Data from 2015 shows that it would be 24% cheaper to use cash transfers to support the small, long-term refugee population at Maratane camp in Mozambique than to provide in-kind aid. Cash transfers would be a more dignified way of providing assistance, create efficiency gains, support local traders, connect refugees to existing financial systems, capitalise on digital payment infrastructure and potentially lay foundations for a social protection approach to refugee assistance.

Aid agencies’ own feasibility studies confirm that cash transfers would be an optimal form of assistance in Maratane camp, but inertia and the comparative ease of accessing resources for in-kind aid have perpetuated in-kind assistance.

A shift from in-kind assistance to a cash grant to cover refugees’ basic needs in Maratane camp is urgently needed. A single cash transfer – not separate grants or vouchers from WFP and UNHCR for food or other specific items – would help refugees meet basic needs from existing vibrant markets, would cost significantly less than in-kind aid, and is what refugees prefer.

The capacity of the government and its aid agency partners to manage a cash transfer programme is limited, and donors will need to provide dedicated, multi-year resources to enable a shift to cash transfers. Design and implementation of a cash transfer programme should reinforce the government’s central role in protecting and assisting refugees and build government capacity to manage the programme.
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Executive summary

There are two areas where cash transfers could play a role in humanitarian assistance in Mozambique: in response to natural disasters and in support of the long-term refugee population. This report focuses on refugees. About half of Mozambique’s 17,400 refugees and asylum seekers live in Maratane camp near the city of Nampula. Managed by the government’s Instituto Nacional de Apoio aos Refugiados (INAR), people in Maratane have received food aid and distributions of non-food items for over a decade. This report asks, ‘Why not give them cash instead?’

For cash transfers to be appropriate, people must be able to buy locally the goods and services that they need. Ways must exist to get money to people securely and the government must be on board. Based on these well-accepted criteria, cash would be vastly more appropriate than in-kind aid for refugees living in Maratane camp. INAR, the government body in charge of refugee assistance, is open to cash transfers – as long as local authorities are in favour of the approach.

Using cash transfers in Maratane camp would be more efficient than providing in-kind food aid. The World Food Programme (WFP) and the Office of the United Nations High Commissioner for Refugees (UNHCR) data from 2015 shows that cash would be 24% cheaper than in-kind aid. Replacing food and non-food commodities with cash transfers could save about $300,000 per year. Refugees consulted, including women, strongly preferred cash to in-kind assistance, in part because food aid has been periodically unreliable in timing and quality.

From a technical perspective, doing cash transfers in Mozambique is straightforward. Mobile money agents are present in the camp and many refugees have mobile phones. Mobile network operators can make bulk payments. As the Government of Mozambique has been slow to issue identity cards and letters to refugees and asylum seekers to prove their identity, INAR and UNHCR would need to ensure that refugees have the necessary documentation to register SIM cards.

Finally, cash transfers would be more conducive than in-kind aid to allow the eventual transition to an approach that more closely resembles a targeted social protection programme. At present, refugee assistance is managed and coordinated by INAR with support from UNHCR. All refugees and asylum seekers in Maratane camp receive a non-food item kit of household goods upon arrival, and they continue to receive food aid on the basis that they live in the camp and are people of concern to UNHCR. A logical goal would be to build the government’s capacity over time to manage the cash transfer programme. UNHCR, WFP, donors or the government of Mozambique could provide direct funding to INAR or the ministry in charge of social protection to deliver the cash assistance to a reduced caseload of refugee households, which are targeted on the basis of socio-economic and vulnerably criteria.

This is not the first time that UNHCR and WFP have considered cash-based responses as a substitute for in-kind aid to refugees. Two studies in 2014 and 2015 examined the potential for cash transfers and vouchers in Maratane camp. They concluded that cash transfers were feasible and even ‘optimal’ for beneficiaries. So why hasn’t there been a switch from in-kind assistance to cash?

A major reason is that cash transfers would require dedicated fundraising even though they would be more efficient than in-kind aid. Currently, the costs of in-kind aid are hidden in different transactions and spread between WFP and UNHCR. By far the largest cost is the in-kind food aid. WFP receives very little dedicated funding for food aid for Maratane camp and meets those costs by using small amounts from other contributions. In 2015, the local market value of food aid distributed was $1.2 million, and a similar amount of money would need to be available in cash. UNHCR also supports INAR with operating costs and warehouse management. Rather than covering the costs from different cash and in-kind budgets as WFP and UNHCR do currently for in-kind aid, cash transfers would need to be financed explicitly.

Cash transfers would also require investment in government and aid agency staff capacity and systems, which in turn would require dedicated technical assistance. INAR staff are familiar with the basics of cash transfers but have no experience of running a cash transfer programme. The global capacity and experience of WFP and UNHCR of supporting cash transfers in places such as Kenya, Lebanon and Jordan, has not been replicated in Mozambique.

In addition, senior managers already faced with shrinking resources, are concerned about the fundraising implications of cash transfers. The size of UNHCR and WFP operations in Mozambique have decreased significantly in recent years. For WFP, this reduction is a consequence of a combination of factors, including the diminishing role of international agencies as the government strengthens its own disaster management capacity (although the significant El Nino-induced 2016 drought reversed this picture and has given more prominence to international humanitarian aid). For
UNHCR, the small refugee population in Maratane camp is a low priority for the agency globally, especially in the context of the Syrian refugee crisis.

Yet perhaps the biggest obstacle has been that there are no incentives for humanitarian agencies and donors to provide cash assistance in Maratane camp. There have been no negative consequences for aid agencies for providing food aid to refugees (sometimes poorly) when cash would have been better. Inertia and the comparative ease of fundraising for in-kind aid has perpetuated in-kind assistance – systems are in place, agencies and the government are used to doing it where cash transfers would require investments in capacity-building and fundraising.

INAR, UN partners and donors will need to determine the main features of cash assistance programming for refugees, and this research explores some options that they may wish to consider. First, assistance should be based on one objective – to support refugees to meet basic needs – rather than dividing objectives into ‘food’ and ‘non-food’ categories. Instead of viewing the potential for cash transfers from the standpoint of each agency having their own cash or voucher programme, a single unconditional cash transfer (often referred to as a ‘multipurpose’ cash grant) makes considerably more sense.

Mobile money is a practical option for delivering money. Refugees already have access to mobile money agents at Maratane camp, and it is cheaper and more accessible than ATM cards and banks. Ensuring adequate access to mobile phones, registration of SIM cards, liquidity of mobile money agents and availability of identity documents for refugees are surmountable challenges. They may even have knock-on benefits for refugees, such as connecting them with financial systems.

Who should lead? The ideal scenario would be for donors to invite proposals for an innovative cash transfer programme for refugees. Potential partners would compete based on the merits of their experience, partnerships and ideas. However, refugees in Mozambique have been a low priority, and change may need to be driven through advocacy and fundraising by those aid agencies already involved.

One option would be for UNHCR to support INAR to implement the programme in the short- and medium-term, given that INAR is in charge of refugee assistance and UNHCR is INAR’s main partner. The government’s capacity could be built over time to manage the cash transfer programme, either through INAR or involving the Ministry of Gender, Children and Social Welfare, which oversees social protection programmes. While this approach would need to consider the accountability risks of working through the government, it is in line with ambitions to reinforce local systems and to support the government’s role in protecting refugees and encouraging their local integration.

Other programming models could also be considered but, regardless of the approach, dedicated multi-year funding would be needed to ensure the availability of the human resources and technical support necessary to implement and sustain the programme. Despite the relatively straightforward nature of the cash transfer programme given the small caseload, and the existing mobile money infrastructure, implementation capacity is weak.

There is an important learning opportunity too. Unconditional cash transfers have never been used in Mozambique for humanitarian response or to assist refugees. Experience from Maratane camp could provide insights on the use of cash transfers as part of a longer-term approach to out-of-camp solutions and social protection.

In Maratane camp, agencies continue to provide in-kind assistance even though cash transfers are clearly more appropriate, efficient and effective. Aid agencies assisting refugees do not believe that in-kind aid for refugees is best, but the incentives to change have been fewer than incentives to continue with the status quo. The evidence outlined in this report should serve as a flashing neon sign signalling the way for cash transfers to replace in-kind aid in Maratane. The only reason not to do so would be unwavering resistance from local government.

The High Level Panel on Humanitarian Cash Transfers strongly emphasised the opportunities offered by cash transfers, and there are many to be seized in Mozambique. Switching to cash transfers would make limited global resources go further through efficiency gains, support local traders, reinforce the government’s central role in assisting refugees, connect refugees to existing financial systems and offer a more dignified way of providing assistance to refugees.
1. Introduction and background

Giving money to people has moved from a fringe approach in humanitarian assistance to a well-accepted one. In some places, cash transfers have been a central feature of the humanitarian relief response. Yet in others, including Mozambique, in-kind aid remains the norm. This report examines the great potential to provide cash transfers instead of in-kind aid to refugees in Maratane, the only refugee camp in Mozambique.

This report is one of a series of case studies building on the work of the High Level Panel on Humanitarian Cash Transfers. The Panel concluded that cash transfers are not used enough in humanitarian responses and not used in ways that take advantage of their transformative potential. Most of the country case studies look at how cash transfers have been and should be used at scale in large humanitarian responses with numerous aid organisations, donors and government agencies. The Mozambique case study is different because it focuses on one refugee camp, hosting a relatively small number of people, assisted by only a few agencies. By analysing the potential for cash transfers in Maratane camp, we can better understand opportunities and obstacles in the humanitarian system to using cash transfers when they are appropriate.

It should be noted that this report does not explore in depth the potential for the use of cash assistance in response to natural disasters in Mozambique. Government concern around potential over-reliance on continued assistance means that cash transfers are provided only as part of a government social protection programme, but not to help people affected by flooding and drought. The government’s position can be traced back to its efforts to move away from the years of humanitarian relief during the Mozambican civil war that ended in 1992.

1.1. Methodology and structure

This research was funded by the UK Department for International Development (DFID) and conducted by the Overseas Development Institute (ODI) in collaboration with the Office of the United Nations High Commissioner for Refugees (UNHCR). It is part of ODI’s follow on work to the High Level Panel on Humanitarian Cash Transfers. The case study research centred on a literature review and evidence gathered from interviews with 34 people from the Mozambican government, UN agencies, NGOs and donors. The interviews were conducted jointly by a UNHCR cash expert and ODI researcher in Maputo, Nampula and Maratane camp over 10 days in September 2016. Four group interviews at Maratane camp were conducted with refugee leaders/representatives, women, youth and local leaders (totalling 65 people). The other case studies in this series focus on Ukraine, the Democratic Republic of Congo, Iraq and Nepal.

The report uses the terms ‘cash transfers’ and ‘cash grants’ to mean giving people money. ‘Vouchers’ refers to paper coupons or digital credit that must be spent on specific goods and services and from certain vendors. ‘Cash-based responses’ includes both cash and vouchers. The terms ‘cash’ and ‘cash transfers’ do not include vouchers.

The case study report is structured as follows. The following section provides background on refugees and asylum seekers in Mozambique and the assistance provided to them. The potential to shift from in-kind assistance to cash transfers and the factors that have held this back are examined in Section 3. Options for the design of a cash transfer programme are examined in Section 3. Section 4 offers conclusions on the factors shaping assistance to refugees in Mozambique.

1.2. Asylum seekers and refugees in Mozambique: an overview

Mozambique hosts an estimated 17,400 refugees, the majority of whom are from the Great Lakes region (the Democratic Republic of Congo, Rwanda and Burundi). About half of them live in Maratane refugee camp, which was established in 2001. The camp has served as the only reception centre for refugees and asylum seekers in Mozambique since 2003. It is located 35 kilometres from the vibrant city and provincial capital, Nampula.

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1. The term ‘refugees’ is used in this report to refer to both people who have applied for asylum and people who have been granted it.
2. Based on refugees and asylum seekers in Maputo, Nampula, Cabo Delgado and Niassa (UNHCR, 2016b).
in northern Mozambique. Refugees living outside of Maratane do not receive assistance.

Operating under the Ministry of Foreign Affairs and Cooperation, the government Instituto Nacional de Apoio aos Refugiados (INAR) is responsible for the reception, accommodation, registration and coordination of assistance (Antoniak, 2012). INAR administers the camp, including the delivery of assistance from UNHCR and World Food Programme (WFP), and works in partnership with the Ministries of Health, Education, Labour, Agriculture, and Gender and Social Action (MGCAS) (ibid.). People seeking asylum are registered in the UNHCR-designed ProGres database, which is fully managed by INAR and monitored by UNHCR.

Decisions of asylum claims are the responsibility of INAR with the financial and technical support of UNHCR. INAR conducts an eligibility interview and delivers a report for adjudication to the National Eligibility Commission (comprised of representatives from the Ministries of Foreign Affairs, Interior and Justice). The Commission’s decision must then be endorsed by the Minister of Interior (WFP et al., 2015). The government recognises about 85% of claims, though the process is slow and can last six or more years (Antoniak, 2012). The main bottleneck has been this final step. As of June 2016, the Minister of Interior had not endorsed any decision for four years. A result of this lengthy process, asylum seekers account for more than 80% of the total population of concern (WFP et al., 2015).

Mozambique has ratified or acceded to the 1951 Convention Relating to the Status of Refugees, the 1967 Protocol and the 1969 OAU Convention Governing Specific Aspects of Refugee Problems in Africa. When becoming party to the 1951 Convention, Mozambique made reservations to the rights to wage-earning employment, freedom of movement, naturalisation, property and education. While on paper, the legal rights for refugees are broad, in practice Mozambique takes a liberal and open approach (Antoniak, 2012). Refugees work, go to school, set up businesses and live where they like.

1.3. Assistance to refugees

Refugees at Maratane camp have received in-kind humanitarian assistance for over a decade. While the package of assistance has changed over the years, it has mainly taken the form of food aid supplied by WFP. WFP and UNHCR have a global Memorandum of Understanding (MOU) establishing that WFP provides food commodities to refugees living in camps (or other concentrated areas) when they number 5,000 or greater; UNHCR provides non-food items e.g. pots and kitchen utensils (WFP and UNHCR, 2011).

In 2006, UNHCR requested WFP to support the food aid operation to refugees (WFP et al., 2015). WFP elaborated a separate assistance and fund-raising strategy only for refugees, but ended this in 2008 on the basis that the responsibility for food assistance was being handed over to INAR (Selvester, Mabota and Carrilho, 2009). UNHCR then took over the provision of food commodities. In 2011, following an influx of asylum seekers from Ethiopia and Somalia, support from WFP was again requested, to assist nearly 11,000 people (WFP et al., 2015). WFP continued to provide food aid, with UNHCR providing financial and technical support to INAR to distribute it. As of mid-2016, WFP food aid was reaching about 9,000 people in Maratane camp (personal communication/UNHCR Mozambique, 2016).

WFP Mozambique has faced challenges securing contributions specifically for the refugee assistance and has relied on using food aid from other budget lines. As a result, WFP has struggled at times to provide rations reliably. An evaluation of WFP’s 2012-2014 programmes stated that ‘problems with quantity, quality, and timeliness of refugee rations raise concerns’, and WFP noted in 2015 that incomplete food baskets were distributed and that distributions were irregular on several occasions (Verduijn et al., 2014; WFP, 2015). Items distributed are variable and in some cases are not foods commonly consumed by refugees. A WFP and UNHCR joint assessment mission found that refugees frequently sell at a loss a portion of the food received to procure their preferred food items, although it did not estimate how many refugees engaged in this practice or the extent of the loss (WFP et al., 2015).

UNHCR, too, has faced issues with its in-kind assistance. UNHCR provides new arrivals with basic household items, such as kitchen sets. However, since 2013, UNHCR has significantly scaled back shelter kits for new arrivals owing to dwindling funding. In 2015, UNHCR distributed only half of the recommended quantity of sanitary pads to women and girls (WFP et al., 2015).

The in-kind assistance provided by UNHCR and WFP has been targeted on the basis of two main criteria – recipients must be refugees or asylum seekers and they must reside in Maratane camp. About 44% of households receive a full food ration (that includes maize, pulses and cooking oil) because they are deemed vulnerable or are new arrivals, while the rest receive a half ration (WFP et al., 2015). However, these quantities are not based on food consumption data.

The government and UNHCR ensure refugees’ access to basic services. Children have free access to education at a school run by the Ministry of Education (WFP et al., 2015). The Ministry of Health runs a health centre in the camp and provides health personnel, essential medicines and medical equipment, with UNHCR providing furniture and medical equipment (ibid.). Local Mozambicans living near the camp also have access to these services. For example, 40% of the children in Maratane Primary School are Mozambican (WFP et al., 2015).
In late 2016, UNHCR and WFP secured funding for a large programme intended to promote self-reliance and durable solutions for refugees living in Maratane camp. INAR has worked with the local government to secure an additional 1,000 hectares of land around Maratane camp, which will significantly expand refugees’ access to land for agricultural production. The programme will support access to financial services, land and training to encourage refugees to produce and sell agricultural products. Previous programmes to support livelihoods, including training (which has never been evaluated), have been small. In 2016, for example, the budget for livelihood and vocational training was less than $25,000.
2. The case for cash transfers for refugees in Mozambique

2.1. Maratane camp is a favourable environment for cash transfers

2.1.1. Markets
One of the key factors for considering cash transfers as an appropriate response is the capacity for people to purchase locally the goods and services they need most. Maratane camp has an active market with dozens of traders stocking basic food products, clothing, fabric, household goods and similar items. A market assessment found traders could ably respond to an increase in demand that more cash might cause (UNHCR and WFP, 2015). One trader interviewed for this research indicated that he could resupply within a matter of hours and was able to take goods on credit from a wholesaler in Nampula. Camp residents also do not have to purchase goods from the camp market, since Nampula is accessible by public transport for about 50 meticais (about $1) round trip. Nampula itself has vibrant markets with a larger variety of goods and slightly cheaper prices than Maratane.

2.1.2. Government acceptance
Government, too, needs to be favourable to cash transfers, as should the people who will be receiving the money. INAR staff in Maputo and Nampula are open to the approach. Some have attended trainings on cash transfers (sponsored by UNHCR) in Pretoria and are familiar with the tenets of cash and voucher approaches. They expressed concerns that in-kind food aid had been unreliable, that refugees sell portions of it to diversify their diets and because they prefer mealie-meal (ground maize) to unground maize grain. One INAR interviewee noted that cash transfers had precedents in Mozambique, citing that UNHCR had provided cash to assist 1.7 million returning refugees in 1993. Cash transfers are also provided through the Basic Social Subsidy Programme (PSSB), a social protection programme that distributes unconditional cash transfers to labour-constrained households.

INAR’s willingness to consider cash for refugees is in stark contrast to the government’s position on the provision of cash transfers in disaster response (see Box 1).

Box 1: Cash transfers and vouchers in response to natural disasters in Mozambique

When asked about the potential for providing people with money rather than in-kind aid for disaster relief, government representatives were consistently not in favour of cash transfers. They voiced concerns about dependency, access to markets, risks that people would not spend the money wisely, concerns that traders would opportunistically raise prices and worries that people would expect the cash assistance to continue. Some NGOs and donors advocated for cash transfers as a component of 2016 drought relief efforts because of their experiences in other countries and the appropriateness of cash transfers in certain drought-affected areas in Mozambique. COSACA, a DFID-funded consortium of NGOs, planned to pilot cash transfers. Despite aid agency and donor advocacy, as of September 2016 the government would not approve the piloting of cash transfers for the drought response.

Efforts to introduce vouchers as an alternative to in-kind aid have gained more traction than proposals to distribute money. In early 2016, COSACA presented plans to provide vouchers at the Technical Council for Disaster Management (CTGC), which is the government’s national platform for disaster management, coordinated by the INGC. Some CTGC members raised concerns about technical issues (e.g. ensuring supply of commodities), but the potential economic benefits of providing money to local traders were viewed as particularly advantageous. Vouchers were given the green light and about 100,000 people were receiving assistance from COSACA in September 2016 (FEWS NET, 2016). Cash transfers, however, will not be used in relief efforts unless the government’s (seemingly firm) position changes.

Source: Adapted from Kardon et al., forthcoming
Mozambique has regular floods and in 2016, experienced the most severe drought in decades. Several humanitarian aid agencies proposed using cash transfers in 2016 but have not been able to do so because of objections by the National Institute of Disaster Management (INGC), which leads the coordination of disaster responses. Alongside trepidation over whether cash would be spent responsibly, the INGC is concerned cash transfers could also engender dependency and create unrealistic expectations that the government would continue to provide people with money. Previous plans by some aid agencies to pilot cash in response to flooding in 2007 did not move forward for similar reasons. The INGC has no authority over refugee responses; thus it appears that their opposition to cash transfers for relief has little or no bearing on assistance to refugees.

INAR’s director emphasised the importance of the acceptance of the cash-response concept by local authorities and communities surrounding Maratane. In a previous assessment mission, senior local INAR authorities expressed concerns over potential tension between refugees and local residents if refugees received more money than government social welfare programmes. The local authorities consulted for this research did not have major objections but advocated that refugees, if given cash, should spend it locally and in ways that benefit surrounding communities. The research team did not meet with the district administrator or governor, both of whom would need to give approval. The recent approval of the expansion of Maratane camp by 1,000 hectares suggests that those authorities are open to new approaches to helping refugees. However, given contradictory attitudes on cash assistance within the government (e.g. cash transfers are acceptable for social protection but not for disaster relief), endorsement by provincial and district authorities cannot be taken for granted.

### 2.1.3. Refugees’ preference for cash

Refugees consulted expressed a strong preference for cash over in-kind assistance. A Joint Assessment Mission (JAM) found that refugees frequently sell a portion of the food received at a loss, in order to procure preferred food items (WFP et al., 2015). As discussed later in this section, the visit by the research team was the fourth mission to Maratane camp in two years where refugees have been asked about cash transfers. Interviewees’ frustration at being repeatedly asked about cash transfers was apparent.

- ‘Please don’t come again to ask about cash transfers, just come with the programme.’
- ‘What we ask for [money] we don’t get.’
- ‘INAR doesn’t want us to receive money.’
- ‘We have been waiting for many years for this project.’
- ‘We are happy you have heard our voices. You know our views – we want cash.’
- ‘The agencies lack the will. We are refugees. You know the rights of refugees.’
- ‘If you have the will it would have happened already.’
- ‘This is between UNHCR and WFP.’

Women consulted were decidedly in favour of cash over in-kind aid. Although women did not hide the fact that they faced domestic problems, they were adamant that cash would not exacerbate them. One said, ‘Families that are peaceful will continue to be peaceful. Ones that have problems will continue to have problems. But if anyone tells you that cash will cause problems, they are lying’. This group of women wished to convey the message to assistance funders and providers that they want, and above all, need money.

The residents consulted in the camp were ‘aid aware’ – not merely about UNHCR and WFP assistance in Maratane but about what other refugees are receiving in other countries. One person brought up the provision of vouchers in Zimbabwe. Another handed the researchers a UNHCR strategy document printed from the internet, turned to a page which stated that cash transfers would be used in Mozambique in 2015 (highlighting to researchers that UNHCR was already supposed to be providing cash transfers).

One of several reasons behind the refugees’ preference for cash is that food aid has been unreliable in timing and quality. In 2015, distributions to refugees were incomplete and irregular on a number of occasions. Refugees stressed that a reliable cash programme would solve their problems with food aid. Women said it would enable them to feed their children more diverse diets.

### 2.1.4. Delivery mechanism

Several ways exist to get money to people safely in Maratane. The most efficient option is mobile money and options include Vodacom and Mcel. Vodacom charges about 1% of the transfer value. The camp has mobile network coverage, mostly 2G with limited internet capability but sufficient voice and data connectivity. Many refugees own mobile phones and some are familiar with products, such as M-Pesa. Five mobile money agents were present in the camp in mid-2016, with one of those agents describing the process of becoming an agent as neither difficult nor lengthy.

Vodacom had previously expressed interest in doing bulk payments via mobile money to refugees and eagerness to address any specific needs that might arise (for example, sending a staff team to register SIM cards of beneficiaries rather than requiring them to come to a Vodacom office). Registering SIM cards requires an identity document, but the government has been slow to issue the identity cards and letters refugees and asylum seekers use to prove their identity.

While ATM cards or mobile banks can also be used to get money to people, these are much more expensive than mobile money. In 2014, UNHCR and WFP calculated that transferring money via the cheapest bank would cost about five times more than using mobile money (UNHCR and WFP, 2014).
2.1.5. Efficiency

Not including staff costs, replacing WFP and UNHCR's in-kind assistance with a single cash transfer would be approximately 24% cheaper than in-kind assistance (see Table 1). Cash transfers would cost about $300,000 less to enable 1,837 households to locally purchase the quantities of food, soap and sanitary napkins currently being distributed. This calculation is based on WFP and UNHCR data and efficiency analysis from 2015 (the exact efficiency gain could change if prices in Maratane or aid agency transport and commodity costs change).

Cash transfers are more efficient than in-kind food aid because the local cost of food commodities is much lower than the full cost of in-kind food aid to WFP, which includes the purchase and transport costs to Maratane. The mobile money transfer fee of 1% is also about one-third of the cost of maintaining a warehouse for in-kind goods. The local cost of soap and sanitary napkins, though, are one-third greater than their costs to UNHCR, presumably owing to savings from bulk purchasing. However, soap and sanitary napkins account for about 2% of the overall budget; therefore, the fact they are more expensive locally has little bearing on the overall efficiency calculation.

The sale of some food aid also adds to the efficiency of cash transfers. Precise data on the extent of resale and prices received is not available, but if 10% of food distributed was sold for half of its cost, this would amount to an efficiency loss of another $72,000 per year for in-kind food aid (using 2015 data).

Table 1 does not include staff costs as it was not possible to disaggregate only the time spent on in-kind aid. INAR, UNHCR and WFP staff cover multiple duties and programmes beyond the distribution of assistance. In 2016, UNHCR's support to INAR was budgeted at $152,000, which covered the distribution of in-kind assistance but also camp management, public latrine construction, registration of new arrivals and shelter repairs.

It is also challenging to calculate the precise staffing requirements for cash transfers. These would probably be higher than those for food aid, largely because food aid has been done inexpensively with very little monitoring. It would be ill-advised to do cash transfers in the same 'bare bones' fashion because there is a continued risk of corruption regardless of the type of assistance provided. Switching to cash transfers would also require resources to build INAR's capacity and to ensure that they can issue the identity documents required to register SIM cards for mobile money. Switching to cash transfers would require an initial investment to build capacity; however, if building this capacity cost less than $300,000 per year (based on the above estimate), cash transfers would still be more efficient.

2.1.6. Livelihoods

Beyond the fact that cash transfers are more appropriate than in-kind assistance for refugees in Maratane camp, they may also open the door to some interesting opportunities. One of these opportunities is that UNHCR and WFP are about to embark on a programme that will promote livelihoods and greatly increase access to land for planting around Maratane. Predictable cash transfers could play a complementary role alongside these efforts, and potentially enable risk-averse households to pursue strategies that they might not have otherwise, such as investing in productive assets. Cash could also be important for people not directly benefitting from the livelihoods programme.

2.1.7. Social protection

Cash transfers may be conducive for the eventual transition to an approach that more closely resembles a social protection programme targeted to refugee households in need of support. The government of Mozambique has four main social protection programmes under MGCAS, which reached nearly 445,000 households in 2015, or
8.4% of the population (Kardan et al., forthcoming). The largest is the PSSB, which provides cash transfers to poor, labour-constrained households. However, relying on the government to integrate refugees into these existing social protection programmes is not realistic. Each programme has its own targeting criteria and limited coverage, and foreigners do not legally have access to them. Article seven of the law on the social protection system (Law 4/2007) states that only Mozambican citizens, who are unable to work and who cannot meet their basic needs (including children, the elderly, the disabled and chronically ill people in poverty), are covered (Republic of Mozambique, 2012).

Rather than aiming to change the targeting criteria of government social assistance programmes for national citizens, a more practical goal would be to design a cash transfer programme specifically for refugees, and build the government’s capacity to manage it alone (whether via INAR or MGCAS). Eventually, UNHCR, WFP, donors or the Government of Mozambique could simply provide funds for a government-led programme delivering cash assistance to a reduced caseload of refugee households selected on the basis of socio-economic and vulnerably criteria. This end result would be a dedicated social protection programme for refugees.

### 2.2. What has held back cash transfers?

UNHCR and WFP have previously considered cash-based responses as a substitute for in-kind aid for refugees. WFP did a more general cash and vouchers feasibility study for refugees in 2008 that outlined options for cash and vouchers but was never taken up (Selvester et al., 2008). UNHCR and WFP further undertook two feasibility studies in 2014 and 2015 examining the potential for cash transfers and vouchers for refugees in Maratane camp (UNHCR and WFP, 2014; UNHCR and WFP, 2015). Both concluded that cash transfers were feasible and optimal for beneficiaries.

The 2014 study recommended that WFP implement electronic vouchers for newly arrived refugees who may lack identity documents to open bank accounts, and cash transfers via bank accounts for the rest. The 2015 study recommended that management make a decision on whether to switch to cash or vouchers. It suggested that mobile money be used if cash transfers were chosen and assumed that both UNHCR and WFP would set up individual cash-based interventions. The JAM, conducted in 2015, recommended using cash transfers for food and non-food assistance (WFP et al., 2015). Given the strong case for cash transfers and that previous assessments found that they were feasible and even optimal, why has cash not been implemented?

#### 2.2.1. Fundraising

A challenge of moving to cash is that cash transfers would require more dedicated fundraising (even though they would be more efficient than in-kind aid). The costs for in-kind aid are somewhat hidden in different transactions and spread between WFP and UNHCR. WFP provides the food; and UNHCR supplies non-food items, finances INAR, and provides about $36,000 annually for warehouse management and guards. Food is the greatest cost of the in-kind assistance by far but WFP Mozambique therefore uses food from various budget lines. Cash transfers would require a dedicated and consistent budget. It would not be possible to pull together $1.2 million cash annually from different budget lines in the same manner that WFP can find $1.5 million of food aid (WFP’s 2012-2016 Protracted Relief and Recovery Operations [PRRO] budget was exclusively ‘food’ and had no funding for cash-based responses). For this reason, cash transfers would increase the budget of whichever agency pays for them, and would require more consistent fundraising than has been managed for in-kind assistance.

Food aid has been implemented as inexpensively as possible. WFP had previously ended its presence in Nampula, though as of mid-2016 one national staff person was deployed to assist with refugee food assistance. There is no post-distribution monitoring in Maratane to analyse distribution wait times, food consumption patterns, sale of in-kind commodities or other issues. Previous problems with irregular food distributions and the lack of post-distribution monitoring set a low standard, and cash transfers would need to be done better. Cash transfers would therefore require investments in government and staff capacity and systems, which in turn require technical assistance and funding.

#### 2.2.2. Incentives of senior management

UNHCR and WFP’s resources in Mozambique have been shrinking over the last decade. With WFP, this decrease is due to, amongst other factors, the relatively small impact of disasters in Mozambique (and the diminishing role of humanitarian agencies) as the government strengthens its own capacity to deal with them (though a severe drought in 2016 has given humanitarian aid and food assistance the most prominence it has had in 10 years). For UNHCR, the small and long-term refugee population in Maratane camp is a low priority for the agency globally, especially in the context of the continued Syrian refugee crisis. UNHCR’s entire planned budget in Mozambique in 2016 was $5.5 million; in Lebanon, it was $463 million (UNHCR, 2016a).

In early 2016, UNHCR Mozambique looked at options for incorporating cash transfers and the potential for regional technical support. However, even if additional resources were provided by UNHCR Geneva or the regional Pretoria office, the cost of the programme would then fall to the Mozambique office’s normal (and decreasing) operating budget. Senior management in the UNHCR Mozambique office has not questioned the appropriateness of cash transfers but has expressed
reservations about shifting to an approach that requires investment in the short term and lacking certain resources to implement beyond the first year.

2.2.3. Capacity
Some INAR staff have attended basic training courses on cash transfers but INAR has never actually managed a cash transfer programme. WFP and UNHCR provide the financial and technical resources to INAR for in-kind assistance, and it is reasonable to assume INAR would require similar support for delivering cash transfers. Moreover, the global capacity of WFP and UNHCR and their success in supporting cash transfers in places such as Kenya, Lebanon and Jordan, does not necessarily translate into capacity in their Mozambique country offices. WFP has previously implemented some voucher programmes in Mozambique but has little capacity for cash transfers in Mozambique, owing to staff turnover and the dominance of in-kind aid in its portfolio. In 2016, NGOs used vouchers in the drought response but WFP did not. UNHCR has regional expertise in implementing cash transfer programmes in other parts of southern Africa but their Mozambique office has no staff with this experience.

2.2.4. Lack of data on refugees
UNHCR, WFP and INAR have lacked data that would usefully inform the design of a cash transfer programme. This is improving. The 2015 JAM provided basic information on livelihoods, food consumption and needs. It estimated that the number of ‘well-off’ households in Maratane had increased from 7% in 2012 to 18% in 2015 (based on asset ownership) (WFP et al., 2015). In 2016 too, a government- and UNHCR-led verification of all refugees in Mozambique determined which refugees were still present in the country, and updated the number of people living at Maratane. While the JAM and verification exercise improved the data picture, it remains incomplete. The lack of data has not stopped INAR and aid agencies from providing food aid and should not be used as an excuse for not providing cash. However, a high-quality cash transfer programme should be based on an understanding of households’ incomes and expenditures, and better socio-economic data would be needed to inform targeting.

2.2.5. Inertia
While all the above issues have held back cash transfers, the biggest obstacle has been too few incentives for aid agencies and donors to provide better assistance. There have been no negative consequences for providing food aid to refugees (often poorly) when cash would have been better. Inertia perpetuates the continuation of in-kind assistance – the systems are already in place, agencies and the government are used to doing it and cash transfers would require investments and fundraising. The decisions on how much money to give, to whom and how will need to be made in consultation with INAR, the government body in charge of refugee assistance. UNHCR and WFP too, will undoubtedly have influence over these decisions, given their primary roles in supporting refugee assistance. The following offers recommendations about how a cash transfer programme to assist refugees could be designed.
3. What should cash transfers in Maratane camp look like?

3.1. Objective

Meeting the basic needs of refugees should be the fundamental objective. Indeed, refugees have diverse needs and different ways of meeting them. An unconditional cash transfer would be the most efficient and practical way to help a diverse range of households to meet their basic needs. A cash transfer intended to cover multiple needs is sometimes referred to as a ‘multipurpose cash grant’, although the term ‘subsistence grant’ might more accurately reflect the aim of enabling people to meet subsistence needs.

WFP and UNHCR have tended to examine the potential for cash transfers by speculating how each agency might switch their portion of the assistance to cash or vouchers. However, it would be inefficient and impractical to have separate cash transfers or vouchers from both WFP and UNHCR.

3.2. Transfer value

The transfer amount should be calculated with the objective of meeting basic needs in mind. Simply adding up the costs of distributed aid commodities in local markets does not make much sense, especially when food aid was not based on an identified gap in food consumption. The starting point should not be what aid agencies give, but rather what people need and the extent to which agencies can meet those needs. Improved data on livelihoods, income and expenditures is essential for determining the amount of the transfer. At the same time, people consulted probably would not prefer cash if it resulted in a big reduction in their food benefits, which at the time of the research was the equivalent of about $55 per month for a family of five for a full ration.

3.3. Delivery mechanism

The question of how to deliver money is straightforward: mobile money is considerably cheaper and more accessible than ATM cards and banks. Mobile money would be less susceptible to fraud risks than cash distributed in envelopes. Ensuring adequate liquidity of mobile money agents and registration of SIM cards will be important. Registering SIM cards requires an identity document and, to date, the government has been slow to issue identity cards and letters to refugees and asylum seekers needing to prove their identity. UNHCR and INAR would need to ensure that beneficiaries have adequate documentation to register SIM cards or have alternative channels to get money to individuals who do not. These are surmountable challenges and addressing them may have additional benefits in encouraging the efficient issue of identity documents and connecting refugees with mobile money.

3.4. Leadership and implementation

The ideal scenario would be for a donor (or multiple donors together) to invite proposals for an innovative cash transfer programme for refugees. Prospective partners would compete based on the merits of their ideas, experience and capacity to implement. The proposals would outline the respective roles of the government, aid agency (or agencies) and private sector, and indicate the approach to targeting, delivery of transfers, transfer value calculation and monitoring. Donors would judge proposals on criteria such as efficiency, the involvement of the government, risk management and accountability measures, and vision for transitioning to a longer-term programme to assist vulnerable refugees and asylum seekers. Donors could decide to finance certain programme activities separately, such as contracting independent monitoring, with a view to promoting accountability. However, refugees in Mozambique have been a low donor priority, as evidenced by the significant challenges WFP and UNHCR have had in raising money to assist them. Change may need to be driven through advocacy and fundraising by those agencies already involved.

Whether competitively tendered or not, given INAR and UNHCR’s mandates to assist refugees and their existing
partnership, one sensible model would be for UNHCR to support INAR to implement a cash programme in the short- and medium-term. The government’s capacity could be built over time to manage the cash transfer programme (with some support and oversight from partners) through INAR or MGCAS. While this approach would need to consider the risks of working through the government, it is in line with ambitions to reinforce local systems through humanitarian assistance and to support the government’s role in protecting refugees and encouraging their integration. For UNHCR, this approach would support its 2016 policy commitment to double its funding for cash-based interventions by 2020, and to ‘work closely with host governments … and … leverage national protection, social and safety nets in every feasible way’ (UNHCR, 2016c).

In this scenario, there would be little to no need for WFP to continue supporting refugees. The main reason that WFP has been involved to date is because of the global MOU with UNHCR stipulating WFP’s responsibility for food aid in refugee camps with more than 5,000 people (WFP and UNHCR, 2011). The WFP PRRO for Mozambique refers to the refugee food aid exit strategy as being government ownership of refugee assistance and having a refugee population under 5,000. A cash grant to support subsistence needs, including food, would remove the need for WFP to be involved.3

There are other possible models. WFP could partner with the government given that food has been the largest component of the in-kind assistance programme. Several international NGOs have advocated for cash transfers in response to drought. Donors could fund an NGO to support INAR and directly contract a mobile network operator for payments and aid agencies to manage targeting and monitoring.

Regardless of the specifics, a cash transfer programme would require donors to make available dedicated funding that takes into account the human resources and technical support required. Even in the case of Maratane camp, where small beneficiary numbers and the existing mobile money infrastructure are conducive to cash, INAR’s capacity is weak and UN agency staff in Nampula and Maputo have little or no experience in this domain. An adequate budget over several years would need to be ensured. A business or organisation expert in mobile money may also need to be brought in. If the value of the cash transfer was roughly the same as current in-kind assistance, then the annual budget would be about $1.2 million for the transfers plus additional staff and administrative costs.

### 3.5. Role of social protection and government

In the immediate future, it is not realistic to plan to integrate refugees within the government’s social assistance programmes. These presently have low coverage, specific eligibility requirements and cannot provide assistance to foreign nationals according to Mozambican law. In addition, using the existing delivery infrastructure of the government’s PSSB cash transfer programme does not appear practical. The PSSB relies on manual payments from National Institute of Social Action (INAS) staff (MGCAS is the ministry responsible for basic social security and sets the policy framework and designs programmes; INAS is the government body responsible for implementation), which is time-consuming and inefficient. While payments are meant to be delivered monthly, they are often provided every two months (Kardan et al., 2016). In 2013, the government and donors began exploring opportunities to outsource the payments process to external service providers to lessen the administrative burden on INAS and decrease fiduciary risks (as of late 2016, the issue remains unresolved). Mobile money to refugees would be more efficient than manual payments via INAS and more accountable given the comparative ease of tracking mobile money payments.

Rather than piggybacking on social assistance programmes targeting citizens, a better goal would be to design a cash transfer programme for refugees and build the government’s capacity to manage it. Targeting criteria could evolve to include people fitting a particular socio-economic profile (for example, the poorest, single mothers). If sustainably funded, this approach would amount to a social protection programme specifically for refugees and asylum seekers implemented by the government, either via INAR or MCGAS/INAS. Ideally, the government would pay for the programme, and donors and aid agencies involved in a future cash transfer programme should take steps to encourage this outcome. If not, UNHCR or donors could simply fund a government cash transfer programme to vulnerable refugees, which would eliminate the role of UN agencies and their associated overhead costs, or reduce their role to one of technical support and monitoring. An alternative avenue would be to focus advocacy efforts on broadening the targeting criteria of the PSSB to include refugees. However, given that this could be time-consuming with no guarantee of success, such efforts should not prevent a more immediate solution for switching refugees from in-kind assistance to cash transfers.

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3. The global MOU between WFP and UNHCR does not assign either of them responsibility for providing cash or vouchers when refugees number above 5,000. It states that, ‘When cash or vouchers are deemed to be the appropriate modality for food assistance, responsibility for implementation will be decided on a case-by-case basis, subject to further formal agreements between the two agencies’ (UNHCR and WFP, 2011). The provision of a ‘multipurpose’ cash transfer by UNHCR therefore would not contradict the global MOU.
3.6. Learning and evidence

Mozambique stands out as one of the few places globally where cash transfers have not been used as a form of relief because the government bodies in charge of disaster response prefer other forms of assistance. A positive experience with unconditional cash transfers for refugees could potentially influence the government’s position on the provision of cash for drought and flooding. However, evidence of the effectiveness and efficiency of cash transfers still may not be enough to allay concerns about dependency, markets and raised expectations.

The experience could also inform longer-term approaches to ‘out of camp’ solutions and social protection for refugees. INAR and UNHCR would like refugees living in Maratane camp to integrate more fully into economic and social life in Mozambique as have the people of concern who are not living in Maratane camp. Refugees, though, have incentives to stay at the camp to receive in-kind assistance and basic services. The cash transfer operation could target refugees based on poverty and vulnerability and ensure that households who meet the criteria and wish to move would still have access to it.

The provision of a subsistence cash grant through UNHCR could also streamline assistance to refugees by releasing WFP from its obligations (under the global MOU) to provide food assistance. The separation of responsibility for food assistance and non-food items encourages sectoral divisions and perhaps, also a default presumption of the use of in-kind commodities. A cash transfer that covers the food and non-food in-kind aid of both agencies, will challenge these presumptions and the current arrangement.

Switching to cash transfers may have additional positive impacts. Predictable income could enable households to make investments, creating synergies with the large agricultural livelihood programme that will be implemented. The need for identity documents to register for mobile money could motivate the government to issue these more quickly. Increasing the use of mobile money by refugees could encourage them to use these services more for payments, transactions and savings. However, these potential benefits are hypothetical and by no means guaranteed. A strong research component would be needed to understand the outcomes of the cash transfers, and whether benefits have been realised.
In some settings, the appropriateness of cash transfers compared to in-kind assistance is not clear-cut. This is not the case in Maratane camp in Mozambique. A single cash transfer - not separate grants or vouchers from WFP and UNHCR for food or other specific items - would help refugees meet basic needs from existing vibrant markets, would cost less than in-kind aid, and is what refugees prefer. Cash transfers would support local traders, connect refugees to financial systems, profit from digital payment infrastructure and offer more choice to refugees. The only excuse left for not using cash transfers would be unwavering resistance from the local government.

No one consulted for this research believes strongly that in-kind aid for refugees is the best approach. Aid agencies’ own feasibility studies suggest that cash transfers would be more efficient and effective in Maratane camp. Yet they continue to provide in-kind assistance because it made sense a decade ago, and the incentives to change have been less compelling than the incentives to continue.

One of the biggest disincentives to switching to cash has been resources – even though cash transfers could be as much as 25% cheaper than in-kind aid. Cash transfers would indeed need to be financed explicitly, rather than in a piecemeal fashion as is now the case with in-kind assistance. Currently, WFP pulls resources for food aid from other budget lines and UNHCR pays for the distribution costs and non-food items. The cost of the cash transfer programme will increase the budget of whichever aid agency pays for it and this is acknowledged to be a significant undertaking given previous fundraising challenges. Cash transfers would also require resources for technical support in the short term. Donors need to make this funding available to avoid inadequate and unpredictable financing that would negatively affect the cash programme’s quality and reliability.

The question of whether refugees should receive cash or in-kind aid is part of a broader series of questions about how they can best be supported, who among them requires support and what the role of international agencies should be in providing it. It is not the scope of this particular case study to answer these questions. However, it seems evident that targeting based only on ‘status’ (whether someone is an asylum seeker or refugee and whether they live in the camp) is not the best way to identify those in the most need, or to encourage refugees to take advantage of the opportunities to work and open businesses. Moving to cash transfers would open the door to taking forward ongoing thinking about these issues in a pragmatic way and lay the foundations for cash transfers to form the basis of a long-term, government-led social assistance programme for refugees.
References
