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Humanitarian  
Policy Group

# Learning from cash responses to the tsunami Final Report

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# 1. Executive Summary

This report by the ODI tsunami cash learning project follows earlier ODI research on emergency cash transfers (summarized in Harvey 2005).<sup>1</sup> Since the publication of ODI's 2001 review (Peppiat et al. 2001) *cash transfers* have become *much more common* in *disaster recovery* and *chronic emergencies* and now feature as a core component of many *safety net systems*. The overwhelming majority of reviews demonstrate that cash is an effective resource transfer option in many contexts. The tsunami disaster was an opportunity for agencies to implement cash transfers for two main reasons: first, because of the considerable level of *unrestricted donor funding*, which gave agencies the flexibility to innovate; and, second, because early and unequivocal signs of *market recovery* gave agencies the confidence to make cash a central element of recovery. This project set out to record the experiences of agencies implementing cash-based interventions, and their results, and to develop guidelines for future emergency cash interventions. The project covers tsunami interventions in Aceh, Indonesia, Sri Lanka and India.

The *nature of the tsunami disaster*<sup>2</sup>—in comparison with other disasters—was an important influence on the approach of some agencies. While press and agency assessments focused on the devastation, one observer highlighted also the *limits* to the destruction—that away from the coastal strip there was ‘a sizeable, vibrant, remaining society with substantial resources and resilience [...] from which the true recovery will inevitably actually be built’ (Curran and Leonard 2005). The authors argue that the nature and context of the tsunami disaster presented real opportunities for an efficient, effective and decentralised approach to recovery: supporting communities’ own initiatives and abilities – which they termed ‘emergence’. This philosophy influenced the strategy of Mercy Corps (MC) in Aceh and providing cash instead of in-kind goods was a key element of the agency’s recovery approach. Cash also supported communities that had been indirectly affected—where people had not lost assets, but had suffered economically through a loss of markets for products and services or increased responsibilities for other people.<sup>3</sup>

3. Cash transfers were found to be effective in many different types of interventions:

(a) the *governments of India and Sri Lanka* initiated a large-scale, rapid and efficient disbursement of *unconditional cash transfers*, which enabled households to meet a range of needs including basic food and non-food needs. The *government of Indonesia's* emergency basic needs cash transfers were more problematic;

<sup>1</sup> See also the ODI cash learning project website, [www.odi.org.uk/hpg/Cash\\_vouchers.html](http://www.odi.org.uk/hpg/Cash_vouchers.html).

<sup>2</sup> See WFP (2005), Annex A: ‘typical effects of different types of disaster’; table A1-3: Flash flood or tsunami. The table is extremely useful, although it omits indirect ‘invisible’ impacts.

<sup>3</sup> Lejeune (2005) mentions the importance of assisting those who are ‘invisibly affected’.

(b) *Unconditional large-scale cash transfers* by non-government organizations (NGOs) were piloted only by Mercy Corps in Aceh. The need for such transfers (particularly where government cash transfers are inefficient or non-existent) is clear, and the philosophy from which this intervention arose is compelling: disaster-affected households and communities are capable of determining their own needs and meeting these needs in many contexts. However, Mercy Corps concluded that managing this type of cash transfer programme is challenging for NGOs working in new locations, and that further field experience is needed in order to explore effective ways of delivering it;

(c) Three agencies ran successful cash/voucher pilot projects to address food insecurity and help people meet their *basic food needs*: CARE's cash/voucher approach, also implemented by Save the Children (SC) in Aceh, delivered a higher level of value in terms of assistance at a lower cost than the direct food delivery approach. In addition, the cash/voucher system helped traders to recover, and beneficiaries preferred it because of the shorter waiting times and increased dietary diversity. The World Food Programme (WFP) found cash to be more efficient and reliable than food distribution, and noted that cash transfers were associated with increased joint decision-making and a smaller increase in alcohol consumption than food aid. In the pilot carried out by the WFP in Sri Lanka, beneficiaries preferred cash in areas with strong food markets and good access to the Samurdhi bank (the WFP's partner) and they preferred food in other areas. In Aceh the vast majority of CARE and SC beneficiaries—who lived in areas specifically selected for the availability of adequate food in markets—preferred the cash/voucher option. However, a proper comparison was impossible because the value of the cash/voucher transfer was almost double that of the food transfer. The piloting of cash/voucher transfers by three of the food aid 'heavyweights' suggests that a combination of food and cash, each targeted to different areas based on assessments of markets, may be a realistic goal in future disasters—and perhaps even become the standard approach for resource transfers after disasters.<sup>4</sup> A transparent comparative analysis of the cost-effectiveness of food and cash transfers, however, is still required. Unless donors insist on such a cost-benefit analysis at the project design stage—when different options can be compared—there may be insufficient pressure on implementers to determine and then select the most cost-effective option for each context;

(d) Significant benefits were noted from *cash for work* (CFW) projects (e.g. psycho-social recovery and the rehabilitation of communities). Programme evaluations noted the diversity of uses to which households put their wages, including food and non-food needs but also for debt repayment and investment in livelihood recovery. CFW projects did not have an inflationary

<sup>4</sup> The WFP's SENAC project has gone a long way towards institutionalising the learning process around cash and vouchers in the WFP and this, combined with initiatives aimed at UN reform, may help the WFP to respond to food insecurity in the most efficient way in the future.

effect on local food prices, and disruption of labour markets by the CFW projects was not generally a problem. CFW was used to pay workers on community projects and to develop privately-owned assets such as farms—a policy issue that deserves further consideration (Winahyu 2006). More projects could have explored the use of output-based payment systems, which are often preferred by both workers and implementers. CFW was found to have had a positive impact rather than a negative effect on traditional systems of community support and voluntary labour (*ibid.*). A weakness of many CFW projects was that they excluded households with little or no effective capacity to provide labour (because of age, illness, disability or child care commitments).

(e) Cash transfers for *livelihoods recovery* helped beneficiaries to access the inputs they required and provided useful start-up capital in some cases. Many agencies noted particular advantages for cash over the procurement and distribution of in-kind assistance. The small number of evaluations that have been completed so far note successful outcomes for some beneficiaries and enterprises, and the failure of others—reflecting the complexity of livelihoods recovery processes. One agency's intervention—the British Red Cross Society (BRCS)—provided the same grant to everyone, a policy established to fit with the Red Cross principle of impartiality. This strategy is beneficial for a number of reasons, not least because it is potentially simple to implement and falls within the limits of NGO expertise. However, the BRCS and a number of other agencies introduced a complex system of tranche payments to manage the grant disbursement process, which diluted the potential advantages associated with the relative simplicity of its disbursement. Agencies that provided grants according to business recovery needs often provided too little cash to too many beneficiaries, failing to coordinate with other agencies. The transition, overlap or gap between cash grants and microfinance was also extremely problematic;

(f) *Cash transfers for shelter* involved a number of different uses of cash, including for the costs of renting or moving, purchasing household items and building houses. Some agencies' programmes also supported host families to accommodate displaced people in a family environment. The question for the shelter sector is: what are the particular advantages and disadvantages for the beneficiaries and the organization of a cash approach? What implications does cash have for efficiency, in terms of both speed and cost; for involving beneficiaries in the rebuilding process; for the quality of housing; and for environmental protection? For many of these issues, the approach adopted by the agency may be as important in determining the eventual outcome as whether a cash approach is used. Moreover, 'cash vs. in-kind assistance' does not necessarily translate as 'self-build vs. contractor build'. Evaluations of the cash for shelter models piloted in Sri Lanka and Aceh should generate useful lessons for the future;

(g) *Cash for orphans* is an important disaster recovery intervention of which there is limited experience to date. Economic hardship among families caring for unaccompanied and separated children may result in ‘secondary separation’ (Martin 2006) and the transfer of such children to institutions. Cash transfers to such households should in theory reduce the number of children in institutional care—at least where economic hardship contributes to secondary separation. However, cash transfers that are poorly designed or inadequately monitored may *increase* the risk of the exploitation of such children. Evaluation of the interventions by UNICEF and the BRCS in Aceh, as well as ongoing research by SC in Aceh, should contribute important learning about this type of intervention.

The risks often associated with cash transfers did not materialise. *Corruption* was not found to have been any more prevalent with cash transfers than with in-kind transfers. Security incidents were not exacerbated by cash transfers, although one isolated case of theft was reported. Some agencies succeeded in transferring cash directly without problems in some areas of higher insecurity.<sup>5</sup> Cash transfers were not problematic in terms of *gender issues*—cash potentially empowers the recipient. Some agencies made efforts to transfer cash to women, and there are several reports of this strategy being accepted by men (e.g. Cole 2006). *Inflation* was a problem in many areas, but affected both cash and in-kind transfers. A report from Aceh—where inflation was particularly high—noted that this was an unavoidable consequence of the large amount of investment needed to rebuild the area. Moreover, the report noted that the price rises for staple foods—the commodities perhaps most susceptible to price increases—were below the overall rate of inflation (BPS 2005). Rather than being compromised as some expected, *nutrition* improved in terms of dietary diversity where cash replaced food relief. In the WFP’s pilot project, both groups met their energy requirements.

Sectors where *cash was not commonly used* include: (a) emergency non-food assistance (non-food items), which was provided almost exclusively in-kind although cash transfers and market support would have been effective in helping people to access many items; (b) food assistance, which was overwhelmingly in-kind despite the clear signs of early market recovery; (c) shelter construction was mostly supported through in-kind assistance—except in Sri Lanka where the government led a cash for shelter recovery initiative, and in Aceh where UN-Habitat implemented an innovative cash transfer using a group-build approach.

Cash transfers featured a number of general *weaknesses* including: (a) weak or absent strategic frameworks, and gaps or weaknesses in monitoring and evaluation systems; (b) only limited use of financial institutions to transfer cash despite the widespread availability of appropriate institutions, and limited collaboration with the private sector in general (Fritz Institute 2005); (c) limited analysis of efficiency or cost-effectiveness; (d) inadequate consideration of the appropriate level of cash

<sup>5</sup> BRCS Sri Lanka, Oxfam Aceh (Meulaboh)

assistance and what it should cover; (e) excessive inter-agency competition resulting in duplication and unfortunately also in gaps; (f) overcomplicated cash transfer systems linked to fears of misuse or assumptions about donor requirements; (g) weak compliance monitoring; (h) an absence of databases; (i) weak collaboration between governments and agencies over cash transfers; and (j) a lack of genuine participation by communities in the design of recovery interventions, including cash transfers.

*Institutional mandates:* Cash transfers cut across many sectors. However, cash-related issues were rarely considered by coordinating agencies or sectoral working groups. The question of who is best placed to ensure that the most appropriate approach to resource transfer is taken across all sectors and across all agencies—in terms of capacity, mandate and appropriateness—must be addressed in order to enhance the response to future large-scale disasters.

*Conclusions:* Agencies could have made more use of cash in many sectors such as: emergency food and non-food assistance, unconditional cash grants soon after the disaster, assistance with providing shelter (assistance with rent, help for host families, or providing cash for building and repair direct to beneficiaries), and supporting livelihoods recovery (with cash provided for asset purchase and/or to cover start-up and initial running costs). Moreover, the tsunami experience and learning from it has highlighted many ways in which cash transfers could be more effective if designed and implemented differently.

The overwhelming success of tsunami cash transfers has been extremely positive in demonstrating the potential gains of using cash rather than in-kind transfers in these contexts, and that many of the anticipated risks may not materialise. However, agencies should maintain an appropriate level of caution in future disasters. Cash is not a magic bullet. Nor is it simple to administer. Moreover, the post-tsunami context featured strong and rapid market recovery, a suspension of hostilities and relatively strong networks of financial institutions—a combination of contextual factors that may not be replicated in many other post-disaster contexts, particularly where conflict is an important feature. While there are many examples of successful implementation in insecure areas (Ali et al. 2005; and Hoffman 2005) agencies should remember that cash transfers, like any other intervention, require careful planning to identify and measure risk at the assessment stage, minimise risk in the project design, and monitor risk during implementation.

The ODI project set out to identify good practice in cash transfers. This was difficult for a number of reasons: first, many projects were not formally evaluated and monitoring reports were not accessible; second, many agencies' cash transfers contain good practice elements alongside areas where improvement is required, and in some cases good ideas were compromised by complications introduced during implementation; and, third, there is often disagreement over exactly what good

practice *is* because agencies subscribe to different values and ways of working. This report aims to highlight what agencies did, and the implications of their actions for beneficiaries as well as for efficiency and effectiveness.

*Guidelines and Resources:* In the past few years several agencies have developed guidelines for cash transfers,<sup>6</sup> and this ODI project has developed a series of issue papers (Adams and Harvey 2006) to complement these. The ODI resources draw mainly on tsunami case studies, but for particular issues where tsunami experience and learning were limited the ODI refers to other initiatives and resources,<sup>7</sup> highlighting areas where more work is needed. A set of in-depth case studies on tsunami cash transfer accompanies this report (Adams and Winahyu 2006). The bibliography to this report contains a list of useful websites in addition to the documents referred to.

<sup>6</sup> See Creti and Jaspars (2006); Rauch and Scheurer (2003); WFP (2006)

<sup>7</sup> For instance, while market assessments were relatively limited during the tsunami, the WFP's SENAC project is producing some useful resources. See the WFP SENAC website, search term: 'market assessment'

## 2. Introduction

The tsunami disaster was quickly followed by unprecedented levels of donor funding, much of which came with few—if any—conditions on how the cash should be used. The ODI Tsunami Cash Learning Project was established in April 2005 to develop ODI's learning project on cash transfers in general and to 'promote good practice in cash and voucher responses in the tsunami-affected countries and future emergency responses'. It was funded by five donors—Oxfam GB, Mercy Corps, the British Red Cross Society, SC and Concern Worldwide. The project studied tsunami interventions in three countries—Indonesia, India and Sri Lanka. These countries share contextual similarities, but there are also notable differences which influenced cash interventions.

In January 2005, when millions of dollars were being sent to agencies responding to the tsunami, ODI raised the question: 'should these funds be spent providing people with the food, shelter and non-food items that they undoubtedly need or would it, in some circumstances, make more sense to give people the money so that they can buy what they need themselves?'<sup>8</sup> The ODI Tsunami Cash Learning Project set out to document agencies' responses to disaster recovery, to facilitate the sharing of experience and ideas about cash transfers and to develop resources to guide managers of future cash transfers. Information on interventions, and learning arising from these experiences, was gathered from internal and external reports and through field visits, general meetings, and meetings and workshops organised by the ODI in the three study countries.

Tsunami interventions highlighted the broad differences between agencies in terms of how (and whether) cash was used. At one extreme some agencies' organisational policies, for instance, the UN Food and Agriculture Organization (FAO) and World Vision, prohibited the use of cash. Some local offices of agencies that may previously have been grouped in this category, for example, CARE in Aceh, the WFP in Sri Lanka, UNICEF in Aceh and the Red Cross movement, secured approval from senior managers for cash transfer pilot projects. Successful implementation built confidence because cash transfers were straightforward to implement and achieved sectoral objectives. Other agencies, such as Mercy Corps Aceh, identified cash as a key element of recovery from the outset because cash transfers fit well with the agency's emergency recovery principles.

Mercy Corps believes that cash has the potential to support the recovery plans of disaster-affected populations more effectively and more efficiently than in-kind assistance, and that cash transfers fundamentally respect the right and capacity of those affected by disasters to design and manage their own recovery with dignity. As the MC deputy team leader in Aceh explained: 'people lost everything,

<sup>8</sup> Harvey (2005), [www.odi.org.uk/hpg/Tsunami\\_cash.html](http://www.odi.org.uk/hpg/Tsunami_cash.html).

but they knew what they lost, they knew how to replace it, they knew what changes they might make to improve on what they had before'. Mercy Corps identified its role as *facilitating* and *supporting indigenous recovery*. This is an important point. Many other agencies have carved out a niche in commodity procurement and distribution—a role that is often difficult to let go of. Moreover, these activities are highly visible—it is possible to put logos on boxes but not on bank notes—and give staff the satisfaction of having *done* something. When asked why their agency was supplying commodities which were available in the market instead of providing cash, staff usually responded 'if we did not distribute these items, *what would we do?*' This is surely a question for the policy makers in these agencies to answer.

The tsunami response moved forward the debate about the most effective way of helping people to recover from disasters. For almost all agencies—including those such as Oxfam and SC (UK) for which cash transfers have been an important feature of their disaster response toolbox—the tsunami provided the opportunity for country and local offices to gain first-hand *experience* of cash transfers. For others, for example, UNICEF, CARE, the WFP, SC (US) and the BRCS, tsunami cash transfers represented an important early step in the development of policies and case studies for cash transfers globally. This is an important point: a factor inhibiting the use of cash in contexts where it would otherwise be appropriate is that policy makers and local management teams lack confidence in, usually because of a lack of experience of, cash transfers. The extremely rapid scale-up of many agencies' cash for work projects, and the rapid adoption of cash for work as an intervention by almost all agencies soon after the tsunami, demonstrate that agencies were able to undertake such interventions with relative ease. While these interventions were not without their challenges, they worked well. However, the post-tsunami context provided a relatively conducive operating environment in terms of security—even in the two locations where conflict had been a major pre-disaster constraint, the scale and nature of the disaster reduced the level of hostilities significantly.

An interesting finding of this study is that the policies and practices of each agency with regard to cash transfers often varied between the different countries, and in some cases *within* a single country operation. For instance, one organisation in Aceh was providing grants to beneficiaries for livelihood recovery in one district and loans in another. Agencies clearly need to develop and disseminate guidelines and operating standards for cash transfers: variations in policy and practice are acceptable when agencies are testing something new, but variation is not justified and is inherently unfair if caused by a lack of coordination or ignorance of the standards and principles of good practice.

This report examines the cash transfers implemented after the tsunami—their objectives, the target groups and how the transfers were implemented. It links with case studies of interventions which have brought out important learning points, and with guidelines for project managers. The report is

evidence-based and notes issue areas where little evidence was gathered as well as issue areas where more research is needed. Chapter 3 describes the tsunami cash experience by sector and chapter 4 analyses the cross-cutting issues that emerged. Chapter 5 presents conclusions and recommendations and the bibliography lists the information referred to in this report as well as other reports and resources. Annex 1 to the report lists useful websites and learning resources. Six *issue papers* (guidelines for cash transfer managers) accompany this report (Adams and Harvey 2006) as well as a set of in-depth *case studies* on particular cash interventions (Adams and Winahyu 2006). See annex 1 for details. The case studies cover:

- Government relief in Indonesia, India and Sri Lanka;
- Unconditional community cash grants (Mercy Corps in Aceh);
- Cash transfers as an 'alternative' to food relief (the WFP in Sri Lanka and CARE/SC in Aceh);
- Cash for work (Oxfam and Mercy Corps in Aceh; Oxfam and NESAI in India; the BRCS in Sri Lanka);
- Cash grants for livelihoods recovery (SC, the BRCS, Oxfam, Mercy Corps and Austcare in Aceh and Oxfam in Sri Lanka);
- Cash grants for shelter (UN-Habitat and BRCS in Aceh; SDC/Swiss Consortium in Sri Lanka);
- Cash for host families (SDC in Aceh and Helvetas in Sri Lanka);
- Cash grants to vulnerable groups (the government of Tamil Nadu, UNICEF in Aceh);
- Cash grants for orphans (the BRCS in Aceh); and
- Cash grants (capital investment) for labour-poor households (SC in Sri Lanka).

### 3. Sectors where cash was used

This section discusses the types of intervention, by sector or objective, for which cash was a key element. Section 4 considers cross-cutting issues that are not related to specific sectors or objectives.

#### 3.1 Basic food and non-food needs

Cash transfers for basic needs included large-scale unconditional cash transfers implemented by government agencies (for food and/or non-food needs), and small pilot projects to help people to meet basic food needs. A third variant was the unconditional community cash grant implemented by Mercy Corps in Aceh. It is striking that the NGOs universally provided non-food items rather than cash. While in some cases—particularly in the early days—this was justified, the use of cash would have increased choice for beneficiaries, benefited local traders and, because of its greater efficiency, also benefited the implementing agencies.

The immediate response to the need to provide “basic needs” assistance was overwhelmingly in-kind. Procurement and supply mechanisms kicked in quickly and efficiently, and this continued until all needs had been met. The provision of in-kind assistance was valuable in the initial aftermath but continued after markets had recovered. As one observer recalled:

*The immediate experience of the arriving waves of workers from relief agencies reinforced their sense that what was needed was what they knew how to do, that what they were providing was what was needed, that their repertoire was well-matched to the situation. And so the flow continued to grow—people around the world donated money for the relief effort, and agencies receiving those funds mobilized their reserves and bought material and hired workers and created a continuously rising tide of people and supplies toward the affected areas.*

*And they quickly overran the (remaining) local infrastructure. Airports were almost instantly clogged. Relief supplies—from bags of rice to pallets of bottled water to boxes of antibiotics, tents, and cooking supplies—rapidly began to pile up in depots and warehouses. Relatively quickly, the most immediate needs were met, and—to the great credit of the responding agencies—met well. But the flow of aid continued unabated—and, indeed, continued to increase—for additional weeks thereafter. Stacks of basic supplies continued to pile up (Curran and Leonard 2005).*

So, while in-kind transfers are resource intensive—storage was a particular constraint (Fritz Institute 2006) and logistic bottlenecks were common—it was only government institutions that decided to provide unconditional cash transfers to beneficiaries in order to help them meet a range of needs. These interventions are considered in section 3.1.1. below. Only one NGO sought to support *indigenous community recovery* in this way—Mercy Corps Aceh, using a community cash grant (see section 3.1.2.).

### 3.1.1. Government basic needs assistance

#### 3.1.1.1. India (Tamil Nadu)

Before the tsunami, the Indian government provided a range of cash pensions, social welfare payments and in-kind support to poor and other vulnerable or marginalised groups (such as *dalits*, or scheduled castes and tribes), although awareness of entitlements was reported to be ‘abysmally low’ (Deshingkar 2006, p. 15). Perhaps because of these existing systems, the emergency response by the Indian authorities was rapid and effective (Fritz Institute 2005). Details of emergency support (including cash transfers) were articulated in government orders just two days after the tsunami (Government of India 2004, 2005). The government’s tsunami cash support comprised death and disability compensation, one-off cash transfers of US\$22 per household for replacing household items and unconditional cash transfers of US\$22 per person per month for four months. There were also monthly distributions of food and non-food items, including fuel, also for 4 months

No reports were received about problems with the disbursement and officials report that disbursement was ‘strictly monitored’. However, no formal evaluation reports are available to confirm how much was received by individual households. Moreover, the practice of ‘taking a cut’—known in Karnataka state as *mamul* (Vijayalakshmi 2005)—is reportedly commonplace in Indian society. While this is a risk for both cash transfers and in-kind transfers, it is perhaps a higher risk with cash transfers that are paid directly rather than through reputable financial institutions. The exclusion of scheduled castes and tribes – for cash as well as in-kind transfers – was a consequence of the structures used for relief assistance.<sup>9</sup> This is a historical problem that cuts across all sectors and resource transfers (Deshingkar 2006).

The government of India case study (Adams and Winahyu 2006, chapter 1) gives details of pre-tsunami social welfare systems in India and the Tamil Nadu state government’s tsunami response. Details of Tamil Nadu’s full range of emergency assistance is documented in its tsunami report published at the end of 2005 (Government of Tamil Nadu 2005).

<sup>9</sup> The problem relates to the use of the “traditional” *panchayat* structure (which represents sea fishers) to register relief beneficiaries as well as to channel aid. This effectively excluded in-land fishers – most of whom were from scheduled castes and tribes.

### 3.1.1.2. Sri Lanka

The government of Sri Lanka has a long history of programmes of transfers in cash, in kind and in the form of food subsidies. The pre-existing *Samurdhi* welfare system provided only limited assistance (access to subsidised food equivalent to around US\$1 per month for an average household). Moreover, it was poorly targeted—census data indicates that while just under half of households in the lowest decile are *excluded* from the *Samurdhi* system, the list of beneficiaries *includes* those from wealthier deciles (Schubert 2005). The *Samurdhi* system operated through the Multi-Purpose Cooperative Societies (MPCS) and the supply of key commodities was problematic. A cash safety net for poor households (PAMA) was disbursed through the post office system.

The government of Sri Lanka established an effective system of cash-based assistance soon after the tsunami, which was reported to have been well targeted and to have reached communities in the areas controlled by the LTTE (Tamil Tigers) which were visited as part of one study (Schubert 2005). The government's cash support for basic needs included a cash transfer of US\$8.5 per person per month for just under one year, and unconditional cash transfers of almost US\$200 per household paid in four quarterly installments. The government insisted that each beneficiary household open a bank account with the People's Bank, which facilitated efficient cash transfers (for details see Adams and Winahyu 2006).

### 3.1.1.3. Aceh Province, Indonesia

The government of Indonesia's pre-tsunami welfare system was based on price subsidies for key commodities (known as RASKIN) and was poorly targeted. The Government of Indonesia's tsunami response emergency cash transfer (JADUP) was instigated at a time when the government in the area had been decimated—buildings had been destroyed and records lost, and many civil servants had died—having already been weakened by the civil conflict that had been ongoing in Aceh for many years. No agency provided technical support with designing the cash transfer system, and the authorities were clearly perplexed from the outset about how to manage the transfer.

Given this background, it is not surprising that the JADUP system was weak and poorly targeted. Households only received between two and four months' entitlement. While there has been no formal evaluation, it appears that the problems related to disputes between the central government and the province, and the lack of a proper system of disbursement and compliance reporting.

The government's JADUP programme in Aceh contrasted strongly with the government's national 'BLT' programme—established also in Aceh for non-tsunami populations—a cash transfer targeted at poor households to help them deal with the fuel price increase of September 2005. The BLT was apparently well targeted (targeting was carried out by the provincial statistical bureaux) and cash transfers appear

to have been efficiently and transparently managed by the post office (for more information on these interventions see Adams and Winahyu 2006).

**Box 3.1 - The challenge of large-scale, extraordinary government cash transfers: planning the tsunami emergency cash transfer (JADUP)**

‘The [chairman] raised the issue of the distribution of daily allowance [IDR 3000 per day per person] to IDPs. He has received *IDR 20 billion* [approximately US\$2,074,000] from Jakarta to be distributed to IDPs. Regarding distribution of allowance, he asked for advice on the best mechanism for distribution of money. He elaborated on the various channels for distributing the allowance:

Government → Head of villages → IDPs [internally displaced persons]

Government → Head of Sub-District → villages → IDPs

Government → IDP group leaders → IDPs.

‘City Mayor suggested that the cash money should be distributed through the head of the sub-district, since the heads of sub-districts know their people better. Aside, people do not really support the idea of allowance distribution through head of village. They suspect that the head of village might misuse the money’.

*Source: Aceh Provincial Government (2005)*

### 3.1.2. Mercy Corps Aceh: Community Cash Grants

Mercy Corps Aceh’s community cash grants (CCG) grew out of the agency’s philosophy of supporting disaster-affected communities’ own recovery initiatives by facilitating people and communities to recover through the provision of cash and other forms of support. Mercy Corps’ CCGs, which were set at the sum of US\$50 per person multiplied by the number of people in the community, were intended to be used as the community saw fit. The two basic options were use of the funds by individual households, and/or pooling the funds for use by the communities on a community project, for instance, to repair a bridge. Mercy Corps’ role was to provide and transfer the cash, and to facilitate the recovery plans of community groups as required. The cash was initially transferred through group bank accounts, and later paid into individual bank accounts. Beneficiaries were encouraged to pool some of the cash for use in community projects.

Although the findings of the evaluation are yet to be published, the project team have drawn up some broad learning points. First, the transfer of what were extremely large sums of cash was a challenge—not so much for Mercy Corps, which transferred the cash electronically, but for the early beneficiaries whose funds were paid into a group bank account. Under this system, community representatives

collected the cash from the existing bank account of one among them, and the representatives were responsible for transporting what was a large sum of cash to the villages. On one occasion the three people transferring the cash were robbed. While this was an isolated case, the implementing team concluded that the CCG transfer worked best through individual bank accounts, and that beneficiaries preferred transfers to be managed directly by Mercy Corps rather than through community leaders. Moreover, the team concluded that preparatory work must be completed in advance of the cash transfer, and that a certain degree of mutual trust was needed in order to take the CCG approach. Further issues relating to the CCG that should be explored include:

- How was the CCG concept introduced to communities? How did the planning process work in practice? What went well and what problems were encountered?
- To what extent were the funds pooled for community projects rather than used by individual households, and what happened to these pooled funds?
- Was the objective of community-planned projects ambitious given the context—particularly the confusion—of tsunami recovery in Aceh?
- Did the beneficiaries receive what they were due? Was there any corruption?
- What did households do with the cash allocated/transferred directly to them, and what were the implications of their actions in the early phase of recovery?
- What did beneficiaries think of the intervention?

Mercy Corps' community cash grant is an interesting concept, which met a very real need and introduced important new ideas. The evaluation is eagerly awaited (for more details of the intervention see Adams and Winahyu 2006, chapter 2).

### 3.1.3. Emergency assistance for basic food needs (non-government organisations)

Pilot projects were established by the WFP in Sri Lanka and CARE in Aceh (and later also by SC) to test whether cash transfers would be effective in helping people to meet their basic food needs, and to test the agencies' capacity to disburse cash. Both models were successful, although neither was scaled up.

#### *3.1.3.1. The WFP in Sri Lanka: cash transfer pilot project*

The idea behind the WFP's cash transfer arose initially from constraints on the local purchase of rice. A number of assessments (O'Donnell 2005; and Hyder and Aklilu 2005b), however, reported that the post-tsunami context in Sri Lanka was conducive to a cash intervention in order to counter food insecurity and, even after the local purchasing problems had been resolved, the WFP in Sri Lanka continued its plans for a cash transfer pilot. A critical factor was the far-sighted outlook of the country director and his team, who had a vision of the WFP moving away from its role as a logistics-focused agency to one with the flexibility and capacity to address food insecurity in whichever way was most

appropriate—reflecting the original mandate of the organisation as the emergency wing of the FAO. Also important was the government’s support for this initiative—the government had recently banned rice imports (due to the anticipated bumper rice harvest in early 2005) to protect farmers. The aim of the WFP’s cash pilot was to compare the impact of cash and food assistance on the beneficiary’s food security and livelihood, as well as on the local economy. Its wider objective was to determine the feasibility and appropriateness of cash for addressing food insecurity in emergencies. The project directly compared populations receiving cash with those receiving food. The value of the cash payment was set at roughly halfway between the market price of the food ration and the—slightly higher—price printed on the food vouchers that had been distributed throughout Sri Lanka before the cash pilot. The pilot project made use of the extensive network of rural banks (those in the *Samurdhi* network), and followed the main elements of the pre-existing government cash transfer system. The cash was paid to those who presented proof of entitlement (cash vouchers) and these vouchers were exchanged for cash at the local branch of the Samurdhi bank.

The early recommendations for a cash-based approach came from the assessments made by the WFP in Rome and other agencies as early as February 2005. The country team set about designing the approach shortly afterwards. At that time they were thinking of a large-scale cash transfer to replace the rice component of the food ration. The ‘cash in lieu of rice’ idea was shelved when the rice procurement problem was solved, but in June the WFP brought in a consultant to explore the feasibility of a pilot project where cash would replace the entire food ration. The cash project was initiated in September and the first cash transfers took place in November 2005. So, while the project was relatively quick to set up once the decision had been made, it took some time to develop the concept and design the intervention.

The intervention was evaluated by the International Food Policy Research Institute (IFPRI), whose preliminary report stated that the Cash transfer pilot project (CTPP) was efficient and, in areas where people had good access to the Samurdhi bank and to food markets, effective.

The cash transfer was reported to be five per cent cheaper, although this seems to be an under-estimation of the real difference since other studies comparing cash transfers with in-kind food assistance found much larger differences—food relief programmes entail high costs associated with the storage and transportation of considerable amounts of food. The calculation also excludes the WFP’s staff costs.

The cash transfer was more reliable than the food delivery, with more frequent distributions and more cash beneficiaries receiving their full entitlement. In the southern areas—where access to the Samurdhi network and wholesale food markets was better—cash was quicker to collect than food, fewer

households incurred transport costs, and households indicated that they preferred cash. In the east, where the Samurdhi network was less accessible and people spent longer collecting cash, households indicated that they preferred receiving food directly.

The findings from the pilot project challenged a number of preconceived notions about cash transfers. First, losses—which were low for both groups—were lower in the cash transfer programme. Second, cash recipients consumed diets of a better quality and greater diversity, including more fresh foods and higher quality rice. They also consumed lower quantities of staple foods, although the quantity consumed was not necessarily *insufficient*. Third, increases in alcohol consumption, which were low in both groups, were smaller for cash recipients than for food recipients. Fourth, a higher incidence of joint decision-making was reported among households that received cash. While the survey findings are not conclusive, they do highlight that there may be nutritional benefits arising from cash transfers, that cash may result in lower levels of loss—perhaps because those involved in the cash transfer chain are more careful and accountable—and might contribute to facilitating greater involvement of women in household decision-making.

Negative findings include the higher incidence of collection fees, although this was low for both groups. Further analysis has suggested, however, that this may have been associated with the charging of a fee for late collection rather than an improper fee. The overwhelming preference in the east for food is apparently linked to poorer access to banks and wholesale food markets. The WFP's cash transfer project could have anticipated and avoided these two constraints by providing support to traders in the form of market promotion and by entering into partnership with other financial institutions that had adequate coverage in the east. Two studies from Sri Lanka (Schubert 2005; and Aheeyar 2006a) have highlighted the strong post office network that could have been effective in transferring payments in many areas (for more information on the WFP's pilot project see Adams and Winahyu 2006, chapter 3; and Sharma 2006).

### *3.1.3.2. CARE's market-based food assistance model*

CARE was one of the WFP's food relief partners in Aceh. CARE's senior managers responded early to a February 2005 assessment by the WFP, which recommended a cash/voucher approach to food insecurity in some areas (Crawford and Laughton 2005). A consultant was recruited to design and set up a pilot cash transfer—'market-based food assistance' or MBFA. It was successful from the outset and the agency expanded the pilot from the second month. Save the Children, noting CARE's early success, adopted the same model for its own pilot, which began in February 2006.<sup>10</sup> CARE's

<sup>10</sup> This was an SC US-managed food relief operation within an overall SC Alliance programme. It was one of the first market-based food assistance pilot projects undertaken by SC US globally.

intervention also took a long time to set up. The WFP's report was released in February 2005 but the first cash/voucher transfer was not made until November 2005.

CARE's pilot differed from the WFP pilot in a number of ways. Apart from the design elements (CARE distributed their cash directly, they used a mix of cash and vouchers, and the value was higher than the assistance provided to food aid recipients) there were broader differences related to its objectives. Unlike the WFP in Sri Lanka, CARE was not testing the conditions under which a cash/voucher scheme would work. Instead, CARE selected areas where success was most or highly likely by assessing beneficiary and trader preferences. CARE's intention was to demonstrate the value of a market-based approach while at the same time providing CARE with experience of implementing a cash/voucher programme. The WFP's evaluation focused on comparing impact on households of the two types of transfer.

CARE's evaluation noted that the entitlement mix (food vouchers and cash) was 'an excellent alternative to food' and that the programme itself was extremely cost-effective (they estimated total costs of US\$1.88 per beneficiary as opposed to US\$2.48 for the food delivery programme). The internal monitoring system noted that the vast majority of beneficiaries (98%) preferred the cash/voucher option and that the households receiving cash consumed a more diverse diet—more than half reported consuming more fruit, fish and eggs than before. Beneficiaries also said that the MBFA was more reliable than the general food delivery, and that the transfer process was calmer and less time-consuming. Beneficiaries of SC's MBFA said: 'The GFD [general food distribution] was often crowded'; 'it made us feel uncomfortable'; 'vouchers were easier to handle'; 'we spent 45 minutes getting the cash and vouchers while we could spend up to 8 hours for GFD' (Cole 2006). While the preferences of beneficiaries were undoubtedly influenced by the fact that the value of the MBFA was higher than the value of the food ration, it is clear from these comments that their preferences were also related to other important issues. Moreover, CARE has demonstrated that a cash/voucher transfer enables agencies to transfer a *higher* level of assistance at a *lower* cost than the food aid ration—i.e. i.e. increasing the amount provided does not increase the cost – as it would with food.

Traders were also happy with the MBFA—they benefited from a generous margin on the food commodities plus a commission of five per cent, which offset the risks associated with the vouchers. The level of the commission was set by CARE and therefore it is not clear whether the traders would have been willing to accept a lower level of commission, or whether fewer traders would have participated if the commission percentage had been lower.

After the successful pilot projects both CARE and SC planned to extend their projects to a wider area. SC's evaluation noted that not only had the criteria for a MBFA been met in a larger area, SC's 'newfound skills in MBFA management' would enable them to 'effectively run a larger market-based

programme'. However, the WFP's opposition to MBFA in Aceh prevented these organisations from expanding their programme and CARE withdrew from food distribution a few months after the MBFA finished.

CARE's experience demonstrates the importance of undertaking clear and consistent advocacy of cash transfers, and of having good links with donors and government ministries. CARE's overall programme was weak in these respects, perhaps partly due to the low level of institutional buy-in from CARE's Aceh and national programmes—the MBFA was designed and set up by a consultant. Some of the resistance from the WFP and others was understandable (e.g. the fact that the MBFA ration was almost double the value of the food relief raises equity issues and was not addressed by CARE). However, the curtailment of the MBFA meant that investigation of the other concerns expressed by the WFP's Aceh team<sup>11</sup>—which, to some extent, had been refuted in the MBFA evaluation—was not possible. Ironically, while CARE and SC were required continually to justify the appropriateness of cash transfers in their Aceh project areas—even in the large towns—there was no similar requirement from donors or the government for the WFP to justify their wish to provide food relief to these and other areas where markets were fully functioning.

The CARE project also faced a dilemma relating to food assistance to institutions such as orphanages—should food relief for orphans in institutions be replaced with cash and vouchers? This is a policy issue that goes beyond the practicality of cash/vouchers—any assistance to such institutions must be carefully considered to ensure that it does not act as a disincentive for authorities and communities to explore family care options.

CARE opted to use their own staff to transfer the cash directly because early on there were many areas that were not served by banks or the post office and it wanted a model that could be used in all areas of Aceh. However, it would have been useful to explore the potential for using banks or the post office, and to test the two approaches—direct cash transfers and a partnership with a financial transfer agency.

CARE and SC in Aceh, which both had broader programming goals than the WFP in Aceh, saw the value of providing a higher value of assistance that enabled households not just to meet basic food needs but also to obtain a balanced diet. Their support covered fuel for cooking and the cost of transporting the food home, and it was also used for items such as school transport. While this highlights the

<sup>11</sup> The WFP feared that the higher-value cash/voucher transfer would increase the risk of inclusion error. The WFP staff also strongly believed that a cash/voucher system was inappropriate where the objective was to improve nutrition—particularly for vulnerable groups, which the WFP Aceh believed were better served by the direct distribution of fortified food aid such as BP5 biscuits and similar commodities. Furthermore, the WFP argued that their relief ration (rice, tinned fish, oil and noodles) was of better nutritional value than the voucher plus cash entitlement.

flexibility that is inherent in cash transfers, these broader effects do not always fit with what might be fairly narrow sectoral objectives. This highlights a problem when cash transfers are established to substitute for direct food assistance—where the food relief ration is deemed the acceptable level of support, anything extra is regarded as excessive.

#### 3.1.4. The links between emergency assistance for basic needs and ‘safety nets’

An important consideration for any intervention is its exit strategy. Because each of the cash transfers for food assistance projects were pilots, none considered how to scale down over time before finally ceasing operation. Under a direct food delivery approach, it is usual to gradually reduce beneficiary numbers and/or the amount provided per beneficiary over time. The same would be possible with cash transfers. However, cash transfers have a number of potential advantages over direct food delivery in terms of scaling down and handing over to a safety net scheme:

- Targeting a small group of people in a larger unassisted population is more feasible with cash transfers than with food delivery, particularly if financial institutions are used.
- Cash transfers are potentially more likely than food transfers to support the re-establishment of outlying communities—to which people later try to return—because cash has the potential to support wider economic recovery. Cash support could be provided to food-insecure beneficiaries and appropriate forms of recovery support to traders could also be considered. Such an approach should be linked to livelihoods recovery support, infrastructure rehabilitation, shelter reconstruction and the re-establishment of basic services.

#### 3.1.5. The links between food relief and cash transfers

If food relief is the immediate response in major disasters, can food relief agencies with capacity to programme cash or vouchers continue food relief in some areas but replace it with cash relief in areas where markets are functioning? Are small-scale pilot projects always necessary or could agencies that have developed successful models in other areas adapt these for large-scale application in new environments?

#### 3.1.6. Market support

An intervention to help people meet basic food needs might require only a simple cash transfer to beneficiaries if they have good access to markets. It could also include a voucher component, which would require the involvement of traders in the planning phase and support to traders to help them re-establish their businesses and take advantage of the improved purchasing power resulting from the cash transfers. More work is required to test the range of market-support options that could be included as routine components of cash transfers, and to identify the capacity required to achieve these options. When vouchers are used, market support is particularly important to help traders to buy

stocks on credit before reimbursement. However, market support is also useful with general cash transfers where local traders have been disrupted by the disaster or by the lack of purchasing power of their customers.

### 3.1.7. Vouchers and food assistance

An important point when considering the provision of vouchers for food assistance is that the commodities covered by the vouchers should include the most important food items that households would normally purchase. They do not necessarily have to make up a nutritionally balanced diet because the voucher provision should free up cash that can be used to purchase the other foods that would balance the ration. A cash top-up was particularly effective because it allowed households to purchase from small traders who weren't able to participate in the voucher scheme—many of which were the only sources of fresh fruit, vegetables, fish and meat. Save the Children and CARE informed beneficiaries that the cash transfer was intended for purchasing food. It might have been interesting, as a piece of research, to have given no such message to a sub-group and then determined whether spending on food was different in this sub-group.

### 3.1.8. General issues about cash pilot projects

The pilot projects raised a number of issues about cash pilots in general. These include:

- The pilot projects took a long time to set up (more than 6 months in both cases). Could a cash transfer project be established within, for instance, one month of a disaster in the future?
- To what extent is it possible to compare cash and in-kind assistance for basic food needs? Are they really 'alternatives'? CARE's MBFA consultant argues that cash relief and food relief are suitable for different contexts and therefore rarely alternatives. Moreover, to what extent does the need for different approaches for each (e.g. market promotion for cash transfers) make a 'scientific' comparison difficult or inappropriate?
- To what extent can the results of pilot projects be translated into scaled-up cash transfers? What is likely to change with full-scale implementation? While most elements can be scaled up relatively easily (after testing at a small scale), the impact on markets cannot effectively be tested with small-scale pilots because inflation is not a significant risk with a small volume of cash. Moreover, what systemic changes are required for a large-scale operation? Are systems designed for in-kind transfers easily adapted to manage large-scale cash transfers?
- How can cash and in-kind approaches be compared in terms of efficiency and cost-effectiveness? What must be included in such calculations? What must be explained about the programme design when looking at the difference in cost?
- Pilot projects should not just test the cash transfer as opposed to a food transfer. They should also test different cash disbursement mechanisms. Different partners have different capacities and

costs, and collaboration with the commercial sector on cash transfers may require new ways of working.

- Further consideration needs to be given to collecting qualitative information to explain the figures that emerge from the statistics, and more thought is required about including information on other factors—such as additional sources of cash, food and other types of assistance over time—that influence what people do with the cash they receive.

### 3.1.9. Future prospects: a capacity for food, for cash, for both or for either?

The emergency cash-transfer pilot projects have demonstrated the value of providing cash for assistance with food needs in areas where markets are functioning. Cash has been found to be less appropriate where food is not easily accessible locally and markets have failed to respond to increases in purchasing power. Food relief appears to be less appropriate than cash where local food availability is good, although a lack of attention to the wider impact of the transfers has limited the consideration of when food may be inappropriate. Interviews with farmers in areas where cash and food transfers took place would have provided a useful guide to the strategic use of cash or food relief in future.

What are the implications of these pilot projects for a countrywide intervention? Should food and cash be targeted at different areas? Should a combination of cash plus market support be considered in areas where markets are weak but recovering? Could vouchers be used more often instead of food delivery where traders are present, and what are the advantages of vouchers compared to cash for beneficiaries? The piloting of the use of cash by major players in food relief (the WFP, CARE and SC US) has demonstrated that a mixed response is feasible under the management of a single agency (the WFP in Sri Lanka) or under the operational management of a group of agencies (the WFP's partners in Aceh). If the WFP had been more cooperative, and if the value of the cash/voucher had been similar to the food ration, the Aceh case could have demonstrated the usefulness of partnerships in programming *either* food or cash depending on the context.

What about the second-best options—where the first choice is not possible? The WFP's updated market assessment guidelines, which help to determine the most effective type of food security assistance in emergencies, have been broadened to include analysis not only of whether each option is a 'good idea' or a 'bad idea' from a market perspective, but also of the 'repercussions and severity of [the] potential impact on markets if [an] option [is] chosen in spite of 'bad idea' conditions' (Donovan et al. 2005). While this is practical in intractable situations, for instance, where donors fail to respond with flexible financial assistance, these pilot projects have suggested that a combination of food and cash, each targeted to different areas based on a market assessment, may be a useful standard approach to disaster response. Effective partnerships and flexible funds are key.

### 3.2. Cash for Work

Experience of cash for work projects after the tsunami highlights the benefits of cash payments to beneficiaries and raised questions about appropriate wage rates, identifying appropriate rehabilitation projects for cash for work, and the exclusion of some vulnerable households from this important cash assistance because of the requirement to work.

A large number of agencies implemented cash for work projects in the tsunami response (for particular case studies see Adams and Winahyu 2006, chapter 4). While the projects themselves lasted several months and some continued into the second year, the actual time individual households spent working ranged from a few weeks to several months. Cash for work projects ranged from immediate recovery activities (body removal, cleaning up villages, bridge repair and road repair) to rehabilitation work (cleaning up farmland, cleaning schools and cleaning other public buildings) to reconstruction (building new houses). A number of project evaluations have highlighted the positive impact of both the work outputs and the cash transfers (Doocy et al. 2005; Winahyu 2006; and Brocklebank 2005). Many CFW projects have not been formally or externally evaluated.

Most of the work was carried out on community assets, although some projects rehabilitated privately owned land or built privately owned houses.<sup>12</sup> Some argue that cash for work projects should not be used for privately owned assets, suggesting that a better approach would be to provide a cash grant or loan to the landowner or house owner to encourage them to hire people in the normal way. The argument is that disaster recovery should avoid market distortion if possible and facilitate a return to normality (Winahyu 2006). However, market forces might exploit vulnerable people who desperately need work after disasters. An Oxfam project in India attempted to get around this with a complex system of vouchers (see box 3.2.).

<sup>12</sup> Cash for work projects in India employed landless farm labourers to work on the land of their previous employers; in Aceh NGOs negotiated temporary access to land for labourers who cleared it—potentially causing confusion in future seasons.

**Box 3.2. – The rationale for using vouchers in CFW projects: Oxfam India**

Oxfam India and its partners established cash for work projects in the salt pans of Tamil Nadu state. The salt pans were owned by absentee landlords who leased them to local people who employed poorer people for salt production. Women were paid less than men. Rather than giving a grant or a loan to the leaseholders, Oxfam provided them with vouchers to enable them to hire sufficient labourers to complete the necessary rehabilitation work. It left it to them to hire the labourers and pay them with the vouchers, which were exchanged for a cash wage from Oxfam and its partners. The justification for the vouchers was that, if they provided the salt pan leaseholder with cash, there was a risk that women would not receive equal pay. These assumptions were not tested by using an alternative payment system in a control group.

In all the tsunami work programmes cash—rather than food—was the obvious choice for payment. Food was rarely considered in these areas although in non-tsunami areas of Sri Lanka agencies such as the WFP and World Vision continued to pay people with food as normal. Evaluations of cash for work projects have consistently demonstrated the advantage of cash payments. Households were able to allocate funds for a diverse range of needs—needs which agencies would have been hard-pressed to second-guess such as debt repayment, redeeming pawned goods, business investment, contributing to social funds, support to kin, education, and so on. The cash for work evaluations also highlighted that a considerable amount of the cash earned early on was used to purchase food—even among households receiving a food relief ration. The Mercy Corps evaluation (Doocy et al. 2005) found that households spent US\$60 on extra food commodities every month.

Limitations associated with cash for work projects include the exclusion of labour-poor households. Agencies neglected to consider this group proactively and consequently few agencies had a strategy to avoid or address their exclusion. Occasionally, community members recognised the problem and established solidarity systems, with contributions made by workers to a fund for labour-poor households, but these were exceptions. Women were often excluded from cash for work programmes because of the absence of childcare facilities, perhaps linked to their exclusion at the project-design phase. Children presenting for work were often excluded because of child protection concerns. The International Labour Organization (ILO) team in Aceh drew attention to the age limits for light and heavy work and little attention was paid to addressing the reasons these children presented for work in the first place. The ILO guide to employment projects (Tajgman and De Veen 1998) mentions grant payments to labour-poor heads of households as one possible solution.

Agencies did not use commercial banks or the post office even if projects continued for several months.<sup>13</sup> Cash payments were paid direct to workers. It is therefore not clear whether payment through banks or post offices would have been possible. A post office branch manager in Nias (an island off the west coast of Sumatra) argued that the post office was well placed to handle such payments, that the service would have been relatively inexpensive, would have included a 'mobile' service, and that the post office would have welcomed the new business having been hit in recent years by the advent of the Internet and email.

It is arguable that the terminology used and the names given to these projects require more attention. The various terms include cash for work, employment generation or creation schemes or labour-intensive public works. Some agencies, mainly those which specialise in public works projects to create or rehabilitate community assets, argue that the term cash for work is inappropriate because it somehow demeans the activity—it focuses on the payment and not on the output and such a focus can compromise the quality of the outputs. However, it could also be argued that there is an important distinction between 'cash for work' and labour-intensive public works schemes, which the use of either of the two terms can help to clarify. As a general rule:

- Labour intensive public works are used where a community resource or productive infrastructure must be created or rehabilitated, and where community self-help schemes are inappropriate. They are usually used in development contexts and in disaster recovery when things start to 'normalise'. Labour market distortion is a big concern.
- Cash for work projects are established after disasters to provide income to people who have lost their usual sources of income, and to rehabilitate community resources. Very often labour market distortion is not an issue because the disaster itself has distorted these markets and removed the usual labour opportunities. Moreover, because a key goal is getting money into people's pockets, wage rates are often higher than pre-disaster rates for similar work (see section 4.3.).

This debate might seem to be overly focused on semantics, but the distinction is important.

The argument that cash for work should and can pay higher wages because of the need to get cash into people's pockets could be countered with the argument that, if needs are much greater than those met by the prevailing wage rate, higher levels of cash for work payments are an inefficient and imperfect system for helping people to recover. Agencies could instead consider what people's other needs are, whether anyone is addressing them (e.g. the government) and, if not, whether they could provide a cash grant to cover those needs. However, many agencies are reluctant to provide 'free' cash, that is,

<sup>13</sup> The exception was SC, Simileue, which used the local banking network to get round an internal administrative constraint regarding ceilings for cash transfers between its main office and its sub-offices.

cash that does not require some kind of contribution—in this case work—or have to be paid back, a position that appears to ignore the needs of people affected by large-scale and extreme disasters.

Another feature of cash for work programmes that provoked debate among implementers was the requirement by some agencies that workers save part of their income. World Vision in Sri Lanka withheld a portion of the workers' wages until the end of the project. This was then paid to them as a lump sum. NESAs incorporated 'compulsory' savings, although there were no sanctions if people did not save. Financial institutions argue that this type of approach is outdated—saving should be voluntary or the desire to encourage a 'savings mentality' will not be achieved. The World Vision project managers admitted that some workers had complained, but they anticipated that the majority would be grateful retrospectively for having been forced to accumulate a useful cash lump sum. World Vision's policy was perhaps reasonable if the other types of assistance that households were receiving are considered (food relief was provided by the WFP and a monthly cash stipend from the government to cover basic needs). The small amount held back should not have been critical to the household in meeting its basic needs.

In setting the wage for cash for work projects most agencies adopted what they considered to be a reasonable daily wage, although few appear to have explicitly referred to pre-disaster wages for similar work, and even fewer considered the importance of setting the wages in line with *local* norms (gender inequality excepted). Few agencies used an output-based payment system—a management strategy that has benefits for both workers and implementers. At the ODI workshop in Sri Lanka a participant from UNOPS (the United Nations Office for Project Services) highlighted the benefit of this approach while emphasising that output targets should be sensitive to the abilities of different groups, particularly if the project is designed to target weaker members of the community. All agencies paid women the same as men for equal work. One agency hoped to change the way communities in Tamil Nadu viewed the value of women's work by setting an equal wage for women. At the ODI Cash Learning Project meeting in India, some participants were sceptical that the changes achieved over the course of a short-term emergency CFW project would be sustainable. As soon as the agency goes away, they argued, the women's wages would revert to their pre-disaster levels. The NESAs spokesperson, however, argued that 'the women who worked in our project are now aware that they have a *legal right to expect equal pay for equal work*'.<sup>14</sup> There are also international legal instruments that specify standards for employment and agencies need to familiarise themselves with the laws ratified by the country in which

<sup>14</sup> NESAs' CFW project also strove to change attitudes and behaviour towards *dalit* households by involving them in CFW projects developing community assets which they had hitherto been excluded from. Participation in the CFW project in these areas in effect renegotiated access by these groups to these resources (see India workshop report, Adams 2005c).

they are working. India, Indonesia, and Sri Lanka have each ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (see box 3.3. for Article 11 of the CEDAW).<sup>15</sup>

**Box 3.3 - The Convention on the Elimination of All Forms of Discrimination against Women,  
Article 11**

1. States Parties shall take all appropriate measures to eliminate discrimination against women in the field of employment in order to ensure, on a basis of equality of men and women, the same rights, in particular:

- (a) The right to work as an inalienable right of all human beings;
- (b) The right to the same employment opportunities, including the application of the same criteria for selection in matters of employment;
- (c) The right to free choice of profession and employment, the right to promotion, job security and all benefits and conditions of service and the right to receive vocational training and retraining, including apprenticeships, advanced vocational training and recurrent training;
- (d) The right to equal remuneration, including benefits, and to equal treatment in respect of work of equal value, as well as equality of treatment in the evaluation of the quality of work.

Agencies implementing cash for work projects are advised to review the ILO guidelines which further explain labour standards and provide useful advice on many other employment issues (Tajgman and De Veen 1998).

### 3.3. Cash grants for livelihoods recovery

While cash grants for livelihoods recovery may achieve the same objective as microfinance, the two types of intervention are quite different and this ODI project covers only cash grants in detail. The overlap (and often the gap) between cash grants and microfinance is, however, an important issue for cash transfers during disaster recovery and this is explored in depth. Other issues that are important for this sector are ‘cash disbursement mechanisms’, ‘targeting’ and ‘setting the value’.

Cash was used by some agencies for *all* types of livelihoods recovery support (e.g. Oxfam, Mercy Corps and the BRCS in Aceh) and by some agencies for *some* of their livelihoods assistance (e.g. SC in

<sup>15</sup> <http://www.un.org/womenwatch/daw/cedaw/>

Aceh).<sup>16</sup> Other agencies had policies that *excluded* the provision of cash grants for any aspect of livelihoods recovery (e.g. World Vision and CARE).<sup>17</sup> Cash was provided to beneficiaries instead of in-kind assistance to enable them to replace lost assets or as capital to cover start-up and running costs. In addition, cash was provided by some agencies to cover household needs that were not being met by the government or other agencies in order to protect a capital grant that was intended for the business.<sup>18</sup>

The concern voiced by many microfinance institutions (MFIs) that cash grants would negatively affect the microfinance markets was justified. This fundamental problem had two apparent causes: first, the *absence of links* between grants and microfinance agencies; and, second, the *failure to adequately separate* grants from microfinance. Relief agencies failed to realise that cash grants for livelihoods recovery were taking them beyond the limits of their capacity or expertise, and MFIs failed to appreciate that many of their clients needed a product that was not in their usual portfolio, that is, their clients needed a grant not a loan. One project launched after the tsunami focused on closing the gap between grants and microfinance by building the capacity of MFIs to incorporate the disaster management cycle into their development plans. Relief agencies, for their part, should have incorporated medium- and long-term planning into their emergency recovery strategies. In future, donors to MFIs should consider the MFI, its clients and those who are not MFI clients—the poor. MFI donors and government central banks should also draw up policies on debt cancellation or restructuring after major disasters.

### 3.3.1. Cash, vouchers or in-kind assistance?

Cash was provided by many agencies for livelihoods recovery. One advantage of cash was that it avoided the need to identify or second-guess the specifics of the items being replaced. Agencies that provided in-kind assistance for livelihoods recovery recognised that much of what they procured and provided was not of the preferred variety, make, size, colour, species or sex that the beneficiary would have wanted. In Aceh, one agency's livelihoods project manager noted that the hand-tractors they had provided were too small, and that the fishing nets were the wrong type. When undertaking in-kind livelihoods asset replacement, procurement teams must become experts in fishing, farming, tailoring, and so on, in order to procure the type of item that people require, which is obviously a tall order. Cash grants were far more practical for this reason: Agencies did not need to know the difference between beach seine fishing and deep sea fishing—how the nets, boats or engines differed—they could just provide the cash. Market support in addition to the cash transfer (e.g. linking suppliers up with the

<sup>16</sup> Boats were often provided direct because of the need for quality control, although the large number of reports of agencies providing sub-standard boats suggests that the issue is not that simple.

<sup>17</sup> Many agencies that did not provide cash grants did provide cash loans.

<sup>18</sup> Agencies that provided this assistance were AUSTCARE in Aceh (Austcare 2006) and Oxfam in Sri Lanka (Aheeyar 2006a).

cash recipients) was rarely provided in tsunami livelihoods recovery responses, although this has been an important feature of many agencies' resource transfers in other contexts (e.g. seed/livestock fairs).

One NGO in Sri Lanka decided to provide coupons instead of cash or in-kind assistance. The coupons were redeemable in specific local outlets, which were reimbursed by the NGO by cheque. The NGO staff members accompanied the households while they made their purchases, apparently to prevent the beneficiary from trading the coupon, and a schedule was organised to avoid bottlenecks. The coupons were for relatively large sums of between US\$200 and US\$1000 (Aheeyar 2006a, p 16).

Some agencies favoured in-kind assistance apparently because of fears about cheating, such as the same person registering with and receiving assistance from more than one agency. Because cash paid into banks is 'invisible' and assets are highly visible—at least until they are sold—in-kind transfers were regarded as less risky. However, fraud was noted with *both* cash transfers and in-kind transfers where *systems* for registration and disbursement were weak—as is indicated by reports of boat beneficiaries selling their boat back to the supplier who then resold it to the unwitting donor agency (Aheeyar 2006a, p. 11). The lack of effort by agencies to share and cross-check beneficiary lists was a huge problem.

### 3.3.2. The amount provided

Another weakness across the board for livelihoods recovery projects was that agencies rarely provided *sufficient* cash resources to facilitate *real and sustainable recovery*. Not only did agencies often underestimate household expenses (e.g. in Aceh the food relief ration did not provide a balanced or locally-acceptable diet and households therefore spent a portion of their livelihoods grants on non-staple food items), they also underestimated the costs of re-establishing micro-enterprises. They also often ignored the levels of pre-disaster debt and of debt accumulated since the disaster, which people wanted to pay off or were being pressured to pay off (Aheeyar 2006b). These underestimates compromised effective recovery and many households were only able to regain their livelihoods (or relaunch their enterprises) after a succession of grants from several agencies.

The BRCS in Aceh took a unique approach to livelihoods recovery grants. They provided a generous and identical grant of around US\$1000 to each affected household, and allowed a number of uses for the grant—not only for livelihoods recovery but also for education and services (see section 4.3).

### 3.3.3. Cash grants and loans: addressing the needs of disaster victims while supporting MFIs

A debate began in all the countries in the middle of 2005 about how cash grants should link, or at least harmonise, with microfinance. A review in Sri Lanka—conducted in October 2005 by the Consultative

Group to Assist the Poor (CGAP<sup>19</sup>)—noted the pre-disaster weaknesses in the microfinance sector at all levels and reported that these weaknesses had been exacerbated by the bad practices of all types of agencies: ‘Post-tsunami aid has exacerbated donor bad practice by mixing grants with debts, imposing interest rate ceilings that hamper MFIs’ efforts to become sustainable, and escalating disbursement pressure’ (Duflos et al. 2006). The report authors summarised the weaknesses:

*(i) many funders confusing social transfers with financial services; (ii) few aid agencies possessing local expertise in microfinance; (iii) most donors not having proper monitoring and evaluation tools; (iv) large imbalances between the supply of capital funds and capacity building funding; (v) over-funding of poor-performing credit components; (vi) over-reliance on the government to provide financial services; and (vii) little operational coordination among donors’ (ibid.).*

A major problem, as far as emergency cash grants are concerned, is the confusion that has arisen among microfinance clients resulting from the mixing of grants and loans. CGAP and others warned about this early on, recommending a clear separation of grants from loans. However, the apparent problem for international NGOs and MFIs on the ground was a lack of guidance and models for emergency responses that *integrated* grants and loans, and which reflected the large-scale and extensive devastation that followed the tsunami—post-conflict models were not designed for such a situation. SC (US) in Aceh (where the long-running conflict had hampered the development of the microfinance sector) adapted its usual microfinance model and tested a system that provided grants to vulnerable households and a grant and loan mix to others. The agency worked in partnership with a local cooperative bank for the grant and loan disbursement and client management, and with a local NGO for business development services. This model has been criticised by other microfinance specialists because the grant-loan mix risked creating confusion among beneficiaries which would increase the incidence of ‘repayment delinquency’.

Oxfam’s livelihoods cash grant programme in Sri Lanka included the same MFI partners with which they had worked before the disaster. One of these MFI partners had been visited by national representatives from another of the MFI’s donors and had been instructed to start to recover debt from its clients. This debt included pre-tsunami debt taken on to finance businesses that no longer existed. These people had been devastated by the disaster and were clearly unable to repay but if the MFI did not collect the cash it risked not receiving any further funding from this donor. It seemed on the ground that there was neither policy at national level on debt write-off, nor guidance on *how* debt should be written off and for which types of debtor.

<sup>19</sup> CGAP is a consortium of 33 public and private development agencies working together to expand access to financial services for the poor in developing countries.

The dilemma for relief agencies in Sri Lanka was that, while they admitted they lacked expertise in microfinance, they were filling an important gap. The traditional MFI donors were not coming up with strategies that addressed the problem, and the local partners of INGOs, which were often MFI frontline institutions, were approaching their INGO partners, many of which were not microfinance specialists, for funds to enable them to write off the debts that their clients were unable to repay. It would have been useful if collaboration between INGOs and MFI donors could have generated a discussion about how to recapitalise an MFI to allow it to continue to function when faced with clients that cannot repay loan capital or interest, *protecting* the integrity and principles of microfinance practice while at the same time *recognising the financial reality* of disaster-affected smallholders.

Oxfam Novib in Sri Lanka was approached by SEEDS, a large MFI, to write off the debt of its tsunami-affected clients. Novib did this by transferring the required funds directly to SEEDS. The International Federation of the Red Cross/Red Crescent (IFRC) was approached by another leading MFI, SANASA, to do the same thing. IFRC sought advice from a leading microfinance bilateral donor and was advised not to fund the project because the agency lacked the necessary expertise. What is interesting in Sri Lanka is that the agencies *known* for technical expertise in microfinance were apparently not approached to address this problem or, if they *were* approached, they do not appear to have offered financial support. Collaboration between those with the funds and those with the expertise would seem to be a useful way of addressing similar problems in the future.

The author who documented post-disaster responses that incorporated cash grants into pre-existing microfinance programmes (Nagarajan 2001) continued with this work after the tsunami (see table 3.1.). The work focuses on encouraging MFIs to integrate the disaster management cycle into development programmes. It was funded by the Foundation for Development Cooperation (FDC), and comprises a series of modules to improve the capacity of microfinance institutions to prepare for and respond to disasters. A similar training module would be useful for NGOs to help them to ensure that their emergency response interventions contribute to, rather than undermine, development goals. A key learning point would be for INGOs and relief agencies to recognise the *limits* of their capacity and expertise as well as where and when agencies with the requisite expertise should be brought in.

A major learning point from the tsunami is that for large-scale disasters both grants *and* loans are needed for disaster recovery—particularly in disasters of the magnitude of the tsunami. However, collaboration between grant and loan providers is critical to ensuring that the strategies of both types of institution support the overall goal of sustainable and effective recovery, avoid inappropriate targeting of either loans or grants, and that grant-receiving households are able to move seamlessly over to loans when appropriate. This requires that MFIs and aid agencies must collaborate much more closely—the onus being on *both* to understand and recognise the relevance of *each* at different stages

of the disaster recovery process, and the comparative advantages—and risks and limitations—of each type of institution.



**Table 3.1 – Modules in the training of trainers course on Microfinance and disasters**

<b>MFI Preparedness</b>	This module includes the key issues that an MFI should address in order to prepare for possible disasters. This includes identifying a disaster risk profile and preparing a disaster response plan. The module also covers identifying possible effects of various types of disasters and reducing the institutions' vulnerability to these risks.
<b>Client Preparedness</b>	This module addresses disasters from a client's perspective. It covers how clients manage finances and their coping mechanisms during and after disasters. It looks closely at the products that an MFI provides for its clients (savings, credit, insurance) and how these products can be used to reduce a client's vulnerability to disasters.
<b>Rapid Response</b>	This module discusses how MFIs can respond during and immediately after a disaster. It looks at the ways an MFI should assess damage, adjust its operations in the light of the disaster, and provide new products and services that may be in demand after a disaster. This module also addresses the effect of the disaster on the institution, its management and staff and how it can address these effects in a sustainable manner.
<b>Livelihoods</b>	This module discusses the broader issues of economic recovery after disasters. It looks at microfinance as one of an array of tools an institution can offer after a disaster. The module explores different types of interventions and discusses the effects of these interventions on broader economic recovery and long-term institutional sustainability. The module discusses the role of MFIs and the multi-sectoral NGOs engaged in microfinance.

Key questions that should be considered in the future are:

- Should disaster-affected households be required to reschedule loans for items they no longer possess? Should they be required to take on new loans to replace items that had taken them a generation to accumulate? The CGAP review of the tsunami's impact on the MFI sector in Sri Lanka (Duflos et al 2006) notes that: 'One of the most important positive actions taken by MFIs was to reschedule affected people's loans, thus giving them time to rebuild their ability to generate income'. But is this the whole picture? Was loan rescheduling positive for everyone? Did loan rescheduling create additional and unacceptable burdens for some? In addition to economic shock the tsunami resulted in huge psychological trauma.<sup>20</sup>

<sup>20</sup> See WFP (2005) annex A1, table A1–3: typical effects of a flash flood or tsunami.

- Should declared national disasters trigger special policies and guidelines concerning debt write-off (Aheeyar 2006)? Who is responsible for setting such policies?
- What about insurance? NGO grants were provided in the spirit of ‘retroactive insurance’. MFI policies include the need for borrowers to take out insurance against ‘predictable disasters’, but should attention not have been paid to whether the *lenders* at the *upper tiers* in the chain had insurance against ‘acts of god’?
- What are the *preconditions* for providing someone with a loan as opposed to a grant after a disaster or, conversely, what household- or context-specific factors make the provision of a loan more appropriate? What needs to be added to assessments to guide this decision? It seems that NGOs need to give greater consideration to the *MFI*s, and MFI donors need to consider the households affected by disasters more. Both types of agencies should consider their target group— who are they helping and who is excluded?

A number of case studies for livelihoods grants are useful in highlighting these and other issues (see Adams and Winahyu 2006, chapter 5).

### 3.4. Cash grants for shelter

Cash transfers for shelter have been used either to help people build houses (the approach taken by the government of Sri Lanka and its partners and by UN-Habitat in Aceh), or to help displaced people find temporary accommodation. This latter objective has been achieved by providing IDPs with the funds to build a temporary hut,<sup>21</sup> or by easing the financial burdens of host families (e.g. the ‘cash for host families’ interventions by SDC and Helvetas).

The SDC in Sri Lanka and the BRCS in Aceh both considered the pros and cons of a cash-based approach to shelter reconstruction compared to an in-kind approach (see Adams and Harvey 2006, issue paper no. 4). Interestingly, the BRCS came to the conclusion that an in-kind approach was more appropriate in Aceh while the SDC team decided to support the Sri Lankan government’s cash for shelter approach.

Much of the support for permanent shelter was provided in-kind. Building firms were contracted to build the houses. Some agencies (e.g. SC in Aceh) experienced problems with contractors that erected substandard houses. In India, in spite of the government’s provision of financial assistance for shelter reconstruction, the NGOs adopted a contractor-build approach, leading, according to one commentator, to a potentially disastrous outcome (Barenstein 2006).

<sup>21</sup> E.g. INR 2000 (US\$40) provided by the government of India

The cash projects included UN-Habitat's programme in Aceh, while in Sri Lanka many agencies responded to the government's call to implement a cash for shelter strategy designed by the World Bank for the pre-tsunami conflict recovery programme.

The projects that have provided cash to beneficiary households for rebuilding have generated some important questions:

1. Would tsunami-affected households have preferred cash or in-kind assistance to meet their needs for shelter (most were not given the choice);<sup>22</sup>
2. Is there a difference in terms of build quality between the two approaches?
3. How do both approaches link with the building process—*who* carries out the building and supervision work?
4. What was the experience of the cash for shelter beneficiaries? Did they appreciate having a major role in—and responsibility for—managing the building process? Would they have preferred having a house built for them?
5. How does preference for one approach or the other relate to the profile of the beneficiary household?

The shelter sector has learned some important lessons. Contractor-build approaches are open to corruption on the part of beneficiaries, who give bribes to be registered, and contractors, who bribe agency staff to win contracts. The escalating costs of construction materials has been a problem for in-kind as well as cash-based approaches to shelter construction, but cash for shelter projects have had to devise a complicated and predetermined tranche payment system for topping up the cash provided to beneficiaries.

It is important that these projects are evaluated comprehensively in order to determine the extent to which the cash transfer brought about a more efficient process of reconstruction, and to determine beneficiaries' perceptions of the cash for shelter experience, its advantages and its disadvantages. Because no agency implemented both approaches (under a case-control study) it will be difficult to differentiate between agency-related advantages and disadvantages linked to the agency's philosophy, approach, systems and experience, and those related to the use of cash rather than in-kind assistance. It is also important that the group-build approach undertaken by UN-Habitat is reviewed as a variant of the self-build option. The details of the approach may well bring to light advantages that minimise some of the inherent problems associated with self-build. At the same time, the BRCS approach to in-kind contractor-build schemes—with its idea that these can also be participatory and contribute to psycho-social recovery—will provide useful learning.

<sup>22</sup> Only the BRCS Aceh programme offered a choice, although programme managers believe the amount they offered for the cash-for-shelter option was unrealistically low.

A number of the case studies referred to in this section are discussed in chapter 6 of Adams and Winahyu (2006).

### 3.5. Cash grants for orphans

Cash transfers for orphans are not common in disaster recovery, perhaps because the prevailing or historical model for support is institutional care. Cash transfers for carers of orphans might be extremely valuable in preventing what is known as ‘secondary separation’<sup>23</sup> but agencies must ensure that the cash transfer does not increase the level of risk for the child.

The rationale behind providing support to carers of orphans is best summed up by the findings of a recent survey of orphanages in Aceh.<sup>24</sup> The study found that the majority of children placed in these institutions after the Tsunami are there as a result of secondary separation rather than the loss of the primary care givers. The study therefore recommends interventions that directly target families that are struggling economically—particularly single parent families and carers for orphans—in preference to financial assistance to institutions, and that the care continues until the child has completed his or her education.

This project found three examples of economic support specifically for orphans—by the government of India, by the BRCS in Aceh and by UNICEF in Aceh (see Adams and Winahyu 2006, chapter 7).

- In India the government provided generous grants to orphans. The cash sum provided to orphans under 18 was INR 500,000 per child (US\$11,320), and for orphaned girls over the age of 18 the figure was INR 300,000 (US\$6,792). These sums were invested in a fixed deposit account in the name of the child, accessible when the child turned 18. The intervention was good in that it considered orphaned girls over 18—a group particularly at risk in India. However, the scheme did not address the problem cited above—the risk of secondary separation linked to economic problems. The main strategy for orphans under the age of 18 years appears to have been institutional care.

In Aceh two agencies addressed the needs of orphans. UNICEF provided funds to help carers with the costs of their basic needs for three months and the BRCS in Aceh provided orphans with funds (sometimes through carers) to help with a range of needs.

<sup>23</sup> Secondary separation is the second incidence of separation (the first having been disaster-induced separation) whereby a family can no longer care for the child and the child is sent away.

<sup>24</sup> The survey was carried out by DEPSOS (the central government office for social welfare in Indonesia) in collaboration with SC.

- *UNICEF in Aceh*: provided orphans with IDR 400,000 per month for 3 months. The amount was calculated by UNICEF's partner agencies to be the average cost of caring for a child in Aceh, including food, health and hygiene needs, clothing, education, transportation, games and recreation. The programme provided support for 1,700 children who were being cared for by 1,300 care-givers, and who were registered with UNICEF's child centres. These child centres are funded by UNICEF (e.g. staff salaries) and do not exist outside UNICEF's areas. Other agencies work through different structures in their operational areas.
- *The BRCS in Aceh*: If the orphan was in effect the head of a household, that is, caring for others, regardless of whether the orphan was a child, they received the same support for livelihoods recovery activities (US\$1,000) and shelter (a house) as adults, as well as the single person's carer allowance that was paid to single parents (US\$500). All orphans received US\$250 per year for education. The orphan's carer would only receive the tsunami recovery entitlements outlined above if they were entitled to them in their own right as a member of an affected community.

However, agencies that decide to address the need for economic support to prevent secondary separation must ensure that they are not *increasing* the level of risk for these vulnerable children. Orphans face a number of risks immediately after disasters. Trafficking is a major risk that received a lot of attention a week or so after the tsunami. Child traffickers usually pose as representatives of a charitable organisation, a relative or a foster parent. Cash transfers may pose a different type of risk for orphans but the dynamics are similar. It is important to assess the extent to which a cash transfer linked to an orphan might lead to the child being exploited.

While there were no reports of problems associated with targeting cash transfers to orphans' carers, a case that arose during a field visit to a BRCS project illustrates how cash transfers might increase the risk of exploitation of vulnerable groups (see box 3.4.).

#### **Box 3.4 - How cash grants may increase the risk of exploitation**

The BRCS was providing US\$1000 to all heads of households for livelihoods recovery as well as a new house. A man who had divorced his wife before the tsunami and married again in another area told BRCS staff that he wished to remarry his first wife and that she had agreed. The agency could have investigated his claims, although this would have been difficult. Instead, the agency was able to refer to its clear policies established prior to implementation in anticipation of such incidents. The BRCS policy stated that qualification for any form of assistance was based on location of the person at the time of the tsunami. Because the man was not married to the woman in that village at that time, *she* received the full entitlement as the head of household.

Another issue that should be considered, particularly for cash transfers to orphans, is the need to avoid favouring the orphan over other children in the household.

Risk associated with cash transfers for orphans is likely to be higher with grants provided early on. The UNICEF pilot did not start until almost one year after the tsunami and, while this meant that the risk of exploitation was minimal because the children had been cared for by these households without any expectation of financial assistance for all that time, some children might have already been sent to institutional care because cash assistance was not forthcoming when it was needed.

### **3.6. Cash grants for social protection**

Capital investment to support access to basic needs by labour-poor households was an initiative being considered by one agency as part of its tsunami recovery portfolio. The project was designed by an ODI consultant (Schubert 2005), and its basic premise was to invest a lump sum in the name of each household that was large enough to enable the monthly interest payments that accrued to meet the gap between what each household needed and what it managed to earn. The critical issues for this kind of strategy are: (a) the levels of investment that are required to enable the monthly interest payments to cover the gap; (b) whether this sum could be used in better or different ways to address the needs of the household (Schubert argued that other options would have been inappropriate and ineffective for this target group); and (c) the risks associated with this strategy (e.g. a fall in the interest rate) and how these can be *measured*.

Without relatively high interest rates the interest payments will not be sufficient to fill the gap identified. Interest rates must remain at or above the identified level for the duration of the period in which support is required. The advantage of this strategy is that the capital itself would not in theory be touched, and could therefore either be paid to the beneficiary as a lump sum at the end of a defined period, or paid back to the central fund and allocated to another household at the end of the intervention.<sup>25</sup>

<sup>25</sup> The scheme was designed in such a way that the assistance would cover the needs of the household while the young children grew up and, if the children have been able to access education and after that work opportunities, the household should no longer be in need of welfare.

## 4. Cross-Cutting Issues

This chapter examines the issues that cut across all types of cash transfer programmes and considers the key features of each issue.

### 4.1. Deciding whether to provide cash, vouchers or in-kind assistance

This issue relates to the assessment and design phase—what must agencies consider when determining whether cash or in-kind assistance is more appropriate? What are the key issues for the different types of cash transfer.

#### 4.1.1 Needs assessment

Needs assessments should collect information that guides the goals and objectives of disaster response programmes. These were conducted by many organisations after the tsunami and they usually assessed what people had lost. One organisation (SC UK) specialises in assessing how different livelihoods groups have been affected by a disaster, how different occupational groups have been affected, how the region has been affected (particularly the availability of or access to food), and options for recovery. The agency's emergency assessments usually also consider whether a cash or in-kind resource transfer would be useful in emergency food and non-food responses (see O'Donnell 2005; Lejeune 2005; and Save the Children 2005).

#### 4.1.2. Market assessment

Market assessments were particularly important early on in guiding the food relief programme. While needs assessments focused on whether households could afford food (i.e. the extent of any entitlement deficit), market assessments determined whether the items people needed to buy (in this case food items) were available.

A number of market assessments highlighted early on the potential for a market-based approach to food insecurity in Sri Lanka and in Aceh (O'Donnell 2005; Crawford and Laughton 2005; Hyder and Aklilu 2005b; Mousseau 2005; Winahyu and Aceye 2005; Save the Children 2005; and ICASERD 2005).

Market assessments made as part of early rapid assessments (including the studies conducted by SC in Sri Lanka and Aceh) generally focused on the agency's intervention areas. These rapid market assessments focused on the local production and supply of the main staple (rice) in response to changes in demand, and usually sought information from government agricultural staff. In Aceh, in spite of the devastation that the Aceh provincial agricultural bureau had suffered, staff members were

able to obtain sufficient information to demonstrate a local surplus of rice compared to demand. A similar approach was taken in Sri Lanka, and the assessment was based on advice from the Government of Sri Lanka, which recommended local purchase and prohibited the importation of rice to protect farmers. The situation was apparently quite clear and the question of whether cash or food was appropriate was fairly clear cut. Moreover, without conducting any kind of market research, it was clear that the disaster had affected fishing communities and urban areas that, by and large, were not rice producers. Supplying them with cash was clearly logical because they had lost *income*. Providing cash would therefore address households' constraints on accessing food while supporting traders to supply that food. An Oxfam study (Winahyu and Aceye 2005) assessed the impact of food aid on farmers, consumers and traders and also clarified how the national government system of market intervention to support rice producers and consumers linked with relief provision. Unfortunately, however, this report was not circulated to other agencies.

In Aceh it was clear that markets had not recovered in all areas. An ACF study promoted the idea of market responses to protect farmers, while noting that in its areas food was required until roads and bridges could be rebuilt. And following the advice of its head office in Rome, the WFP commissioned a food and labour market supply assessment to guide its programme.

The Indonesian Center for Agro Socio Economic Research and Development (ICASERD) study of Aceh after the tsunami was the most comprehensive market assessment conducted in any of the three countries studied. It covered the supply of food (rice, livestock and fish) and of labour over the whole of Aceh. Unfortunately, the utility of the otherwise excellent analysis is limited by its apparently restricted remit. The report's authors fail to articulate what they consider to be the most effective approach to tackling food insecurity in the province—cash, vouchers or food delivery. The report provides clear information that food markets on the north-east coast, and in urban areas, had recovered early on but its recommendations relate solely to food aid. The analysis was not therefore useful to agencies that wanted to provide cash and vouchers in appropriate areas. CARE's own market assessment in Aceh took a different approach—it undertook a detailed assessment in each prospective area for cash transfers and it questioned food aid beneficiaries and traders about their preferences for food or cash and/or vouchers. This complemented CARE's objective assessment of appropriateness, which was based on a scoring system. The two assessments are good examples of different approaches to market assessment. The WFP globally is making great efforts to improve its capacity to undertake market assessments and collaboration between the WFP's Strengthening Emergency Needs Assessment Capacity (SENAC) project and relevant experts should improve the tools and skills available for market assessments.

CARE's experience in Aceh—a major struggle to get approval for market-based food assistance despite the WFP's assessment and the findings of the ICASERD team—demonstrates that while market assessments may be sufficient to determine that a cash transfer is appropriate, the findings need to be shared in an inter-agency forum rather than only in the WFP's food logistics meetings. In Aceh the food aid sector was the only sector that did not post information on the general UN website—and other agencies rarely take an interest because they do not consider food aid to be their concern. The food logistics meetings rarely consider whether food aid itself is appropriate or if cash could be effective in some areas.

*Cash for work* projects were not based explicitly on market assessment, although most agencies recognised that, with food aid being provided by the WFP and its partners and with adequately functioning markets, food-for-work would have been inappropriate.<sup>26</sup>

Market analysis to guide *shelter* and *livelihoods recovery* programmes was limited. The shelter sector in both Aceh and Sri Lanka faced major rises in input costs, and this does not seem to have been predicted. Livelihoods recovery market assessments (determining whether certain items could be procured locally and that cash was therefore appropriate) were probably no more than quick checks with key informants and project staff rather than proper supply chain studies. Accenture led the way with market chain<sup>27</sup> studies in late 2005 with their guide to market analysis for specific sectors such as coffee and bricks (Accenture 2006a), and a useful general guide to supply chain analysis (Accenture 2005b).

These types of market analysis are usually delayed until a certain level of market stability has been achieved, to prevent the findings from becoming quickly obsolete. The ICASERD study also includes analysis of fish production and demand markets, highlighting an increase in the price of some fish, including prawns because of the influx of foreign aid workers, and a decrease in the price of the other fish varieties consumed by the Acehnese. However, the study did not highlight the implications of this for the WFP's relief programme, which distributed tinned sardines in the areas where fishermen were trying to re-establish their businesses.

#### 4.1.3. Development and emergency response paradigms

Many decisions by agencies about whether to provide cash or in-kind assistance were influenced by their philosophy. Many agencies recognised that cash transfers were useful in driving wider economic recovery, and for Mercy Corps in Aceh cash represented an important way of working. The agency's statement: 'Why Cash?' (Mercy Corps 2005a), issued within a few weeks of the disaster, explains this:

<sup>26</sup> Food for work was, however, widely used in non-tsunami, conflict-affected areas in Sri Lanka by agencies such as World Vision and the WFP.

<sup>27</sup> Market chain analysis is a broad term for studies which trace the marketing of commodities from producers to consumers.

*When a natural disaster hits a place like Aceh, where an organized, well-functioning, and complex society exists, cash grants can pave the quickest and most cost-effective road to recovery. Previous cases where cash grants have been used in similar circumstances indicate that such a society will, through the aggregate actions of cash-empowered individuals and communities, re-emerge as the vibrant, self-sufficient entity it was before being struck by a disaster. That people are returning to their villages and rebuilding their lives using whatever scant resources are available to them is a testament to the potential of what one development specialist at the Harvard Business School terms a 'Strategy of Emergence' (Curran and Leonard 2006). This cash-based approach not only encourages trade, production, and creates economic knock-on benefits, but also allows victims greater choice and control over how they will rebuild their lives, thus helping to restore their dignity as well as their livelihoods.*

#### 4.1.4. Beneficiary preference

Beneficiary preference should be an important part of any agency's strategic planning process. However, participation by beneficiaries in the assessment phase was usually limited to having to answer many long-winded questionnaires, and few agencies asked the question 'how would you prefer us to help you to meet your needs?' A caveat here is that the answer to such a question is not that simple because many beneficiaries' responses are likely to be biased by the organisation asking the questions. Moreover, most beneficiaries have no experience of cash transfers for food items and are therefore unlikely to ask for cash when it has not previously been on offer; however, if information is provided they should be able to decide which is likely to be better for them.

#### 4.1.5. Risk analysis

The devastation brought by the tsunami led to a suspension of hostilities in many areas. In Aceh this lasted for a long time and developed into a peace process with a successful outcome, while in Sri Lanka insecurity resumed after a number of months in rebel-held areas. However, agencies lacked a systematic approach to analysing and predicting risk, and while the risk of insecurity and corruption may have been a concern for most agencies they were perhaps fortunate that their interventions encountered few problems.

Risk analysis should be included in the assessment or design phase of any programme. The main risks to be considered are: (a) the risk of corruption or theft; and (b) the risk of insecurity or personal harm. No published examples of risk analyses conducted on cash transfers have arisen from tsunami programmes, although many might have been internal or confidential documents or have covered

broader programme strategy rather than cash transfers alone. There are a number of important points to note:

- risk is not necessarily greater for cash transfers than for in-kind transfers but it is different in ways that implementers should understand;
- risk is not absolute—it is usually related to the design. For cash transfers, risk can be adjusted by changes to the cash disbursement mechanism; information and communication systems; policies, and the communication of these policies to beneficiaries, staff and stakeholders; and so on;
- risk may be adjusted by a change in programme design, but agencies must be careful that they do not minimise a high risk to their own structures by a design change that transfers risk to others, particularly the beneficiaries;
- Consultation with beneficiaries and their representatives, particularly civil society organisations, is an important way of reducing risk. In Aceh local NGOs working to fight corruption and build peace would have been provided valuable input if international NGOs had explored potential for collaboration.

#### 4.1.6. Agency experience

Some agencies might be reluctant to engage in cash transfers because of the perceived risk, coupled with their own agencies' lack of prior experience. Pilot projects are a good means of testing out systems on a relatively small population. Full-scale pilots are also necessary because there may be additional challenges associated with large-scale cash transfers that do not arise in small pilot projects. Inter-agency support networks are helpful in large-scale emergencies that include cash-based responses, and the United Nations Development Programme (UNDP)-led livelihoods sector recovery working group provided a good forum for organising mutual support for cash-project implementers in Aceh.

#### 4.1.7. Vouchers

Vouchers can be problematic if the commodities stipulated are not those that people would otherwise purchase, or if the quantities are not appropriate—trading then becomes more likely, with a consequent loss of value to the beneficiary. Problems also arise if there are insufficient outlets nearby at which the vouchers can be exchanged, or if the outlets involved in the scheme are unable to supply the commodities required on time. Finally, vouchers are, like any other currency, open to the risk of fraud through counterfeiting.

A number of agencies used vouchers instead of, or complementary to, a cash transfer. Assuming that the reason for the provision of vouchers instead of in-kind assistance is sufficiently clear, the question of why vouchers were provided instead of cash should be asked. The examples in table 4.1. explain the

rationale behind voucher use. Vouchers are often used by implementers because of the disadvantages associated with cash. Agencies should make these assumptions, and their rationale, explicit and then test them, if possible, by comparing a group of voucher recipients with a group of cash recipients.

**Table 4.1 – The rationale behind the use of vouchers**

<b>Vouchers for training</b> (MC in Aceh)	Mercy Corps was involved in developing the capacity of tsunami survivors to train others to develop micro-enterprises. Its graduates needed a market for their new skills, and those seeking such skills needed some means of quality assurance. Vouchers achieved both.
<b>Vouchers for basic food needs</b> (CARE, Save the Children in Aceh)	Senior managers insisted on vouchers because they feared the negative consequences of cash on its own on nutritional outcomes. Some beneficiaries also had concerns about being able to budget the lump sum over a whole month.  The design of the voucher system avoided the potential drawbacks of vouchers: CARE selected food items that all households needed, and in appropriate quantities—changing the items provided earlier in the general food ration. Moreover, CARE provided a cash transfer ‘top up’ to help households buy items that would have been difficult to include in the voucher scheme, for instance, fresh produce. CARE also signed up traders in advance, and linked these traders to beneficiaries to help the traders manage their stock.  While some traders voluntarily excluded themselves because of the lack of credit opportunities, SC even managed to include a local IDP trader in the scheme.
<b>Vouchers to pay workers on CFW projects</b> (Oxfam in Tamil Nadu) (NESA in Tamil Nadu)	Oxfam used vouchers to ensure that salt pan leaseholders paid all their workers the required wage rather than paying lower wages to women or lower ‘market wages’ for everyone. The voucher system would have required more work than a cash payment from the implementing agency because they had to deliver vouchers to the salt pan leaseholders and then return later to reimburse the workers for the vouchers they had received in payment.  NESA paid workers with tokens on a daily basis, which were exchanged for cash payments at the end of the working week. These were not really vouchers, but more a record for the workers of the number of days they had worked. This was advantageous for a number of reasons and may be particularly useful in projects where there are high levels of illiteracy among workers.
<b>Vouchers for livelihoods recovery</b>	NDA used vouchers in Hambantota, Sri Lanka (see section 3.3.1; and Aheeyar 2006a, p. 16), but this scheme was not evaluated so it is not possible to determine whether there were disadvantages for the beneficiaries. There were a number of design

(NDA in Sri Lanka) elements that might have presented problems: (a) the limited number of outlets where the vouchers could be exchanged; (b) the vouchers were for a high value and it is possible that the beneficiaries might have wanted to spread their purchases over time or across a number of suppliers; (c) beneficiaries were required to spend the vouchers accompanied by a community development officer. The rationale behind the vouchers is also not known, but it may have something to do with the fact that the community development officers were temporary staff employed for three months only.

One agency—the IRD (International Relief & Development) in Aceh—had planned to use vouchers to enable the graduates from its business development training to purchase items identified for their individual businesses but it abandoned the idea shortly before implementation. These were not really ‘vouchers’ but individually defined shopping lists, and as such would not have constrained choice because it was the beneficiary who determined what was on the voucher. The reason for not using the vouchers probably relates to the rapidly changing number of retailers in Aceh, and the rapidly increasing prices.

#### 4.1.8. Combining cash with in-kind transfers

No tsunami intervention explicitly considered combining cash with in-kind transfers, although in one case two agencies considered collaborating for their mutual benefit. In Aceh the WFP discussed with the Kecamatan (district) Development Programme (KDP) the possibility of paying CFW labourers with food *and* cash. The rationale for this appears to have been twofold: (a) to use the food that the WFP had already procured; and (b) to stretch KDP funds to provide for a larger population, or over a longer period. However, the idea was abandoned as unworkable—food relief was already being distributed in these areas and the model could not compete with the myriad CFW opportunities in the area. Nor did the scheme make sense from an economic point of view because the efficiency advantages of cash would have been cancelled out by the costs involved in transporting food to an area where it was already available.

Most agencies decided to provide either cash or in-kind transfers, although in livelihoods recovery interventions one agency in Aceh provided cash to replace some assets while others were procured and supplied. A combination of cash and in-kind transfer seems appropriate for livelihoods recovery support if beneficiaries are given the choice of cash and/or in-kind assistance depending on the items required.

For basic needs assistance there were some areas where food was provided and some areas where cash was provided, but this was purely linked to the pilot design—there was no overarching strategic planning that determined whether cash or food might be more appropriate. However, the potential

benefits of an implementing agency providing a mix of cash and in-kind assistance need to be considered:

- In a large-scale food relief operation, in *pockets* where producers may be negatively affected by the food relief, would cash transfers be appropriate? This seems to be a realistic and practical possibility with real advantages for both the beneficiary and the implementing agency.
- If cash is deemed to be appropriate across a large area are there some pockets, where food is not available in local markets, in which food may need to be supplied? While this appears logical, it is possible that it is not practical, cost-effective or even necessary. Cash transfers could be modified in some way, such as market promotion, to help traders respond.

Cash transfers are usually selected to protect farmers while providing access to basic food needs; food relief is usually selected when prices would rise unacceptably because markets have not responded to increases in purchasing power. In order to determine whether a mix of cash and food is useful, there must be some idea about the upper limits to which consumer food prices can rise without negatively affecting food security, as well as the lowest levels to which farm prices can fall without negatively affecting future production and farmer productivity. This should be explored in the future with large-scale cash transfer programmes and food relief programmes.

Mixing cash and in-kind transfers may be appropriate for shelter programmes not only because of the need to be flexible (due to the unpredictable supply and quality of particular commodities) but also because of the need give households a *choice*. Cash for shelter approaches based on the owner-build principle may be desirable to some while others might prefer a contractor-build approach. Can these two models be operated alongside each other by the implementing agency? Would problems be caused if people embark on one option but desire to change options later when they see how the other group is progressing?

#### 4.2. The sequencing or timing of interventions

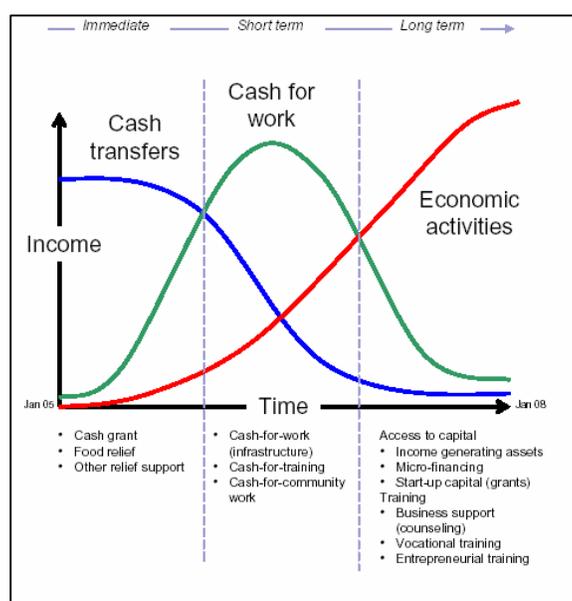
How should agencies determine the appropriate time to start or stop, or to scale up or scale down different types of interventions including cash transfers to ensure that needs are met and to maximise the chances of a sustainable recovery?

Figure 4.1., taken from the Task Force for Rebuilding the Nation (TAFREN) report, summarises the Government of Sri Lanka's overall strategic planning for recovery. Cash transfers were provided by the government in the early phase while the WFP provided food aid. Rehabilitation work commenced

during this time in the form of cash for work and the ILO's labour-based infrastructure work. Increasingly, it was economic activities that took over. The diagram shows how beneficiary numbers changed for the different types of intervention, and how more than one type of intervention might be operating at the same time. In the diagram, the term 'cash transfers' is taken to mean emergency cash assistance for basic needs and 'economic activities' implies loans. The graph therefore omits livelihoods recovery grants, which may be useful during the middle phase when cash for work is dominant. The diagram does not adequately address the need for preparation during the earlier phases which will make possible large-scale and effective loan-based economic support later on.

The TAFREN report highlights the need to monitor all economic support activities closely 'to ensure that the overlapping needs of the targeted communities and the heterogeneous population within the affected areas are being addressed'. This last point is critical: *who* is benefiting from the cash transfers, the cash for work and the economic support? Often, poorer households find themselves excluded from cash for work because they have no workers in the household, and they are also excluded from the grants for economic activities because they have no business or their business plans are rejected. The better-off, on the other hand, frequently benefit from *all* types of assistance in succession. A basic household economy analysis would provide an idea of what the different socio-economic groups used to do, what their options are, and the timing of the assistance they require (see O'Donnell 2005). Moreover, a focus on the whole community and what each group needs or wants, rather than on the 'products' that the agency is offering, should help to ensure that vulnerable groups are not omitted from recovery strategies.

**FIGURE 4.1 – The Government of Sri Lanka's conceptualization of recovery assistance under the Rapid Income Recovery Programme (TAFREN 2005).**



### 4.3. Targeting and setting the value (of assistance)

Should agencies set the level of assistance according to what people lost, like retroactive insurance, or what they need in order to resume or start-up a specific business? Or should agencies provide the same grant for everyone regardless of what they have lost?

#### 4.3.1. Assistance with meeting basic needs

Setting the value of assistance to meet households' basic needs became an issue because the only cash transfers for food needs were piloted in areas where beneficiaries had previously received food relief under the WFP programme in Sri Lanka. The MBFA Aceh pilot increased the amount that was provided to beneficiaries to nearly double that which they had previously received when the assistance was food only. This raises a number of issues. While doubling the *food* ration would have been problematic because it would have led to increased sales by beneficiaries, a cash/voucher transfer allows people to be given a higher cash value of assistance to meet their full range of basic needs without negative consequences. One effect is that people purchase a more diverse diet and also have cash to spend on other priorities. However, the difference in value is problematic in terms of *equity* because a proportion of the population receives more assistance than the rest. Does this mean that the value of cash/voucher transfers for basic food needs will always tend to follow the value of the food ration? This would be a major limitation, restricting the potential advantages of cash in promoting balanced diets, choice and access to other items such as cooking fuel. The issue also relates to which agency or organisation provides what. In Aceh, the government's JADUP cash transfer (intended to complement the WFP food ration) was supposed to be provided to all households for at least six months. However, it failed to provide this support reliably and in all areas for more than two to three months. CARE's cash/voucher programme effectively substituted for both the WFP's food and about half of the amount of the JADUP.

#### 4.3.2. Cash for work

Targeting emerged as an issue with cash for work projects because labour-poor households tended to be excluded by virtue of the work requirement. The wage rate was also an issue in some contexts, where local businesses were unable to attract workers at their lower rates of pay; and in Sri Lanka, where there have been reports of large landowners purchasing combine harvesters in response to problems with hiring labourers. It is therefore a question not only of pay rates, but also of making sure that local businesses are not negatively affected by the more attractive—because the work is often easier and is related to local community recovery—cash for work projects. As is indicated above, agencies sometimes justified the higher rates of pay for cash for work because they wanted to put as

much cash as possible into people's pockets as quickly as possible. However, it is questionable whether a high cash wage is the most effective way of achieving this, particularly since non-workers are excluded. Geetha Nagarajan, a specialist in disaster recovery and microfinance, argues that if people have urgent needs for larger sums of cash it is better to provide a cash grant to everyone because this is more efficient and does not distort labour markets.<sup>28</sup>

#### 4.3.3. Cash grants for livelihoods recovery

Targeting and setting the amount of assistance were closely related issues for livelihoods recovery cash grants. Budgets were drafted by multiplying estimates of the number of beneficiaries by the rough costs of assistance to each beneficiary. These initial plans often grossly exaggerated what could be accomplished and the number of people that could be assisted. The sum of beneficiary numbers from all agencies' strategic plans would probably have exceeded the population not only of the tsunami-affected communities but also of the entire region. Agencies also underestimated the cost of getting people back on their feet—particularly because few had considered that inflation was likely to raise the prices of inputs, the cost of living (see BPS 2006) or the cost of other priorities such as debt repayment. Moreover, grant application forms asked people to list the assets they required, ignoring whether living costs, the costs of servicing pre-existing debt commitments and costs in the period before the business broke even were covered.

#### **Box 4.1 – The Red Cross and impartiality**

It [the International Federation of Red Cross and Red Crescent Societies] makes no discrimination as to nationality, race, religious beliefs, class or political opinions. It endeavours to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.<sup>29</sup>

The BRCS livelihoods recovery strategy highlighted important issues linked to equity and equality, and to the principles around targeting. The BRCS design team (many of whom who were new to the BRCS) strove to adhere to Red Cross principles with their tsunami recovery plan. Of particular relevance to the BRCS, and to cash transfers, is the principle of *impartiality* (see box 4.1) and, within this, of non-discrimination. The BRCS decided to provide all tsunami-affected households with a grant of the same cash value for livelihoods recovery. The key features of the livelihoods recovery grant were: (a) the

<sup>28</sup> See the discussion on this topic in the report from the Tsunami Cash Learning Project workshop in Chennai, India (Adams 2006).

<sup>29</sup> <http://www.ifrc.org/what/values/principles/impartiality.asp>

grant was for around US\$1000 per household. (Other agencies whose support was tied to business recovery plans provided much less than this to small businesses (which usually included the poorest households, and most proposals from women came into this category); (b) they did not refuse anyone assistance (many other agencies excluded those whose ‘business plans’ were not deemed ‘feasible’ or the better-off whose business were too large; and (c) they allowed households to spend the cash on education and services as well as livelihoods activities, reflecting the broad recovery needs of a diverse population.

Any prospective evaluation by the BRCS should review the extent to which its grant strategy reflected the agency’s core programming principles. The intervention apparently achieved an impartial response, while the interventions of other agencies could be argued to have unwittingly discriminated against the poorest (who had not lost costly livelihoods assets but suffered a loss of income) *and* against the better-off (who were excluded entirely by many agencies because their losses exceeded the value of items that could be replaced). Interestingly, one agency took issue with the BRCS approach, arguing that the BRCS was providing ‘too much’ and criticising its ‘failure to target the poor’. Perhaps unsurprisingly, this was an agency that had received several requests from communities who wished to transfer to BRCS management, and it had, in many cases, provided inadequate cash support for livelihoods recovery, including assistance for poor households.

The BRCS strategy also respected social values and the policy of providing the same grant to everyone is likely to have been welcomed by *all* community members. For instance, a visit to one agency’s project found that the community had come up with its own solution where targeting had excluded some households from the beneficiary list—beneficiaries paid back what they had received in loans to those who had been excluded. Although the agency labelled this a ‘revolving fund’, as one microfinance expert commented, it was unlikely to have ‘revolved’ more than once—it merely served to address the perceived inequality of the agency’s targeting policy.

Finally, the BRCS strategy had the potential to be far simpler than other approaches. Relief agencies rarely have the capacity, in terms of staff numbers or competence, to assess the viability of livelihoods recovery applications. The provision of funds that are sufficient to allow the majority of households to recover their livelihoods is a practical approach to getting cash grants to people quickly while respecting the principle of impartiality.

#### 4.4. Cash and intra-household dynamics

There are few studies of how tsunami cash transfers affected intra-household dynamics (including gender analysis). Cash transfers may create different dynamics from those that arise from in-kind resource transfers, although there is little understanding of or information about how these patterns of behaviour and relationships might differ. A small number of evaluations asked explicitly about decision-making and the control of cash, and these found that cash appeared to increase the incidence of joint decision-making. However, in cases where cash was transferred through banks, access to cash and the control of cash are influenced by the fact that men are usually the primary account holder. Targeting, awareness raising, communication, and so on, should all be key elements of a cash transfer programme in order to ensure optimal levels of joint decision-making.

Any analysis of the influence of cash on intra-household dynamics should take account of a number of issues:

1. Joint decision-making is clearly important if the assistance is provided for the benefit of the household, such as basic needs or shelter. Joint decision-making is particularly important in cash transfers for food because diversion to non-essential items would leave the household food insecure. The WFP's cash transfer pilot project compared decision-making in food- and cash-receiving households and found a higher incidence of joint decision-making in those that received cash. The Helvetas cash transfer for host families was intended for any household priority. The evaluation found that in the majority of cases the decision on how to use the cash was taken jointly by both the man and the woman, and that in a quarter of cases the woman alone decided how to use it against around 10 per cent of cases where the man made the decision.
2. Cash for work projects paid cash to the worker. Some women found themselves excluded from this work either because of child care commitments or because their husband was the one who opted to do the work. Because the income is intended for the household's recovery needs, the decision-making process and control over the cash are important. It would be useful to compare how decision-making and control over cash earned differs according to sex, marital status, and who earned it.
3. Most cash grants for livelihoods recovery were paid to whoever applied for the funds, so questions about who took the decision on how to spend the funds are less relevant—they were usually managed by the business operator. Targeting of the assistance is therefore a more important issue to focus on here. Under the BRCS livelihoods recovery programme the cash was provided to the household through a bank account and, therefore, some discussion in the household about how the

money should be spent would have been necessary. The BRCS supported households to develop their own recovery plans.

4. It is not clear how cash provided for shelter projects was used and controlled. Clearly, the resource is intended for the benefit of the whole household but it may be that those who took responsibility for the construction process would have taken most of the decisions. Did this mean that one person took the decisions, or was a joint decision-making process encouraged?

#### 4.5. Conditionality and control

Agencies rarely provided unconditional cash grants for livelihoods recovery. Most provided a sum of money sufficient to meet certain costs associated with a specific defined activity. They expected households to undertake that activity and required them to provide receipts as proof of purchase. One agency required photographs of the items as proof of purchase. This is what is meant by conditionality—the conditions attached to cash grants. ‘Control’ is a related factor, and is achieved by setting up systems intended to prevent households from using the cash for other purposes.

This issues of conditionality and control appear to have been important for cash grants for livelihoods recovery because the provision of ‘free cash’ may be more open to abuse than cash given to someone in exchange for work or cash that must be repaid with interest.

##### 4.5.1. Conditions for the approval of grant applications

The conditions imposed on those who received cash grants for livelihoods recovery varied. Some agencies required people to have previous experience of undertaking the defined activity, or to state that they had the skills and competence required for the task. The logic of the former was to reduce the risk that people might embark on unviable projects. The application process was flawed because the task of screening businesses exceeded the skills of the NGO staff doing the screening, and the business acumen of most grant applicants was superior to the NGO staff and volunteers screening applications. A simple registration process might have been more appropriate, but agencies would have had to *trust* beneficiaries more.

##### 4.5.2. Tranche payments as control mechanisms

Some agencies introduced a system of tranche payments in order to retain some control over what people spent the cash on. The BRCS livelihoods recovery cash grant was complicated by its tranche payment system. Grant beneficiaries’ applications had to differentiate between up to four discrete activity phases. For example, the first payment might be an advance payment based on the funds

needed for 'first phase activities' such as the purchase and construction of a pen for animals, and the second payment, to purchase the animals, would only be made after verification that the first phase activities had been completed, and so on. After a livestock pen has been constructed, the beneficiary is likely to want to put animals in it immediately. However, because of the time it took to approve and transfer subsequent tranche payments, the delay between payments was days, weeks or even months. Tranche payment systems turned out to be a headache for agency staff and for many beneficiaries. The BRCS database team estimated in early 2006 that the average time between registration and disbursement of the final tranche payment was on average four months, with a range of between two and nine months. Tranche payment systems seem to have been at odds with the general programming principles, such as respecting dignity and empowering beneficiaries with choice and flexibility, that the agencies were strongly committed to.

#### **Box 4. 2 – Tranche Payments: comments from staff and beneficiaries**

BRCS livelihoods manager: 'There were times when I was tearing my hair out and I just thought: "why can't we just *give* them the money?"'

BRCS grant recipient: 'If I'd known it would take so long to get the cash I'd have opted for something with a quicker return'.

*Source: field interviews*

The managers at the BRCS favoured the tranche payment system, arguing that many beneficiaries appreciated the way the tranche payments helped them to budget and spread what was a considerable sum of cash coming at a time when they had multiple priorities. This might be a valid point, but does not balance against the lengthy delays in disbursement. Furthermore, is an NGO the most appropriate agent to manage the tranche payment system? Could a banking partner be requested to take on this role, as suggested by the manager of the bank used by the BRCS in Aceh? Such a role fits with the bank's normal functions and areas of expertise, and would develop a relationship between beneficiaries and the bank staff. A nominal charge might be made for this service, which could be covered by the NGO.

#### 4.5.3. Compliance and tracking systems: databases

Agencies should try to limit the use of systems that *control* how people use their cash, but they do need strong compliance monitoring systems to keep a check on the cash disbursement process, and tracking systems to monitor the progress of the plans of all the beneficiaries. The grant-tracking

systems such as databases and information management system of a number of organisations—for example, the BRCS and Mercy Corps Aceh, SDC and Helvetas—are noteworthy in this regard.

In summary, cash grants would be far more efficient if agencies focused on providing the grants as one-off payments, and on facilitating the forging of relationships between the beneficiaries and banks or microfinance agencies to provide help with budgeting their expenditure. Monitoring should focus on compliance monitoring to ensure that grants reach the beneficiaries, and on post-distribution monitoring to check that households have been able to spend the cash on what they needed to resume their planned livelihoods activity. At the evaluation stage agencies will be able to assess the impact of the cash transfer against the objectives identified by the agency, that is, has the cash transfer helped the household to achieve sustainable livelihoods recovery? Databases should be integral to all cash transfers and used to support compliance and project tracking systems.

#### 4.6. Disbursement mechanisms

This section is broken down by country because the country context is an important influence on cash disbursement options. The objective of the programme, the financial services available, the size of the cash grant, and the access to the grant required by the beneficiary are all important determining factors

The direct transfer of cash was the most common approach taken by NGOs. Few explored the use of banks for cash for work payments even when projects continued for several months. Most agencies only started to consider using banks when the value of each grant provided was considered too large to disburse directly. Some agencies continued to ignore the potential for using banks even for large sums. A small number of agencies had policies that avoided direct disbursement and their collaboration with banks was beneficial for the agency and probably also for the beneficiaries, although no information is available on this. Agencies should make greater efforts in future to explore collaboration with the private sector to make cash transfers as efficient and risk-free as possible. A risk assessment is necessary before working with any new partner, including financial institutions.

##### 4.6.1. India

In India the government disbursed monthly cash transfers direct through existing government structures. This cash disbursement mechanism appears to have been efficient and appropriate. There were no reports of people failing to receive what they were due, although the established practice of taking a cut (*mamu*) in some parts of India (Vijayalakshmi 2005) may have been a feature of such cash transfers as well as in-kind transfers. Larger payments—for example, compensation for a death or for disability, or grants to orphans—were paid into a bank account.

Many NGOs transferred cash either directly or through local NGOs or community-based organisations. In Aceh only NGOs made use of banks, and no NGO made use of the post office in spite of the fact that it would have been an appropriate partner for the disbursement of cash to outlying areas in India (Deshingkar 2006), Sri Lanka (Aheeyar 2006a) and Aceh (see the case study in Adams and Winahyu 2006, chapter 1).

Using commercial institutions as partners is likely to have advantages in many situations, but a careful assessment is required in order to limit such partnerships to reputable institutions. Banks, for instance, may be well regulated and low risk in one country, but corrupt or unstable in another. Deshingkar (2006) highlights the poor reputation of the rural banking sector in India:

*There is compelling evidence of widespread corruption within the rural banking sector. A study on corruption in rural financial institutions in India found that only 28 per cent of the rural households surveyed (41 million) use rural financial institutions [...]. Of these, 19 per cent [...] claimed to have paid bribes during the previous year and 43 per cent perceived them to be corrupt (Deshingkar 2006).<sup>30</sup>*

The same study notes that post offices, on the other hand, have solid reputations:

*In village discussions, the Post Office emerged as one of the most popular delivery channels for financial assistance [...]. A major advantage of the post office is that people have to sign on receipt and the post man delivers cash straight to the house which makes it an ideal system for people who cannot go to a post office, including the elderly, people with young children, the sick or those who are too busy working to take time off (ibid).*

In India cash grants for livelihoods recovery were often paid to groups referred to as Self Help Groups.<sup>31</sup> Payment to groups rather than individuals reduces the risk either that someone will take a cut or that moneylenders will attempt to claim long-standing debts. However, some people may not be members of self-help groups.

#### 4.6.2. Sri Lanka

The government's emergency cash transfer was efficiently distributed through a national banking network (the *Samurdhi* network). When the WFP piloted a cash transfer to replace food relief in pilot areas they were able to use this system.<sup>32</sup> Access to cash, however, was an issue for some households

<sup>30</sup> Conducted by the Centre for Media Studies, New Delhi, for Transparency International

<sup>31</sup> Many of these grants were classed as 'revolving funds' while some were loans. See the report from the ODI Tsunami Cash Learning workshop in India (Adams 2006).

<sup>32</sup> The evaluation found that the disbursement of cash was far more efficient than the disbursement of food.

that lived far from the *Samurdhi* banking network. Collaboration with more than one financial institution might have solved this problem.

Many NGOs distributed cash grants for livelihoods recovery through partner organisations. Some of these organisations asked for ‘voluntary’ contributions from the beneficiaries. Some MFIs withheld a portion of the grant as a compulsory fee, which meant that the beneficiary became a member of the MFI. Many of the MFIs that partnered grant-giving INGOs passed the *grant* on to beneficiaries as a *loan*. Sewalanka, which worked with Oxfam, required beneficiaries to pay back half of the grant.

#### 4.6.3. Aceh, Indonesia

The government’s JADUP cash transfer programme provided IDR 3,000 per person per day. This money was paid through government administrative structures direct to beneficiaries in a monthly lump sum. Those responsible for the transfer feared corruption if it was transferred through the local village chiefs. They were clearly in need of advice regarding the disbursement mechanism but no alternative was suggested or found. Most areas received the cash for only a few months, reportedly because of an absence of proper reports justifying the expenditure.

In contrast, the government of Indonesia has demonstrated that it can apparently implement cash transfers effectively in its national BLT programme to help people deal with the gradual removal of the earlier government fuel subsidy. This programme used the post office for the cash transfers, and this was effective and efficient. The post office was a willing partner because business volume has been declining since the advent of the Internet and of mobile phones. Moreover, the post office offers a ‘mobile’ service to outlying areas where there is no local branch.

In Banda Aceh SDC demonstrated early on an efficient system for making payments through banks. The provision of emergency cash transfers through banks is the SDC’s specialist area and the SDC never implements cash transfers without a financial partner. It has therefore developed checklists to assess the most appropriate partner (see section 4.6.4.). The agency noted that the bank with which it collaborated (BRI) exceeded requirements in terms of the verification of beneficiaries’ identity documents, and that all the cash transferred was accounted for.

CARE disbursed cash directly—along with vouchers—in its programme to deliver market-based food assistance. The disbursements were efficient and beneficiaries were happy with the process. The agency did not investigate the use of banks because it wished to pilot a project that could be replicated everywhere and in many areas of the east coast banks were not available. However, the use of the post office may have been an effective alternative.

No agencies paid workers using banks in the cash for work projects. Oxfam Meulaboh considered using a bank to transfer cash in insecure areas but the bank was not willing to cover these areas so Oxfam made the payments directly, taking appropriate precautions, and met with no problems. Save the Children was the only agency to use a local bank to disburse payments for workers.<sup>33</sup>

Agencies or offices with limited experience of handling large-scale cash transfers may have problems with establishing large-scale cash for work programmes in the early stages of emergency responses. Box 4.3. gives an example of what can happen when agencies need to get large cash transfers up and running in a short time:

**Box 4.3 – An example of the challenges for cash disbursement in the early phases of large-scale cash for work projects**

A manager of one agency's CFW project in Aceh faced particular challenges with payments in the earliest days of the project. The agency had to pay workers every 10 days because there were not enough staff to make more frequent payments. They had 12 to 14 sites, and in each village the wages bill for 10 days' work amounted to just under US\$7,500. On one occasion the manager found himself having to withdraw from the bank around US\$75,000 for the wages for all sites to be paid in one day. Moreover, because there was no provision under the administrative system for storing this cash in the office safe, he had to store it overnight in his house. The system was soon improved and cash disbursed directly to community representatives from each village in smaller amounts, with careful monitoring of distribution onsite.

Human resource constraints were also noted in an evaluation of an Oxfam cash for work project—there were insufficient cashiers and thus excessive involvement of managers in the process (Brocklebank 2005).

Many agencies continued to disburse cash for livelihoods recovery directly. Some agencies argued that opening bank accounts was too complicated. The BRCS in Aceh was one agency that did not shrink from opening hundreds of bank accounts in a short space of time. The policy reflected the agency's decision to avoid direct cash transfers because they were deemed inappropriate for what was a mainly volunteer workforce. The agency selected a reliable large commercial bank in Jakarta and drew up an agreement for collaboration, which the Aceh branch then implemented. Under the agreement the bank set aside staff, space and time to open accounts for each BRCS beneficiary. One issue that emerged, however, was whether the choice of a bank geared more to rural customers might have been a better

<sup>33</sup> See footnote 13

option for most beneficiaries. BRCS might also have reduced the burden of opening new accounts if it had investigated using the accounts for those who already had them.

Many agencies decided to use banks for livelihoods grants because of the large sums involved. Mercy Corps in Aceh initially disbursed cash grants for livelihoods recovery to group bank accounts. The Mercy Corps grant programme was organised around group applications so the funds were paid into a group bank account. A number of problems emerged with the group grant scheme. One was that the group representatives withheld a portion of the funds due to each individual applicant, which they justified as an administration fee. A second was that the group process did not reflect how people wanted to go about recovering their livelihoods. Farmers' groups, for instance, were created because Mercy Corps required 10 farmers to apply as a group. In some cases named beneficiaries had not been consulted, although they were happy to receive their share of the grant when it was paid. The group application system apparently stemmed from an interest in adopting microfinance principles, although group bank accounts are not themselves necessary for many microfinance programmes and they may even be inappropriate. However, group accounts solved the problem of opening up hundreds of bank accounts in a short space of time in the early stages of recovery. Strong monitoring and transparency as well as clear communication are particularly necessary with group bank accounts.

Mercy Corps had earlier provided Community Cash Grants through group bank accounts because the purpose of the project had been to foster community development needs while allowing households to use a portion of the funds for personal needs. The amount provided was a one-off payment of US\$50 per person, although the 'per person' figure was not explicitly communicated to the community. The community received a lump sum, in instalments, and Mercy Corps facilitated group meetings at which the community discussed how to use the cash. Informal discussions with programme managers revealed that the group bank account system was not popular—and this was soon changed to payments to individual households. There was also a case of theft when three signatories to an account withdrew cash from a bank and were robbed by an unidentified group of armed men while on their way back to the village. The case was reported to the police and the village representatives were detained by police for some time, but no-one was prosecuted. Moreover, while the concept of the community cash grant seems to have been a good one, agency staff identified a number of critical factors that must be in place in order for it to work well, including a certain level of trust between the community and the implementing agency prior to setting up the CCG. The CCG evaluation led by Johns Hopkins University in 2005 has yet to be published.

UN-Habitat also used a group bank account scheme for groups of households working together to rebuild their homes.

#### 4.6.4. Assessing financial partners

The Swiss Development Corporation's approach to collaborating with financial partners reflects the agency's professional approach to cash transfers in general. The checklists below are useful for comparing different partnership options. Financial expertise is required to assess the capacity of financial institutions, but programme managers must ensure that beneficiaries' needs are reflected in the final decision. The first list (box 4.4.) is geared towards identifying an implementing agency's main banking partner—perhaps in a new country or area of operation. The second list (table 4.2.) is to assist with choosing partners that will be able to meet the programme's needs locally in terms of charges, coverage and service to customers.

#### **Box 4.4 – Assessing risk and selecting a partner financial institution**

1. What kind of bank does your organisation usually work with? Why? Can this bank recommend a financial institution in the operational area to work with?
2. Who is the owner or shareholder of the bank? (government, private or group of companies)
3. Who is responsible for the management of the bank? Who is the manager?
4. What is the most important transaction for the bank? What are the likely risks for this kind of transaction?
5. What is the balance of payment (level of reserves, level of bad debts), and is the accounting system good and accurate? If yes, who is responsible for this analysis; is it reliable?
6. Was the bank audited by a reputable international audit company?
7. How does the public perceive the bank? What is its image locally, particularly within business communities? How has the bank performed in the past year? Have credit or savings/deposits increased suddenly? If yes, what is the interest rate?
8. What media reports have there been recently about the bank?
9. What level of funds does the agency intend to transfer? (monthly average per account)

#### **Other important questions: government policies**

1. What is the inflation rate in the country, its balance of payments and level of debt
2. How independent is the central bank? (Is there any political influence over the central bank's policies?)
3. What risks and constraints are there in the process of transferring funds in hard currency and between bank accounts?
4. What are the regulations on payments and transactions?
5. Has there been a currency devaluation in the past five years?
6. Has there been a merger and/or acquisition involving the bank in the past five years?

*Source: translated from SDC Cash Projects e-book tools (Rauch and Scheurer 2003)*

Table 4.2 – Comparing financial institutions

Criteria	Post offices	Bank 1	Bank 2 etc.
<b>Network/coverage</b>			
Number of branches	313 offices	All main cities;	1 branch per town, throughout project area
Areas not covered		Not in [...]	
Outreach service ? If yes, additional costs:			
<b>Transfer charges, system</b>			
% charge for cash transfers (% or flat fee?)	3.3–3.6%	0%	0%
Additional charges			
Electronic transfer system?			
<b>Services to customers</b>			
Current accounts? ▪ Min. opening balance ▪ Opening charges ▪ Minimum balance ▪ Monthly charges	No	Yes	Yes
Savings accounts? ▪ Min. opening balance ▪ Opening charges ▪ Minimum balance ▪ Monthly charges			
Money orders (cash?)	Yes	Yes	Yes
Cheques	No	?	No
<b>Other beneficiary interests</b>			
Micro-credit ▪ Eligibility criteria for loans ▪ Interest rate ▪ Repayment terms ▪ MFI performance:			
Local perception of institution (for target group)			

Other info: e.g. institution's requirements viz a viz information management, ID requirements etc.

Source: Adapted from *SDC Cash Projects e-book (Rauch and Scheurer 2003)* See also Aheeyar (2006a)—a mapping exercise for financial service providers in Sri Lanka.

## 4.7. The risk of insecurity and corruption

Risk of insecurity and corruption has been strongly associated with cash transfers, although there is no evidence to suggest that these risks are higher with cash than with in-kind transfers, and tsunami cash transfers have not featured a greater incidence of insecurity and corruption than in-kind transfers. Well-designed cash transfer programmes analyse risk and reduce such risks to acceptable levels. Monitoring systems should detect early on whether problems are occurring. Agencies should report explicitly on incidents of insecurity and corruption associated with both cash and in-kind transfers and take measures to address the problem and avoid further incidents.

### 4.7.1. Insecurity

Insecurity was not a major issue for implementing agencies, although the apparent lack of proper risk analysis indicates that more attention should be paid to this element of strategic planning in the future. No risk analysis guidelines or frameworks have been identified to guide the process of analysing risk or insecurity in cash transfers, and this is an important gap.

### 4.7.2. Corruption

A number of specialist anti-corruption agencies monitored corruption from immediately after the tsunami—filling an important gap that implementers had largely ignored. A report by a national anti-corruption agency in Indonesia (GERAK) found hundreds of cases. One study (GERAK 2006) reports how each case of corruption occurred and the sum lost as a result. It notes corruption in a number of institutions, including the government’s JADUP cash transfer.

Under the JADUP scheme the most common form of corruption was people not receiving the full amount they were entitled to. For instance, instead of receiving the monthly entitlement of IDR 90,000, two people interviewed by an ODI researcher received IDR 15,000 and IDR 45,000. The informants *were* aware of their entitlement but could not say why they had received less. They had been told that inadequate cash had been received, but were unable to verify this explanation. The total amount of funds estimated by the study to have gone missing in the JADUP programme is relatively low (IDR 135,943,000, around US\$14,300) compared to the total funds disbursed (US\$8.5 million in the first two months, according to DINSOS—the provincial social welfare department which managed the project in Aceh). This may suggest that cash transfers—even in environments with a high corruption risk—may result in lower levels of corruption than in-kind transfers—particularly if people are *aware* of their entitlement. However, it is not clear whether the cases reported represent only a small part of the

overall problem. It is important to note that, unfortunately, GERAk's working definition of corruption covers only government funds—thereby missing corruption in other organisations' projects.

One general form of resource transfer manipulation is the registration of 'ghost beneficiaries'. This happens with any kind of registration process for resource transfers and agencies need to develop systems for detecting and avoiding it. Open and transparent registration systems, involving respected community representatives and officials, worked well in many of Helvetas' project areas in Sri Lanka. Attention must be paid to each committee early on, however, to ensure that it is functioning properly. Helvetas also worked in partnership with a local human rights agency to develop reliable registration lists. Random household visits and other means of making spot checks are useful to determine whether there is a problem. Monitoring the cash distribution itself is also useful—when a name is called and no-one comes forward this might indicate a false registration, although there might also be a simple explanation for such an absence. Other measures include the use of a database to check ID card numbers for duplicates. The transparent and public reporting of funds received and funds disbursed will enable community members to take a more active role in monitoring the process.

#### 4.7.3. How did corruption 'work'?

**Table 4.3 – explains the key features of corruption for cash and in-kind transfers.**

Features of corruption	
<p>Extortion:</p> <ul style="list-style-type: none"> <li>▪ In-kind transfers: military or other groups approached agencies to obtain, for instance, cooking stoves</li> <li>▪ Cash transfers: village chiefs (or occasionally agencies' field officers) extorted a 'commission', 'tax' or 'fee' from beneficiaries. May also occur with transfers by corrupt financial institutions</li> </ul>	<p>This risk was apparent with cash and in-kind resource transfers. It is sometimes easier for someone to take a cut with cash because the cash is fungible—it can be divided—whereas this is not possible with many commodities provided in-kind (you can ask for 10% of \$10 but you can't ask for 10% of a sewing machine). However, because the cut is taken from a large number of people at the lowest level, and many do not take a cut at all, overall losses may be low. Detection of extortion in cash transfers is usually easy because there will usually be some who resent having to pay a cut, particularly if the notion of <i>entitlement</i> is emphasised. Detecting the extortion of in-kind transfers is usually difficult.</p>
<ul style="list-style-type: none"> <li>▪ Supplying lower quality materials or services than those specified</li> </ul>	<p>Common only with in-kind transfers. Quality checks detect the problem.</p>
<ul style="list-style-type: none"> <li>▪ Bribery of procurement staff by suppliers to accept their bids over others; inflated quotes.</li> </ul>	<p>This risk occurs only with in-kind transfers because there is no procurement process with cash transfers. It is usually difficult to detect and prove, particularly if parties leave no 'paper trail'. This form of corruption is a risk where cash transfers are accompanied by</p>

	market support (linking traders with cash beneficiaries).
<ul style="list-style-type: none"> <li>▪ Registration of 'ghost' beneficiaries</li> </ul>	Possible with any resource transfer. Monitoring direct cash distributions should detect this because the 'ghost' beneficiary does not come forward for payment. Transfers through banks accounts may reduce the chance of detection because the transfer is not visible. However, because banks usually require formal identity documents the number of incidents should be minimal.

#### 4.7.4. What did agencies do to minimise the risk of corruption?

A number of agencies adopted significant measures to avoid corruption:

- (1) Induction of Staff: Mercy Corps in Aceh built into its staff induction programme a discussion on the 'grey areas' between traditional hospitality, gifts and bribes.
- (2) Transparency: Oxfam in Aceh published details of beneficiaries, and what they had received, on village notice boards. This initiative highlights a dilemma for agencies working in Aceh: the need to coordinate with other agencies to reduce duplication but to avoid creating additional risk for beneficiaries. Box 4.5. shows how some groups might seek information about beneficiaries for improper ends.

Agencies need to achieve an *appropriate balance* between transparency and confidentiality by controlling how information is shared and ensuring that it is only given to those with a *legitimate right to know*. Helvetas in Sri Lanka took a different approach. It provided information about the livelihoods grants that beneficiaries had received to the local authorities. In the case of host family support, for which uniform payments were made, lists of recipients were displayed at the offices of the local authority.

#### **Box 4.5 – Transparency vs. confidentiality**

Military personnel in Aceh visited an NGO to request a list of the beneficiaries receiving a cash grant, and asking about the amounts paid. The staff refused to supply the information and reported the matter to the authorities.

- (3) *Clear communication on anti-corruption policy and measures*: the BRCS in Aceh communicated widely to all stakeholders the sanctions that would be imposed in case of corruption (see below).

#### **Box 4.6 – Frequently asked questions about the BRCS programme in Aceh: avoiding and dealing with corruption**

*Question 1: How does the programme avoid corruption?*

- The programme will not tolerate corruption.
- All parties have an equal duty to identify and expose corruption. Any evidence of corruption will lead to exclusion from the programme and legal process taken where possible. Through disclosure of programme information—by discussion, noticeboards, information sheets and regular newsletters—communities are kept informed of the details of the programme.
- Funds will be disbursed into family accounts, audited twice yearly.
- Local government agrees to a Letter of Intent that outlines the different sanctions to be faced by any party working outside the agreement. A minimum sanction is a freezing of the programme for any person, any community or any sub-district until the problem is resolved.
- Communities, volunteers, BRCS staff will be supplemented by an independent journalist recruited to report on the activities of the programme.
- Communities choosing to tender the construction to a contractor will be supported to undertake a transparent tendering process and Programme-recruited building supervisors will monitor all construction to ensure standards are met. BRCS and PMI staff and volunteers will support these supervisors and implement a zero tolerance policy to corruption. Journalists are welcome to ask for details of programme input use and undertake independent investigation. A formal complaints mechanism will be established.

*Question 2: What will happen if corruption is found?*

- The procedure at each level is socialised and outlined in all programme management documentation and periodic newsletters.
- Our interpretation of zero tolerance is to prosecute staff or volunteers where sufficient evidence can be found and to terminate employment where there exists significant suspicion but insufficient evidence.

*Source: Ten Frequently Asked Questions about the PMI-BRCS Livelihood Programme, BRCS Aceh*

(4) *Comprehensive anti-corruption measures:* The World Bank’s district development programme in Indonesia uses 20 measures to reduce corruption (see table 4.4.) This programme, which

aims to strengthen *village justice systems*, consequently has lower levels of corruption in comparison with other bilateral and multilateral support programmes.<sup>34</sup>

An important issue that must be considered is the *relative risk* of corruption for cash transfers compared to in-kind transfers. It is pointless to argue that the risk is *greater* for one or the other because the risk is *different*, and measures to reduce the risk must therefore be specific to the type of transfer and its context. While cash transfers may effectively remove the potential for procurement teams to exploit the three-quote procurement system for personal gain, cash transfers may be open to corruption at a much lower level but by a potentially larger number of individuals. An important, but probably immeasurable, influence on corruption is how happy employees are at work. Using reputable financial institutions to transfer the cash is also an important way to reduce risk (see section 4.6.4.)

1	Transparency	The ‘mother’ of all anti-corruption measures; source of social control; performed through use of activity information boards, meetings, posters, radio.
2	Record-Keeping	Standardised bookkeeping cross-referenced with receipts, reports. Easy to inspect and easy to use as a management tool.
3	Decision-making by consensus	The usual way of making any decisions in KDP is through a village or inter-village meeting, where decisions are reached by consensus or, less frequently, through voting. Harder to dominate.
4	Open competition	Anyone can propose an activity to be funded, and after discussion it may be proposed as the village’s proposal and discussed openly at an inter-village meeting where priorities are determined transparently. This makes it hard to pressure people to agree to an activity that only benefits the wealthy just because they are willing to bribe someone to get their activity approved.
5	Verification	Local experts rule on the feasibility of proposed activities. Results are presented at inter-village meetings and priorities are determined. Feedback to villagers.
6	Open procurement	Comparative shopping or formal bidding, decided openly. This makes it harder to make a deal with poor quality suppliers based only on the size of the commission paid to the team.
7	Receipt of materials	Formal checking and recordkeeping regarding volumes and quality. This makes it harder to cheat on volumes or specifications in return for a kickback.
8	Village monitoring team	A small unpaid group assigned to keep up-to-date with all aspects of KDP in the village or sub-district
9	Sub-district	Frequently inspect, occasionally sign something. Train the villagers in how to

<sup>34</sup> See Woodhouse (2004, 2005) and Olken (2004, 2005, 2006) for more discussion of the features of corruption, anti-corruption measures, and enhancing the capacity of villagers to demand and receive justice.

	facilitators	manage and administer.
10	District management consultants	Technical consultants inspect designs for problems, and check in the field for quality as well as adherence to procedures. Empowerment consultants monitor training, transparency, participation, capacity-building, and good governance issues.
11	Random inspections	Undertaken by district or higher level consultants, or government or donor representatives as a way of ensuring unbiased selection of site visits. Inspections can be about general or specific issues.
12	Quality checklists	Ensuring technical quality by transparently inspecting, closing the loophole of not knowing what is acceptable quality.
13	Complaints handling	Villagers can send complaints to a PO Box or through the system directly to management levels. All complaints are acknowledged and then followed up, to a criminal court case if necessary. Most cases are handled locally and amicably.
14	Direct payment	Workers are paid by a project paymaster not a group leader. No deductions are allowed, and no mandatory contributions. Even those working as a group are paid as individuals once the group determines each person's share of the work.
15	Cross-village pre-audits	Villagers audit another village in a different sub-district to help them prepare for a formal audit and to help the auditors prepare for their assignments.
16	Audits	Formal government audits, uncovering problems requiring a change of rules.
17	Province-based NGO monitoring / news reporters	Both activities encourage outsiders to monitor/report on KDP activities. One NGO per province, with standard terms of reference. News reporters are free to write about whatever they want, be it positive or negative.
18	Care from above	Demonstrable follow-up by national government and consultant teams, demonstrating that cases are important and will be followed up.
19	Code of ethics	Details the different ways that consultants are not allowed to touch the people's money. Violation of the code is punishable by dismissal and legal follow-up.
20	Accountability meetings	Account to the community for their work up to each point. Held by the implementation team at 40%, 80% and 100% of expenditure.

Source: KDP Aceh

## 4.8. Monitoring and evaluation

Monitoring and evaluation were generally weak in the tsunami recovery period. The problem seems to have been related to a failure to anticipate or articulate, in strategic planning documents and monitoring processes, the advantages and risks specific to cash transfer programmes.

Monitoring and evaluation were extremely variable. No agency developed a specific monitoring and evaluation strategy for cash transfers, or even for livelihoods recovery programmes. The strengths and weaknesses of cash transfer monitoring and evaluations are highlighted below.

### 4.8.1. Helvetas Sri Lanka: a complete system for monitoring and evaluation

Helvetas' monitoring and evaluation system was stronger than most agencies M&E system and consisted of routine monitoring during the intervention as well as post-intervention impact monitoring and evaluation. The key elements included:

(1) *Grant application*: The form completed by the person applying for a grant. It was relatively detailed, which was intended to help the beneficiary think through the business needs. Some complained about having to spend time on the application, but for Helvetas this was regarded as positive because the time requirement might have rooted out those who did not really need the support.

(2) *Process Monitoring*: Helvetas monitored the process using a matrix that plotted progress against planned activities. Progress updates were added on a regular basis and details were included about problems and how these were dealt with. The matrix format was:

Step	What worked well	What made it difficult? (Problems)	What could be done to address these problems?
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This tool was not only useful in highlighting how the process was going, it also brought out important learning that might influence the design of the intervention.

(3) *Progress Monitoring*: This system involved tracking the grant application, the approval and the payment system. The *database* grouped beneficiaries into project sites and listed the assistance received by each.

Figure 4.2 – Sample extract of the Helvetas progress monitoring database

No	Div	Name	Add- ress	Activity	Total Grant	1st Install ment	Progress	2nd Instal lment	When	Actual Amou nt
1	Div -01	[...]	[...]	Design block	19,00 0	10,00 0	He is doing the work well and waiting for the 2nd installment	9,000	21.11.0 5	10,00 0
2	Div -03	[...]	[...]	Canteen	18,16 0	10,00 0	He bought the goods for shop and is waiting for the 2nd installment	8,160	21.11.0 5	9,589

A key aspect of the progress monitoring system was a visit to the beneficiary to see whether he or she had been able to make good use of the cash or was having problems. Under this system the business was classified as green, red or yellow:

Figure 4.3 - 'Progress at a glance': Helvetas in Sri Lanka

Activities completed: money spent according to plan, ready to receive next installment	Green
On track: Started with implementation according to plan, but not yet completed	Yellow
Not yet started, major delays, or money used for other purposes (give reasons on next page)	Red

#### (4) Impact Monitoring

- (a) *Individual business performance*: The monitoring system obliged beneficiaries to record their expenses and income in a cash book. This data was not of direct interest to Helvetas but was used as a means to introduce simple business accounting. However, few beneficiaries filled in the cash book on a regular basis.
- (b) *A random sample survey of beneficiaries conducted by an external agency, using a questionnaire*: The evaluation report of Helvetas' livelihoods restoration project provides information about the progress of each type of activity represented in the sample. By

breaking down the sample in this way the evaluation provides useful information about the recovery challenges for different types of businesses. For instance:

- recovery among traders was mixed: while some did well, others suffered from the increased competition;
- livestock fattening projects were noted to be akin to ‘savings in kind’ rather than ‘income-generating’ per se;
- traditional activities for women such as rice pounding received lower returns, which were insufficient to sustain a household;
- particular activities required prior experience (e.g. broiler chicken projects).

The assessment includes information about the contribution the income from the business made to overall household income, which is useful but difficult to interpret without additional information about other household income and the implications for livelihoods security, such as the number of dependents compared to total income (Helvetas 2006b).

(5) *Evaluation*: Helvetas produces a donor report, which includes information about the process, progress and the impact of activities as well as a financial summary.

#### 4.8.2 A programme database

Databases were developed by a number of organisations in order to track progress. SDC uses databases as standard components of a cash transfer system. The BRCS database in Aceh involved a significant investment (three months of a consultant’s time) to be able to accommodate the needs of the cash transfers and other programmes, but the Aceh team found the database extremely useful for tracking and managing the cash transfers. The database linked up all stages of the assistance process from registration to instructing the bank to disburse tranche payments.

Many agencies were not able to report at any given moment on progress in terms of assistance provided, and rarely were they able to break down beneficiaries by gender, marital status, former occupation, or number of dependents—much less link information from different sectoral programmes. The BRCS database linked the various sectoral elements of the overall BRCS programme: shelter, livelihoods recovery grants, registration for title to land, and so on.

The lack of an adequate database for food relief programmes was a particular weakness, particularly because it could have represented the foundation for the registration of all sectoral programmes—in theory it could have registered everyone who had been directly affected by the disaster. Another area where cross-referencing of data between different agency databases is vital is where agencies support

orphans using cash transfers. This information should be passed to the government and non-government agencies managing family tracing as well as child protection networks.

#### 4.8.3. Monitoring and evaluation against standards or principles

A monitoring report on Oxfam Sri Lanka's livelihoods recovery projects explicitly considers the extent to which the project met Sphere Project standards and followed the Red Cross Code of Conduct (Mohiddin 2005). This monitoring report was particularly useful to programme managers in highlighting examples of good practice and areas where improvement was needed, in highlighting the links between these codes and cash interventions, and in citing specific evidence for the issues raised.

#### 4.8.4. Compliance monitoring and accountability

Even though the operating environment was strongly conducive to corruption, few agencies foresaw from the outset the potential for corruption in tsunami recovery programmes (programmes managed centrally, disenchanted and overworked local staff, widespread use of national staff and expatriates, high staff turnover, weak management, inadequate financial staff, a lack of team-building initiatives and endemic corruption). The problems for cash transfer compliance monitoring were:

- A lack of analysis about the likelihood of corruption occurring, and how it usually occurs, in different countries, regions and situations.
- International agencies in Aceh failed to consult the pre-existing local anti-corruption activists to seek guidance on avoiding and dealing with corruption. The BRCS in Aceh sought out local partners (independent journalists) to help detect cases of abuse.
- A lack of systematic post-distribution monitoring. A staff member unconnected with the cash transfer should have checked a random sample of beneficiaries soon after the first distribution in each village and, through informal interviews, ascertained whether the beneficiary had been asked to pay a 'fee' or 'commission' to anyone.
- An absence of well-advertised whistle blowing systems and policies. Save the Children was one of the few organisations that had a clear whistle blowing policy; however, national staff and beneficiary communities were less likely to be aware of it.
- A fear of negative publicity. However, Oxfam's announcement about corruption in Aceh demonstrated that the international media may be forgiving of organisations that are clearly committed to transparency and accountability.
- Ignorance about what accountability entails. Accountability is defined by the Humanitarian Accountability Partnership–International (HAP–I) as the existence of a system through which information about corruption can be passed without risk to the information provider, and which will ensure that the information is acted on. The staff usually given responsibility for accountability are

finance officers, but there is a need to extend responsibility for accountability beyond the finance department in case finance staff are involved. Oxfam in Aceh had a national accountability officer who was able to use either of two channels of communication to report issues: his line management and the staff representation system. Accountability officers also need to be able to report directly to an accountability officer more senior than themselves who is outside the line management structure in that locality.

#### 4.8.5. The methodologies used to evaluate cash transfers

Some evaluations prioritised quantitative data, following strict protocols on sampling (e.g. the evaluation of Mercy Corps' CFW project; and the WFP in Sri Lanka's cash transfer pilot project). Many organisations did not have the resources for these types of evaluation, or preferred to collect data that would bring a more immediate return in terms of project learning such as focus group discussions or small samples that could highlight issues and patterns. Opinions are divided about the relative value of quantitative or qualitative information but a combination of the two approaches is important to highlight not only the numbers (how much cash people received, who received it and who preferred what) but also the explanations for the statistics, that is, the dynamics of cash transfers.

An issue relating to methodological approaches to case studies is that the desire to achieve a scientific comparison could lead to the adoption of an identical approach (so far as is possible) for cash and in-kind transfers when a cash transfer may require specific types of intervention such as market promotion, awareness raising, and so on.

#### **Box 4.7. Measuring efficiency and cost-effectiveness**

Most organisations' tsunami interventions were measured in terms of effectiveness (outputs/outcomes compared to goals/objectives), but efficiency and cost-effectiveness were rarely considered. Few organisations provided any information about project costs—either as a total figure or as a cost per beneficiary. Curiously, only cash transfers for *basic food needs* considered efficiency, perhaps because the pilots were set up to compare empirically all aspects of a cash with in-kind transfers for food needs. For other types of cash intervention (e.g. cash for work or cash for livelihoods recovery) the cost implications of using cash-or providing in kind assistance - were not considered. There was a major problem related to a lack of capacity, guidelines and know-how. A further challenge for cash transfers was related to the difficulty of measuring not just cost, but cost in relation to the full range of results of cash or in-kind transfers. An analysis of cost-effectiveness should compare not just which is more efficient (*lower costs for a given outcome*) but also which is more effective (*greater impact per unit cost*).

#### 4.8.6. Terminology

When discussing evaluation methodologies it is necessary to consider the issue of terminology and also to determine ‘what it is that we need to know and what we are we trying to do’.

This section deals mainly with what Roche defines as ‘efficiency’—the cost to the agency of supplying the cash or the in-kind assistance, taking into account the immediate results. Estimating cost-effectiveness is more complex and involves consideration of the value of various intended and unintended outcomes relative to cost. It is therefore not considered here. It should be noted that while some reports refer to cost-effectiveness, they do not explicitly consider effects and are therefore talking about ‘efficiency’. It is the opinion of the author of this report that efficiency comparisons should consider the following items in their calculations:

- (1) The cost to the organisation of procuring and transporting the item(s) needed or the cash with which the beneficiary procures the item(s);
- (2) The market *value* of the items supplied (or the cash supplied). For in-kind transfers this figure should be adjusted to account for any losses incurred when the commodity supplied is exchanged for a preferred or more suitable similar item. For cash transfers the value of the cash supplied should be adjusted to account for any costs incurred in accessing the cash and purchasing the item needed. Both should be adjusted to account for costs incurred by the beneficiary in transporting the items supplied, or purchased with the cash, to the home (or other location as appropriate).

**Table 4.5 – Efficiency and Effectiveness: Defining the terminology**

Assessing efficiency and assessing effectiveness (Roche 2005)	‘Efficiency can be summarised as the relationship between the resources put into a project and the outputs and outcomes achieved’. An efficiency assessment helps to determine whether the same results could have been achieved at a lower cost, or whether significantly better results could have been achieved with only a small amount of additional resources.  ‘An effectiveness assessment looks at the degree to which a project has achieved what it set out to do.’
Cost-effectiveness analysis and cost-benefit analysis	‘In economics, cost-effectiveness refers to the comparison of the relative expenditure (costs) and outcomes (effects) associated with two or more courses of action. Cost-effectiveness is typically expressed as an <i>incremental cost-</i>

<sup>35</sup> <http://en.wikipedia.org/wiki/Cost-effective>

	<p><i>effectiveness ratio</i>, the ratio of change in costs : change in effects'.<sup>35</sup></p> <p>'Cost-benefit analysis is an important technique for project appraisal: the process of weighing the total expected costs against the total expected benefits of one or more actions in order to choose the best or most profitable option'.<sup>36</sup></p>
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#### 4.8.7. Examples of efficiency analysis: methods

##### 4.8.7.1. CARE's Market Based Food Assistance in Aceh

The evaluation team compared direct food delivery (local purchase) with CARE's market-based food assistance (see section 3.1.3.). The team concluded that 'the market-based approach is [...] an extremely cost-effective mechanism for the delivery of food aid' with costs estimated at:

- Direct Delivery: US\$ 96,903 for 39,000 beneficiaries or US\$ 2.48 per beneficiary
- MBFA: US\$17,390 for 11,000 beneficiaries or US\$1.58 per beneficiary (Chuzu and Viola 2006)

The evaluation team recognised that its calculations were weak for a number of reasons. Because they did not know the full costs of the direct delivery option (the information was withheld by the WFP) they could not compare the actual costs of supplying the assistance to the beneficiaries. The WFP's costs would have included food items purchased from abroad and from inside Indonesia, transportation costs to the main CARE warehouse and staff costs. It is possible that the cost of purchasing the food on the international market and then importing it might have been higher than the cost of the items purchased on the local market, although in some cases the cost of importation might have been lower.<sup>37</sup> The evaluation team's comparison of the value of what beneficiaries received is shown below.

**Table 4.6 – The CARE market-based food assistance ration: market value**

Commodity	Qty	Unit	Unit Price	Value
Rice*	12	Kg	Rp3,333.33	Rp52,000.00
Oil (palm oil)	1	Kg	Rp6,000.00	Rp6,000.00
Sugar	1	Kg	Rp7,000.00	Rp7,000.00
Cash	N/A	N/A	N/A	Rp50,000.00
			Total:	Rp115,000.00

<sup>36</sup> [http://en.wikipedia.org/wiki/Cost-benefit\\_analysis](http://en.wikipedia.org/wiki/Cost-benefit_analysis)

<sup>37</sup> Certainly the local market price for tinned fish was approximately half the cost to the WFP because widespread sale of the tinned fish supplied to beneficiaries brought the price abnormally low.

**Table 4.7 - CARE/WFP direct delivery ration: market value**

Commodity	Qty	Unit	Unit Price	Value
Rice*	12	Kg	Rp3,800.00	Rp45,600.00
Oil (fortified palm oil)	0.6	Kg	Rp8,500.00	Rp5,100.00
Tinned fish (425g can)	2	Can	Rp2,500.00	Rp5,000.00
Noodles	8	Pkts	Rp1,000.00	Rp8,000.00
			Total:	Rp63,700.00

\*the higher price of the rice provided in the MBFA reflects its higher quality.

The second constraint on comparing the efficiency of the two approaches is that the food relief and the voucher component of the MBFA included different items and CARE's MBFA entitlement package (cash plus vouchers) was, at the time, almost double the market value of the WFP's food ration (IDR 115,000 compared to IDR 63,700).<sup>38</sup> The cost efficiency comparison dealt with this difference by excluding the IDR 50,000 cash top-up. This worked well because the costs associated with this represented a negligible addition to the costs of the voucher transfer.

The comparison was also problematic because of the differences in scale, that is, the food delivery programme benefited from economies of scale. CARE's cash/voucher programme operated for just one-third of the duration, and targeted around one-third of the beneficiaries, of the food delivery programme. Moreover, the costs of the cash/voucher programme were abnormally inflated because of the high costs of the design phase. CARE's evaluators were unable to provide a specific estimate of the operational costs of a scaled-up project, but they gave a rough indication that even if the three-month pilot project's costs (US\$118,000) were multiplied by four to reach the scale of the food distribution programme (39,000 beneficiaries instead of 11,000), the operational costs of the full-scale MBFA would still be less than those of the direct delivery programme (US\$97,000) and, in practice, they would have benefited further from economies of scale. This does not take into account the procurement and transport costs of the food delivery option. Much of the expense of the direct delivery relates to staffing, and the evaluation team's summary of the staffing requirements lists 98 staff required in the general distribution compared to 12 in the pilot. Again, even if the MBFA staff component was multiplied by four, there would still be considerably fewer staff than those employed for direct delivery.

<sup>38</sup> The WFP's oil was fortified with vitamins A and D while the oil CARE specified on their vouchers was not fortified. CARE's ration included sugar in place of tinned fish because beneficiaries preferred to receive sugar and to buy fresh fish. The WFP ration included noodles but these were not included in the MBFA voucher.

#### 4.8.7.2. *The WFP in Sri Lanka*

The WFP's cash transfer pilot project compared the costs of the cash pilot with the costs of the relief food distribution that was being implemented in other areas at the time of the pilot. Unlike CARE's and SC's evaluations, the WFP has not published its breakdown of the costs so it is difficult to verify whether the 'correct' cost items have been included. However, the WFP determined that the CTPP was five per cent cheaper than the food relief in all locations but, in terms of cost-effectiveness, its value to the beneficiary was dependent on market access. The small difference of only five per cent compared to other comparisons of cash vs. food relief is likely to relate mainly to the fact that delivery costs were based not on the high direct delivery costs of the WFP or its international NGO partners, but on the relatively cheap costs of a local commercial partner (the MPCS), that is, that the partnership with the MPCS represented a cost-efficiency advantage over traditional food relief approaches. It is necessary to make two additional points to outline the operational features of the cash transfer and the food transfer that are important elements in the cost comparison:

- Beneficiaries received the cash transfer through their local branch of the Samurdhi bank network (the WFP's partner). The costs of the cash distribution therefore consisted of the fee charged by Samurdhi for transferring the cash from the WFP through the Samurdhi head office and its branch network to the beneficiary, plus the WFP's costs in terms of project management and perhaps also the administrative costs of using divisional secretaries. Each round of cash transfers took place once every two weeks (i.e. there were six transfers in all). The fee charged was a percentage of the total sum transferred rather than a flat fee.
- At least during the pilot project, the WFP's direct food delivery programme in Sri Lanka was also undertaken through a local partner: the MPCS network. The operational costs therefore relate to the service provided by the MPCS, in addition to the WFP's management costs and perhaps also the administrative costs of the divisional secretaries. Vouchers were provided to beneficiaries who exchanged them at a local MPCS branch for the food stipulated on the voucher. The costs associated with procuring and supplying the food were therefore based on MPCS's costs, which are likely to be different from the commercial sector—although it is not clear whether they would be higher or lower—and lower than the direct delivery costs of an NGO or of the WFP. The food transfers were supposed to take place every two weeks, but in fact over the 12-week period only one or in some cases two distributions were made, providing all or half of the food allowance for that period. This deviation will have reduced the staff and transport costs associated with the food delivery but no analysis of the cost implications of this change, or estimates of the costs that would have been incurred if the food delivery had gone as planned, have been made. The implications for beneficiaries of receiving one or two deliveries seems to have been higher transport costs, although it is not clear whether the cost to beneficiaries of transporting (as planned) less food more often would have been higher or lower overall.

The WFP did not break down the elements that went into their calculations of the estimated costs for both types of transfer. It is therefore impossible to judge whether the cost comparison is a fair one. However, the exclusion of the WFP staff costs from the calculation may have led to an underestimation of the cost-efficiency advantages of cash transfers as opposed to the direct delivery.

The joint report of the WFP and its partner Oxfam notes the following regarding cost-efficiency (described as the cost of delivering the transfer relative to its value) and cost-effectiveness (the ratio between costs and outcome/effects):

*The cash disbursement system was more cost efficient, (5% cheaper) than the food system in all geographical areas. This cost efficiency calculation considered the costs to WFP of providing cash and food assistance (calculated as a cost per beneficiary), and the value of the cash and food assistance to the beneficiaries. Expenses related to logistics including local and external transportation, handling and storage were considered but not WFP human resources from any department. The greater cost efficiency, when calculated in this way, was largely due to the efficiency of the Samhurdhi bank system and the high cost implications of moving food. It is likely that when staff costs are considered, the cost-efficiency of cash will be more pronounced. However, this should not be taken as a blueprint for cost efficiency in other contexts, where the cost of delivering cash might be higher due to security considerations or inflation.*

*The cost effectiveness of food was higher in the east, areas where **the security** was deteriorating, markets and banks were poorly accessed and where market prices were prone to higher fluctuations. Conversely, the cash was more cost-effective in areas characterised by good market and bank access and lower market price fluctuation. Lack of unfavourable price variation maintained the food 'value' of the transfer.*

*Neither food nor cash transfer reflected beneficiary transportation costs, nor, significantly, did cash amounts compensate for price fluctuations. Allowances for these costs should be considered as they could affect cost efficiency (joint report of the WFP and Oxfam, 2006, section 3.5.)*

The key advantages noted for the CTPP beneficiaries related to efficiency, reliability, dietary diversity, and so on, which fall under the 'effectiveness' side of the equation. Another surprise in the evaluation report was that 'quality' did not come out as a big difference between the two groups—a surprise because the WFP's earlier general food distribution reports noted poor quality food (Aheeyar 2006a).

The evaluation seems to have paid inadequate attention to the disadvantages normally associated with food relief, and focused more on the disadvantages normally associated with cash transfers.

The studies discussed above clearly demonstrate that assessing the cost-effectiveness of cash transfers is an area where agencies must improve in the future. Greater transparency is needed to make it possible to compare not only cost-efficiency but also cost-effectiveness. Ignoring the costs to the beneficiary of transporting food home is a weakness, and excluding staff costs from the comparison is misleading—particularly because the efficiency of cash transfers is often increased by the use of commercial financial institutions. The following points summarise the issues raised in this section:

1. Cash transfers are *likely* to be more efficient than in-kind transfers and the lack of reliable analysis fails to provide much-needed evidence of this advantage.
2. The utility of the assistance provided to the beneficiary should also be taken into account: i.e. its value includes not just what is given to the beneficiary, but also what the assistance can buy and what is retained—an issue for both food and cash transfers; the losses incurred in exchanging the food for a preferred food—in the case of food relief—and in transporting the food home—for both groups; and the quality or quantity of the food consumed as a result of the transfer.
3. The other positive consequences of providing cash should be taken into consideration—those that lie outside the food security objectives. For instance, ‘added value’ and the ‘multiplier effect’ are often mentioned by beneficiaries but rarely measured. Cash beneficiaries may be able to meet food needs with the cash transfer and, in addition, make strategic investments that have beneficial knock-on effects. The methods for estimating these kinds of effects require some consideration but some may be relatively straightforward.

#### 4.9. Skills, capacity-building and institutional mandates

What do agencies need in terms of human resources—both numbers of staff and competencies—to be able to undertake cash projects? The early cash transfers of many agencies encountered problems because they had insufficient finance staff. Additional cashiers dedicated to the cash projects would have been useful, and many agencies’ administrative or finance departments may have found it difficult, and required additional support, early on to establish systems for cash transfers because they were an alien concept. Who should lead on cash-transfer responses to major disasters?

The skills and knowledge needed for cash transfers may be somewhat different to those required for in-kind transfers. However, agencies should ensure that, in an emergency response setting, they have sufficient of each because it is likely that their programmes may need both types of transfer. A number of key points have emerged from the tsunami experience:

- Dedicated finance staff are needed early on for large-scale cash transfers. This would include a finance manager and cashiers, who would take responsibility for designing, managing and monitoring the cash transfer process.
- In-kind distributions require capacity and expertise in commodity procurement, administration and logistics, and transportation. Some of these skills may be transferable to cash transfers but additional skill sets will be required.
- Cash transfers require expertise in market analysis, finance and administrative systems, and knowledge of the private financial sector. Cash transfers, particularly because they are new, should be managed by those with the ability to adapt and modify their approach according to new information, constraints or opportunities. The manager should also be experienced at institutionalising learning. Advocacy skills are usually extremely useful in connection with cash transfers.
- Both types of transfer require gender awareness, commitment to transparency and accountability, concern for vulnerable or marginalised groups, database skills and analytical skills.
- Agencies with a background in large-scale in-kind transfers should consider providing retraining opportunities for those staff whose skill sets are not adapted to cash transfers.
- In some cases it may be better to hire a separate team for cash transfers and move in-kind transfer specialists to areas where the focus is not on cash transfers.
- Participation by communities in the design phase is essential and agencies need the capacity to undertake participatory planning exercises and to involve important local stakeholders.

#### 4.9.1. Institutional mandates

Cash transfers cut across many sectors but cash-related issues were rarely considered by coordinating agencies or sectoral working groups. In future, these groups should consider cash transfers explicitly alongside in-kind approaches. Many of the issues are similar, but some are particular to either cash or in-kind transfers and therefore warrant attention. These working groups should be made responsible for: determining the contexts in which, and areas where, cash may be appropriate; determining the advantages and disadvantages of either approach; identifying assumptions about, and the risks associated with, each approach; and for ensuring that there is adequate monitoring and evaluation of, and learning can take place from, these interventions. There is thus also a need for an emergency response coordinating agency to take responsibility for ensuring the appropriate use of cash generally across all sectors and across all agencies. The UN and other agencies that could take on this role include the UNDP/UN Office for the Coordination of Humanitarian Affairs (OCHA) and/or the United Nations High Commissioner for Refugees (UNHCR) / International Organization for Migration (IOM), but these agencies would also need to develop their capacity and policy frameworks in the area of cash interventions.

## 5. Conclusions and Recommendations

The ODI Tsunami cash learning project has documented the use of cash in a wide variety of interventions. The case studies have highlighted a great deal of useful innovation and the project has helped to draw out learning about cash in general to improve future programmes. An important consequence of the tsunami response was the direct experience of cash transfers among an ever-growing number of agencies, which means that cash and voucher transfers in emergencies will increasingly be seen as a standard response to specific contexts and situations.

There have not been any disastrous cash transfers but agencies have learned how elements of their interventions could have been improved. There have also been some important successes, and credit should go to the staff of those agencies that implemented innovative and successful cash transfers, and also to those who designed them and set them up.

In conclusion this chapter summarises the successes of tsunami cash transfers and highlights some of the innovation that has developed the thinking behind cash transfers. It identifies where more use could have been made of cash, and outlines a number of improvements that could be made to cash transfers in the future.

*Successes and innovations* noted in tsunami cash projects include:

1. The large-scale and rapid cash transfers organised by the governments of India and Sri Lanka were critical to assisting the affected population quickly and effectively. Cash was provided for a range of needs, and the early one-off grants and monthly stipends helped households gain access to food and non-food items and services. Compensation was paid to the relatives of those who had died, and to those who had been disabled by the tsunami, and in Sri Lanka people were given help for funerals. These two governments also provided cash assistance to replace assets and for shelter.
2. The government of Sri Lanka required every individual to open a bank account and this made transferring the assistance efficient and effective. The government of India disbursed cash directly, quickly and with no reports of diversion.
3. Food insecurity after the tsunami was addressed by the use of cash and vouchers by three of the main players in food aid: the WFP in Sri Lanka, and CARE and SC (US) in Aceh. While the pilot projects took a relatively long time to set up, they were extremely important in demonstrating the effectiveness of cash/voucher transfers to achieving food security objectives in emergencies. In Sri Lanka, the WFP's pilot project demonstrated its commitment to strengthening capacity in cash-based

food insecurity responses, perhaps suggesting the need for a broader mandate in future emergencies where the agency is able to programme both cash and food. CARE's pilot demonstrated how a cash/voucher transfer can facilitate the provision of a *higher level* of assistance to food insecure households at a *lower* cost, and how the cash/voucher approach also supports the recovery of traders. In the areas of Sri Lanka where food markets were accessible, beneficiaries strongly preferred cash transfers. During future emergency responses, the WFP, SC or CARE could provide cash and vouchers in areas where markets have recovered, and food only, or food and cash, in areas where cereals are not available in markets but other commodities are.

4. Cash for work projects were implemented by most organisations. Highlights include efforts by some agencies to encourage savings (World Vision, Sri Lanka and NESAI in India), which demonstrated that the emergency response phase was an appropriate time to help people look to the future. Involving marginalised groups in cash for work projects and helping women to understand their right to equal pay for equal work was also a focus of NESAI's cash for work project in India. Mercy Corps in Aceh and others demonstrated how to move from cash for work to long-term labour-intensive employment programmes; output-based pay was an important modification for workers as well as implementers. Cash for work projects did not generally distort labour markets—most labour markets were themselves decimated by the disaster—and in some cases agencies' field teams were sufficiently sensitive to local business recovery to suspend cash for work projects or otherwise limit employment opportunities.
5. The policy of Mercy Corps in Aceh of supporting the recovery plans of disaster-affected households was exemplified by its community cash grants project, where disaster-affected communities were helped to draw up community recovery projects or address individual household needs. This kind of unconditional cash transfer is rare among NGOs.
6. Cash grants for livelihoods recovery were notable for their problems but the decision by the BRCS in Aceh to provide the same level of grant to all households regardless of what they had lost was an innovation that seems to have respected key programming principles such as impartiality. It was also potentially a lot simpler to implement—and therefore more appropriate for a relief organisation. Mercy Corps successfully supported livelihoods and business recovery by making clear the distinctions between the two—cash grants for the recovery of income generating activities, and loan guarantees for medium and large businesses. A project supported by the FDC built on learning that had gone on in livelihoods recovery programmes with a training programme for microfinance professionals and NGOs geared towards improving the preparedness to react to emergencies of microfinance development programmes.

7. In the shelter sector innovation was demonstrated by UN-Habitat, an agency which supported the rebuilding of homes through cash transfers to groups of families, and in Sri Lanka the government led the adoption of a cash for shelter approach throughout the country based on a model developed within the World Bank's pre-tsunami conflict recovery programme. Only one organisation offered a choice between cash and in-kind assistance—the BRCS in Aceh—although one manager thought that the amount offered for the cash option was too low to represent a real choice and beneficiaries probably realised that the budget would not cover the costs of the house that would otherwise be built for them. Helvetas and the SDC demonstrated the importance of providing economic support to families who hosted displaced people. In Aceh, the SDC's survey found that the average host family comprised four members, and that it hosted an average of six individuals. These projects demonstrated an appreciation of the *reality* of hosting—that it allowed long-term displaced families a degree of normality and a 'normal' family environment. Rather than *undermining* traditional support systems it could be argued that they represented *solidarity* with host families.
8. Two agencies included orphans as a category for support using cash grants. UNICEF Aceh's pilot was implemented through the UNICEF-supported child care centres, a network run by the ministry of social welfare. These pilots were established to support families caring for orphans and single parent families—to reduce the risk of secondary separation. Research planned by SC in Aceh will specifically explore the extent to which economic constraints influence the tendency towards institutional care for vulnerable children after major disasters.
9. An innovative project to support the recovery of labour-poor households through cash transfers was designed by a consultant for Save the Children in Sri Lanka. It tackled the constraints on recovery among poor households that are ignored by most other agencies—extremely vulnerable households lacked active members and were missed by most recovery support options. How would these families make ends meet until their children grow up and start to earn an income? How could the children be helped to obtain a decent education until that time? The proposal (Schubert 2005) came up with the idea of investing a large capital sum with a national bank. Each beneficiary household would live off the interest until the children reached adulthood. The proposal is currently being considered by SC.

Although the number of cash transfer projects was relatively high, *cash could have replaced in-kind assistance* in many more instances.

1. Cash could have replaced the general food distribution in many areas of Aceh and Sri Lanka relatively soon after the disaster. The question is, how soon can cash replace food relief, and what are the necessary preconditions? Would it make sense in many—if not all—major disasters for a combined approach to be the standard response rather than the exception? While CARE's pilot

project in Aceh demonstrates that a cash/voucher transfer is appropriate in areas where markets have recovered, more use could be made of a cash/voucher approach in areas where markets are starting to recover. In some areas a cash transfer could even *trigger* market recovery if support were provided to traders. However, agencies need to develop their capacity for market support initiatives, or to link with agencies with the necessary expertise.

2. The early supplies of non-food items were well targeted and necessary in many areas. However, few INGOs considered providing cash for the purchase of these items. Many such items had been ordered from stocks kept in warehouses abroad but some were purchased 'locally'. The logistical, administrative, and human resource costs of direct distribution should not be underestimated. Key staff were being used to hand out goods rather than to raise awareness, develop capacity, advocate, inform and facilitate. Clothing is a particular example of a category of items where the provision of cash to beneficiaries, and linking traders with these communities, would have met needs far more effectively and sensitively than the distribution of bags of second-hand clothes. One INGO was saddled with thousands of pairs of designer footwear of extra large sizes, while the local preference was for slippers and sandals rather than for sports shoes. Items that cannot be used take up valuable space in warehouses, which costs money and creates bottlenecks that hinder the supply of items that *are* needed and that are not available locally.
3. Mercy Corps' unconditional cash grants met a very real need at a relatively early stage in the recovery—particularly useful because the government's cash transfer was poorly targeted and unreliable. More consideration of this type of approach would be useful in the future where people have an unmet and urgent need for a range of items that are available in the market. However, agencies need to work out a reliable and safe system for such transfers in each context.
4. Cash could have been used more to help labour-poor households. Most of the early cash assistance was through cash for work and there was rarely a plan to assist labour-poor households. Later cash transfers were limited to support for livelihoods recovery. Considering that one of the two major objectives of CFW projects at the early stage is to put cash into people's pockets, the exclusion of the most vulnerable is of serious concern. Providing cash grants to heads of labour-poor households—equivalent to the average income earned by other households—would address this issue without forcing social solidarity to meet the needs of such vulnerable households: expecting an overstretched and overburdened disaster-affected community to share their meagre earnings is unrealistic. Other ways of helping labour-poor households should be routinely considered—particularly those which link these households with existing safety nets. Deshingkar notes that many marginalised households in India were eligible for a number of benefits but were unaware of this fact (Deshingkar 2006).

5. Cash could have been used more for some shelter programmes, particularly to support host families. The jury is still out, however, on cash transfers for rebuilding. The findings of the evaluations of UN-Habitat's project in Aceh, the government scheme in Sri Lanka and others such as that of the BRCS in Aceh, which opted for an in-kind approach, will have to be published before the implications of a cash-based approach to providing shelter can be fully understood.
6. Cash could have been used much more instead of supplying assets for livelihoods recovery. Concerns that led some agencies to provide assets in-kind may have been related to the desire to provide high-quality and appropriate items, but experience showed that cash transfers were likely to be superior to in-kind transfers for these very reasons. It is common sense that the business owner is a better judge of quality and appropriateness than a field officer or procurement officer working for an NGO. Some agencies' policies prevented them from supplying cash (e.g. the FAO and World Vision) and this meant that they were also unable to supply much needed start-up capital. There may be some commodities for which in-kind transfers might be more appropriate, although no agency has identified specific items in this category.

*How could cash have been used more effectively? What could agencies have done differently?*

1. Cash could have been used more effectively if implementing agencies had trusted people more to use the cash 'wisely'. Some agencies introduced what turned out to be draconian control systems inhibiting the ability of beneficiaries to meet their own priorities freely. This delayed recovery, wasted the time of field staff and negated the potential advantages of a cash transfer.
2. The government of Aceh's JADUP cash transfer might have been more effectively programmed if the government had been assisted with designing an efficient and transparent registration, cash transfer and reporting system.
3. Cash for work projects might have been more efficient—and better for both workers and implementers—if agencies had adopted an output-based payment system, which would have helped workers by giving them flexibility over their working hours. Such systems should take into account different levels of ability.
4. Cash transfers for livelihoods recovery would have been more effective if agencies had provided a more realistic level of support, that is, providing the full amount required to engage in a viable enterprise rather than cash for only a proportion of the assets needed. Cash grants should have covered start-up and running costs until the break-even point was reached. Cash grants would have been far easier to implement—and the approach more commensurate with the capacity and expertise of relief agencies—if a standard level, of sufficient value, had been provided across the board to all tsunami-affected households regardless of what had been lost or what the household planned to purchase.

5. The livelihoods recovery cash transfers would have been more effective if there had been greater collaboration between relief agencies and microfinance agencies to find a mechanism to address people's needs for grants without damaging the long-term prospects for microfinance. Furthermore, if relief agencies had made more use of commercial finance transfer companies (such as banks or the post office) to transfer cash (or to open accounts to pay the cash into), beneficiaries would have benefited from the establishment of a formal link with these institutions, and the implementers would have saved time on making cash transfers that could have been devoted to other aspects of their recovery support work.

*What factors influence the use of cash?* Which factors, apart from market analysis, make agencies more or less likely to use a cash-based approach?

A number of factors were found to make it more likely that an agency would implement cash transfers. For instance, in some agencies there was a 'driver'—someone with confidence in and experience of using cash-based approaches, or a genuine interest in testing the use of cash. Second, some agencies already had a clear advocacy strategy defining the rationale for using cash where appropriate. Third, the use of cash was more likely if there was buy-in from donors, governments and other agencies. TAFREN in Sri Lanka and the Sri Lankan government supported cash transfers early on and so the WFP's cash transfer pilot project was not resisted. Fourth, if an agency's national representatives engaged with government, donors and multi-agency working groups to advocate cash transfers where appropriate, there was more likelihood that the initiative would be supported.

Factors that inhibited the use of cash transfers included rigid national or international agency policies that preclude the use of cash, and the reluctance of programme managers on the ground to challenge such policies. Donor preferences for in-kind transfers should not go unchallenged and agencies should be careful not to overestimate donor awareness about cash transfer options—some might simply not appreciate that there is an alternative to in-kind transfers. The fears and negative assumptions about cash are also factors that emphasise the importance of evidence-based advocacy, which draws on post-disaster market assessments as well as experience from elsewhere. Workshops which enabled agency staff to meet and learn proved popular in the tsunami recovery, during which managers shared problems, successes and ideas. Institutional mandates and the business interests of agencies are also important. Agencies that have specialised in commodity procurement and supply might be reluctant to lose what is effectively business turnover, and they may face challenges in transforming their structures and reskilling existing staff. Government policy is critical. Governments are increasingly being pulled into a global cash economy but their domestic policies may favour in-kind transfers and subsidies. Finally, beneficiaries themselves might not welcome a cash transfer. Those who have only

known food relief, for instance, will be unlikely to suggest a cash transfer. Similarly, people who want a lost asset to be replaced are likely to ask for that asset, and to be happy to give specifications. They usually have no way of foreseeing what is too often the end result—that the replacement will be inappropriate (e.g. the wrong type, size, colour, weight, material, sex).

Future cash transfers will be greatly enhanced if the following issues are addressed:

- Tools should be developed and used to assess markets. In many contexts a quick market assessment is sufficient to determine whether there is an assured supply of particular items in the local market to meet need. Many agencies currently lack the capacity or tools to carry out even this simple type of market assessment. In some contexts a comprehensive market assessment, such as that conducted by ICASERD 2005, might be needed. However, the capacity to interpret and make use of such assessments must also be developed. The findings of the ICASERD study did nothing to influence most agencies to change food aid policy in Aceh or adopt a cash/voucher approach in some areas. Moreover, these studies should identify specific options for market support that would enhance the use of cash transfers and promote the use of cash to help markets to recover.
- Donor funding should be unconditional where possible, rather than linked to sectors, or at least incorporate the objective of supporting the strategic purchases identified by disaster-affected households. Funding should be separated from the trade interests of the donor country, and donors should require agencies to assess cost-effectiveness in programme evaluations, and to undertake cost-benefit analysis for different options for planned resource transfers.
- Donors should ensure that sufficient funding is available for those agencies willing to programme cash where appropriate—this is particularly relevant for donors who fund food assistance programmes.
- A method of risk analysis is required that weighs up the pros and cons of providing both cash assistance and in-kind assistance—identifying the risks of each, and strategies to reduce such risks, but also their advantages.
- Clear anti-corruption policies and systems are needed that are commensurate with the in-country risk (e.g. refer to Transparency International’s ‘Corruption Perception Index’).
- Monitoring systems are required that distinguish between post-distribution monitoring information requirements, process monitoring, impact monitoring and compliance monitoring or tracking.
- Databases are required to facilitate the tracking of cash transfers.
- Simplified systems for cash transfers are needed that allow a quick response after a disaster, such as unconditional one-off lump-sum cash transfers.
- Mechanisms are required that allow the participation of local NGOs and local communities in all phases of the project cycle—but particularly the planning phase.

- There is a need for increased collaboration with the private sector where relevant as well as improved collaboration between agencies that provide grants for livelihoods recovery and microfinance institutions that provide loans.
- The disaster management cycle should be incorporated into development programme plans—with particular attention paid to cash.

It is hoped that the rich diversity of cash transfer experiences will be thoroughly evaluated, and that learning will be consolidated and integrated into future emergency responses.

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## Annex 1: Links and resources

### GUIDELINES and RESOURCES

Adams and Harvey (2006) *Learning from cash responses to the tsunami:*

Issue Paper I: Analysing markets

Issue Paper II: Disbursement mechanisms

Issue Paper III: Setting the value

Issue Paper IV: Cash and shelter

Issue Paper V: Livelihoods Recovery

Issue Paper VI: Monitoring and Evaluation

Adams and Winahyu (2006): Tsunami cash transfer case studies

Creti P. and Jaspars S. (2006). *Cash Transfer Programming in Emergencies* Oxfam GB

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### WEBPAGES

CGAP (Consultative Group to Assist the Poor) is a multi-donor initiative focused on microfinance [www.cgap.org/portal/site/CGAP/menuitem.952c62c139b72d1eae6c6210591010a0/](http://www.cgap.org/portal/site/CGAP/menuitem.952c62c139b72d1eae6c6210591010a0/)

General website for humanitarian information for tsunami responses in Aceh and Nias [www.humanitarianinfo.org/sumatra/](http://www.humanitarianinfo.org/sumatra/)

Humanitarian Accountability Partnership—International. [www.hapinternational.org/en/](http://www.hapinternational.org/en/). HAP—l's goal is 'making humanitarian action accountable to beneficiaries'

ODI's cash learning project: Resources/reports on cash transfers in emergencies worldwide [www.odi.org.uk/hpg/Cash\\_vouchers.html](http://www.odi.org.uk/hpg/Cash_vouchers.html)

- ODI's tsunami cash learning project: [www.odi.org.uk/hpg/Cash\\_vouchers\\_tsunami.html](http://www.odi.org.uk/hpg/Cash_vouchers_tsunami.html)  
Resources/reports on tsunami cash transfers
- Red Cross Code of Conduct (standards of behaviour for humanitarian Organizations) [www.ifrc.org/publicat/conduct/code.asp](http://www.ifrc.org/publicat/conduct/code.asp)
- Red Cross movement: values guiding programming [www.ifrc.org/what/values/index.asp?navid=04\\_02](http://www.ifrc.org/what/values/index.asp?navid=04_02)
- Microfinance Gateway: Resources [www.microfinancegateway.org/](http://www.microfinancegateway.org/)
- Sphere project handbook [www.sphereproject.org/content/view/27/84/lang,English/](http://www.sphereproject.org/content/view/27/84/lang,English/)
- Minutes from ODI's cash conference, Jan 2006 [www.odi.org.uk/hpg/cashconference.html](http://www.odi.org.uk/hpg/cashconference.html)

## Annex 2: Currency conversions

The tsunami project covered the period January 2005 to March 2006. For ease of reading, an average exchange rate for all currency conversions (the average rate for US\$1 of each currency over the period) is used in this report (see the final line in the table below). The international currency code acronyms [US\$] are used throughout all ODI Cash Learning Project publications, unless original sources have used the locally accepted acronym (e.g. Rs. or rupees in India or Sri Lanka, and Rupiah in Indonesia).

	IDR/\$ (Indonesia Rupiah)	INR/\$ (Indian Rupee)	LKR/\$ (Sri Lankan Rupee)
Jan-05	9,236	43.72	100.38
Feb-05	9,256	43.70	99.49
Mar-05	9,383	43.71	99.56
Apr-05	9,557	43.76	99.77
May-05	9,492	43.53	99.91
Jun-05	9,629	43.64	100.00
Jul-05	9,813	43.57	100.36
Aug-05	9,989	43.63	100.84
Sep-05	10,265	43.94	101.50
Oct-05	10,109	73.19	101.61
Nov-05	10,048	45.70	102.00
Dec-05	9,869	45.70	102.37
Jan-06	9,488	44.42	102.32
Feb-06	9356	44.33	102.30
Mar-06	9170	44.45	102.77
<b>AVERAGE</b>	<b>9,641</b>	<b>44.17</b>	<b>101.01</b>

Source: OANDA.com

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