



State of evidence on humanitarian cash transfers

Background Note for the High Level Panel on Humanitarian Cash Transfers

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This background note provides a brief summary of the evidence base on humanitarian cash transfer programming.¹ It outlines the types of evidence on cash transfers, findings on key issues and gaps.

It is useful to situate this discussion within broader reflection about evidence on ‘what works’ in humanitarian response. In the last two decades there has been increased attention to building evidence on humanitarian assistance, which has coincided with a focus on professionalising the humanitarian sector. Aid agencies are developing research and evaluation capacities internally and through partnerships with universities, think tanks and research institutions. Several universities have developed master’s programmes on humanitarian assistance. Networks dedicated to learning and evidence have been established, including the

Humanitarian Practice Network (HPN), the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP), and Enhancing Learning and Research for Humanitarian Assistance (ELRHA).

However, there are challenges to getting ‘good’ evidence in humanitarian settings. Research and evaluation of humanitarian action often occur in data-poor, complex and insecure environments, where physical access is constrained, populations are mobile and where aid agencies lack incentives to highlight weaknesses (Knox Clarke and Darcy, 2014). Understanding the impact of humanitarian assistance entails teasing out its role compared to other factors that affect how people deal with and recover from disaster, such as help received from family members or a harvest of crops. A further challenge is that there is sometimes a disconnect between evidence – on how people are affected by a disaster and effective ways to assist them – and decision-making about how aid agencies respond, individually and collectively. None of these issues negate the important role evidence can play in humanitarian response, but rather highlight that

¹ This background note focuses on cash transfers provided as relief and not the use of cash transfers for social protection and poverty reduction, though this distinction is sometimes blurred in contexts with protracted and repeated humanitarian crises.

there are practical constraints related to how it is generated and used.

What does the evidence base on humanitarian cash transfers look like?

The increasing use of cash transfers in the 1990s and 2000s as part of social assistance programming and in humanitarian aid started to generate considerable evidence from monitoring, evaluation and research activities. The rigorous evaluation of cash-based social assistance programmes in Latin America (notably *Progresa* and *Oportunidades*) provided a solid evidence base that cash transfers could form an effective and appropriate part of social protection strategies to alleviate poverty.

At the same time the use of cash in humanitarian settings was growing, and evidence began to be produced about its role, effectiveness and impact. This does not mean that the use of cash or the academic case for it was completely new. Sen's *Poverty and Famines* (1983) provided the theoretical foundations for cash-based responses, pointing out that in many contexts famines were caused by a lack of access to food even when it was still available in local markets. Dreze and Sen's *Hunger and Public Action* (1989) noted the long history of cash as part of famine response in contexts including India and Botswana and made a strong case for its appropriateness.

The first review of humanitarian cash transfer programming by international aid agencies was published in 2001, compiling the so-far limited experiences in responding to natural disasters (Peppiatt et al., 2001). Building evidence on cash transfers in emergencies began in earnest following the 2004 Indian Ocean tsunami. At that time several aid agencies piloted cash transfers as an alternative to food aid. While there are some examples of cash being provided as a form of relief assistance prior to that, such as UNICEF's assistance in Ethiopia in the 1980s and cash-for-work programmes, distributing money was a new approach for humanitarian agencies and donors. This led to a strong focus on gathering evidence on whether cash transfer programming could work and what it achieved compared to other approaches. Most studies and evaluations have been commissioned by donors, UN agencies (the World Food Programme in particular) and NGOs – including the Cash Learning Partnership, a network of NGOs dedicated to building capacity and generating lessons on cash transfer programming. Most research and evaluation

has focused on 'proof of concept' – establishing that cash transfers could be used as a substitute or complement to in-kind aid. Several studies using a randomised control trial (RCT) design have compared cash with other forms of aid.

The bulk of evidence takes the form of more than a hundred evaluations and reports on humanitarian programmes that gave cash to people. The quality of humanitarian evaluations in general is uneven, although humanitarian agencies' and donors' focus on learning about cash transfers has perhaps raised the bar in some cases. Aid agencies have also designed pilots comparing cash and food aid. In some cases they collaborated with research institutions and think tanks to evaluate these, such as those done by the Institute for Development Studies in Swaziland and Lesotho in 2008. Most evaluations look at the results of humanitarian programmes providing cash-based assistance and do not draw direct comparisons between cash and other types of aid.

Humanitarian agencies and donors have commissioned studies and reviews on gender, protection, cash delivery mechanisms, technology, value for money and nutritional impacts of cash transfers. Transferring cash via smart cards and mobile phones has received much attention recently, stemming from experiences in Pakistan (2010), Haiti (2012) and Lebanon (2014). Key publications synthesising evidence and experience from evaluations and studies are Harvey, 2007; Harvey and Bailey, 2011; Bailey, 2015; Cabot-Venton et al., 2015.

Research on humanitarian cash transfers has been methodologically diverse and has included in-depth qualitative work and RCT approaches. The bulk of the evaluative evidence draws on a combination of quantitative survey evidence from monitoring data and qualitative interviewing. RCT studies have compared different forms of assistance (mainly cash and food aid) and different ways of transferring cash (via mobile phones or envelopes).² Several were done by the International Food Policy Research Institute (IFPRI) for the World Food Programme to analyse the benefits and costs of cash and food aid (and vouchers in one instance). Impact evaluations have compared recipients of cash transfers with non-recipients to determine impact (Lehmann and Masterson, 2014).

² See Aker, 2012; Aker et al., 2011; Gilligan et al., 2013; Hidrobo et al., 2012; Hoddinott et al, 2014; Schwab et al., 2013; Sharma, 2006

What does the evidence say?

The main headline is that cash can be effective at meeting the needs of people dealing with the impacts of crisis and disaster, as a substitute or complement to in-kind aid. But it is not appropriate at all times and in all places. Markets need to be functioning or able to recover quickly enough that an injection of cash will prompt traders and shopkeepers to make goods available. There need to be ways to get cash to people that take into account the risks in different settings. Studies using randomised methods have generated broadly similar conclusions as studies using other methods.

How is cash spent?

Perhaps unsurprisingly people tend to spend the additional income from cash transfers on the goods and services that they most need, which varies among individuals and contexts. Food and debt repayment are common uses, as is shelter following natural disasters that destroy infrastructure. Cash is often spent on a wide range of goods and services. In the Philippines following Typhoon Haiyan, for example, people reported using the cash for food, shelter, agricultural inputs, medicine, school fees, sharing, debt repayment, clothing, hygiene, fishing equipment and transport (Cabot-Venton et al., 2015). When cash is received in multiple instalments, how the additional income is used may change over time. In response to the 2011 Somalia famine, for example, cash mainly went to food and debt repayment, but the proportion spent on other items increased in later transfers (Longley et al., 2012).

In response to concerns that cash could be spent anti-socially (on goods such as alcohol or tobacco) or on arms, dozens of evaluations and studies have asked whether people tend to spend money responsibly. There has been very little evidence to date of anti-social expenditure with people overwhelmingly buying what they most need and not spending cash on alcohol or tobacco. There is still a need for caution around this finding: the fungibility of cash means that grants may free up other income to be spent anti-socially and people are unlikely to tell survey enumerators about anti-social spending. However, these findings are consistent with those from social protection cash transfer programmes, and more in-depth qualitative and RCT approaches have not found evidence of significant abuse (Evans and Popova, 2014). There are inevitably some exceptions, because there are irresponsible people in the world, and disasters and

crises do not change that. Doubts that recipients would use assistance wisely suggest some troubling biases within the international humanitarian community about how they view the people that they assist.

Preferences

People affected by disaster often prefer cash to other forms of aid, but not universally (see for example Berg, Mattinen and Pattugalan, 2013). Preference for one type of aid over another can be influenced by the perceived value of the assistance, market volatility and bias towards the type of aid people are used to receiving. There are several reasons why cash might be preferred. People can use it to buy the types of goods and services that they need, unlike other forms of aid. They do not need to sell it to buy the type and quality of goods they prefer. There is also an aspect of dignity – both in the choices it provides and in how it can be provided. Using an ATM or getting cash on a mobile phone is more dignified than queuing for a sack of maize. People experience devastating repercussions from disasters and their options on how to deal with these are constrained. While it would be a stretch to say that assistance is empowering in those circumstances, recipients commonly report that cash provides a sense of normality.

Consultations with recipients of humanitarian aid in the Middle East, conducted for the World Humanitarian Summit, painted a stark picture of how aid agencies are perceived. When asked if aid agencies were meeting their priority needs, interviewees gave an average of 3 out of 10 points (Redvers, 2015). This shows that humanitarian agencies must increase their accountability and be better at supporting people in appropriate ways. Cash transfers might have a role to play in addressing this weakness by enabling people to access the goods and services that they need most, rather than those that aid agencies choose for them.

Effectiveness and impact

Studies and evaluations have established that humanitarian cash transfers can be effective at achieving a wide range of aims – such as improving access to food, enabling households to meet basic needs, supporting livelihoods and improving access to shelter. Cash allows for savings and can help families smooth their consumption (Hidrobo et al., 2012). People tend to increase the amount and diversity of foods that they eat (Bailey and Hedlund, 2012). Cash can reduce the extent to

which households resort to negative strategies to meet needs, such as dietary restrictions, child labour and dangerous work (Lehmann and Masterson, 2014). In Uganda, cash transfers even reduced children's anaemia (Gilligan et al., 2013). Impacts have also been reported on social capital, as people are able to repay debts, host others and contribute to ceremonies (Slater and Mphale, 2008).

A key question, though, is whether cash is better at achieving these benefits than other forms of assistance. The answer, though perhaps unsatisfying, is that it depends on the context, on the needs of those assisted and on the specific benefits being examined. Several studies have found cash to be more effective than food aid at improving diet quality, but there are exceptions. There are also trade-offs between what different forms of aid achieve (see Hoddinott et al., 2013; Bailey, 2013). When aid agencies give in-kind aid or vouchers for a specific purpose – for example to increase consumption of fresh foods – cash may be less effective at achieving those objectives since people can use the money according to their own priorities and not those of the aid agency. Where cash brings particular added value is as a flexible tool to improve household welfare and meet needs according to people's own choices (Cabot-Venton et al., 2015).

It is important to keep in mind that the type of transfer (cash, vouchers or in-kind) is only one element that influences the impact of humanitarian aid. How an intervention is designed and implemented plays an important role – including the value of assistance, who is targeted, how it is coordinated and the quality of implementation.

Targeting

Targeting, meaning the process of determining who should receive aid, is one of the hardest tasks in any humanitarian response. Comprehensive data on households is often lacking and powerful individuals may attempt to influence the process. Experience with cash transfers suggests that targeting cash is not much more problematic than targeting in-kind. To the extent that the desirability of cash has made targeting marginally more challenging, this has not posed a fundamental problem (Harvey, 2007, Peppiatt et al., 2007).

Market impacts

Humanitarian interventions can affect local markets by injecting cash or in-kind goods, and markets need to be considered when choosing and planning humanitarian responses. Concerns that cash

injections would cause inflation generally have not been realised, though there are exceptions in cases when markets are not well connected and when people purchase similar goods amidst limited supply. Cash transfer interventions have had positive impacts on markets through multiplier effects and supporting local businesses, but this is not well-documented. An exception is a study on the multiplier effects of a cash intervention in Malawi that found that, for every dollar transferred, it passed through an average of 2 to 2.45 economic agents or individuals in the local area before leaving it (Davies, 2007). WFP also conducted economic impact studies of its voucher interventions for Syrian refugees in Lebanon and Jordan (WFP planned to distribute more than \$600 million in vouchers in 2014). It estimated that these programmes could have up to \$230m in indirect benefits (Husain et al., 2014; WFP, 2014). If cash transfers were provided, the magnitude of indirect benefits would likely be similar but distributed over a broader range of actors and sectors (Pongracz, 2015).

Cost and value for money³

It is usually cheaper to get money to people than in-kind assistance because aid agencies do not need to transport and store relief goods. However, the overall efficiency of cash, vouchers and in-kind aid depends on the prices of goods that recipients purchase in local markets (compared to the prices at which they are purchased by aid agencies), which can vary significantly. For interventions with very specific objectives, such as those related to food access and nutrition, comparisons of 'cash versus in-kind assistance' may be relevant. At the same time, these comparisons may not examine other potential benefits of transfers that are outside the intended scope of the intervention, but that may nonetheless be important to individuals receiving assistance.

The fact that cash transfers provide access to a range of goods and services offers some unique advantages from the standpoint of value for money. By default, people who receive money use it for the goods and services that they value most, to the extent that these are available. Aid agencies cannot easily provide the precise equivalent of cash through in-kind approaches given the diversity of goods and services purchased and ones that lack equivalents, such as debt repayment, land rental and savings. Different aid agencies often distribute

³ This section draws from Cabot-Venton et al., 2015.

different types of aid. In theory, the individual cash transfer programmes of different humanitarian aid agencies could be consolidated.

Social safety nets

Social protection programmes that provide cash transfers to poor households are proliferating, including in countries where disasters routinely strike. This provides opportunities to better link short-term humanitarian responses with longer-term efforts to alleviate poverty. A key question has been whether safety nets can be used to deliver humanitarian cash transfers instead of creating parallel humanitarian systems. There are some promising examples. Following Typhoon Haiyan in the Philippines, WFP delivered cash transfers via a government safety net. When faced with an emergency in 2011, the Productive Safety Net Programme in Ethiopia temporarily brought in 3.1 million additional beneficiaries and extended the duration of transfers for 6.5 million existing beneficiaries (Slater and Bhuvanendra, 2014). However, there are important constraints on using safety nets for disaster response. Safety nets need to be in place and broadly reaching the same set of people who will be affected by a disaster (or have the capacity to bring on new households quickly). They should have measures for early warning, contingency planning and pre-positioning resources (ibid). Unless cash-based safety nets have been designed to provide assistance in times of crisis (and few have), using them for this purpose is quite challenging.

Security

There are evident concerns about giving people cash in situations of conflict and predatory political economies. Experience to date shows that ways can be found to deliver and distribute cash safely and securely even in places affected by conflict, such as Somalia and Afghanistan (Harvey and Bailey, 2011). In some contexts, security concerns that affect in-kind distributions may be significantly lower for cash because transfers can be delivered directly to recipients through banks, ATMs, remittance companies and mobile phones – as compared to more bulky and visible in-kind relief goods. Cash poses different risks to in-kind aid and both need to be evaluated on a case-by-case basis as part of determining the most appropriate response.

Corruption

Humanitarian efforts typically take place in contexts with weak rule of law, endemic corruption and immense need. They are vulnerable to corruption,

but there is no evidence of cash assistance being more or less prone to diversion than other forms of assistance. Some believe that electronic transfers in particular could reduce corruption risks through more transparent tracking. This is logical given that the greatest corruption risks for in-kind assistance are related to procurement, storage and transport (Ewins et al., 2006).

Gender

Concerns have been raised that cash transfers could disadvantage women by reducing their control over assistance in the household. Conversely, some have aspired to target women as recipients of money to empower them and give them more authority in the household. In practice there has been little evidence to support either scenario. The most consistent finding is that providing money can reduce stress and arguments between husbands and wives related to difficulties meeting household needs (Berg et al., 2013; Brady, 2011; Slater and Mphale, 2008). It is worth pointing out that aid agencies are not introducing people to the concept of money – men and women have been earning money and deciding on how to use it (together or separately, harmoniously or not) since long before humanitarian agencies decided to give them cash.

Gaps in evidence

Whether or not there are gaps in evidence is more a subjective question than an objective one. A ‘gap’ is the difference between the evidence available and the evidence needed, and there are different opinions on what is needed. Some believe the evidence base would benefit from more robust data comparing cash with other forms of assistance. Others observe that the quantity and (in several cases) the quality of evidence on cash transfers is significantly greater than most other humanitarian approaches, and that cash has been subject to a higher standard that does not apply to food aid. We believe that evidence and learning will continue to play an important role as cash transfers are used more often and at greater scale.

What does the evidence mean for programming?

Cash transfers are one of the most heavily researched approaches in humanitarian aid in the last two decades, perhaps second only to interventions to address malnutrition. The relative novelty of cash is certainly a factor in this, and there is responsibility to ensure that humanitarian aid is provided in a way that minimises risks and

maximises benefits to people affected by crisis. Ultimately, cash transfers challenge the way that humanitarian aid has been provided.

The evidence on cash transfers establishes that they can be an appropriate and effective response. This has played a key role in their acceptance by humanitarian agencies and donors (Ramalingam et al., 2009). Since the decision of whether cash is the optimum approach is specific to each context and depends on markets and risks, aid agencies and governments need the capacity and the incentives to analyse when cash is best and to use it when it is.

We believe that the question of whether cash transfers can work in disasters and crisis has been answered satisfactorily and that there are now two pressing lines of inquiry. The first is whether there are implications for the humanitarian system, given that cash challenges the main ways that humanitarian aid has been conceived, organised and delivered. The second is whether humanitarian actors are using cash to the extent that they should and in ways that maximise its potential. Amid great needs and limited resources, there is an obligation to bring fresh thinking and strategic recommendations on these questions ahead of the 2016 World Humanitarian Summit.

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