

Module 8: Emerging Trend: Cash Transfer Programming

MPDM-660-140: International Humanitarian Disasters

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In a humanitarian crisis, directing aid to the areas it is most needed can be a tremendous challenge for governments and relief agencies. Many of the world's top historic and ongoing humanitarian crises face dramatic problems with distribution of aid. (HRW, 2017). In these cases, relief agencies may use a combination of complementary approaches to construct the fastest and most targeted way possible to aid the population within the constraints of the situation. There are a myriad of nuances that must be recognized in designing such a program to be effective. In constructing an approach to recognize specific sector needs, while also providing the local population with a dignified choice in how to prioritize and carry out actions, relief agencies are now considering cash as a strong and complementary part of the overall package. In some cases, humanitarian assistance can be more effective, more efficient, and more transparent when aid is given in the form of cash or cash equivalent vouchers directly to people struggling with survival.

Cash Transfer Programming (CTP) is a tool that can be effectively paired with other approaches to attempt to dampen the externalities of the affected region and provide a "far more dignified alternative to in-kind assistance." (UN, 2015). CTP "is increasingly used for humanitarian response with the recognition that CTP can complement the provision of in-kind assistance during emergencies." (UN, nd). Cash grants provided through programming can be conditional or unconditional. "Unconditional cash transfer is a grant provided to beneficiaries without any specific obligations to fulfill. On the other hand, conditional cash transfer is one that beneficiaries need to specifically spend on particular needs such as food, education or healthcare, among others." (UN, nd). The research suggests that the current trend of increasing CTP will continue. "Among other things, the relative efficiency of cash and voucher assistance is likely to promote scale-up, particularly as the gap between needs and funding widens and the pressure to

‘do more with less’ increases.” (Jodar, et al, 2020). Blending conditional and unconditional CTP with other approaches to aid is developing into one of the most important trends to recognize and incorporate when developing a comprehensive aid package.

CTP involves recognizing the local population’s rights, dignities, mores, and localized situations. The lack of appreciation for these rights is a more recently recognized problem that is now being most heavily addressed by the United Nations, non-governmental agencies, the Red Cross Red Crescent Movement (RCRC), and smaller independent actors, as shown in figure 1.

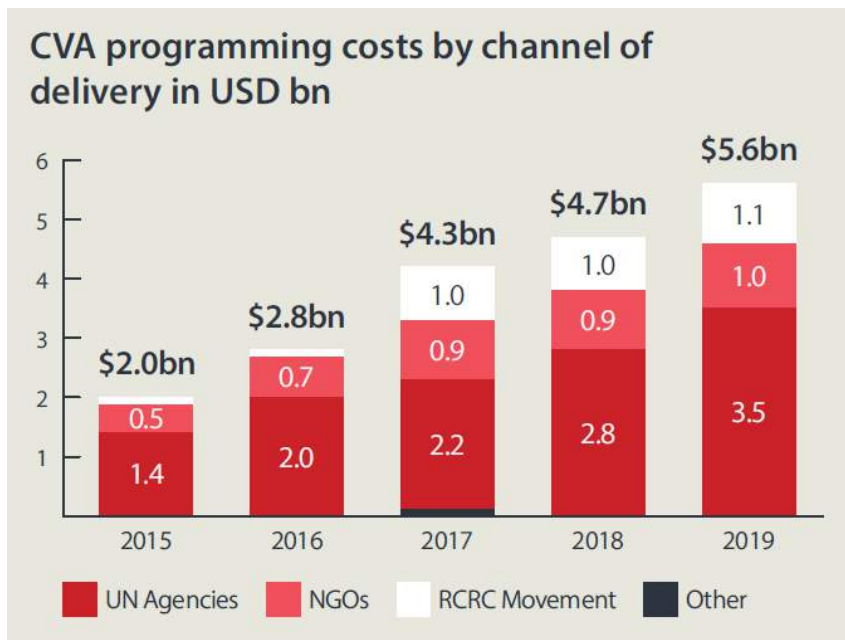


Fig. 1 (Image courtesy Jodar, et al, 2020).

The current trend is showing an increase in donor receptiveness to this approach. As shown above in figure 1, the global volume of CTP reached US \$5.6 billion in 2019, having increased year-on-year from \$2 billion in 2015. (Jodar, et al, 2020). CTP also grew as a percentage of international humanitarian assistance, standing at 17.9% in 2019, up from 7.9% in 2015. (Jodar, et al, 2020). The data shows that thought leaders in the space; the United Nations, NGOs, and RCRC, are embracing cash transfer programming as a key component of the future of immediate

disaster aid. It is important to understand the reasons for their thinking and the impetus for this trend.

There is a long history of providing direct cash transfers for aid. Cash was provided by the Red Cross in the 1870–71 Franco-Prussian War, in response to famine in nineteenth century India, and in Botswana in the 1980s. (ODI, 2015). The 2004 Indian Ocean tsunami response was an inflection point for CTP; multiple aid agencies piloted them as an alternative to in-kind aid. (ODI, 2015). Since then, the trend of CTP use has been increasing, and the rapid growth continues to proliferate, with a 100 percent increase from 2016 to 2019. (Jodar et al, 2020). In fact, 91 percent of those agencies who use CTP see increased donor support, and 85 percent believe it is now more systematically considered as a response tool. (Jodar et al, 2020).

In many humanitarian emergencies, the transfer of needed goods can be impeded by ongoing military conflict, damaged or nonexistent infrastructure, severe weather, and myriad other problems. Sometimes, there is no way to get needed goods into the area, rendering the supply of direct funds to the population less useful. This is a situation where CTP may not be as effective. More significant examples include conflicts like those in Yemen or Syria, where there are arguably ongoing war crimes involving the blockade of food and aid to starving populations and collapsed or non-cooperative governments. (HRW, 2017). Despite the lack of local goods available for purchase or failed local markets, CTP may still provide a measure of aid flexibility that can be a useful addition to an aid package. Other humanitarian crises may be caused not by military conflict but by natural disaster, climate change, government transition, historic poverty, etc. These areas can be more receptive to alternative approaches for providing aid. This aid may come in the form of education, farming and agriculture training, business loans or grants, recovery and rebuilding assistance, among others. With a history of somewhat sporadic use of

CTP until the 2004 tsunami, and the challenges agencies face in providing comprehensive aid, it makes sense for a course correction to more efficient ways of doing business, and ways that are more sustainable and aligned with broadly accepted objectives. The Overseas Development Institute's *Report of the High Level Panel on Humanitarian Cash Transfers* noted a plethora of positive outcomes that stem from the increased use of CTP. They include:

Increased accountability to and participation of disaster-affected populations, governments and civil society; stretching aid budgets further; better linking the responses that humanitarians deliver with the needs that people face; knowing where the money goes; improving humanitarian coordination; making the most of the private sector's comparative advantage in delivering payments; taking advantage of and supporting the expansion of payment systems; benefiting from the advantages of digital payments; tackling long-standing humanitarian programming weaknesses; increasing our options for reaching people in conflict affected settings; better supporting local markets; better linking humanitarian assistance with longer-term assistance aimed at reducing poverty and managing risk. (ODI, 2015).

These positive features and advantages show the sustainability of CTP: they stress the business case of using cash and highlight the social benefits.

There are many significant examples of successful implementation, across a broad spectrum of governments, social strata, and geographies. Some notable examples include studies done in Zambia and several recoveries in the Philippines. In Zambia, researchers noted “far-reaching effects... not just on their primary objective, food security and consumption, but also on a range of productive and economic outcomes.” (Handa et al, 2015). After three years, the team

observed increased household spending “59 per cent larger than the value of the transfer received, implying a sizeable multiplier effect. These multipliers work through increased non-farm business activity and agricultural production.” (Handa et al, 2015). In the Philippines in response to typhoon Haiyan, 45 agencies participated in CTP. (UN, nd). These agencies provided 1.4 million people with conditional assistance and 759 thousand received unconditional assistance. (UN, nd). Sectors were specifically targeted, including food security, shelter, and livelihoods recovery. The result was over \$7 million injected into local markets through wages of recovered businesses alone. (UN, nd). The exponential gains noted in these examples are a key positive aspect that comes with CTP and cash for work programs.

There are risks and potential downsides associated with the increased use of programmed cash transfer. Specifically, processes may be driven by a relief agency’s preferred way of working and what that agency might consider to be efficient in the region rather than by objective quality evidence and recipient preferences. Common metrics to assess different approaches are needed, with results shared to drive system wide learning and improved outcomes. Approaches must be standardized to some degree so donors can effectively track and audit spending. The European Union has drafted a series common principles for CTP use, shown in figure 2 below.

European Union Ten Common Principles For Multi-Purpose Cash-Based Assistance To Respond To Humanitarian Needs

1. Responses to a humanitarian crisis should be effective and efficient, responding to the most pressing needs of affected people and representing the best value for money.
2. Humanitarian responses require needs to be met across multiple sectors, assessed on a multi-sector basis and provided to meet basic needs.
3. Humanitarian assistance must be provided in a way that enhances protection and upholds the safety, dignity and preferences of beneficiaries.
4. Innovative approaches to meeting needs should be fostered.
5. Multi-purpose assistance should be considered alongside other delivery modalities from the outset – we need to always ask the question “Why not cash?”.
6. A combination of transfer modalities and delivery mechanisms may be required depending on the nature and context of the crisis and used at various stages of the crisis – an optimum response may require them to be used in combination.
7. An appropriately detailed assessment of the capacity of markets and services to meet humanitarian needs must be carried out at the outset of a crisis, integrated within the overall assessment and regularly monitored and reviewed.
8. Agencies involved in responding to a crisis should establish, from the outset, a clear coordination and governance structure and streamline assessment, beneficiary registration, targeting and monitoring.
9. Linkages with national social protection systems need to be exploited whenever possible.
10. Accountability considerations require the use of robust impact and outcome indicators, which should be limited in number and which will be a combination of agency specific and broader indicators.

Fig. 2 (Image courtesy ODI, 2015).

An additional area for improvement includes alignment of CTP programs with the UN’s seventeen sustainable development goals, which might amplify multinational incorporation. The structure of implementation can be standardized to provide confidence. In the Philippines, work is underway for mapping of financial service providers and CTP implementing agencies, and partnerships for pre-agreements between implementing agencies and the private sector are also being reviewed. (UN, nd). This kind of up-front identification and organization will be necessary to continue increasing the number of donors who are willing to participate in CTP. As noted in the above EU principles, the future involves asking ourselves, “why not cash?”; the

future could depend on the work done now to establish auditable structures to allow cash to flow in larger volumes for higher effectiveness.

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