppliers, whereas it was considered better to maximise the number of potential suppliers, particularly at the outset of the programme. Centralised storage and voucher access by beneficiaries was deemed an unnecessary complication requiring management (by CRS) and potentially delaying the programme. Option c) was preferred as storage management and risk was taken on by the suppliers, with direct delivery to individual house sites. Beneficiaries were responsible for verifying their eligibility using vouchers/tokens.

The donor, USAID/OFDA, was not supportive of cash or vouchers due to the perceived risk, and the desire to ensure that shelters were provided within a limited timeframe (which the donor did not think possible if beneficiaries had to find the time to ‘manage’ their own procurement, delivery and construction). As CRS agreed with the donor’s assessment of the risks this was not a contentious issue.

Technical concerns also had to be included, such as the need to include some awareness-raising in terms of the approach to construction: shelters had to be built so as to allow for demounting and re-erection on original house sites when the lava had cooled, and a defined package of materials supported by ‘typical construction models’ was used to achieve this. This was simpler to manage through centralised procurement than voucher procurement. Also, the amount of materials that needed to be supplied prompted concerns as to quality management. Again, this was simpler to achieve centrally through large procurement contracts than by monitoring supply outlets accessed by beneficiaries with vouchers.

Source: Saunders, pers. comm.; (Saunders 2002)

Box 7: The international response to the Goma volcano eruption

One analysis of the Goma eruption (Sesnan, 2004) argues strongly for a cash-based response to the emergency. Goma was well supplied with food and markets were soon open and operating. Despite this, food aid was provided, which then depressed prices. Family kits were also provided and were greatly needed, but all of the items in the kit could have been bought in Goma market, which was able to restock rapidly from Uganda. The most obvious need, Sesnan argues, was to re-establish Goma's economy to enable people to be self reliant again:

If the beneficiaries tell us clearly, as they did, time and again in Goma, that what they needed was cash, why did we persist in giving them goods? There was overwhelming evidence that within a day or two the only value of another plastic sheet or a cooking pot was in its sale. How come then, that we continued to give them, even when it was obvious that they had become currency, and a currency debased at that, which reduced their sale value to next to nothing and impoverished those who normally sold them?

Source: (Sesnan 2004)

The first set of questions in judging appropriateness relate to how local economies and markets work. As discussed above, cash or vouchers will only be appropriate if local markets are functioning well enough for people to be able to buy food and other basic essentials at reasonable prices. If the provision of cash leads to additional demand for particular goods and these are in short supply, there may be a risk of local inflation. Making a judgement about this in an assessment requires some analysis of local markets. The sorts of questions that need to be asked concern the types of goods available, the existing price level, the capacity of traders to respond to an increase in demand and the competitiveness of local markets. If local markets are competitive then traders are less likely to be able to force up prices in response to increased demand.

Market analysis need not necessarily be particularly complicated or labour-intensive. Prices of key commodities are often monitored as part of existing early-warning systems, and it is fairly straightforward to assess the types of goods available in local markets and to interview a range of traders. Indeed, better analysis of markets is arguably something that aid agencies should be doing anyway, in order to better understand how people are surviving and how best they can be supported. As Lautze (1997) argues, village markets are a critical arena for information, political exchange and socialising; monitoring markets should be one of the fundamentals of a livelihoods strategy. Cash projects implemented by Save the Children in Ethiopia collect weekly price data from local markets and hold market focus group discussions with buyers and sellers from different segments of the community every two weeks for the duration of the programme. These aim to explore the effects of the cash injection on the local economic system in terms of market supply, demand and prices. (Save the Children UK. 2001b).

Between 2002 and 2004, Afghanistan saw an increasing volume of cash-based programming, mainly focusing on cash for work (Hofmann 2004a). AREU notes that both the Ministry of Rural Rehabilitation and Development (MRRD) and WFP have huge needs for information about poverty, vulnerability and market access and the state of rural infrastructure in order to effectively implement and target reconstruction and social protection programmes (AREU 2004). MRRD's decision to allocate cash or food to areas identified as food-insecure in 2002 were based purely on the predicted level of food insecurity. Areas with lower levels of food insecurity were targeted with cash-based programmes. Such an allocation does not, however, take into consideration critical market access indicators. AREU proposes a set of such indicators that could be used for making better-informed decisions between food and cash responses. These are:

- Barter is a significant form of exchange in the community.
- Location, time and cost of accessing the nearest market centre, clinic and school.
- Frequency of transport to the nearest market centre (number of times/week).
- Number of months during winter when market access is severely restricted or impossible.
- Whether there is another market centre further away that is an important aspect of trade within the community, and if so, for what commodities it is used.
- Community views on food versus cash as a programming response to food insecurity (AREU 2004).

WFP uses the following to identify areas for cash and food-based interventions:

- Market indicators.
- Those areas where respondents to vulnerability assessments state a clear preference for food over cash or a combination.
- Those areas where there is no winter or spring access to markets due to snow.
- Those areas where cash-based interventions are likely to be hampered by insecurity, but where food can be monitored by the government and escorted by the military.
- WFP also undertakes a gap analysis, plotting ongoing government cash safety net programmes by area. WFP fills the gaps in areas where the preference is for programmes that are available, and where food is not likely to have any disincentive impact on prices ((Hofmann 2004a).

The type and stage of an emergency is clearly important in making judgements about the possible appropriateness of cash. In the early stages of an emergency, particularly a quick-onset crisis, markets may be particularly disrupted and it may be more likely that commodity-based approaches will be needed. Thus, in the Bangladesh example cited above, cash was only seen as appropriate in the medium term (after six weeks) due to the disruption caused by flooding (see Table 7).

Table 7: Phased responses recommended in response to floods in Bangladesh

Immediate response up to 2 weeks	Short-term response 2 to 6 weeks	Medium-term response 6 weeks to 3 months
Rescue and evacuation Water purification Oral saline Food Medical supplies Non-food items Fodder Tube well extensions	Dry food Medical services Tube well repair and rehabilitation	Iron roof sheeting Cash and other capital support Seedlings Fertiliser

Source: Bangladesh Disasters and Emergency Response DER Sub-Group 2004

The type of emergency will also influence whether cash- and voucher-based approaches are appropriate. Natural disasters in secure areas with well-developed banking and financial systems are likely to be easier places to implement cash-based responses than remote war zones. While there are examples of cash and vouchers being successfully implemented in conflict environments, there are security questions. Can cash can be delivered safely? Once it is delivered, will beneficiaries be able to spend it safely? Is there a major risk of diversion by warring parties or local élites? As with all programming in complex emergencies, there is a need to understand the political economy of conflicts and the risks of diversion. Whether cash approaches are more or less vulnerable to disruption from insecurity will be addressed in later sections, but clearly an analysis of the security risks must form a key part of the assessment process. A whole set of other practical issues must also be assessed, such as the mechanisms that exist for delivering cash, how cash will be used between men and women in the household and whether women may be particularly disadvantaged. All of these questions will be addressed in more detail in the next chapter. However, they should all form part of the assessment process.

Given that one of the stated advantages of cash and voucher approaches is that they respect the diversity of needs and allow beneficiaries a choice, this implies a need for assessments to be as participatory as possible, and to focus particularly on identifying beneficiary views on what is and is not possible and appropriate. In its Kosovo cash for housing project, for instance, SDC used a participatory assessment process to find out what the local population thought, and to discuss their needs and the different ways in which they might be met. The agency argues that this was an important part of what it sees as the project's success.

A basic checklist is suggested in Table 8. This is very much an initial suggestion, and needs to be further developed and refined based on practical agency experience. Many of these issues and questions may already form part of existing assessment methodologies or early-warning systems. Assessing the feasibility of cash should not necessarily be seen as an additional or separate exercise, but as one of the options for response to be considered as a standard part of emergency assessments. This may require some issues to be added to standard assessment methodologies or checklists.

4.2 Chapter summary

This chapter began by asking how decisions about the appropriateness of cash- and voucher-based approaches are made. This is not simply a technical question because cash and vouchers are often not even considered as options in humanitarian response. Getting cash and vouchers onto the humanitarian agenda and into the humanitarian toolbox would mean moving away from resource-driven assessments. As a first step, it would be encouraging to see agencies explicitly considering a range of interventions as part of the assessment process. There are some promising signs that this is beginning to happen, such as the change in emphasis in the 2004 vulnerability assessments in southern Africa. Progress has, however, been slow.

Once the option of using cash and vouchers is on the agenda, it is possible to consider the types of information needed to assess their appropriateness. These divide fairly neatly into two categories: practical questions around the feasibility of cash in terms of such things as security and corruption; and economic questions around the ability of local markets to respond to an injection of cash. The practical questions will be addressed in more detail later in this paper. In order to make judgements about the economics of cash and voucher responses, the main conclusion is the need for agencies to improve their capacity to assess local markets. The tools to do this already exist; the is get these tools into manuals and standard assessment checklists, and to make market analysis a routine part of the assessment process.

Table 8: Cash assessment checklist

Issue	Key questions	Methods
Needs	What are people likely to spend cash on? Do emergency-affected populations have a preference for cash or in-kind approaches?	Participatory approaches Interviews, surveys
Markets	How well and competitively are markets functioning? Are the key basic items that people need available in sufficient quantities and at reasonable prices? How quickly will local traders be able to respond to additional demand? What are the risks that cash will cause inflation in prices of key products? How do debt and credit markets function, and what is the likely impact of a cash injection? What are the wider effects of a cash project likely to be on the local economy, compared to in-kind alternatives?	Interviews and focus group discussions with traders Price monitoring in key markets Interviews and focus group discussions with money lenders, debtors and creditors Assess the volume of cash being provided by the project compared to other inflows such as remittances Ensure that remote areas are covered in analysing how markets work
Security and delivery mechanisms	What are the options for delivering cash to people? Are banking systems or informal financial transfer mechanisms functioning? What are the risks of cash benefits being taxed or seized by elites or warring parties? How do these compare to the risks of in-kind alternatives to cash?	Mapping of financial transfer mechanisms Interviews with banks, post offices, remittance companies Interview with potential beneficiaries about local perceptions of security and ways of transporting, storing and spending money safely Analysis of the risks of moving or distributing cash Political economy analysis
Gender issues	How will cash be used within the household (do men and women have different priorities)? Should cash be distributed specifically to women?	Separate interviews with men and women
Cost-effectiveness	What are the likely costs of a cash or voucher programme, and how do these compare to in-kind alternatives?	Costs of purchase, transport and storage of in-kind items compared with costs of cash projects
Corruption	What are the risks of diversion of cash by local elites and project staff? How do these compare to in-kind approaches? What accountability safeguards are available to minimise these risks?	Assessment of existing levels of corruption and diversion

Chapter 5
The impact of cash and voucher programmes

This chapter examines questions around the impact of cash and voucher programmes. The first section looks at how people spend cash, in particular whether cash is likely to be spent in ways that may be seen as anti-social or inappropriate. Section 5.2 explores the wider economic impacts of cash and voucher programmes, examining evidence from existing responses about the crucial question of whether markets can effectively respond to an injection of cash. Finally, section 5.3 looks at how cash is used within the household, and particularly whether women may be particularly disadvantaged by the provision of cash.

5.1 What do people spend money on?

One of the concerns with cash programmes is the lack of control over what the money is spent on. For aid agencies used to being able to report 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 food for hungry children; in conflicts, the funds could be used to purchase arms. In the Somalia cash programme described above, there was concern that cash would be used to purchase the narcotic qaat.

The evidence from monitoring reports and evaluations overwhelmingly suggests that people do not use the money to purchase non-essential goods, and do spend it on the basic items that they need to survive and protect their livelihoods. Usually the main purchase is food, with some money spent on essential goods such as soap. In situations where large debts had been a major source of livelihood stress, a part of cash grants was sometimes used to pay off debts. Narbeth (2004) found that:

> *Most households used the grant for its intended (and stated) purpose: for debt repayment, and food and water purchase (or combinations of these). A smaller number of households used the grant to purchase water for livestock, medicines, soap or construction materials. In these terms the project met its intended aims.*

It should come as no surprise that people in desperate need use the small amounts of money provided by aid agencies for basic survival and to protect their livelihoods. The fact that this needs to be stressed perhaps says something about attitudes towards the people helped. Judging someone's decision as anti-social brings with it a problematic set of moral judgements. 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 into local society. And aid is inherently fungible, whether commodity or cash. Food aid, shelter materials or seeds can be sold, and the income from that sale can be spent on things other than food.

One of the reasons why evaluations consistently find that people prefer cash to food is the greater flexibility that it provides. In part, this flexibility is about buying things other than food. People participating in the SDC housing project in Kosovo, for example, reported during an annual planning meeting that being able to rebuild their homes with materials they had chosen themselves was an important benefit of the cash project, both for practical reasons and because they saw it as helping to restore a sense of dignity (SDC, pers. comm.). Cash is also valued because of it allows people to gain access to a wider range of foodstuffs. A Red Cross evaluation in Ethiopia, for example, found that people brought cheaper grains (maize and sorghum rather than wheat) and so increased their calorie intake ((Wilding & Ayalew 2001)40). Other evaluations have found that, because people can use cash to buy a greater variety of food, they have a more nutritionally balanced diet. A Save the Children cash for work project in Ethiopia found that households receiving food aid consumed a much less varied diet than households receiving cash (Knox-Peebles 2001).

In a cash programme implemented after floods in Mozambique in 1999–2000, recipients spent some of their money on construction materials. An evaluation found that many recipients rebuilt their homes with traditional, local materials. Construction purchases were mostly for doors, nails, roofing, reeds and poles; little was spent on paint, cement and blocks. Some materials provided by other assistance programmes, such as zinc roofing, were often resold by flood victims because these items were not what they needed (Abt Associaties Inc. & Agricultural Policy Development Project 2002).

What cash is spent on seems to depend on the relative levels of wealth and vulnerability of the receiving households. For example, a Save the Children project in Ethiopia found that poor households receiving cash bought second-hand clothes and basic necessities as well as food; 'middling' cash-receiving households invested in farm tools, seeds, repayment of loans and chickens (Knox-Peebles 2001). In the Russian Republic of Adygea, SDC found specific spending patterns amongst the elderly, who were likely to spend more on medical treatment but also often saved some of the cash until spring to buy seeds for kitchen gardens.

A distinction is sometimes made in the literature between the use of cash for consumption purposes and its use for investment in productive activities. Where cash is being provided as emergency relief, it would be expected that the

Box 8: Cash as a stimulus to investment in northern Kenya

Habiba Abdi Ahmed moved to Boji Yare settlement from Wajir in 2000. She is widow; her husband was killed in clan clashes in 1994. She has four children, including a divorced daughter with four children of her own. This family is dependent on her.

Along with three other women, Habiba was chosen by the community to work on Oxfam's roads project. These women were selected because they were more vulnerable than the other members of the community, and were responsible for extended families. Their main tasks were pulling away tree branches, cut down by the men, making tea for the workers and carrying water.

Habiba worked for 60 days on the project, earning about £45. She used this to buy three sheep, clothes for all her dependants and a big bag of sugar. She bartered the sugar for milk, which she sells at the milk market in town, making a few shillings profit on each bottle. She uses this profit to supplement the family's household budget. She is also able to contribute to community obligations, such as funerals. She even managed to attend her brother's burial in Isiolo. Later, she opened a tea kiosk. Today, her assets are six sheep and savings of about £20.

Source: (Oxfam 2003)

majority of the funds would be spent on immediate consumption. This is indeed the case in most evaluations. However, where the situation is less acute, or where the amounts of cash provided are more generous, there is some evidence that the provision of cash can help to stimulate productive investment. For example, a review of Oxfam's cash for work project in Turkana, Kenya, found that larger sums were more likely to be spent on productive assets such as livestock, or setting up small shops (Frize 2002).

In Malawi in 1999, a flexi-voucher was provided to some households as an alternative to the provision of 'starter packs' of seed and fertiliser. These vouchers could be exchanged for cash at selected retail outlets. Although most of the recipients used the cash to buy basic household necessities, the money saved enabled them to work on their farms, rather than having to do casual labour during the planting season. It was thus seen as a more effective way of increasing production than buying seeds or fertiliser.

> *Samuel had bought a combination of soap, salt and cooking oil. He estimated that he was now able to spend an extra 2.5 months on his own garden and produce. He said that his garden was better than he had ever seen it and he was expecting a much greater harvest compared to last year. In addition his tobacco was normally sold whilst still in the field to a middleman at a low price. This was the first ever year that he was able to harvest the tobacco, tie it into bundles and sell it for a decent price.* ((Harnett & Cromwell 2000).

This suggests a need for caution in making a simplistic a distinction between the use of cash for consumption and for investment.

Table 9 summarises what money was spent on in a range of recent cash programmes.

There is almost no evidence in any of the published or grey literature of the use of cash for anti-social purposes. In DRC, women on a cash for work project thought that the men may have spent some of the money on beer. In Moldova, as part of an SDC project, local village committees purchased essential items for the beneficiaries' family in situations where there was a high risk of misuse, such as alcohol abuse. It is, however, unlikely that standard questionnaire or survey-based monitoring would reveal whether or not expenditure on items that aid agencies see as inappropriate was taking place. People are unlikely to tell aid agency staff that the money has been spent on alcohol, cigarettes or guns even if it had been for fear that this would jeopardise further assistance. SDC has contracted monitoring to independent local organisations in order to encourage people to raise concerns freely, and the agency has found that this works well. Monitoring by some agencies has also looked for possible different types of expenditures. In Somalia, for example, a post-distribution monitoring team conducted interviews with qaat traders to see if there had been any increase in sales following the cash distribution. The team found that:

> *there were no reports at the household level of cash use for qat purchase. Focus group and key informant interviews showed that although there did appear to be a short-lived increase in business for qat dealers, this reflected the circulation of cash among the business community rather than a usage among drought-affected vulnerable pastoralists.* (Narbeth 2004)

One of the arguments sometimes put forward for the use of vouchers rather than cash is that vouchers can be used to prevent anti-social expenditure by controlling the range of items that people can buy. For instance, the Red Cross voucher programme in the West Bank specifically prohibited certain items such as tobacco products, alcohol and powdered milk. However, in practice a trade in vouchers often develops, so it needs to be accepted that people could still sell their voucher and buy items viewed by the agency as inappropriate. The same point also applies to commodities, of course.

The fact that recipients of cash assistance sometimes spend part of the funds on paying off debt raises some interesting questions. Debt repayments are sometimes presented as a negative use of cash on the grounds that they are not supporting immediate consumption. Of course, this ignores the possibility that food aid could equally be sold to pay off debts. It is also important to question assumptions that paying off debt is an unhelpful use of cash. In Afghanistan, Lautze (2002) found that 'deepening poverty has led to high overall debt burdens, widespread delinquency on loan payments and

Table 9: What cash was spent on

Project	Spending
A 2003-2004 emergency cash grant in Sool/ Sanaag, Somalia by Horn Relief and NPA	Debt, food, water, medicine, soap and transport
A cash for work project in Meket and Wollo, Ethiopia, by Save the Children (2001)	Food, second-hand clothes, basic necessities, farm tools, seed, chickens, and repaying loans
Cash for work by ERCS/IFRC in Ethiopia in 2000/1	Cheap food grains, petty trade and debt repayment
Cash payments as part of an agricultural rehabilitation package implemented by the Red Cross in Guatemala and Nicaragua after Hurricane Mitch in 1998	Mainly food, medicines, agricultural inputs, chickens, pigs and tools
Cash as part of a repatriation package in Cambodia in 1992-93	Mainly building materials, land or housing plots, to establish small businesses, assist relatives in income-generating activities and to find family members.
Cash for work programmes by Oxfam in Kitgum, Uganda (2001)	Food, livestock, basic household utensils, school fees
Oxfam, cash for work, Turkana, 2000-2003	Food not in the relief ration, debts, school fees; lump sum payments tended to be used to buy productive assets such as livestock, stock for shops and donkey carting
Oxfam in Bangladesh, 2001	Food, debts, school expenses, clothes, livestock and fertiliser
Cash grant programme in response to the 1999–2000 floods in Mozambique	Household goods, food, clothes, seeds, construction materials and livestock
Cash grants following 1999-2000 floods in Mozambique	Household goods, clothes, livestock, food, seed and construction materials
Cash for work in Zambia in 2002 by HODI (a Zambian NGO)	Maize, grain grinding, basic essentials (salt, sugar, soap, matches), vegetable seeds, investment in small businesses
Save the Children cash for work in DRC	Women reported that men spent cash on gifts, debt repayments and beer. Women spent the money on food, school fees and household items
SDC cash grants in Mongolia 2002	The money was spent mostly on animals (50%), and on food, clothes, housing repair and debt repayment
SDC cash grants in Moldova, 2003	Food, medicine, clothing, heating, land tilling, seeds, paying land tax and debt repayments

outright default'. The report argued that there was an acute crisis of purchasing power and recommended:

> *Cash infusions, including cash for work to both directly increase purchasing power as well as to promote the gradual repayment of old loans (and the restoration of vulnerable households good credit standing with new lenders), cash payment of salaries for civil workers and an aggressive use of private sector contracting in order to stimulate demand for labour.*

In many crises, informal credit systems are an important part of how people attempt to cope. Debts spiralling out of control can be an important indicator of vulnerability, and for an individual family making a start in paying off debts in order to regain creditworthiness can be an important in protecting livelihoods. There is a need for caution, therefore, in seeing debt repayments in negative terms. However, in some situations cash has seemed to be less preferable than alternatives due to debt burdens. Three-quarters of participants in an SOS Sahel cash for work programme in Ethiopia expressed a preference for food, in most part due to a fear that, if cash was given, debts would then be called in (Mitchell 1996). The need to understand more about the role of debt in assessing the impact of cash suggests that humanitarian assessments of vulnerability need to do a better job of understanding informal credit systems and the importance of debt in people's livelihoods.

5.2 The economic impact of cash and voucher responses on markets and prices

As discussed above, how markets and prices respond to an injection of cash into the local economy is key in judging the impact and effectiveness of cash responses. The cash and voucher interventions reviewed for this study largely found little or no impact on prices (see Table 10). For example, following a cash relief pilot project in Ethiopia in 2001 Save the Children reported that:

> *We could not detect any impact of the cash injections on local grain markets. These markets were monitored at PA and Woreda level on a monthly basis. It should be recalled that this year has been an year of exceptionally low prices throughout the country. Furthermore, the monthly cash injections – limited to one or two PA's per woreda – were not of a large enough scale to have significant impacts on markets* (Save the Children UK. 2001a).

The main caveat to the findings of cash projects thus far is highlighted in the example above. Most implemented to date have been of relatively small scope and scale, and have often been implemented in a context of ongoing and much larger distributions of food aid. How larger-scale cash projects would influence prices remains to be seen. For example, the Red Cross cash programme in Ethiopia in 2000 injected about $750,000 into two Woredas, which as an evaluation pointed out was 'insignificant in relation to the large number of people in the Region, which has a population of over 14 million' (albeit it was highly significant for the people who benefited from the project) ((Wilding & Ayalew 2001)37).

Another consideration is the competitiveness of local markets. A cash distribution in Somalia, for instance, found no evidence of food commodity prices going up, and interviews with traders suggested a highly competitive retail market. As one trader commented:

> *we knew people received money, though little, but the main advantage was that debts were repaid. Therefore there was no need to increase prices. Food prices can only increase when the supply of food is short or when there is no food. But food was available; it was only that people could not buy it. To keep people buying our food we have to keep prices low otherwise people will buy food from elsewhere* (Narbeth 2004): 26).

Evaluations that have interviewed local traders have generally reported that, given adequate information, traders respond quickly to the increase in demand following cash interventions. It seems that market mechanisms are often surprisingly effective and resilient even in remote areas and areas affected by conflict. Wilding and Ayalew (2001), for example, found that:

> *Traders, who had intervened at the Dessie-to-woreda level indicated that the introduction of the cash had stimulated their activity and that, although being small-scale operators, had been able to satisfy this temporary market and, with the knowledge (market intelliegence) of the period of the disbursement and its volume, were able to buy advantageously and plan their operations more effectively. There was some suggestion of a more than usual entry of traders into the market to meet the demand of the beneficiaries* (p. 31).

In a cash distribution in Somalia, Narbeth (2004) reports:

> *The market showed a great deal of flexibility in its ability to respond to the increase in purchasing power. A number of traders were aware, in advance, of the distribution and had stocked accordingly for the expected increase in business. Some traders restocked in the expectation of further cash distributions and then experienced falling or no demand* (Narbeth 2004)p. 26).

As these examples suggest, traders need to know about cash distributions in order to be able to respond effectively to them. This demonstrates the importance of transparency on the part of aid agencies. However, publicising cash distributions may be problematic for security reasons. A balance needs to be struck between restricting information about the details of cash transfers for security purposes, and letting recipients and traders have adequate information about overall levels and individual entitlements. SDC emphasises the importance of a transparent approach in its cash projects, and aims to announce beneficiary criteria, the amount of cash being provided and the number of recipients to the local media and in public places. For example, in Moldova announcements were made on TV and radio, local mayors were briefed in weekly meetings and beneficiary lists were displayed in local authority offices. Despite these efforts, independent monitoring found that beneficiaries often did not know about their selection or the amount of money that they should receive (Rauch & Scheurer 2003;SDC 2004b).

Evidence from existing cash programmes suggests that traders are often responsive even in difficult market environments, but African markets are often weak and poorly integrated and there is a need for caution in assuming that markets will respond and be competitive enough to make cash- or voucher-based responses appropriate. Market-based responses may be particularly problematic where there are government restrictions on movements of food between regions, or where conflict makes trading more difficult. Pockets of famine sometimes exist in particularly remote or inaccessible areas in part precisely because of the weakness of local markets. In areas where markets have been particularly weakened, this may reinforce the argument for interventions like the CRS seed fairs, which aim to reinvigorate local seed markets.

One way to minimise the inflationary risk of cash has been to distribute food aid as a complement to cash transfers. For example, Oxfam in Turkana combined food aid and cash at the beginning of the programme, partly to bring prices down in the market so that cash was more effective (Oxfam 2003). Agencies have also made provisions to switch from cash to food if prices

Table 10: Impact on prices

Project	Impact on prices
A 2003–2004 emergency cash grant in Sool/Sanaag plateau in Somalia	No evidence of food commodity price inflation. Water prices dropped as a consequence of water trucking
Cash grant programmes in Ethiopia (Save the Children)	No impact on prices found in monthly monitoring, but has been provided following good harvests and on a relatively small scale
Cash for work by ERCS/IFRC in Ethiopia in 2000	No food price inflation in the local market other than a very short-term (two-day) change
Cash for work programmes implemented by Oxfam in Kitgum, Uganda, 2001	The cash injection was small compared to total turnover. Small price increases were reported by beneficiaries at local village shops. Villagers overcame this by seeking out better value in larger trading centres
Cash for work, Oxfam Turkana Kenya 2000–2003	Food aid was distributed at the same time, in part to bring down prices to make cash more effective. The price of maize in cash for work areas was reduced by 22%. Sums of cash were too small to influence prices and price shifts were related more to seasonality, road access and rainfall
Cash for work, Oxfam West Bangladesh 2001	The price of rice during the floods rose as a result of markets being closed. At an early stage, cash to workers may have contributed to increasing food prices
An ICRC voucher programme in the West Bank	Compared to the economy as a whole the value of the vouchers was small and it was very difficult to measure its general impact on the economy
Mozambique floods	Low likelihood of food inflation given that only a small percentage of the money was spent on food. People did feel that prices had increased after the floods; some retailers thought that this was due to the increased amount of money in circulation. However, it was unclear if any increases should be attributed to the cash programme. Some traders felt that the cash grants may have helped to reduce prices
Cash for work in Zambia, 2002, by HODI, a Zambian NGO	Some price increases but not thought to be related to the cash project, according to an internal review

rise significantly. In Ethiopia, both the Save the Children and the ERCS/IFRC programmes had contingency plans in place to shift back to food distribution in the event of price rises (Wilding and Ayalew 2001: 35). This raises the question whether, if the scale of programmes were to increase, it would be possible to maintain enough food reserves to switch flexibly between mechanisms.

Table 10 summarises what was found about the impact of cash on prices in the projects reviewed for this study (where evidence is available).

5.2.1 Multiplier effects

One of the arguments in favour of cash responses is that the provision of cash may generate knock-on economic benefits or multiplier effects for the local economy. The extent to which this takes place depends on what the money is spent on and where. An evaluation in Mozambique found that 87% of purchases following a cash grant took place within the district and argued that:

> *the programmes money was spent mainly in local distribution points and therefore remained in the region, stimulating sales, income gains and job creation by store owners and their employees* (Abt Associaties Inc. & Agricultural Policy Development Project 2002).

It also found that the extra income to local retailers in the form of increased business allowed them to restock their stores, repair damage caused by the floods and invest in other small improvements. In the development literature substantial multiplier effects have been measured in cash transfer programmes. For example, Sadoulet and Janvry (2001) report that a programme in Mexico had a multiplier effect of between 1.5 and 2.6 time the amount transferred.

An ICRC voucher programme in the West Bank found that the traders involved benefited from an increase in turnover ranging from 15–50%, although this represents a small number of traders, and not those who are most vulnerable to the collapsing economy. In the SDC cash grant programme in Mongolia in 2003, the majority of the cash provided was spent on buying animals. More than 95% of the grant was spent in the province, and all of the animals were bought locally, creating knock-on benefits for the local trade in livestock.

An interesting finding from an evaluation of a labour-intensive public works programme supported by CARE in Afghanistan was that the injection of cash into remote villages had helped open access to local markets, and enabled villages to get better prices for their products ((CARE 2004). An Oxfam cash for work programme in Wajir and Turkana districts in Kenya found that a significant proportion of the cash was invested in trade, and that the money provided capital to set up small businesses such as kiosks and teashops. Most of the livestock bought with the cash was obtained from local producers, providing further knock-on benefits (Oxfam 2003). In Somalia, 97% of cash grants were used within the district. However, interviews with local traders suggest that, while the cash injection revived stagnating businesses, the impact short-lived, as the cash grant was just a one-off distribution.

Commodity-based distribution programmes may also have multiplier effects. Providing food aid frees up other forms of household income that would otherwise have had to be spent on food, and may equally stimulate local commerce. To the extent that food aid is sold this could also stimulate local markets, although of course it could also undermine local production. There is a long and disputed literature on whether food aid depresses prices and hence has disincentive effects on local production (Barrett, Holden, & Clay 2001). In assessing the likely impact of cash on prices, it is also important to balance this against the likely impact of commodity-based alternatives.

5.3 The household and gender issues

One of the key concerns sometimes raised with cash and voucher approaches is the possibility that women may not have access to the resources provided. It has been suggested that, in some circumstances, women will be more likely to be able to keep control of commodities such as food; cash is more likely to be controlled by men.

The general picture that emerges from a range of evaluations is that women are not especially disadvantaged by cash programmes. Table 11 summarises the findings from case studies reviewed for this project. Most evaluations report that the use of the cash is discussed and agreed between men and women within the household. Some evaluations show evidence of the cash serving an empowering function for women (Khogali & Takhar 2001a). The concern that cash could be especially problematic in gender terms seems to stem from a small number of assessments where women expressed a preference for food over cash. In an SOS Sahel cash for work programme in Ethiopia, women said they preferred food as this had an immediate impact on food security (Mitchell 1996). In Burundi, the wives of men participating in a food for work project wanted part of the wage in food as they were responsible for feeding their households; women in Guatemala preferred to be paid in food, which they felt they could control (Walsh 1998).

The wider development literature suggests that the impact of cash transfers can depend on who in the household receives the benefit. There is considerable evidence that cash transfers targeted at women have a stronger impact on the living standards of their children, particularly girls, and that cash transfers directed at women may also have equalising impacts on bargaining power within the household (Barrientos & DeJong 2004;Haddad, Hoddinott, & Alderman 1997). In South Africa, old age pensions improved the nutritional status of children in the household (particularly girls) if they were received by a woman, but not by a man (Duflo 2000).

An evaluation of a cash grant programme following the Mozambique floods in 1999–2000 found anecdotal evidence that 'some recipients used the grant to purchase their divorce (buy back their lobolo) from their husbands. On the other hand the team also found that several of the women recipients gave the grant to their husbands and were not sure how the money was spent. Some of the project managers working on the programme had assumed that male recipients would purchase new wives with the cash grants but no evidence of this was found (Abt Associaties Inc. & Agricultural Policy Development Project 2002).

In cash and voucher programmes, as in many commodity-based distributions, women are sometimes prioritised as recipients. For example, in Somalia project staff stressed that women were the preferred beneficiaries, and 49% of the recipients were women. Horn Relief saw this as an achievement in Somalia's highly patriarchal society (HORN RELIEF 2004). Efforts have also been made to ensure that women can participate in cash for work programmes. For example, a CARE cash for work programme in Afghanistan reported that women were able to participate in work outside the home – some for the first time in many years. Some efforts have been made in Afghanistan to find particular tasks that women can do within the severe cultural constraints of the context, such as weaving and embroidery (Mercy Corps 2003;Oxfam 2004).

The picture presented by the review of evidence in the table below is a broadly positive one: in many contexts, women are not particularly disadvantaged by cash responses and are able to control or have a say in how the cash is spent. However, there is a need for caution in interpreting this evidence. Some studies suggest that women are less able to control cash than in-kind alternatives, particularly food aid. Also, few of these project experiences were able to analyse the gender dynamics within the household in any great detail. It does appear that, in some contexts, it may be possible to specifically target women to receive cash benefits, and that this may strengthen women's bargaining position within the household and increase the likelihood of the money being spent on family welfare. How the use of cash is negotiated within the household, and the gender issues surrounding control of the cash provided, should certainly form part of the monitoring and evaluation of cash programmes. Expressed preferences for cash or in-kind alternatives should also form part of the assessment process, and the views of men and women should be independently collected.

5.4 Cost-effectiveness

A possible advantage of cash- or voucher-based responses is that they are more cost-effective than alternatives such as food, as

Table 11: Gender issues in cash and voucher distributions

Project	Gender issues
Save CFW project in Ethiopia 2001	Both men and women consistently reported discussing how they spent the cash with their spouse. Women are recognised as more knowledgeable on food and better bargainers
Cash payments as part of an agricultural rehabilitation package implemented by the Red Cross in Guatemala and Nicaragua after Hurricane Mitch in 1998	No evidence of arguments within households over the control of cash. In most cases it remained in women's hands and the couple agreed its use
Cash for work programmes implemented by Oxfam in Kitgum, Uganda (2001)	Households predominantly reported that they shared the income. The acuteness of the situation meant that men handed over the cash they had earned to women. During focus groups, women did not report disputes with men. An earlier impact report highlighted instances of violence against women as a result of disputes about cash. These were rare and were usually resolved by the village committee
Oxfam Turkana and Wajir 2000-2003	The majority of women who participated in a cash for work programme had control over the cash earned and were empowered to focus on their own priorities for investment in recovery.
Bangladesh floods 1998 (Oxfam)	Women reported greater acceptance, respect and involvement in decision-making as a result of their wage-earning capacity, although they were not sure how permanent the change of status would be
Orissa, India, 1999-2000	A cash for work programme demonstrated that women could do work normally associated with men. This encouraged women to demand equal wages for equal work after the intervention, and an evaluation concluded that women's status had improved, although perhaps only temporarily
Widespread experience with the use of seed vouchers, particularly by CRS	Women have been equal participants as seed sellers in Kenya, Uganda and Sudan. In Tanzania most of the sellers were men, and in Burundi most of them were women, reflecting gender roles in marketing
Mozambique floods	In general, the view that women manage the money and choose the family priorities was borne out. Some women gave the grant to their husbands and were not sure how the money was spent. Some women used it to purchase their divorce. No evidence of men purchasing new wives

cash clearly has lower transport and distribution costs than bulky commodities. It is also argued that the simpler logistics of cash may allow assistance to be delivered more rapidly than alternatives. Cash responses have most frequently been compared to food aid, usually by attempting to calculate the costs of the cash programme, and then working out what providing the same level of benefits would have cost if food aid had been used.

Save the Children UK in Ethiopia believes that cash for work can be cheaper to administer than food for work:

> *Providing enough relief to 40,000 beneficiaries for seven months would amount to 4,200 MT of grain. Delivery of such an amount of grain up to woreda warehouses would cost between 1.4 and 1.6 million euro depending on the delivery mechanism used. Transfer of cash does result in some costs, Meket woreda at present lacks a bank and while cash is being transferred it is necessary for insurance coverage – but these costs are well below the costs associated with food grain* (Save the Children UK. 2003b).

In a cash for work project implemented by SOS Sahel in Ethiopia, paying wages in cash appeared to represent a saving of over 50% (Jenden 1995). Wilding and Ayalew (2001) calculated that food costs about 19% more than cash to provide the same nutritional value. If the fact that recipients of food aid often have to sell part of their ration for transport and other essential goods is taken into account, cash can be seen as even more cost-effective. A major study of food aid in Afghanistan reports that wheat being provided as aid cost $332 per metric tonne, whereas during May 2003 the market was providing wheat grain at prices ranging from $112 to $167 per tonne. The study concluded that 'providing cash rather than food aid will be a far better response. Grain and flour will be available in the markets at reasonable prices and cash will ensure that the expected excellent harvest will find its way to the consumers' table.' (Development Researchers Network 2003): 65).

Making cost-effectiveness calculations and comparing cash and in-kind approaches with any degree of accuracy is often difficult due to a lack of clarity about what is being included in the calculation of overhead costs. SDC explicitly includes all overhead costs, including those of expatriate staff, headquarters consultants and office costs; the agency aims for between 10% and 15% overhead costs (Rauch & Scheurer 2003).

One of the interesting findings from several cost-effectiveness comparisons between the use of cash or vouchers and food is the often hidden costs of transporting food from distribution centres and milling it. As these costs are not borne by the agencies but by the recipients they are rarely included in cost-effectiveness calculations. Jenden (1995), for example, found that 'some beneficiaries in a 1994 relief programme in Ethiopia were forced to pay up to half their rations in transport'. If food is distributed as whole grains, substantial costs are also sometimes incurred in milling the grain. For example, an assessment of the food security of IDPs in Uganda found that poorer households had to sell about 10–15% of the food aid they received, predominantly to pay for milling (Save the Children UK. 2003a). A Concern Worldwide food aid programme in Afghanistan is another example:

> *each family on the list received a 50 kilo sack of wheat every month for 5 months. The distribution took place about one hour by donkey from the village. Families with no donkey of their own paid neighbours for transport with a share of their wheat ration. Back in the village, there was some redistribution of the wheat (to those families not among the 60% on the list) and some exchange of wheat for other commodities. In one typical example, a father estimated that each month he paid 7 kilos in wheat for transport, exchanged another 7 kilos for essential items, and gave 3 kilos to the poor in the village; some wheat in exchange for milling costs was generally required* (Crawford & Harvey 2002): 19).

In Somalia, Horn Relief calculated that the $50 cash grant provided was equivalent to 108kg of rice. They found that the absence of milling machines and grinding tools and the fact that rice is the preferred staple meant that WFP maize was often sold and used to purchase rice (Horn of Africa Relief and Development Organisation (HORN RELIEF) 2004).

Table 12 summarises findings on cost-effectiveness from a range of other recent interventions. Where comparisons have been possible, it has generally been found that cash interventions are more cost-effective than in-kind alternatives.

Box 9: Value for money?

A recent evaluation of food aid in DRC was happy to note that food aid contributed to wider well-being, because two-thirds of the food was being sold to cater for other needs, rather than being eaten. But how cost-effective is it to give food to people who need money?

Most food aid in eastern DRC is transported from Uganda. Maize was bought at $220 per tonne and beans at $340 – but it cost another $400 per tonne to transport. Managing the process cost $180 per tonne, so by the time the food reached the beneficiary, the donor had paid $800 per tonne for maize and $920 for beans. Meanwhile, farmers in the region could not find markets for their crops, and were selling maize and beans at just $60-$100 per tonne. The beneficiaries, who needed money and not food, were selling part of their food for just $60. In the end it cost $15 (to the donor) to deliver the equivalent of $1-worth of food to the recipient.

Source: (Levine & Chastre 2004): 11; (WFP 2003a)

It is sometimes argued that the greater cost-effectiveness of cash means that additional resources can potentially be allocated to stricter monitoring and accountability mechanisms to deal with concerns around the potential for diversion or corruption relating to cash.

5.5 Chapter summary

The overriding impression from a review of the existing documentation of cash- and voucher-based responses is that they are successful. People spend the money that they are given sensibly, cash projects have not generally resulted in sustained price rises and women have been able to participate and have a say in the benefits from cash and voucher responses. The body of experience that these conclusions are drawn from is still small and there is still a need for caution, but there is enough experience to strongly suggest a case for the further development of cash and voucher approaches.

The two main caveats about the successful experiences documented thus far are that many recent projects have been relatively small-scale, and few of them have been in conflict environments. There is still not enough known, therefore, about the likelihood of inflationary impacts if cash and voucher projects were to be implemented on a larger scale, or about their feasibility in complex emergencies. However, large-scale cash projects have been implemented in the past. Maharashtra State in India in 1972–73 employed five million people at one time on cash for work projects, for instance (Dreze & Sen 1990). There is also some experience of implementing cash projects in insecure environments, and some of the main challenges that this raises for security are discussed in more detail in the next chapter. The overwhelmingly positive evaluation of the vast majority of cash and voucher responses in emergencies to date certainly makes a strong case for using these mechanisms more widely, and for piloting their application on a larger scale.

Table 12: Cost effectiveness of cash and vouchers

Project	Cost-effectiveness
Cash grant programmes in Ethiopia by Save the Children	Cash costs are well below the costs associated with food grain
IFRC cash-based EGS in Ethiopia, 2000	Food costs about 19% more than cash to provide the same nutritional value. If the sale of food by households is taken into account, the cost of providing food to the same nutritional value as cash could be more than double
Cash grants as part of the Iranian Red Crescent response to the Bam earthquake	Very low overhead costs – cash directly transferred to already-established bank accounts to vulnerable groups already identified by the government
Cash grant programme in response to the 1999-2000 floods in Mozambique	Total administrative cost was 10%, much lower than for other distributions, such as food aid
An ICRC voucher programme in the West Bank	11% overhead costs – not including HQ costs
Mozambique floods	Implementation costs were about 10% of the grants, quite a reasonable proportion, particularly when compared with the costs of food distributions
Repatriation from Pakistan to Afghanistan in the early 1990s	Administrative costs were minimal, ranging from 1.3% in the peak year of 1992 to 4% in 1993. More than 95% of donor funds went directly to beneficiaries
SDC cash projects	Monitoring of overhead costs has shown that cash projects with a budget of over $1 million require around 15% of the budget for all overhead and implementation costs, including consultants, expatriates, local staff and office costs. Larger budgets and target groups reduce the percentage of overhead costs

Chapter 6
Operational aspects

This chapter examines the administrative processes of cash projects and the operational challenges in implementing effective cash- and voucher-based responses. Particular focus is given to concerns around security and corruption, as these issues are often seen as the greatest constraint. The chapter also examines implementation issues, such as how much money to give people, whether targeting cash is more difficult than other types of intervention, and whether cash allows greater dignity for recipients. The intent is not to write a comprehensive set of guidelines for implementing cash or voucher projects, but to highlight some of the key issues that arise in examining the practical feasibility of conducting a cash programme. Guidelines are starting to be developed, although at the moment they are often in draft form or remain internal documents (Catholic Relief Services, Overseas Development Institute, & ICRISAT 2002;Oxfam 2003;Rauch & Scheurer 2003). Issues that are generic to emergency programming and not peculiar to cash as an instrument, such as the choice of works in a public works programme, are not covered.

6.1 Corruption and security concerns

One of the central reasons for caution in adopting cash- or voucher-based responses relates to security and corruption. Security risks include both the dangers associated with transporting and distributing cash for aid agency staff and the possibility that recipients will have the cash taken from them once it has been distributed. Corruption concerns centre around the risk that cash will be more prone to diversion than commodities, because of its greater fungibility and appeal to aid agency staff and powerful interests within the target areas.

These are clearly real and important dilemmas that need to be carefully assessed in determining whether a cash or voucher project is feasible. In the many of the contexts in which humanitarian agencies work there are very clear concerns about putting cash into conflicts and predatory political economies. Even if cash can be safely delivered to recipients, there are legitimate fears about what happens to it after it reaches traders or beneficiaries, and whether it could make conflicts worse. However, evidence from existing cash and voucher projects suggests that ways can be found to deliver and distribute cash safely even in conflict environments and even that, in some situations, cash has been less prone to diversion than alternatives.

Perhaps the clearest lesson from reviewing existing experience is the need to make creative use of existing financial mechanisms in order to deliver cash safely. Various innovative ways have been found to minimise the risks of insecurity and corruption, and evaluations have reported little evidence of insecurity or corruption relating to cash-based approaches. Making direct comparisons between the insecurity and corruption relating to cash as compared to alternatives is difficult, because whilst recent cash-based approaches have sometimes explicitly addressed these questions, there is very little evidence relating to commodity-based approaches. The finding that insecurity and corruption were not major issues in cash projects must also be qualified with a recognition that these are extremely difficult issues on which to get a clear picture. Project staff are unlikely to admit to having diverted funds, and powerful groups within communities that have appropriated aid are unlikely to volunteer this information to evaluators or allow weaker groups to speak openly about it.

Aid agencies implementing cash projects have developed a number of interesting and innovative ways to minimise potential security risks. Many of these are highly context-specific; one of the generic lessons is the unsurprising one, namely that there is a need for a locally nuanced understanding of the particular security risks. For example, in Somalia it was possible to make use of the local *hawala* (money transfer) system used for remittances to distribute cash (HORN RELIEF 2004). In Ethiopia, Save the Children take out insurance coverage against the risk of loss in transporting cash to projects in areas where there are no banks (Knox-Peebles 2001). In Bam, Iran, the government simply set up bank accounts for all recipients, and transferred cash directly into them. There have been recent technological advances that may provide further options for minimising corruption in all types of distributions, including cash. UNHCR has used iris recognition technology in repatriation from Afghanistan to Pakistan, and this is thought to have greatly reduced the amount 'recycling', where people claim repatriation grants several times by moving to and fro over the border (UNHCR 2003). In Mongolia, the SDC 'cash for herders' project distributed cash in a publicly announced place through a mobile team consisting of a local government official, a bank employee and a local police officer.

Aid agencies also routinely distribute relatively large amounts of cash in emergencies in order to pay their staff, and there is rarely any suggestion that staff should be paid in kind. Although there is clearly a difference in scale between the payroll for several hundred employees and relief programmes for many thousands, the payment of staff does suggest that it is possible to find ways to deliver cash in relative safety in emergencies.

Box 10 describes two contrasting strategies for moving money safely. In Somalia, the use of money transfer companies substantially reduced the security risks for the NGOs involved as project staff were able to avoid any need to handle cash in an insecure environment. In Mozambique, the implementing agency contracted one of the country's banks to provide mobile banking, and a local security firm to enhance security at distribution sites.

Box 10: Moving money safely: strategies in Somalia and Mozambique

Using money transfer companies in a cash transfer programme in Somalia

To enhance project security, Horn Relief and NPA never physically handled any funds. Distribution to beneficiaries was managed and implemented by two money transfer companies in the region. They were responsible for transferring the $50 grants to each of the registered beneficiaries, verifying and documenting each recipient and maintaining records of each transfer.

The transfer companies undertook full liability for all project monies and agreed to cover any lost or misallocated funds. Before the companies were selected, extensive discussions were undertaken to ensure that they had fully functioning distribution networks, including lists of all the villages in which they had agents and systems (HORN RELIEF 2004).

Distribution in Mozambique

The cash distribution in Mozambique represented an enormous planning and logistical challenge. The Program Management Unit developed procedures and signed agreements with public and private entities for transport, communications, security and banking services. Distribution teams were organised and travelled by road and helicopter to distribution sites. Advance teams were deployed to inform villages of the distribution dates and enlist them in organising the recipients. USAID's correspondent bank, Banco Commercial e de Investimentos (BCI), organised the delivery of pre-prepared cash packets and tellers to distribution sites.

On distribution days, the village chiefs assisted the teams in organising lines of eligible heads of household. A colour-coded identification ticket was issued to each eligible registered recipient, followed by a bank cheque. Each individual's finger was dipped in indelible ink. Recipients were then guided to representatives of the bank where they were able to cash their cheques immediately. A detailed security programme was organised with a local security firm (Abt Associaties Inc. & Agricultural Policy Development Project 2002).

A post-distribution survey of a cash grant programme in Somalia found no evidence that the cash was misappropriated or contributed to the war economy. As one elder put it: 'how can a hungry person buy a gun, for what reason? Believe it or not, people have already been disarmed by the drought. Everybody has sold their guns' (Narbeth 2004): 30). A final report on the same programme by Horn Relief, however, did acknowledge that rumours about the amounts of cash that were going to be distributed had security implications for the implementing agencies. Narbeth found that the greatest problem was the level of misinformation and rumour surrounding the project (Horn of Africa Relief and Development Organisation (HORN RELIEF) 2004). Horn Relief was planning to address this through greater publicity about the programme.

In an Oxfam cash for work programme in Kitgum, Uganda, beneficiaries concerned about security risks tended to spend the cash as quickly as possible. Some households invested in livestock as a lower-risk form of saving (Khogali & Takhar 2001b). Oxfam developed a number of measures to reduce the security risks associated with the programme, including:

- Limiting local knowledge of cash movements.
- Limiting access to bank transactions.
- Small cash transfers between banks.
- De-centralised disbursement responsibility, including involving a number of staff.
- Ad-hoc cash disbursement (ie no schedule).
- Small frequent cash disbursements.
- Information dissemination to all stakeholders: community elders, committees, politicians, non-recipients.
- Using long-standing staff who were local to the area and were trusted by the head office and their team.
- Community members chose safe locations for the cash disbursements (Khogali & Takhar 2001b).

The tendency to assume that cash is *a priori* more vulnerable to looting or diversion perhaps needs to be examined. Cash is both highly portable and not necessarily as visible as large-scale commodity distributions. This suggests that, in some situations, cash could be safer for both staff and recipients. As Lautze (1997) argues, 'while holding stocks of cereals may be an effective drought mitigation strategy, such stocks may invite attack by armed groups in complex emergencies. In the latter, functioning markets and a ready supply of cash or other forms of mobile assets are far more effective mitigation strategies'.

A range of views and tactics has been expressed regarding cash and insecurity in Afghanistan. CARE, for instance, found that cash for work was less vulnerable to insecurity and corruption than in-kind distributions:

> *Security was a constant challenge in the areas where Labour Intensive Works Programme (LIWP) was implemented. For example, during implementation there were regular clashes between commanders in the north-western Provinces. These clashes meant that LIWP was suspended for up to three months in Mazar. Activities were regularly suspended in Zabul Province where anti-government groups are still in control.*

In-kind distributions are associated with a greater risk of corruption as they tend to involve the movement of a greater volume of valuable goods. Project staff also perceive that, when they work on in-kind projects, they are more vulnerable to pressure from local commanders to direct benefits away from the intended beneficiaries. CFW is easier to manage because the benefits to the community are distributed in smaller units, meaning that there is less pressure on project staff to direct benefits towards local commanders. CFW is also perceived as being easier to run because it does not involve as much logistics management. Again, CFW wages are obtained close to the project site from local money dealers, removing the risks associated with the transportation of in-kind distributions of hijacking along the route' (CARE personal communication).

Michael Jones from WFP has argued that:

> *food is bulky and highly visible. It is difficult to steal and misappropriate (although we just had two trucks of food stolen in Mazar). A review of the security incident reports from UNSECOORD over the past six months reveals that a large number of incidents involve armed car-jackings of vehicles carrying salaries or petty cash for remote CFW projects. It is a weekly occurrence and the trend is rising. Many of the CFW projects involve bore hole drilling, bridge building and other engineering that require continued presence by highly skilled technicians. Many of these projects are imported and not identified through local community councils with security guarantees from local elders. Finally, money changes many hands and does not always reach the intended beneficiary due to corruption, resulting in further insecurity* (pers. comm.).

Agencies in Afghanistan are developing innovative ways to get money to people safely. Some agencies are exploring the use of local *hawala* systems to pay participants in cash for work programmes (Hofmann 2004a). An evaluation of Oxfam's programmes argued that this would 'ensure that transported monies were the responsibility of the moneychanger while also boosting traditional systems of cash transfer' (Oxfam 2004). The utilisation of informal financial channels such as remittance networks suggests a need for agencies to understand how local channels for cash work in different contexts as part of assessment and project design. Even in the absence of formal banking systems, local people will often have ways for moving cash in relative safety.

The risks of corruption and diversion associated with cash should also be compared to commodity-based alternatives. Wilding and Ayalew (2001) found that cash provided in a Red Cross programme in Ethiopia allowed for 'a significant reduction in the incidence of slippage (theft) and wastage associated with food distribution'. The same evaluation did, however, note that the agency found it more difficult to handle cash than food and that it created 'tensions in the office' (Wilding & Ayalew 2001).

Some projects try to reduce the likelihood of corruption by being as transparent as possible about the amounts people are entitled to. In Oxfam's cash for work programme in Uganda, beneficiaries knew the wage that they would receive for the work done. This transparency was welcomed, and contrasted with previous food distributions, which beneficiaries felt had not been transparent and had substantial leakage (Khogali & Takhar 2001b). Save the Children in Ethiopia aims to minimise the risks of diversion in part by ensuring that all cash payments are made in the presence of 'heads of the food security desk or rural development sector, Save the Children monitors, and DAs and PA officials'. Save the Children's Contingency Committees are tasked with deciding whether it is appropriate for Save to take over direct payments from the local government in the event of diversion (Save the Children UK. 2003b). SDC has also made transparency about selection criteria and amounts a major part of its cash projects.

A review of a Red Cross urban voucher programme in the occupied Palestinian territories found no misuse of vouchers:

> *In the original project proposal four risks were mentioned in relation to conversion of vouchers – selling vouchers, receiving money from a shopkeeper in exchange for the voucher, selling of commodities on the open market (and most explicitly) the conversion of voucher value into weapons. The urban voucher programme has set high standards in relation to these risks through the detailed voucher specification, the systems of procurement and distribution, as well as strict invoice procedures; as a result, none of these risks has been realised* (ICRC internal report).

Getting cash to people in places that are insecure, remote and without developed banking and financial systems presents huge challenges, but the experience reviewed here suggests that these obstacles are not always insurmountable. Even in situations where banking systems have collapsed, few economies are genuinely cashless and local people themselves have had to find ways to move money around, and to keep it safe. In countries like Somalia, sophisticated financial instruments have been developed to enable remittances to be transferred from overseas. In crises where the banking system survives, cash payments can be made relatively simply by transferring cash directly into bank accounts and by opening accounts for people where they do not already have them. The use of local banking systems may have the added benefit of strengthening local financial systems. In other contexts, the local postal system may be an asset, as suggested by SDC's use of the postal bank system in Ingushetia (SDC & UNHCR 2002).

The fact that the project experience reviewed here has found little evidence of corruption and insecurity associated with cash and voucher approaches is certainly not meant to imply that these are not real risks that need to be carefully assessed in each context. One of the arguments made by proponents of cash based approaches is that the potentially lower overhead costs of delivering cash suggest that more resources can be allocated to monitoring and accounting. The same caveat that most of the project experience reviewed here is on a relatively small scale must also be made again, as larger scale projects may be harder to monitor closely and potentially more at risk from diversion. A cash programme in 14 towns in Mozambique called GAPVU which targeted war affected and disabled people, for example had to be closed in 1996 after facing serious problems of corruption and fraud, in part attributed to attempts to keep overhead costs down which led to inadequate monitoring (Devereux 2002). So the conclusion is that insecurity and corruption do present real

Box 11: Save the Children's cash for work project in Ethiopia (2001)

The cash wage rate was established on the basis of its equivalent value in food aid at the average price of wheat. Districts selected for cash were receiving food aid before the cash was introduced. The amount of relief food distributed varies between 2.5kg per person per day in Legambo to 3kg/person/day in Meket. The cash wage equivalent was set at five birr/day calculated last year (2000) on the basis of an average price for wheat of 1.75birr/kg. In reality, five birr is equivalent to around 3.8kg of relief food, so the cash wage was between 26% and 52% higher than the food wage. The average daily wage rate for local work in both areas studied was 3birr/person/day, and 5–6 birr/person/day in the surplus *meher*-producing areas where male members of poor households will migrate to (Knox-Peebles 2001).

challenges to the implementation of cash and voucher approaches and that there is a need for strong monitoring and accounting systems to minimise these risks. However, experience to date does suggest that in some contexts, including in insecure and difficult environments these challenges can be overcome. It is also important to stress again that problems associated with insecurity, corruption and diversion are not limited to cash or voucher based approaches. Any type of transfer of resources is difficult in emergency environments and the difficulties faced in implementing cash or vouchers should be compared to the difficulties facing alternative mechanisms.

6.2 Setting the amount (wages and work)

For both cash grants and cash for work, one of the key decisions that needs to be made is setting the amount of cash to be received and the amount of work that individual households are able to do. There are several generic issues relating to public works programmes, such as the type of projects that people work on and the question of whether the work requirement disrupts other activities, but these are not peculiar to cash and so will not be dealt with here. They have been addressed elsewhere (Barrett, Holden, & Clay 2001;Harvey 1998).

Public works programmes (food or cash for work) have a long literature about the appropriate wage level (Subbarao 2004). Broadly speaking there are two approaches. The first is to set wages at a level which it is hoped will be self-targeting; meaning that it is low enough that only poor people will want to participate in the project. For cash for work projects this implies setting the wage at a level just below the normal daily casual labour rate for the area.

The constraint to this approach is that often, particularly in situations of deep poverty, daily casual labour rates are so low that setting a wage level at or below this rate would deliver an extremely low level of benefits to participants. Sometimes, the amount paid would fail to meet minimum levels of subsistence or calorific requirements.

When a decision is made not to set a self-targeting wage, then various other calculations come into play. Often, in practice the cash for work amount is the cash equivalent in food of nearby or previously operated food for work projects. Sometimes, the amount has been set as enough to meet minimum requirements (either in calories or for a basic set of goods) such as the example given in Box 11.

If the wage rate is set above the usual casual labour rate, projects could disrupt local labour markets, for example by raising labour rates and therefore reducing the amount of other employment available. There is little evidence of this from the projects reviewed, but it has also seldom been explicitly monitored for.

A second set of decisions relates to how much work to provide. In the simplest self-targeting design, wages are set low and enough work is provided that people are able to work for as long as they need to, as for example in Maharashtra in 1972–73. In practice, this is rarely the case, and the amount of work that an individual or a household can do is often restricted. For example, a cash for work programme in Afghanistan typically provided labour for only 15–20 days. An evaluation found that:

> *most people, be they governors or community members, said it would be better to create fewer jobs for longer periods of time – even though in practice communities chose to divide the work up to maximise the number of workers. It appeared that the task of a community selecting some over others would be too divisive, even if they thought it in other respects more beneficial* (CARE 2004).

This dividing-up of the work available to reach as many people as possible and minimise difficult targeting decisions is a common pattern. It can, however, reduce the impact of projects on food insecurity by spreading a small level of benefits thinly throughout the community. Given the well-known difficulties of targeting in general, and the particular difficulties surrounding targeting cash (discussed in more detail below), public works programmes need to be able to offer large amounts of work if they are to make a significant impact on food insecurity. This echoes findings from the development literature on public works programmes. Subbarao, for instance, argues that two of the key design features for a good public works programme are that the wage rate should be set at a level no higher than the prevailing market wage for unskilled manual labour, and restrictions on eligibility should be avoided; the fact that someone wants work at this wage rate should ideally be the only requirement (Subbarao 2004).

For cash grants, as opposed to cash for work, the choice of how much cash to provide cannot be self-targeting. Even a low amount, without a work requirement, will be attractive to most people. As with cash for work, the amount of a cash grant is often in practice calculated as the amount needed to purchase the amount of food aid or other assistance that the cash is seen as an alternative to. At other times, the amount of cash provided is simply a function of the level of funding that agencies can secure from donors. For example, in the Somalia cash distribution programme it was widely acknowledged that a one-off distribution of $50 was inadequate, albeit better than nothing.

Based on its experience with cash grant projects in several countries, SDC has suggested a number of general principles for deciding on an appropriate amount. These are:

- Relevance – the amount should be relevant for the beneficiaries and make a significant contribution to household income.
- Acceptance – the amount must be accepted and welcomed by beneficiaries, local authorities and, as much as possible, the social environment.
- Harmonisation – the amount should be compatible with local social assistance, basic salaries and other forms of support (Rauch & Scheurer 2003).

As discussed in section 5.1, which discusses what people spend cash on, there is some evidence that relatively generous grants can enable people to make productive investments, for example in small business or livestock, in addition to meeting immediate consumption needs. In a repatriation programme Cambodia, for example, cash payments of around $400 for a large family were combined with a set of tools and domestic items. A UNHCR review of the project concluded that, while the package may not have made returnees rich, 'it did guarantee their immediate survival and enhance their longer-term reintegration prospects' (Crisp & Mayne 1993): 32).

6.3 Targeting

The question of how best to target assistance in emergencies, and indeed whether to target at all, clearly applies not only to cash and voucher interventions but also more widely. It has a substantial and growing literature in its own right (ALNAP 2004;Sharp 1999;Taylor, Seaman, & Save the Children UK 2004). This paper does not focus therefore on the generic difficulties associated with targeting emergency assistance. However, there are particular questions around the targeting of cash, because of its greater fungibility. Money is clearly attractive to everybody in the community in a way that sacks of maize or jerry-cans might not be. As an internal review by HODI, a national NGO in Zambia, found: 'targeting beneficiaries was challenging because nearly everybody wanted money' (HODI & ActionAid 2003).

Cash, particularly in the form of grants, may therefore be more difficult to target and more prone to diversion. Cash distributions also bring with them the particular risk that those not targeted could be worse off if prices rise afterwards. The cash and voucher experiences reviewed here, however, did not suggest that targeting cash or vouchers was significantly more difficult than it is with commodity-based approaches. Targeting was sometimes problematic but no more so than is usually the case. This echoes the findings of Peppiat et al. (2001), which concluded that, 'while targeting can undoubtedly be more difficult for cash distributions, it does not appear to have arisen as a fundamental problem in the case studies' (p. 15). Table 13

Table 13: Targeting cash and vouchers

Project	Targeting
The 2003–2004 emergency cash grant in Sool/Sanaag plateau in Somalia	Registration was successful in part because both implementing agencies had established networks in the area. A post-distribution survey found that only 3% of those interviewed were in receipt of remittances, suggesting successful targeting
Save CFW project in Ethiopia, 2001	Targeting did not differ from food aid methodologies and evaluations found no major difficulties associated specifically with the use of cash
Cash for work programmes implemented by Oxfam in Kitgum, Uganda, 2001	Beneficiaries were selected during village meetings and the process was transparent. All groups interviewed during an evaluation reported that all vulnerable people were included and that noone was included who should not have been
Oxfam Turkana 2000-2003 cash for work	A review found that the selection of people was perceived as fair and replicable. Targeting was time-consuming but transparent and accessible
Cash grant programme in response to the 1999-2000 floods in Mozambique	Beneficiary identification was a difficult process. Money was only given to female-headed households
Widespread experience with the use of seed vouchers, particularly by CRS.	Consultation between local authorities, traditional chiefs and the implementing agency ensures that the most vulnerable households are targeted
HODI cash for work in Zambia	Wealth ranking revealed that only those ranked as poor or middling benefited
SDC cash grants in Moldova	Targeting at a village level was done by committees. An evaluation showed good coverage and harmonisation with other external, but also the difficulties of selection

reinforces this conclusion in summarising findings around targeting from a review of recent project experience.

6.4 Dignity

It is sometimes argued that cash- and voucher-based responses enable aid agencies to operationalise their commitments to showing respect for dignity in the delivery of assistance. Mitchell and Peppiat (2001): 13), for example, argue that beneficiaries determining their own needs ‘represents a fundamental step towards empowerment’. Cash or voucher approaches, if they are able to avoid the long queues that often characterise food distributions, may also help to avoid some of the indignity that is sometimes part of relief distributions. The Red Cross voucher programme in the West Bank explicitly aimed to preserve the dignity of people by allowing them choice and flexibility to make their own decisions in the purchase of essential commodities. A review found that having the freedom to buy basic items in a shop was psychologically far preferable to queuing for food assistance. CRS argues, by transferring planning and decision-making responsibility to the disaster-affected, seed fairs and vouchers promote justice and empowerment (Catholic Relief Services, Overseas Development Institute, & ICRISAT 2002).

6.5 Chapter summary

The project experience collated for this review suggests that the operational challenges faced in implementing cash and voucher programmes in emergencies are surmountable. Justifiable fears of insecurity and the risk of diversion and corruption can be overcome and recipients can be successfully targeted. Proponents of cash- and voucher-based responses also argue that cash can be an intrinsically more dignified way to provide assistance. Recipients of cash tend to prefer it to alternatives because of the greater flexibility and choice that it provides.

Chapter 7
Institutional and organisational barriers to the use of cash and vouchers

This chapter considers the institutional and organisational barriers to the more widespread adoption of cash-based responses. Given the arguments in favour of greater consideration of cash-based responses, why have agencies remained so reluctant to use them? First, there are practical and pragmatic concerns about the feasibility of cash. Will it cause local inflation, and is it safe to move around? As seen in the sections above, these questions need to be assessed on a case-by-case basis. Evidence from existing experience suggests that cash and vouchers are feasible in a range of circumstances. Second, there are questions to do with skills and capacity. Do the people carrying out assessments and making recommendations about responses know about cash and vouchers, and do agency staff at field level have the necessary skills to implement cash and voucher projects? There are also wider issues relating to the current architecture of humanitarian aid, such as whether the UN system is equipped to implement or coordinate cash- or voucher-based approaches. Finally, the continuing reluctance to use cash raises questions about the attitude of aid agencies towards the people they are trying to help.

7.1 The architecture of the humanitarian system – is it able to consider cash?

Does the way in which the humanitarian system is currently set up inhibit consideration of cash and voucher responses? This issue has been touched on in the section on assessment. The UN system seems to be structured in such a way as to inhibit consideration of cash or voucher responses, as evidenced by their almost complete absence from any of the consolidated appeals. Much of this is to do with the dominant operational role of the WFP. WFP's mandate restricts it to using food as a resource. WFP also plays an important and often leading role in vulnerability assessments, which often lead, with little consideration of alternatives, to recommendations for food aid. The revision of WFP's emergency food assessment handbook promises to encourage a greater and more explicit consideration of non-food aid responses (WFP 2003b).

There are some UN experiences with cash and voucher responses. UNHCR occasionally includes cash as part of returnee packages; UNICEF has in the past engaged in cash programming, notably in 1984–85 in Ethiopia; UNOCHA sometimes recommends cash responses, as in 2004 in Somalia; and FAO has a growing interest in voucher-based alternatives (UNICEF 1988a). However, there is no clear mandate for a UN agency to provide cash or vouchers as part of an emergency response. Given the increasing stress placed by some donors on funding through the CAP process, and the stress laid on the CAP in the current good humanitarian donorship initiative, this may become an increasingly important institutional barrier (Willitts-King 2004).

Clearly, the issue of how the UN should be structured is not just restricted to the question of cash and vouchers; rather, it is part of a wider debate about UN reform (Gillinson 2003). Some relevant suggestions have nonetheless been made. Clay, for instance, suggests that WFP's mandate could be expanded to allow it to provide whatever form of relief was most appropriate (Clay 2004;Clay & Benson 1998). UNICEF in southern and eastern Africa is showing some interest in re-engaging with debates over cash and vouchers, and is conducting a review of social protection which includes cash transfers as one of the areas for review. UNOCHA's involvement in assessing and recommending cash as a response in Somalia demonstrates that it can play a role (Narbeth 2004).

Related to the question of WFP's role is 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 produced in donor countries. To put the argument in its baldest form, some argue that cash and vouchers are marginalised responses because the main donors, particularly the US, use food aid as a means of using food surpluses generated by agricultural subsidies. Devereux (2002), for instance, points out that 'the obvious pragmatic reason why food aid deliveries tend to be preferred to cash transfers is that donors are more likely to have food surpluses than cash to disburse' (Devereux 2002)11).

The appropriate role of food aid and the extent to which food aid policy is influenced by production subsidies is beyond the scope of this study, but there is certainly a continuing perception at the field level that food aid is a free or additional resource which is more likely to be available than alternatives (Clay 2004). For instance, in southern Africa in 2002–2003 a common response in interviews of aid agency staff to questions about the ongoing appropriateness of food aid was that cash might be more appropriate, but that food aid was what was available, and better than nothing.

This begs a whole range of questions that the humanitarian system has been adept at avoiding for many years. One set revolves around the responsibility of donors to provide the most appropriate resources for meeting the needs identified in emergencies. The OECD-DAC has long had a commitment to untying aid, but food aid has remained exempt from this. National governments in the countries affected by disasters also have responsibilities in this respect. They could, if they felt that food was not appropriate, refuse to accept it. This has rarely happened in practice and would, of course, raise difficult moral problems if alternative resources were not available. Aid agencies also have a responsibility to make an assessment as to the most appropriate response, and to make a case to donors for providing the appropriate resources. In situations where food aid was a second-best option, it might still be right to use it if it is all that is available, but the fact that it is second best should at least be made explicit.

Outside of the UN system there seem to be fewer barriers to considering cash- and voucher-based responses; indeed, NGOs, the Red Cross and donors such as SDC have led the way in the increasing use of cash and vouchers. In assessing those agencies which have been most open to the use of cash and vouchers, two possible patterns emerge. The first is that agencies which have adopted livelihoods-based assessment methodologies and invested in the development of capacity and expertise in this area have tended to be more likely to recommend cash and voucher responses. The second observation is that the agencies which have traditionally programmed large amounts of food aid, and which have close links to government food aid resources, particularly US resources, have tended to be less involved in cash responses. There are some exceptions to this; US NGOs in Afghanistan, for instance, moved much of their programming to cash for work following a clear policy shift by USAID in 2002. Of course, there are organisational investments in food aid programming capacity in these agencies, and strong financial incentives to maintain high levels of food aid distribution.

7.1.1 Skills and capacity

This leads us into the question of whether aid agencies have the skills and expertise to implement cash- and voucher-based approaches. These skills are in short supply, as evidenced by the difficulty that agencies wanting to implement, evaluate or assess the feasibility of cash approaches have had in finding suitable staff or consultants to carry out the work. Existing guidelines and manuals often do not include cash. Good Practice Reviews published by the Humanitarian Practice Network, for example, cover food distribution and seed provision, but not cash. Although the new edition of Sphere has a chapter on food security which mentions the possibility of cash responses, the focus is still on food aid (The Sphere Project 2004). Manuals are, however, beginning to be developed; CRS has a manual on seed fairs and vouchers, Oxfam has a draft set of guidelines on cash transfer programming and SDC has a workbook summarising its experiences with cash programming. Many of these are internal documents, and there is a need for experience to be more widely shared both within and between agencies.

7.1.2 Attitudes and assumptions – cash as threatening

Finally, there is the wider issue of the attitudes and assumptions that humanitarian aid practitioners have towards the people that they are trying to help. Sesnan (2004)argues that:

> *New aid workers are warned by older and wiser aid workers never to give cash money to beneficiaries. Complex justifications are developed. Some, like the fear of setting a precedent, might be more plausible than others, like 'they'll just spend it' or they will misuse it. The fear of giving money is almost pathological among aid agencies, even though, or maybe because, it would be simpler and cheaper to give than any other form of help* (Sesnan 2004).

It does seem to be true that, in some sense, aid agencies find cash threatening. Partly this is about a loss of control and the widespread, although rarely acknowledged, belief that aid agencies know what people need better than the people that they are trying to help. There may even be times when this is justified. Poor and mostly illiterate people may not have the expertise to appreciate the complex causes of malnutrition or be able to make an informed choice about whether resources should be spent on clean water to prevent avoidable deaths from diarrhoea or education (Herson 2004). There may also be cases in which implementing cash or voucher approaches involves assuming that you know better than the people affected what they need. People consulted in emergency assessments often ask for what they know aid agencies are likely to provide; if cash is not seen as one of the possible forms of assistance then it is unlikely to be asked for. Despite these qualifications, giving people money does involve a transfer of choice from the agency to the people affected, and the loss of this control seems to be difficult and threatening.

One way of interpreting this is to argue that agencies are reluctant to use cash because of bureaucratic self interest. Without the complicated logistics of commodity based relief fewer people would have jobs and the humanitarian industry might have to contract. Sesnan (2004) asks: 'could it be that we were satisfying our needs as organisations, rather than theirs as beneficiaries' (Sesnan 2004)4). There may be something to this argument at bureaucratic level. Organisations entirely based on the delivery of commodities, or that rely on food aid for a large percentage of their income, may be less likely to embrace alternatives. However, at an individual level this explanation seems overly Machiavellian. There may also be a marketing dimension to the reluctance to use cash. However, the question of whether people would be less likely to donate to charities if their donations ultimately went in cash aid rather than food, shelter or other commodities is a largely unexplored question.

What could perhaps also be further examined are the attitudes that underpin a reluctance to provide cash. The widespread assumption that people will misuse cash, for example, hints at the feelings of superiority which sometimes underlie relations between aid agencies 'beneficiaries' (the term itself suggesting the idea of passive receipt of assistance). These are rarely openly acknowledged or discussed, but they do play an important role in shaping how we relate to the people that the humanitarian system aims to help. Uvin (1998), in discussing the roots to the Rwanda genocide, argued that:

> *The mode of interaction between the state (backed up by the aid system) and the people was characterised by prejudicial and humiliating attitudes and structures ... The prejudice of those called the evolues – the urban, educated, modern, 'developed' people – toward their rural, illiterate, 'underdeveloped' brothers.*

> *Through that prejudice, which is widespread in Africa and the rest of the Third World, the poor were considered backward, ignorant and passive – almost subhuman – and were treated in a condescending, paternalistic and humiliating manner ... It is uncommon for analyses of development to dwell at length on the factors discussed here: prejudice, humiliation and infantilisation. Questions related to these phenomena are not asked of farmers, and evaluators do not examine them. They are largely invisible and, at those rare moments when we may be aware of them, they tend to look unchangeable. However, harm is done by treating people in an infantilising, condescending manner, by limiting their options, and by stripping them of their dignity and creativity* (Uvin 1998)p. 135).

As Uvin argues, these prejudices are not confined to Rwanda. Harrrell-Bond (1999), for example, observes that 'outsiders view African refugees as helpless: as needing outsiders to plan for them and to take care of them'. This assumption is the cornerstone of nearly all appeals for funds. Getting funding is certainly one rationale for presenting this image of helplessness, but other relations of power are also predicated on notions of paternalism (Hyndman 2000):121). Sen (1999) argues that 'the sense of distance between the ruler and the ruled – between 'us' and 'them' – is a crucial feature of famines. That distance is as severe in the contemporary famines in Ethiopia, Somalia, and Sudan as it was in Ireland and India under foreign domination in the last century' (Sen 1999)175). It is argued that these attitudes of paternalism and superiority remain an important factor in humanitarian response despite the professed commitment to greater participation on the part of affected populations, and that some of the reluctance to use cash is linked to these prejudices.

7.2 Chapter summary

Decisions around whether or not to adopt cash or voucher approaches are not purely a technical question of better assessing their appropriateness. There are more fundamental constraints that relate to the structure of the humanitarian system, its inherent conservatism, the skills and capacities of aid practitioners and the attitudes and beliefs that underpin aid provision. What, then, would a humanitarian system better able to consider a wider and more innovative range of responses, including cash and vouchers, look like?

- Assessment capacity would be independent, or could stand up to external analysis. Its results would be made public, and it would be less likely to be resource-driven or tied to the existing expertise of particular agencies.
- Aid agencies would be able to routinely consider cash or vouchers as alternatives to commodity-based approaches as part of the assessment process.
- As part of UN reform, consideration would be given as to where responsibility for implementing cash-based responses to food insecurity should lie, to allow cash and voucher responses to be included in the consolidated appeal process.
- Aid would be untied and there would be a commitment on the part of donors to endeavour to provide the resources identified as most appropriate by assessments.
- There would be a greater willingness to examine attitudes of paternalism and superiority on the part of aid practitioners, and efforts would be made to overcome these at individual and organisational levels.

Chapter 8
Conclusion

A strong body of evidence is starting to emerge that providing people with cash or vouchers works. It is possible to target and distribute cash safely, people overwhelmingly spend money on basic essentials, cash provides a stimulus to local economies and it is often more cost-effective than commodity-based alternatives.

There are caveats to this conclusion, and cash and vouchers should clearly not be seen as a cure-all or as universally appropriate. Cash responses may not be appropriate in the early stages of an emergency, when markets and communications are particularly disrupted. It is unclear whether cash is a realistic option in some conflict environments. Preliminary evidence suggests that it can still be used in some situations, but concerns around security and diversion are clearly pressing. There are also unanswered questions about the potential for cash-based interventions on a large scale. Most experience with cash has been relatively small-scale and in the context of large-scale food aid operations. Questions remain over the inflationary potential of large-scale cash programmes, and how quickly and effectively markets would be able to respond to increased demand. However, none of these concerns should detract from the clear conclusion that there is scope for significantly increasing the use of cash and vouchers as an instrument in humanitarian response, in a wide range of contexts.

There are perhaps lessons for how this could be taken forward from experience in the development sector in the piloting of conditional cash transfers in Latin America. The fact that these were accompanied by systematic efforts to measure their effectiveness and impact has helped to make a strong case for their continuation and expansion. There is therefore a strong argument for investing further in the rigorous evaluation and documentation of cash- and voucher-based responses in order to be able to make better-informed judgements about their impact. There is also a need for humanitarian practitioners to develop the skills and capacity required to implement cash- and voucher-based responses, for the development of a body of practice and guidelines and for greater learning, sharing and documentation of lessons-learned from cash and voucher responses.

The fact that the development sector is beginning to look more seriously at social protection and welfare provision in response to chronic poverty and distress may also present opportunities to link cash-based relief responses with longer-term social protection. Cash or vouchers should not be seen solely as alternatives to food aid or seeds. Any commodity-based programme, whether providing food, shelter materials or non-food items, should be considering whether cash or vouchers might be an appropriate alternative. The evidence also suggests that, in some situations, cash may complement commodity-based distributions. Cash should not necessarily therefore be seen as a replacement for other forms of aid, but as an additional instrument.

It has been argued that, although there is a growing body of experience with cash and vouchers, these mechanisms remain seriously under-utilised. What would need to change for cash and vouchers to be more widely considered and, where appropriate, adopted? The recommendations below provide a starting-point for thinking about how greater use of cash and vouchers in emergency response could be taken forward.

Assessment

- Assessment capacity should be independent, or able stand up to external analysis. Its results should be made public, and it would be less likely to be resource-driven or tied to the existing expertise of particular agencies.
- Aid agencies should routinely consider cash or vouchers as alternatives to commodity-based approaches, as part of the assessment process.
- There should be investment in the skills and capacity needed to assess markets at local, national and regional levels.

Evaluation, learning and expertise

- Further investment should be made in the rigorous evaluation and documentation of cash- and voucher-based responses in order to make a clear case about their impact and effectiveness, and when and where they are appropriate.
- There should be investment in further learning and training to equip those involved in assessments and programme management to assess the possible appropriateness of cash and voucher responses, and to implement them, where appropriate.
- A documented body of practice and practical guidelines on cash and voucher responses should be developed for staff involved in emergency response.
- There should be a greater willingness to examine attitudes of paternalism and superiority on the part of aid practitioners, and efforts made to overcome these at individual and organisational levels.

Architecture

- As part of UN reform, consideration would be given as to where responsibility for implementing cash-based responses to food insecurity should lie, to allow cash and voucher responses to be included in the consolidated appeal process.
- Aid would be untied and there would be a commitment on the part of donors to endeavour to provide the resources identified as most appropriate by assessments.

Links with social protection

- Ways should be investigated to link emergency response more closely with emerging social protection systems, which increasingly have a cash-based component.

These recommendations have potentially far-reaching consequences for the ways in which humanitarian relief in emergencies is managed and delivered. It implies the likely expansion of cash-based programming, probably at the expense of in-kind mechanisms in some contexts. This would require the development of additional skills within aid agencies to assess when and where cash-based responses are appropriate, and to implement them where they are. Donors will also need to develop the skills and capacity to make informed decisions about whether to fund cash responses. They will also need to support the most appropriate responses whether these are in-kind or in cash, and move away from assistance that is tied to commodities. There may be scope to explore this through the Good Humanitarian Donorship Initiative.

More fundamentally, this paper suggests a need to examine the architecture of humanitarian response, and in particular the mandates of the main UN operational agencies. Food aid dominates the international relief response to emergencies. This paper argues that both agencies and donors need to re-examine existing food aid policies and take a hard look at the appropriateness of food aid. Although cash will be complementary to food aid in some circumstances, in others it is likely to be an alternative to it, suggesting a tighter and narrower role for food aid in the response to emergencies. 2005 will be a key year for the future of food aid, with a new Food Aid Convention and WTO Agriculture Agreement being negotiated, enabling these issues to be raised. Finally, there is a need to explore further possible linkages between emergency response and social protection, and to examine what this means for the use of cash and in-kind mechanisms, as well the implications this might have for the involvement of international, national and local actors in responding to emergencies.

Annex 1
Recent cash- and voucher-based responses

Location	Emergency	Agency	Programme	Dates
Afghanistan	Conflict	UNHCR	Repatriation	1990–92
Cambodia	Conflict	UNHCR	Repatriation	1992–93
Bosnia	Conflict	SDC	Repatriation	1996
Montserrat	Volcano	Government	Vouchers then cash grants	1996–97
Guatemala and Nicaragua	Hurricane	IFRC	Cash payments with inputs package	1998
Bangladesh	Floods	Oxfam	Cash grants	1998
Kosovo	Conflict	SDC	Repatriation	1999–2000
Albania	Conflict	SDC	Cash for families hosting refugees	1999
Kosovo	Conflict	SDC	Cash for housing	1999–2000
Macedonia	Conflict	SDC	Cash for families hosting refugees	1999–2001
Serbia	Conflict	SDC	Cash for shelter and for hosting IDPs	1999–2001
Mozambique	Floods	USAID-funded consultancy firm	Cash grants	2000
India (Gujarat)	Earthquake	Government	Cash for shelter	2000–2002
Ingushetia	Conflict	SDC and UNHCR	Cash for families hosting IDPs	2000–2001
Bangladesh	Floods	Oxfam	Cash for work	2001
Uganda (Kitgum)	Conflict	Oxfam	Cash for work	2001
Zambia	Food insecurity	HODI, funded by ActionAid	Cash for work	2002
Mongolia	Dzud (an exceptionally hard winter)	SDC	Cash for herders and vulnerable people	2002–2003
Afghanistan	Conflict	UNHCR	Repatriation	2002–2003
Occupied Palestinian territories	Conflict	ICRC	Vouchers	2002–2003
Russian Republic of Adygea	Flood	SDC	Cash for reconstruction	2003
Somalia (Sool, Sanaag)	Drought	Horn Relief, Norwegian People's Aid	Cash grants	2003–2004
Afghanistan	Conflict and drought	Various agencies	Cash for work	2003–2004
Iran (Bam)	Earthquake	Government and IFRC	Cash grants	2004
Moldova	Drought	SDC	Cash grants	2003–2004
Ethiopia	Drought	Various agencies	Cash grants, cash for work and vouchers	Last few years
Haiti (Cap Haitien)	Conflict	Oxfam	Cash for work	2004
Bangladesh	Floods	Save the Children	Cash as part of shelter programme	2004

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