This background note aims to sketch out some of the key features of current humanitarian action and the role that cash transfers (giving people money) plays as one of the responses to supporting people in the face of disasters and conflict.

**Humanitarian action and the international humanitarian system**

Humanitarian action has a long history rooted in the universal impulse to help people survive disasters. Most responses to disasters are local – people help their neighbours, relatives send help to their loved ones, communities rally to help each other and national and local governments endeavour to assist and protect their citizens. When these local and national capacities have been overwhelmed and (usually) states request assistance, then international humanitarian action comes into play. This is sometimes described as a ‘system’ but represents a messy evolution of a complex web of organisations. The humanitarian system and its reach are larger than ever. The amount of international humanitarian aid has increased substantially in the last two decades and rose to a record $22 billion in 2013.

The main components of the international humanitarian system are donor governments, the United Nations and its implementing organisations (e.g. WFP, UNHCR, UNICEF), the Red Cross and Red Crescent Movement and international NGOs. Many have specific mandates and missions about the types of assistance that they provide and the people whose interests they seek to protect (such as children and refugees). These organisations aim to complement and sometimes substitute for national and local efforts to assist and protect civilians suffering the consequences of natural disasters and conflicts. International humanitarian action is coordinated through a system of ‘clusters’ organised along sectoral lines (e.g. food security, shelter, education), with the UN agency OCHA leading for the United Nations around coordination. This system is not without controversy. Some aid agencies do not want to be coordinated by the UN, which they see as problematically politicised in some contexts, and evaluations of the cluster system have consistently pointed to a neglect of national actors.

Humanitarian organisations provide assistance based on agreed principles and standards. At its
heart is the principle of humanity – the universal impulse to seek assistance and to provide it to those in need. Aid agencies also strive to meet the principle of impartiality – the principle that aid should be provided without discrimination to those who need it most. In order to do this the operating principles of neutrality and independence have evolved as a means of gaining the trust of authorities in the midst of conflicts, though the extent to which these are prioritised and adhered to varies among organisations. Neutrality means a commitment to not taking sides in a conflict and independence seeks to support both impartiality and neutrality by ensuring that humanitarian agencies are able to make their own decisions free from coercion. These fundamental principles continue to guide the work of international organisations supported by an evolving framework of standards, currently being brought together in a ‘core humanitarian standard’.

**Cash transfer programming**

Within this framework of principled humanitarian action, giving people money has increasingly emerged as one of the main tools for supporting processes of survival and recovery from disaster. Although it is often described as an ‘innovation’, cash as form of aid has a long history. It was provided, for example, by the Red Cross in the 1870-1871 Franco-Prussian war, in response to famine in nineteenth century India, and in Botswana in the 1980s. Cash has been provided by both national actors (governments and civil society) and international organisations (the UN, Red Cross/Red Crescent, and NGOs). What is new is its growing importance compared to in-kind aid, which in recent decades accounted for the vast majority of international aid in the form of food, seeds, tools, medicines, shelter materials and household goods.

The 2004 Indian Ocean Tsunami was a turning point for cash transfer programming, with several aid agencies doing small-scale pilots to determine whether cash was a feasible and suitable tool. In the last decade cash transfers have become a common feature of humanitarian responses worldwide. The World Food Programme now describes itself as a ‘food assistance’ and not a ‘food aid’ agency and provides cash or vouchers in a range of contexts, including giving vouchers for Syrian refugees in Lebanon. UNHCR has provided cash to returning refugees in Burundi, Afghanistan and other countries. The response to famine in 2011 in Somalia included a large-scale cash response by a consortium of NGOs, and the Government of Pakistan provided cash to more than 1.2 million households affected by massive flooding in 2010.

Just as an expanding range of actors has provided cash at growing scale, there are a myriad of ways in which cash has been provided and delivered. Unconditional cash transfers refer to money given to beneficiaries that can be saved or spent wherever they choose and on whatever goods they choose. Sometimes cash is provided with conditions, meaning people are expected to undertake actions beforehand, such as attending a training session, or to use it for certain purposes such as building houses. In some cases there is a work condition attached. Cash has been provided to beneficiaries by aid organisations (known as ‘cash in envelopes’), or using local financial institutions, such as microfinance institutions, to deliver the money. Increasingly, electronic mechanisms are used involving banks, payment providers and mobile phone companies.

Vouchers represent one form of cash-based response where people are given vouchers (paper or electronic) that they can exchange for a set quantity or value of goods with pre-selected vendors or at ‘voucher fairs’ established by implementing agencies. While vouchers are often grouped under the heading of ‘cash-based responses’ and ‘cash transfer programming’, they differ from cash transfers. The choices of what to buy and where to make purchases are limited, determined by the aid agency.

While we would like to be able to provide the panel with solid figures on the percentage of cash-based assistance in the overall international humanitarian budget, tracking funding to cash transfer programmes is difficult because they are often integrated into larger contributions and not distinctly labelled. Data from the Financial Tracking Service (FTS) shows that approximately $692 million was spent on ‘full’ humanitarian cash-based programmes by 53 donors between 2009 and 2013 (Development Initiatives, 2014). A website compiling data on humanitarian cash and voucher programming (cash-atlas.org) reported a higher figure – $1.5 billion – for this period. Cash-based programming is more prominent in certain humanitarian responses, such as assistance to Syrian refugees in neighbouring countries, where WFP’s 2012-2015 budget for voucher programming is $2 billion (WFP, 2015) (and there was approximately $134m cash programming in Lebanon in 2014 – Cabot-Venton et al., 2015). The $692m and $1.5
billion estimates for total cash-based responses account for about 1.5-3.5% of international humanitarian assistance reported to the FTS during those periods. Even if they are under-estimated, they show that in-kind assistance globally continues to be much more important than cash-based programming in terms of overall volume.

**Why cash?**

Whether or not cash is the most appropriate and effective way of supporting people depends on the context and an assessment of whether people will be able to buy what they need safely in local markets at reasonable prices and whether cash can be safely delivered. A growing body of evidence suggests that in many contexts cash is an appropriate response and represents good value for money compared to in-kind alternatives. The main fears about cash – that it might cause inflation for key goods in local markets, that it could be more prone to abuse and corruption or diversion, that it would be more difficult to target and that it might be more likely to be controlled by men and so disadvantage women – have not been realised.

There is also growing evidence of advantages from cash provision in contexts where it is appropriate. It has been shown to have positive multiplier effects for local markets and economies. People also often find that it gives them greater choice and control over how best to meet their own needs and a greater sense of dignity. This does not mean that cash is a panacea or that it will always be appropriate. There will be moments when markets are still too weak or disrupted, times when the initial response needs to be partly in kind, and objectives where in-kind assistance is still needed (therapeutic food for children suffering from acute malnutrition, for example).

**Why not more cash, earlier?**

Given the strong case for cash it is relevant to ask why it has taken as long as it has for the international humanitarian system to embrace its use more fully. This is a less easy question to answer. Part of the answer seems to rest in a long tradition of governments and organisations deciding what people need and assuming that people cannot be trusted to make sensible decisions themselves. Fears about the likelihood of cash being misused are deep rooted and do not simply fade away on the first sight of evidence to the contrary. There is the influence of organisational inertia and policies and procedures developed over decades; faced with uncertainty, agencies will default back to familiar forms of assistance, which largely remain of the in-kind variety. WFP still has significant resources tied to US food aid because of domestic policy considerations, and other agencies have developed stockpiles of in-kind goods and decades of guidelines and policies about how to provide in-kind assistance. Cash challenges how humanitarian aid is planned and organised according to specific sectors like food and shelter, because the ways that people spend cash span sectors – cash intended for one purpose may be used for another. Where cash fits within sectoral coordination is also tricky and increasingly debated.

**Why a High Level Panel on Humanitarian Cash Transfers?**

The argument about whether or not cash transfers should form part of humanitarian action has largely been won. What is less clear is whether or not cash is being provided as efficiently or effectively as it could be and at the right scale, and whether cash transfers have transformative implications for the future of humanitarian aid, given that they challenge the main ways that aid has been delivered over the past several decades.

These are urgent questions. Humanitarian action faced an incredibly difficult year in 2014 with large-scale disasters unfolding simultaneously in South Sudan, the Central African Republic, Syria and the Philippines as well as the Ebola outbreak in West Africa. International actors felt stretched to breaking point and difficult questions were asked about failures of responses in some contexts.

Humanitarians are consequently debating how the system should evolve and change in the run-up to the World Humanitarian Summit in 2016. Cash transfers may offer one of the better ways of working that are needed. Partly as a contribution to the summit, DFID has convened the Panel to challenge itself and other actors about the potential for cash programming to transform and even disrupt existing patterns of humanitarian action, and to consider the role cash might play in addressing challenges facing the humanitarian system.

**Key questions for the Panel**

The Panel will shape its own agenda and bring a critical, fresh and independent perspective into humanitarian debates. However, as a contribution to beginning this debate, the Secretariat suggests the
following key questions as a starting point for the Panel’s discussions.

Given the important challenges facing humanitarian response and the humanitarian system, does cash offer potential to help addresses weaknesses and promote transformation? It is imperative to find better ways to respond to the massive scale of humanitarian needs. There are also long-standing concerns that actors in the humanitarian system do not work well enough together and that humanitarian aid is not sufficiently tailored to the needs of people affected by crisis and disaster. It is anticipated that the Panel will consider whether and how cash might play a role in addressing pressing challenges facing the international humanitarian system.

What implications would using cash transfers at a greater scale have for the humanitarian system? Do we need so many organisations? A great strength of cash is that one grant can cover multiple needs. People can use cash to buy food, pay for shelter, invest in livelihoods and meet health and education costs. At the moment, however, multiple organisations often provide different grants for particular purposes and in some cases people receive one grant for food, another for shelter and so on – or vouchers that can only be used for goods and services determined by the aid agency. This tendency will likely become more apparent as more agencies turn to cash in more responses. It is hoped that the Panel will ask some challenging questions about the comparative advantages of different organisations and how roles and responsibilities might change if the use of unconditional grants to cover basic needs (that span humanitarian sectors) was expanded.

What’s the right role for the private sector? Private sector organisations and technology have played an important role in enabling cash to be delivered efficiently on a large scale. How can governments and/or international humanitarian actors leverage greater efficiency, effectiveness and value for money from these partnerships?

What cash cannot solve but might help with. Cash has sometimes revealed weaknesses in wider humanitarian action and raised questions about double standards applied to different interventions. If cash is simpler to deliver by virtue of requiring fewer logistics and covering multiple needs, could it enable greater focus on difficult challenges such as targeting, tackling corruption and improving monitoring? Could it ‘raise the bar’ for coordination and analysis?

What is really holding back cash? Cash has profound implications for how we view the role of assistance (from deciding what people need to letting them choose) and what has slowed the more widespread adoption of cash transfers may be as much about attitudes as evidence. If attitudes are what really need to be shifted how can this best be achieved? Or are the skills, capacities and experience to deliver cash the critical constraint? Does the system need to train more ‘cash experts’ or find different approaches to increase skills throughout the system and not just at the centre? What are the key barriers holding back more widespread use of cash programming and how can they best be tackled?

Cash and national actors. A theme emerging from consultations for the World Humanitarian Summit is calls for southern actors (governments and civil society) to play a stronger role in humanitarian action. Where should cash fit into this debate about ‘nationalising’ responses? Is there scope, for instance, for social assistance provided by governments to be better prepared to respond to crises? If disaster-affected governments can play more of a leading role what does this mean for the roles of international organisations?

Cash in difficult settings. International humanitarian action looks increasingly likely to be focused in fragile and conflict-affected settings where insecurity is rife and access for international staff difficult. In settings such as Syria, Iraq and the Central African Republic, delivering any kind of assistance is difficult and fraught with challenges relating to accountability and remote management. In these settings cash can offer advantages in that it can be simpler and sometimes more discreet to deliver, but there are huge concerns over the potential for diversion. Are there innovative ways in which these concerns can be overcome and the potential for cash to alleviate suffering in the most difficult contexts realised?

Cash and what? Too often cash and in-kind aid are set up in opposition to each other. Is there greater potential for combinations of cash and other forms of assistance to create positive synergies? What combinations of cash and in-kind aid are most effective and how can other forms of assistance be combined with cash most effectively?
References


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