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Cash transfers in emergencies: evaluating benefits and assessing risks

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ABSTRACT

In terms of both theory and practice, there appears to be a strong case for cash-based responses to food emergencies where the supply and market conditions are appropriate. Amartya Sen's work on entitlements offers a solid theoretical base for cash transfers, and the practical experience so far, limited though it is, provides evidence that direct cash distribution, in the right circumstances and with careful planning and monitoring, can be more timely, less costly and more empowering to local communities than traditional food distribution. Nevertheless, there appears to be a reluctance within the humanitarian relief system to include cash-based responses in emergency response portfolios.

This paper reviews the theoretical underpinnings of a cash-based approach to food emergencies, and presents case-studies of cash distribution. These examples, which are drawn from Africa, South Asia and the Balkans, highlight both the risks and the benefits of cash-based responses as against traditional food aid. On the one hand, cash is more cost-effective because its transaction costs are lower; it is more easily convertible, allows for greater beneficiary choice and can stimulate local markets. On the other hand, cash can be used in ways not intended by the donor, can contribute to local inflation and poses security risks not normally associated with food aid. The paper concludes by setting out the conditions under which cash aid might be an appropriate response, and highlights how its associated risks can be minimised. There can be no 'blueprint' for the use of cash across all emergencies and in all circumstances; instead, agencies need to weigh the benefits against the risks on a case-by-case basis.

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Comments

This Network Paper does not pretend to be the definitive treatment of what is an emerging area of debate and discussion. The HPN invites comments concerning this paper, and particularly encourages readers to tell us of any practical experiences with cash-based interventions.

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Glossary

CFF	Cash-For-Food
CFW	Cash-For-Work
DFID	Department for International Development (UK)
EU	European Union
FAO	Food and Agriculture Organisation
GAPVU	Gabinete de Apoio à População Vulneravel
LRA	Lord's Resistance Army
SCF(UK)	Save the Children Fund (UK)
UNHCR	UN High Commissioner for Refugees
UNICEF	UN Children's Fund
UNMIK	UN Interim Mission in Kosovo
WFP	World Food Programme

Executive Summary

The idea of distributing cash relief in famines is controversial. Although it is increasingly recognised that food aid serves not purely as a nutritional intervention, but also as a transfer of an economic resource, there is considerable reluctance to distribute cash in place of food. Indeed, since the monetisation of food aid is now accepted as important in strengthening livelihood strategies, it is surprising that the idea of direct cash transfers is so rarely thought of as a practical alternative by the relief community. Nonetheless, there appears to be a growing willingness to at least consider the use of cash as an alternative to either direct food aid delivery or the delivery of non-food relief items, and as the medium of support in safety nets.

This paper tackles some of the key questions posed by cash distribution. Its focus is on distribution in natural disasters, and/or in relatively peaceful settings. (Cash distribution in the midst of a complex political emergency – where there may be no functioning state – throws up very different issues, such as the breakdown of markets and of a working banking system.) Although the paper is principally concerned with straight cash transfers, it also draws some lessons from Cash-For-Work (CFW) programmes. While its starting-point and emphasis lie in the use of cash as a substitute for food, it also goes a step further and considers cash as a substitute for non-food items, particularly in rehabilitation programmes, and its use in safety-net programmes.

The paper summarises the theoretical rationale for using cash, reviews agency experiences of cash distribution, and outlines the main benefits and risks involved in this type of response. It identifies a number of advantages that cash distribution has over traditional food distribution. These include the potential for faster delivery and lower transaction costs, and the possible beneficial impact of a cash injection on local markets and trade. Delivering cash rather than food also addresses the problem of identifying requirements, since beneficiaries are in a position to determine these themselves. The range of food items that can be purchased may be wider and more appealing than the standard food-aid basket. Finally, there may also be benefits to be had in terms of livelihood security.

Against these advantages, one must weigh the risks of cash responses. The key potential danger stems precisely from money's flexibility and fungibility: how can donors ensure that their aid is going where it is intended? Targeting can also become more difficult, since cash is of inherent value to everyone, and does not allow for self-selection. While the impact of an infusion of cash may stimulate a local economy, it may also lead to inflation and increased prices, potentially penalising people not included in the programme. There are also potential problems to do with security: even in relatively stable environments, agencies distributing large amounts of cash face the risk of theft; this risk is heightened in conflict-related emergencies, where beneficiaries of a cash distribution may also be targeted by belligerents for that very reason.

Although there is clearly more work to be done in this area, this paper suggests that, in the right circumstances, cash distributions can be a viable alternative to food aid. However, there is no general 'blueprint' for agencies to follow; ultimately, the decision to distribute cash or food depends on a case-by-case assessment of the benefits and risks involved.

1

Cash distribution in theory

The rationale for a cash-based response derives from Amartya Sen's explanation of contemporary famines. Sen identified the key problem as lack of access to food, rather than failures in food supply (Sen, 1981). He reanalysed the food production and availability data from several famines and showed that, for nearly all his case studies, the overall food supply within the country was sufficient to support the population for the period in question, and that groups or communities became vulnerable to under-nutrition because they lacked access and purchasing power. In his studies of the Bangladesh famine of 1974, for example, Sen discovered that the areas most severely affected had, in fact, enjoyed the highest availability of food in that year, compared to other areas. At the same time, such areas typically experienced a major decline in purchasing power due to loss of work during flooding, and an increase in food prices as traders predicted shortages. In such a case, famine is caused not so much by a decline in the food available, but in people's access to it – what Sen terms 'entitlement'.

If famine is caused partly by a decline in entitlement, it follows that an economic response aimed at boosting purchasing power and increasing food entitlement can be an appropriate, and perhaps preferable, alternative to general food distribution. Injecting cash into a market increases demand, which in turn can generate supply. As Wilson (1991) explains:

> *in situations of regional famine there tend to be pockets of food surplus, which are not otherwise redistributed due to costly transport and weak purchasing power. Cash disbursement drives demand through 'market-based entitlement' that mobilises food by increasing demand (and hence prices) and thus encouraging traders to locate and transport food.*

Box 1: Defining 'entitlement'

Sen defined 'entitlement' as 'the command over commodities that people have'. Devereux summarises: 'the entitlement approach recognises four legal ways of acquiring food: growing it ('production-based entitlement'), buying it ('trade-based entitlement'), working for it ('own-labour entitlement') and being given it ('transfer entitlement'). Individuals face starvation if their 'entitlement set' does not provide them with adequate food. Famine scales this up: a famine occurs when occupationally or geographically related groups of people experience sharp declines in their entitlements simultaneously. Entitlement failure can be *direct* – a loss of access to production-based entitlements, for instance during a crop- and livestock-destructive drought – or *exchange*-related – a fall in trade- or own-labour-based entitlement due to unfavourable shifts in prices (livestock prices fall, food prices rise) or incomes (nominal or real wages fall, wages are lost due to unemployment)'. (Devereux, 2000a).

Sen's entitlement approach emphasises the links between poverty and famine, with the implication that famine might be mitigated by protecting people's purchasing power. Income transfer is a direct way of doing this.

The theory of entitlements is now widely accepted (although Sen's minimisation of the magnitude and importance of overall food supply failure in African famines is disputed by many). But it appears to have had only limited influence on famine-relief programmes: famines may be understood from an economic point of view, but the responses to them are rarely based on economics. Typically,

interventions are designed on the premise that the availability of food has declined, and they aim simply to increase supplies through food distribution. This is also reflected in the way that many needs assessments are carried out – focusing more on food supply than on effective demand.

Why has there been such reluctance to put entitlements theory into practice? The first reason is fear of the unknown. There are very few well-documented cases of direct income transfers and cash distributions. Key questions remain unanswered, including the effectiveness of the intervention (will sufficient food be attracted to the market to satisfy beneficiaries' needs?); the effects on the market (will the injection of cash exacerbate inflation?); and the capacity of beneficiaries to use the money as intended. This lack of experience requires experimentation, which agencies tend to be cautious about.

Donor policy has also played a – perhaps *the* – key role in determining the type of aid provided in famines. Traditionally, donor surpluses of food have been donated 'in kind', rather than as untied cash. Donating agricultural surpluses has certain net economic benefits for the donor. Earmarked funding has also placed constraints on innovative responses, such as cash distribution. The donor climate is now changing due to declining global food stocks and a more strategic approach aimed at strengthening food security. The new European Union (EU) Food Aid Regulation, for example, advocates a shift away from the distribution of food aid towards assistance programmes that focus on household food security. This means that the context in which food aid is used has widened, and this aid may be monetised more frequently than hitherto (Mitchell, 1996). Furthermore, as tied food aid declines, untied cash now represents a larger share of international donor response. By way of an example of this trend, in June 1999 the major donors approved the new Food Aid Convention (FAC). The total volume of commitments is 4.89m tonnes in wheat equivalent, compared with 5.35m tonnes under the previous FAC, agreed in 1995. The difference is accounted for by the EU's pledge of 130m euros in cash, equivalent to about 588,000 tonnes (FAO, 2000).

Another reason why cash-based responses have been ignored is the long-standing assumption that famine victims are peculiarly unable to handle cash distributions within the household (Keen, 1992). This attitude seems partly rooted in the Western concept of charity, which assumes that recipients do not necessarily know what is in their best interests. On the one hand, development rhetoric stresses 'empowerment', and urges that beneficiaries should take the lead in their own relief and rehabilitation; on the other, their needs and interests are determined by outside agencies and donors. It is crucial that we begin to challenge the assumption that 'we' always know what is best for 'them', and that we recognise the inherent contradiction (and hypocrisy) between theory and current practice. Numerous studies on the coping strategies of famine victims, refugees and other vulnerable groups have confirmed that affected communities are more than capable of determining their best needs and interests. But they rarely have the economic power to do so.

Other constraints include questions of gender and access, leakage, diversion and corruption and security. But many of these risks are equally applicable to the delivery of direct food aid: the challenge remains to explore ways to mitigate them. Neither cash nor food distribution offers a panacea for the long-term problem of food insecurity; but both offer the potential to avert human suffering. The following chapter examines in detail some of the practical experiences gained in the use of cash transfers since the mid-1980s.

2

Cash distribution in practice

The international relief community's experience of cash distributions is limited. This does not mean that the idea is particularly novel; in 1948, for instance, the British colonial administration distributed cash, coffee and train tickets to famine victims in Sudan. In India, the British realised that hunger was caused as much by lack of income as by scarcity of food, and responded to famines by providing waged labour (Keen, 1992). Cash relief interventions were implemented in famines in Tanganyika, Rhodesia and colonial China (Drèze and Sen, 1989). There is also a long history of cash relief in Bangladesh, particularly in response to the cyclone disasters of the 1970s.

Cash distribution and food emergencies

Box 2: Cash distribution in western Sudan, 1984

Cash was distributed to internally-displaced people in Nyala, western Sudan, during a severe famine in 1984 (Wilson, 1991). Immediately following the distribution, local food prices increased dramatically because existing grain supplies were unable to meet the sudden demand. However, the increased demand coupled with the assurance that cash distributions would continue attracted traders from surplus areas, and led to a rapid and regular flow of grain into the area, with prices soon returning to reasonable levels. Wilson notes that this area had the best-developed grain market infrastructure in western Sudan. He also questions the effect of this trade on grain availability and prices in the non-assisted rural areas, which remains unknown.

UNICEF in Ethiopia, 1984–85

The best-documented case of cash aid is the 'Cash-For-Food' (CFF) programme administered by the UN Children's Fund (UNICEF) in the 1983–85 famine in Ethiopia. In this case, many drought-stricken areas were characterised primarily by a lack of access to food, rather than lack of availability. Typically, these areas were identified as famine 'pockets' cut off from the major distribution centres, but situated close to areas of food surplus. The people who lived in these areas had severely weakened purchasing power. It was recognised that, even if sufficient food aid was received from abroad, this might not reach all of the population in need of assistance in time. The aim of the CFF programme was to enable the affected population to secure food supplies from areas of surplus.

Almost 95,000 people comprising 18,900 households were targeted with cash transfers at 14 sites in seven of Ethiopia's administrative regions. Sites were selected according to a number of criteria, including accessibility, a settled and non-scattered population, and the availability of a marketable surplus. Special attention was paid to vulnerable categories, such as female-headed households and large families. Cash was paid monthly to the beneficiaries through representatives and peasants' associations, enabling them to obtain food from neighbouring markets, rather than from more distant food-aid distribution sites. While the programme included a community-development component (all recipients were expected to participate regularly in community-based work schemes), the emphasis was on relief, rather than on work. The CFF programme was planned to last for eight months until the next harvest, but at some sites it was in place for two years.

The evaluation of the programme reports its achievements as 'considerable' (UNICEF, 1988a). In most assisted areas, the CFF encouraged the

movement of grain from surplus areas to deficit markets, enabling the population to buy the food they needed. At many sites, the programme prevented further distress migration and the splitting up of families, and forestalled the formation of camps around food distribution sites. Some of those who had left their homes at the beginning of the drought were able to return.

Price increases were a problem, although this was the result of lack of availability, rather than stemming from the injection of cash itself. The overall evaluation found 'no evidence that CFF has caused local price inflation' (UNICEF, 1988a). In Siqe *wereda* (district) in northern Shoa, the price of maize doubled between October 1984, when the project started, and April 1985. Thus, beneficiaries could buy only half of the intended amount of grain with their monthly payment (UNICEF, 1985a). This picture is repeated in Menzna Gishe, where the effective value of the cash payment declined by a third in the first four months of the project, and to a half of its initial value after eight months (UNICEF, 1985b). In Konso in Gamu Gofa, prices doubled over the course of the project. Although payments were increased in response, beneficiaries reported a shortage of grain on the market (UNICEF, 1985c). In Yifatna Timuga in northern Shoa, high prices from the outset meant that a typical family could buy only about six kilograms of grain per person per month – less than half its requirements – until prices began to fall ten months later (UNICEF, 1986).

Those areas that did not suffer from rising prices were either closer to surplus-producing areas, or were included in the CFF programme from late 1985, when the famine was past its peak. The value of the payments in terms of food was stable in these sites, and even rose once prices started dropping in the run-up to the main harvest at the end of 1986. No shortages of grain in the market were reported (UNICEF, 1987; UNICEF, 1988b).

Perhaps the two major advantages of the programme over a relief distribution were the speed and relatively low cost of delivery. Despite delays in payments in many *weredas* due to administrative problems, beneficiaries almost certainly received payments more quickly than they would have received food relief. For example, the first payment in Konso in Gamu Gofa, which was very hard hit, was received as early as July 1984, only a short time after the idea of the project was first mooted (UNICEF, 1985a; UNICEF, 1988a). In Yifatna Timuga, the first cash was issued in November 1984 (UNICEF, 1986), and in Mamamidir the first payment was received in February 1985 (UNICEF, 1985b). The programme's evaluation offers a comparative analysis of the costs involved. It estimates that, at a total of $5.5m, the cost of the CFF programme was roughly half that of World Food Programme (WFP)-supplied grain (UNICEF, 1988a).

Accounting and monitoring were the main operational problems. The CFF programme was

Box 3: Spending patterns in the Ethiopian intervention

A curious characteristic of the Ethiopia project, given that these were famine-affected populations, was the way in which beneficiaries spent the cash they were given. In most cases, only 75 per cent of the money was used to buy food, and up to a third was spent on non-food items such as clothes, animals, seeds and tools, as well as land taxes, dues to peasant associations and debt repayments. The evaluation teams concluded that beneficiaries were in fact able to buy food at prices lower than those quoted, and that they were willing to keep food consumption to a minimum in order to put the cash to alternative uses. This raises questions as to how severely affected people at some of these sites really were. But it is consistent with research on coping strategies, which shows that, in an acute food crisis, people cut back on food consumption first (and hence malnutrition rises) in order to preserve their productive assets for as long as possible (de Waal, 1989). The UNICEF evaluation team looking at the two pilot sites, Tatch Gaint and Mamamidir, both of which were badly affected by drought, admitted to finding this 'confusing':

> *most, if not all, of the beneficiaries have bought clothing and some livestock … Virtually all had bought farm implements … it had never been expected that the recipients would be able to do more than survive on the money … and market prices had increased.* (UNICEF, 1984)

Notwithstanding this unexplained difference between the beneficiaries' apparent needs and their purchases, one cannot but agree with the team's conclusions that 'rural people have a remarkable ability to manage their own affairs and know very well the value of the little cash they ever see' (UNICEF, 1984). As Kumar (1985) puts it: 'cash distribution has enabled recipients to decide their own balance between consumption and saving and it appears from this project that even poor households have a marked propensity to save'.

also considered to be less successful in its medium- and long-term goals of establishing development activities (community-based activities and income-generation). The programme's long-term economic impact was minimal, largely because of problems at the policy level, where there was a contradiction between the desire to use CFF as short-term emergency response, and as a means to longer-term rehabilitation. It was recommended that CFF should be viewed as purely a form of relief, and should last no longer than six months. UNICEF (1988a) concluded that cash distribution is 'first and foremost … emergency assistance, an ad hoc action which is directly addressed to the population affected, and gets to them rapidly and at lower costs'.

ActionAid in Ghana, 1994

ActionAid used cash distribution in 1994 in Ghana's Bawku West District in response to widespread food insecurity stemming from declining agricultural productivity, high population density and irregular rainfall. The agency's emergency 'Food Security Programme' involved cash transfers to 1,000 households identified as the most vulnerable within the population.

Households were targeted and registered through a process of community self-targeting which identified *tarims*, or the poorest and most vulnerable individuals. These included disabled people, the sick and elderly, widows, members of female-headed households and people without livestock and poultry. The identification and registration of *tarims* were carried out by zonal targeting committees and cross-checked by village committees. Identity cards were distributed to all the registered beneficiaries, and cash was disbursed over five days. Each household received a one-off payment of 10,000 *cedis*.

According to the review of the emergency programme (Buchanan-Smith *et al.*, 1995), the programme achieved its primary objective in that cash aid alleviated the hunger of individual *tarims*, and often whole households. *Tarims* living alone were able to live off the food they bought with the cash payment for three to four months. The grant also reduced the pressure on family food resources and, in particular, on women responsible for feeding *tarims* in their household. Most recipients spent at least half the money on food immediately. Some male recipients bought livestock or invested in other income-generating activities, whereas all of the female *tarims* spent the entire cash grant on food. All recipients claimed they had kept control of the cash, although food purchased had benefited the entire household.

ActionAid's evaluation of its programme reported that most female *tarims* rated the value of a cash grant as equal to that of the grain bank, but that their male counterparts saw cash as more valuable than grain. The three main benefits of cash over grain distribution for the *tarims* were:

(i) cash allowed the *tarims* to purchase other supplementary food items;

(ii) cash enabled the *tarims* to purchase grain when and as they needed;

(iii) the *tarims* required cash to have their grain ground into flour.

Another benefit of the cash distribution was the empowering effect it had on the beneficiaries. Firstly, as recipients of income *tarims* were able to contribute to household security. Secondly, they were given the power to control money and the autonomy to decide how to spend it. With increased purchasing power, *tarims* were able to participate to a greater extent in community life, and to do so with greater dignity, for example as buyers at markets and grain banks.

As in the Ethiopia case, there is little evidence to suggest that the cash distribution improved long-term food security in the region. Nonetheless, the programme achieved its primary objective, which was to alleviate the hunger of the most vulnerable groups through one-off income transfers. In the process, it enabled the recipients to determine their own needs and priorities.

Cash distribution and rehabilitation

The Red Cross in Guatemala and Nicaragua, 1998

The Red Cross Hurricane Mitch Agricultural Support Programme is one example of the use of cash in rehabilitation. The programme aimed to assist in the agricultural recovery of small farmers in El Salvador, Guatemala, Honduras and Nicaragua following the damage caused by Hurricane Mitch in October 1998. Cash payments were included in Guatemala and Nicaragua as one element of a rehabilitation package comprising seed, fertiliser, grain and spray pumps. The aim of the cash component was to allow beneficiaries to buy complementary inputs not included in the package, and/or to purchase food in areas where it was in short supply.

Cash grants of $30 were delivered to around 17,000 families in Guatemala and Nicaragua. Some families also received food aid. In all, cash payments worth

Box 4: Cash distribution in Bangladesh, 1998

A cash-grant project was included as part of Save the Children Fund (UK)'s emergency response to the floods in Bangladesh in 1998. One-off payments ranging from 500 to 2,000 *taka* were made to 6,800 families in six different *thanas* or sub-districts (SCF(UK), 1998). As an indication of the relative value of these cash grants, 70 per cent of households in an SCF(UK) survey of the affected area had a monthly income of less than 2,000 *taka* (Hossain and Shuaib, 1998). In addition, around 300 working children, whose income had been affected by the floods, received 450 *taka* each. As with SCF(UK)'s other interventions, the cash grant project was run by the agency's partners, and operated in areas where these partners were already working.

The aims of the cash distributions varied. In one sub-district, cash directly replaced food distributions on the grounds that local markets were working sufficiently well to enable families to buy food themselves. Here, the value of the cash grant seems to have been calculated in terms of its food value, equating to a 1,900 kcal ration (Hossain and Shuaib, 1998a). These grants were targeted at the most vulnerable households: those headed by women, or with a disabled person, or with malnourished children. In other areas, cash grants were given to assist rehabilitation by helping beneficiaries to repay loans, or to replenish assets sold in the weeks following the floods. Another stated aim in giving cash was to let the beneficiaries themselves decide what they needed (SCF(UK), 1998).

On the whole, the programme seems to have been a success, despite problems with the identification of beneficiaries in some sub-districts, which meant a slightly smaller number of families took part in the project than was originally planned. However, it is difficult to judge the effectiveness of this (relatively small) project independently of the many other strands of the flood-relief programme.

a total of around $490,000 were distributed over a five-week period. These payments were always made to women, while the agricultural inputs were given to men. (Cash was not distributed in Honduras or El Salvador for fear that it would create management and security problems; beneficiaries would not use cash for the intended purpose; and it would encourage dependency.)

According to the evaluation of the programme (British Red Cross, 1999), fears that beneficiaries in Nicaragua and Guatemala would misuse the cash proved groundless. The evaluation team attributed this to the overriding importance of agricultural production as a source of income. The team believed that, since cash was part of a package clearly directed at agricultural investment, beneficiaries felt 'morally and practically obliged' to spend cash in the way intended by those giving it. It was also felt that distributing cash to women rather than men helped to prevent its diversion. The fact that cash was delivered just prior to land preparation, when the need to pay for labour and inputs was at its height, encouraged expenditure on those items.

The evaluation report states that the package was popular with beneficiaries, most of whom stated a preference for the mixed package over a cash-only distribution. The extent to which a cash-only intervention (or even a larger injection of cash) would have led to immediate increases in the prices of inputs, as suggested by the evaluation report, remains unknown. The report also points out that seed did not seem to be widely available on the market – or at least that seed was bought or acquired from other sources. The only problem reported with the cash distributions was administrative, in that the beneficiary name on the cheque issued at the bank did not always coincide with that on the identity card.

In areas where food aid was not distributed, the cash grant was spent mainly on food. In other areas, cash tended to be spent on inputs not included in the package, such as labour for preparing land; rent for land, oxen or tractors; and the purchase of more seed and agrochemical products, and chickens, pigs or tools. In other words, where food aid was distributed, it was an important factor in enabling beneficiaries to invest the cash they received in inputs and productive assets.

Cash distribution and conflict

The Kosovo crisis

In quite different circumstances, a cash-grant project of nearly $8m was initiated by the UN High Commissioner for Refugees (UNHCR) in Albania during the Kosovo crisis in 1999. Grants were aimed at Albanian families who were hosting Kosovar refugees. Some two-thirds of this refugee population, estimated at 285,000 people, were being accommodated in Albanian homes.

UNHCR considered cash distribution to be the most effective way of supporting the widely-dispersed families, particularly given the logistical difficulties involved in distributing food or non-food items (UNHCR, 2000). Host families received $10 per refugee per month, backdated to the beginning of the refugee influx. The main problem with the project seems to have been delayed payments (UNHCR, 2000), which meant that money was not received until after the refugees had been repatriated. However, distributing food and non-food items proved so difficult in terms of logistics and registration that many host families and refugees received no assistance at all.

Logistical challenges aside, food or non-food items may have been more appropriate than cash, especially for poorer host families living in a largely non-cash economy. However, most refugees were hosted on a commercial basis: they paid their host families for accommodation and food using their own money. These economic arrangements, combined with the generosity of the Albanians, were cited in the UNHCR evaluation report as 'arguably the most significant factors in avoiding a potential crisis' (UNHCR, 2000).

In Kosovo itself, WFP began providing food aid in mid-1999. Aid covered the needs of the rural majority Albanian population, urban food requirements and the needs of Kosovo's minorities. In its first three months of operation, blanket food aid covered some 80 per cent of the 2m-strong population, though by the following October beneficiary numbers had fallen to 600,000. The number of beneficiaries has continued to decline in line with the gradual scaling back of relief, and the emergency programme was expected to be phased out completely by early 2002.

This scaling back of aid has coincided with the recovery of the harvest sufficient to meet the majority of food needs in rural areas, growth in the urban economy and a rise in wage levels. In addition, the UN Interim Mission in Kosovo (UNMIK), effectively the province's government, has begun a social-assistance scheme to provide cash to some 350,000 especially-vulnerable people. Target groups fall into two categories: the unemployable and their dependants; and the very poorest of the province's population. Those eligible in category one include the permanently disabled, households with no able-bodied adult, the elderly and single-parent families. To be eligible for assistance as part of the second category, beneficiaries must own no property, and have no access to any other form of assistance, either within or outside Kosovo.

Cash payments under the scheme began in August 2000. The categories broadly covered those people targeted by food aid. The scheme has thus provided a natural link for the final phasing out of food aid, although assistance was still deemed necessary in the short term to provide some form of food safety-net for beneficiaries who had not been registered for the cash scheme, and for marginal cases who, while strictly ineligible, were nonetheless in need. These included people whose land had been mined, and was hence unusable, as well as minorities and returnees, totalling an estimated 100,000 people. In effect, short-term emergency assistance was giving way to a long-term, cash-based social-welfare system.

Cash distribution and social interventions

Mozambique, Namibia and Zambia

In the 1990s, a number of 'safety-net' programmes were established in Africa. Three – in Mozambique, Namibia and Zambia – were assessed as part of a research project funded by ESCOR, a component of the UK's Department for International Development (DFID). The programmes were:

- a cash-transfer programme called GAPVU (Gabinete de Apoio à População Vulneravel) in 14 towns in Mozambique targeted at war-affected and disabled people, who received the equivalent of £16 per person per year (around $22);
- a social pension in Namibia, representing the equivalent of £192 per person per year (about $270), provided to all citizens over 60 years of age; and
- a CFW project in the drought-affected Western province in Zambia, in which earnings varied by district, according in part to the number of participants.

Devereux (2000b and 2000c) suggests that social safety nets can be viewed in terms of Sen's entitlement theory, and as a means of protecting entitlement following a livelihood shock such as drought (as in the Zambian case), market liberalisation or war (Mozambique), or retirement (Namibia).

The initial aim of the GAPVU project was to protect the urban destitute against rapid rises in food prices resulting from the war, drought and liberalisation of agricultural markets. As a result, it has always been described officially as a 'food subsidy'. In its early years, it faced a number of problems, including

serious corruption and fraud which caused the temporary closure of the programme in 1996. (The project was relaunched in 1997 under a new name and with new management and monitoring systems.)

Another problem arose from the project's stated objective, which was to improve the nutritional status of the market-dependent urban poor; as a result, success had to be measured in terms of nutritional improvement, which was consistently not found. An evaluation of expenditure among GAPVU beneficiaries supports the evidence from other transfer programmes that even among the destitute, transfer income is surprisingly fungible, with food being only one of several priorities. Devereux (2000b) notes that 'the ingenuity with which the poor made this tiny amount of cash go further is remarkable'. Over half of respondents in the expenditure survey said they had purchased one or more assets using GAPVU income. That most of these were consumption goods – such as clothing or kitchen utensils – rather than productive assets such as farm implements or education was largely due to the very low value of the cash payments.

This was exacerbated by the failure to take into account rises in living costs, despite an undertaking at the start of the project to keep levels of payment in line with increases in the national minimum wage. Despite GAPVU's low value, the ESCOR-funded survey found that it contributed as much as 25 per cent of cash income in beneficiary households in 1998, and more in the smaller, poorer towns. Devereux (2000b) concludes that 'GAPVU was a small transfer that made a small but significant difference to the livelihoods of its poor recipients'.

In contrast, the relatively high level of wages in Zambia's CFW programme allowed for more investment in assets, particularly for the richer households. After the first year of the project – during which people were recovering from a severe drought – the proportion of cash spent on food declined dramatically, with more going on 'house-related' items and clothing. 'Consumption spending' was found to be high relative to 'investment spending', which Devereux surmises may have been due to the greater accessibility of clothes and kitchen utensils, as against fertiliser and seeds, alongside the work sites where traders found business to be good.

By way of a 'trickle-down effect', certain groups of non-participants also benefited from the participants' wages: these Devereux calls 'secondary beneficiaries', including sub-contracted replacement workers, ox-cart owners, traders and agricultural labourers. In addition, CFW income stimulated local trade, attracting new shops and stalls in communities adjacent to the work sites. Some of these were set up by beneficiaries themselves, using savings from their wages.

Summarising the expenditure patterns in the three safety-net programmes, Devereux notes that low-value payments tended to be spent on food and clothes, while higher-value payments allowed for some investment – firstly in 'human capital' (education and health) and 'social capital' (increased assistance to relatives), and then in income-generating activities and assets (agriculture and livestock). Devereux (2000c) gives three preconditions for successful safety-net interventions: adequately functioning markets; fiscal and political sustainability; and investment in monitoring systems. But he concludes that 'cash transfers have an enormous impact on the livelihoods of the poor, and on the local economies in which they are situated'.

3

Assessing the effectiveness of cash-based responses

The key question to ask of cash distributions in emergencies must be whether they achieve the same objectives as food distributions, namely increasing the access to food of those in need. As long as distribution does not involve insurmountable administrative challenges, this is primarily a matter for the market, as the success of cash support is 'dependent on an adequate response from the market in the form of meeting the demands generated' (Drèze and Sen, 1989). Does increasing a population's purchasing power generate a sufficient inflow of food at a reasonable price so that beneficiaries are able to purchase their requirements? In short, do cash interventions *work*?

A mixed picture

The largest and best-documented programme, the CFF project in Ethiopia, presents a mixed answer to this question. At almost all the sites, beneficiaries were reported to have been able to purchase their food requirements, and often non-food items as well. Migration was halted and even reversed, and evacuated children returned to their families. Yet at many of the same sites, notably during the worst of the famine in 1984–85, the food value of the payments declined substantially due to widespread increases in the price of grain (not, it should be noted, caused by the cash payments themselves). Beneficiaries at some sites also reported a shortage of grain on the market.

Overall, the Ethiopia example suggests that, for most of the project areas, the cash payments boosted the inflow of grain from the neighbouring surplus areas. It also indicates that the food value of these payments, particularly in the critical period of 1984–85, fell far short of the intended full ration. That the project was nevertheless such a success perhaps owes something to the careful selection of the sites, which did not necessarily include the most severely affected areas, but rather areas that met the criteria for selection. One important criterion was, by necessity, the 'availability of surplus production within a reasonable distance of the affected population' (UNICEF, 1984).

The Ethiopia experience highlights how cash distribution can work in a country of poorly-integrated markets, and experiencing severe food shortage. In a country such as Botswana, by contrast, there is a 'widespread and competitive retail network operating in all but the remote areas', and the free exchange of food with neighbouring countries tends to smooth out in-country price differences (Drèze and Sen, 1989). Here, the market would be quick to respond to an increase in purchasing power within a particular section of the population. This applies equally to other countries in southern Africa, although the cash-for-work project in Zambia provides evidence of inflation (particularly of food prices) caused by the 'substantial injection' of cash into three very poor districts (Devereux, 2000c). Project participants argued that traders were exploiting the increase in effective demand, while non-participants found that, with no increased income, inflation put them at a particular disadvantage.

On the other hand, the acute food insecurity that Zimbabweans suffered in the drought of 1991–92 was contained largely through their purchase of food on the market, made possible through large-scale commercial imports and an effective market system, rather than through food-aid distributions, which were inadequate and arrived too late. But the overriding need for cash for food led to distress livestock sales and the use of cash reserves, and meant that, by the end of the crisis, an already-poor population had become almost critically impoverished.

Drèze and Sen also describe the very large programme of public works set up in the Indian state of Maharashtra during the famine of 1972–73 to provide cash income to the drought-affected population. The income generated on these relief works attracted food from neighbouring states via private trade, despite severe restrictions imposed on the movement of food between states. This privately-traded food proved a crucial complement to government sales which, while playing an important role in relief provision, 'fell far short of expectations' (Drèze and Sen, 1989).

Certainly, the case studies of food insecurity outlined above – in Sudan, Ghana and Bangladesh – suggest that beneficiaries had no difficulty in buying food in the market at reasonable prices. It is often assumed that local markets lack the capacity to respond to a sudden increase in demand. However, the evidence suggests that, in most cases, deregulated markets respond to demand as long as food is available: 'Even in regions endangered by drought, there are private enterprise systems which show an astonishing flexibility in providing a supply of food wherever there is sufficient purchasing power' (Schubert, 1987). Moreover, there can be positive benefits to stimulating local trade; the income generated can be used to pay off debts incurred during the period of shortage, for instance.

All the sites of the case studies were carefully selected on the basis that marketable grain was available in the vicinity. Despite Sen's insistence that aggregate food supply in Ethiopia in 1983–85 was more-or-less adequate, it is hard to imagine that the injection of large amounts of cash into the famine epicentre in Wollo would have induced a sufficient food inflow at sufficiently low prices to avert starvation.

Keen (1992) gives two examples where cash distributions among refugees would not have generated the required market response: where refugees had settled in an isolated area that was already experiencing a food shortage (Chadian refugees in western Sudan); and where a large influx of refugees had settled among a population that was already finding it difficult to get enough food (Mozambican refugees in Malawi). Similarly, the inclusion of cash in the agricultural-support package that followed Hurricane Mitch, and its popularity among beneficiaries, depended on the existence of an adequately-functioning system of markets through which cash could be exchanged for the required commodities – seeds, tools and labour.

Box 5: The role and capacity of local traders

The success of cash distributions depends significantly on the quantity and quality of service supplied by traders. There is a risk that traders will not have sufficient capacity to meet the sudden increase in demand, or government regulations might make it more difficult for them to operate. During the drought in Kenya in 1984, for example, private traders were unable to supply drought-affected areas because of government restrictions imposed on inter-regional trade (Drèze and Sen, 1989). Similarly, government regulations restricted market integration in Ethiopia's southern regions. In such situations, cash distribution would not necessarily have increased food supply.

Traders are likely to respond with caution to the creation of new markets. There are a number of costs involved in reorienting distribution channels, and these may deter some traders from supplying famine markets. Firstly, traders must switch from a sector where the demand is already known and regularised to one where it is unknown, and where the market may be new or dormant. These uncertainties increase the risk, and mean that high profits must be guaranteed. Secondly, traders will fear the artificial and temporary nature of this new market, and question whether the demand will be sustained when 'normality' returns. The opportunity cost of losing regular customers may simply be too great.

There is also the risk that, in markets characterised by monopolistic control exercised by a very few traders, artificially high food prices can be set, and the system exploited to the benefit of traders' profit margins.

The benefits of a cash-based response

The case studies highlight a number of benefits that cash aid has over traditional food distribution.

Speed

Perhaps the chief benefit of cash over food aid is the fact that delivering cash is much quicker than delivering food. Cash is logistically simpler, and can be transported and disbursed rapidly, even to remote locations. While food distribution tends to be centralised, raising the risk of population displacement or settlement around distribution sites, cash distribution is typically decentralised. While not without problems of its own, this presents potential opportunities for better

household targeting. One of the advantages of the CFF programme was that payments were distributed near to beneficiaries' homes, rather than several miles away at distribution sites (see, for example, UNICEF (1988a)).

Cost

The transaction costs of cash distributions are substantially lower than those of food. Overhead costs associated with food aid (handling, transport, storage and administration) on average range from 30 per cent to 50 per cent of the total aid provided. A Food and Agriculture Organisation (FAO) study on the impact of WFP food aid in Ethiopia estimated that 34 per cent of the cost of food aid was needed for transport (UNICEF, 1988a); similarly, approximately 40 per cent of UNHCR's operational budget in Africa is spent on transporting relief commodities (Keen, 1992). The comparative cost analysis of the Ethiopia CFF project showed that the cost of cash disbursement was approximately half that of the equivalent food-aid delivery. It was also noted that inland distribution of food aid to famine pockets – which will probably always be the main target of cash distributions, as they were in the CFF programme – is relatively more expensive than bulk distribution to major drought-affected areas (UNICEF, 1988a).

The informal monetisation of food aid by beneficiaries themselves is also expensive due to transaction costs; it is estimated that the value of food rations sold is about three times less than the original cost price (Bryson and Hansch, 1993). In fact, it is often the case that the local value of food rations is very low in relation to the cost of living, or the value of assets. Keen (1992) identifies this problem in the case of Mozambican refugees in Malawi, where the cost of firewood for cooking beans was five times the value of the beans. The poor returns from selling food suggest that monetisation does not always constitute the same transfer value as direct cash distribution.

Cash, on the other hand, has minimal transaction costs. As a result, the unit cost price per beneficiary is significantly lower than it is for food. The transaction costs saved could be used to make cash-disbursement programmes more effective, for instance by allocating greater resources to targeting, monitoring and supervision, which are identified as areas of weakness (see, for example, UNICEF (1988a); Devereux (2000b); SCF(UK) (1998)). Moreover, less overhead could mean beneficiaries receive a greater overall proportion of the money donated. An analysis of costs in Geramider in northern Shoa, Ethiopia, estimated that beneficiaries received nearly 90 per cent of the costs of the cash distribution; in an equivalent food distribution, the value of food received by beneficiaries would have been around 35 per cent of the total costs (UNICEF, 1988a).

The impact on local markets and trade

It is also important to consider how a cash-based response benefits local markets and trade. The increase in demand attracts food sellers, and links food-deficit areas with food-surplus ones, since traders tend to shift food from low- to high-price areas. In this respect, cash disbursement can activate or regenerate local markets and encourage trading to more remote locations. Market integration is likely to lead to a moderation of food prices in deficit areas, and an increase in food prices in surplus areas, an effect that Drèze and Sen (1989) describe as 'the sharing of distress over a wider area'. It is possible, therefore, that cash transfers can help to reduce price disparities and encourage the restoration of market equilibrium. Furthermore, the potential disincentive effects of food aid on agricultural production are avoided, and the increase in market demand is likely to discourage hoarding.

Local markets can also profit from the 'multiplier effect' of a cash injection, as cash circulates more quickly and for a longer time than food transfers. In the case of the safety-net projects in southern Africa, 'secondary beneficiaries of income transfers … included local traders and others who benefited from income multipliers generated by spending and redistribution of transfer income' (Devereux, 2000c). In other words, cash benefits both the buyer and the seller. In the case of a food transfer, however, the recipient or household consumes, and the benefit ends there. In addition, cash does not have a limited shelf-life, as does food, and can be banked or invested in numerous ways. As Wilson (1991) observes: 'Given the highly dynamic nature of most African rural economies, it is not unreasonable to expect that financial injections into the economy might have marked payoffs to an existing process of economic growth.'

Identifying requirements and consumption patterns

The cash approach also addresses the problem of ascertaining the appropriate and necessary requirements of the population, particularly in non-famine situations. Beneficiaries are in a better position to determine their individual needs than are relief agencies or donors, and the ability to do this represents a fundamental step towards

empowerment. Cash not only gives the recipient the right to choose, but also enables immediate access to markets and economic activity, which is particularly important for those who do not normally enjoy any sort of economic status: *tarims* in Ghana, for example, or pensioners in Namibia.

In terms of food, cash payments enable beneficiaries to avoid the particular kinds of consumption patterns determined by donors. General food rations constitute an unpalatable diet of low micronutrient content; as a result, many households obtain supplementary food through the sale of some of their ration (leading to the transaction costs discussed above), or through economic activity. In contrast, recipients of cash can purchase what they need, when they need it. Such flexibility is also likely to result in improved nutritional balance since it enables the purchase of more varied foods.

The impact on livelihood security

Finally, a cash-based response can be directly linked to livelihood security, whereas food is essentially linked to food security. As Drèze and Sen point out, whether beneficiaries receive food or cash matters less in the case of famine victims, for whom food intake is an overriding concern. But the choice of food or cash as the medium of entitlement becomes more relevant in non-famine situations, in which the root problem is often not so much one of food insecurity as one of poverty. Food aid is nevertheless provided in many cases, in the face of a need that it is not designed to satisfy. As a result, it is frequently monetised to meet cash demands for livelihood security, such as clothing, soap and transport. How beneficiaries spent their cash in the case studies described here confirms that food is not the only concern of households, even when faced with acute food insecurity. The flexible and fungible nature of cash means that it can be used directly to meet other livelihood demands at the early stages of famine, or in post-disaster situations.

The risks of a cash-based response

The evidence also points to a number of potential disadvantages in a cash-based response, as against a traditional food-aid intervention.

Misuse and misappropriation

The most apparent risk in cash distribution concerns the very flexibility and fungibility of money. This is both a strength and a weakness. On the one hand, fungibility can be seen as an opportunity since it allows beneficiaries to determine their needs, and in a 'cash-for-food' programme, for example, payment of debts or asset reconstruction may be as important as buying food. On the other hand, fungibility means cash can always be put to a use for which it was not intended: non-food consumption, for example, in a programme that aims to address nutritional deficiencies. It is often assumed that cash is likely to be diverted into activities that do not benefit the whole household and, in particular, squandered by men on alcohol or gambling, although this assumption may have more to do with the preconceptions of donors than with the actual priorities of those in need.

The case-studies confirm that cash is certainly used for non-food consumption in situations of acute food insecurity (see, most notably, the CFF experience in Ethiopia). But they give no empirical evidence of widespread squandering of cash in famines, or in post-disaster situations. The widespread purchase of non-food items in the CFF programme in Ethiopia may have been surprising, but at many sites it meant that beneficiaries were 'undoubtedly in a far better situation to face the future than they were at the commencement of the project' (UNICEF, 1984). In the southern Africa safety-net projects, Devereux identifies three ways in which beneficiaries used cash to enhance household food security: food purchase, investment in foodcrop farming, and as working capital in informal activities such as petty trading. Devereux notes (again in the context of safety nets rather than emergency interventions) that 'income transfers will impact on productive investment only if they are large enough to cover consumption needs'. He also highlights the dilemma for policy-makers: whether to divide resources among as many of the poor as possible, with minimal impact on livelihoods, or to concentrate on fewer beneficiaries, to greater medium- or long-term effect (Devereux, 2000c).

That beneficiaries use cash to satisfy consumption requirements first is also reflected in the Hurricane Mitch example, in which productive investment tended only to be possible where cash did not have to be spent on food – that is, where food aid was provided. In the Hurricane Mitch case, the use of cash for food and agricultural investment may have been encouraged by certain 'signals' built into the programme: the inclusion of cash within an agricultural package, the timing of the distribution, and the distribution of cash to women (British Red Cross, 1999).

A sudden increase in income through cash transfer does not, however, necessarily imply a boost in purchasing power. In a Cash-For-Work inter-

vention in southern Ethiopia, SOS Sahel found that the majority of households preferred food to cash since they feared that they would be forced to repay their debts if given money (Jenden, 1995). In the worst case, cash can be diverted and used for anti-social activities, such as buying weapons. Undoubtedly, in situations of war-induced famine there is a clear danger that cash may be misappropriated by warring parties, contributing to the political economy of war.

It can also be argued that misallocations of cash are more easily hidden than with food or non-food commodities since cash is less visible; and that cash is therefore more vulnerable to diversion and corruption. This makes good monitoring and accounting systems even more important than with food distributions, and is perhaps why these two areas were cited as the main focus of problems in more than one case study (see, for example, UNICEF (1988); Devereux (2000c)). In Mozambique, ironically, inadequate monitoring and supervision systems were a result of donor concerns to maximise the funds transferred to beneficiaries, and resulted in massive leakage and diversion of cash (Devereux, 2000b). But both Keen (1992) and Wilson (1991) argue, albeit with regard to cash distributions to refugees, that accountable systems can be created if the will to do so exists. Certainly, the savings on transport and storage relative to food distributions suggest that more resources could potentially be allocated to monitoring and accounting.

Targeting

Targeting also becomes a more contentious issue in the case of cash distributions, since cash is inherently of value to everyone. Cash distribution inevitably invites more stakeholders, and has the potential to further marginalise politically weaker and vulnerable groups. Direct cash transfers do not, moreover, lend themselves to targeting by self-selection, as do CFW programmes in which a level of payment can be set that is sufficiently low to attract only the poorest (see Drèze and Sen, 1989). However, while targeting can undoubtedly be more difficult for cash distributions, it does not appear to have arisen as a fundamental problem in the case studies. This may have been due, in the Hurricane Mitch case, to its inclusion in an agricultural package; or, in Ethiopia, to the emphasis on geographical selection; or, in the Ghana and Bangladesh examples, to implementation at a relatively local level, on a relatively small scale.

Perhaps more seriously, the very fact of targeting has implications for cash distributions that do not apply to distributions of food. Food distribution can bring down food prices, thus benefiting people who have not been targeted, but who have to purchase their food. Conversely, if not all the vulnerable population is included in the cash distribution, those that have been excluded will still have to deal with the consequences of any price increases arising from the injection of cash. Thus, the overall vulnerability of the population could be exacerbated, rather than diminished (Drèze and Sen, 1989). This fear of sudden inflation and its effects can deter agencies from distributing cash. The Zambia cash-for-work project provides some evidence that food prices can rise sharply following a large injection of cash. The only other case study to monitor local prices before and after a cash distribution – the CFF project in Ethiopia – found that they increased. But it seems that this was a result of widespread food shortages, rather than the cash transfers themselves. Two factors determining the effect of a cash injection on local prices must surely be the overall size of the distribution, and the size of the population or local economy in which it is disbursed. In other words, is there a threshold below which the inflationary effect is minimal, but above which prices tend to rise rapidly? Apart from the effect on beneficiaries and non-beneficiaries, 'inflation offsets the income transferred, so the total intervention effect may be considerably less than the hard currency value of the cash' (Bryson and Hansch, 1993).

There is also a risk that women will not gain access to purchasing power since, in many societies, men traditionally dominate control of money in the household, and may not spend it in ways that benefit the whole family. Even transferring income to women, as was done in the Hurricane Mitch intervention, may not necessarily confer the equivalent purchasing power if they are obliged to hand over the cash to their husbands, or if they are anyway restricted in what they can buy or own. Food, on the other hand, is easier to target and more likely to benefit women, children and the elderly. In Zimbabwe's drought-relief programmes of the mid-1980s, most women argued for food assistance, while most men argued for cash (Keen, 1992). That the most vulnerable are often unable to participate in purchasing and economic activity can represent a strong argument for food transfers over cash. Gender is an even more complex consideration in safety-net cash transfers; as Devereux (2000c) points out: 'Southern African women are restricted in the assets they can own, so income transfers are more likely to be consumed than used to finance independent wealth accumulation.'

Economic impacts

Injections of hard currency are also likely to affect the local exchange rate, particularly if an unofficial rate exists. If an agency decides to disburse US dollars, which is by far the most common hard currency used for economic transactions in relief operations, it risks establishing a dual economy. Davies (1996) explains the economic implications:

> *the unintended effect of the massive influx of dollars is the creation of an environment conducive to money laundering. The inevitable result is that the Authorities lose what little control they might have had over monetary policy and their economic management becomes, as a consequence, even more difficult. The net effect is usually an inappropriate exchange rate with subsequent negative effects on the profitability of the export sector, once it is revived.*

The quantity, quality and promptness of supply also influence the effectiveness of cash distribution. Any delay between the distribution of cash and the market supply of food will have negative effects. A surplus of cash without immediate food supply may encourage other types of purchasing. Surplus cash in the household may be seen as a security hazard, forcing quick spending for fear of theft. Furthermore, in a famine region cash may devalue rapidly, to the extent that the final income transfer at the point of trade may be considerably less than at the time of distribution.

Security

Security risks also face the agencies distributing the cash. The idea of transporting and distributing thousands of dollars in cash must be a frightening prospect for any field officer; it was partly due to security fears that cash was not distributed in the Hurricane Mitch agricultural-support packages in El Salvador and Honduras (British Red Cross, 1999). The nature of the political environment can also increase the security dangers involved in cash distribution. For example, assisting populations with cash during a conflict-related emergency may make them a political or military target of warring parties.

Mobility

A risk for governments to consider concerns mobility of people. Since money may be spent on transport, the authorities may fear that cash distribution will encourage migration or, at the least, increase the mobility capacity of rural communities. Increased mobility and access could be seen as a threat to state control. While this may sometimes be so, no beneficiary in the case studies was reported to have used their cash in this way. On the contrary, the cash distributions in, for example, Tatch Gaint in Ethiopia enabled migrants to return home, and allowed the return of children whose parents had sent them away at an earlier stage (UNICEF, 1984). The mobility question is heightened in the case of refugee populations where host governments are reluctant to allow refugees to move freely. Traditional food distribution, on the other hand, ensures control of population movements around designated distribution centres.

Balancing benefits and risks

Given that there are both benefits and risks associated with cash distribution, the decision to distribute cash or food depends on an assessment of whether the good outweighs the bad. In certain situations, the risks will be too great to justify the distribution of cash; for example, if there is a danger of creating excessive demand, or of not being able to target women and children effectively. Elsewhere, however, the opportunities may outweigh the risks. There can, of course, be no blueprint policy on using cash; the decision requires a case-by-case approach, calculating the trade-off at the local level through ongoing market analysis and food-security monitoring. A starting-point could be to juxtapose the pros and cons of food and cash aid, as outlined in Table 1.

Agencies need to consider two key variables. The first concerns accessibility. The experiences to date in cash distribution suggest that this type of response is appropriate in famine 'pockets' in close proximity to surplus-producing areas. If famine-affected areas are isolated and inaccessible, a sudden boost in purchasing power is unlikely to increase food supply. Furthermore, while markets may be accessible geographically and logistically, traders may not necessarily be assured access, since this can be determined as much by market controls and political imperatives. It is equally important to consider the size and demand of the famine market, which must be great enough to justify traders reorienting their distribution channels. Furthermore, the spread of markets will limit the shocks caused by a dramatic cash injection.

The other key variable is regional or national food availability. Determining this involves analysing food production, regionally and nationally; an analysis of food in storage and on the market; and an analysis of price trends and consumption patterns. It also requires a good knowledge of the existing trade and retail structures and the target population. A good example of the understanding needed is reflected in the plans to phase out WFP

Table 1: Food versus cash

Food	Cash
Advantages	*Advantages*
Greater donor surplus	More cost-efficient
Immediately increases food availability (although there may be delays in delivery)	Transfer costs minimal
Directly addresses nutritional deficiencies	More easily converted (fungible)
Can be self-targeting	Allows beneficiary choice
Favours women, children and the elderly	Encourages productivity and stimulates markets
Disadvantages	*Disadvantages*
Transport and storage costs high	Limited donor budget for this kind of intervention
Administrative costs high	Losses from inflation
Losses from spoilage and theft	Losses from leakage
Less easily exchanged	More difficult to target – usage favours men
Disincentive effects on production	Can be used for non-food consumption and anti-social activities
Competes with local markets and trade	Security risk

Source: Adapted from Bryson and Hansch, 1993

food aid in Kosovo and replace it with cash aid: cash payments were to start only once food availability had increased after the harvest, and food aid was to continue for certain groups, including Serbs, who did not have access to the market. In this respect, an effective cash intervention may initially require a more cautious approach than a blanket food-aid programme, but the time invested may be well spent in terms of impact and cost-effectiveness.

While an adequate food supply is a prerequisite for an effective cash-based response, the mechanisms by which that food supply can be assured do not necessarily all have to be market-driven. As Drèze and Sen (1989) point out:

> *To recommend greater use of cash support is not to suggest that importing food into famine affected countries or areas is undesirable or unnecessary. Cash support and food supply management are not, by any means, mutually exclusive activities … Our contention is not that cash support should replace efforts to improve food availability, but only that in many circumstances there is no need to make entitlement protection conditional on the direct delivery of food.*

The same principle could be applied to the delivery of non-food items in rehabilitation programmes. Devereux (2000b) suggests that: 'Although participants cannot of course be forced to purchase "investment goods" [such as seeds, fertiliser or livestock] rather than consumer items, future interventions might consider ways of making such commodities more readily available or more attractive to participants.'

Cash-based support does not preclude the simultaneous implementation of other interventions. Cash as a complement to food distribution, for example, may be the most appropriate response where agencies or donors fear rapid increases in food prices and/or inadequate supply, or where they wish to see the cash used for productive investment and livelihood recovery, rather than food consumption alone. Similarly, the

inclusion of cash as one element within a rehabilitation package, as in the Hurricane Mitch agricultural programme, may be one way of making the most of the benefits of cash delivery – including the speed and low cost of implementation, its flexibility for beneficiaries and the secondary benefits – while ensuring that its use accords with programme objectives.

Conclusion

Agencies seem increasingly willing to use cash as a complement to traditional forms of relief and rehabilitation. While this is due in part to the declining availability of food aid, it also reflects an attempt by agencies and donors to take into account the increasing importance of cash in even the poorest rural economies. This has been reinforced over the past decade by the need to consider forms of relief and rehabilitation in Western, industrialised economies that have long been cash-based. As a result, the term 'food insecurity' has become an increasingly fragile analytical concept; instead, 'livelihood security' has been the focus of much donor thinking in recent years.

The case studies reviewed in this paper illustrate the implicit use of a livelihood framework in many cash-transfer programmes over the past 20 years. They are limited to cash distributions in natural disasters, or in situations of at least relative stability; none covers distribution in an ongoing conflict or other complex political emergency. Nonetheless, these studies offer a number of indications, both positive and negative. The 'cash-for-food' projects in Ethiopia and western Sudan, for example, lend qualified support to the idea that during a famine, cash distributions to populations in pockets of deficit close to surplus-producing areas can bring about an inflow of food at reasonable prices. The Ethiopia case in particular also provides solid evidence of the advantages of cash over food aid in terms of cost and speed. The Hurricane Mitch agricultural programme, which had a quite different objective, shows how cash can be included to good effect in a mixed agricultural-recovery package. This example underlines the importance of considering cash as one element of a package, or as one strand of a programme, rather than as an option that excludes all others. The southern Africa safety-net studies indicate that beneficiaries tend to use cash for social and productive investment only after consumption needs have been met, and show how cash can act as a stimulant to the local economy. Evidence of 'squandering' – on alcohol or gambling, for example – was not found in any of the case studies that looked at how grants were spent.

On the other hand, the case studies indicate some of the difficulties that can arise. The only study to systematically monitor the effect of cash distribution on prices – in Ethiopia – shows what can happen when cash is delivered in an economy where food prices are rising rapidly due to overall shortages. Several districts in the CFF programme, and in the UNHCR project in Albania, found the administrative burden imposed by a cash distribution (especially on the banking system) exceeded capacity, causing delays (see UNICEF (1988); UNHCR (2000)). Furthermore, the monitoring and accounting of cash movements clearly needs to be even more stringent than for food or non-food items, and was found to be inadequate in at least two of the projects (see UNICEF (1988) and Devereux (2000b)). Another major issue is the exclusion of certain groups from economic activity or ownership (women in southern Africa, for example), which can make it difficult to achieve equitable cash distribution within households (see Devereux, 2000b).

Despite the problems they highlight, the case studies give cause for cautious optimism, and provide pointers as to the circumstances in which cash relief can work to best effect. But they are at their most useful in highlighting just how little we know about cash transfers, and about the behaviour of the local economy, of traders and of beneficiaries. Under what circumstances will traders respond to an increase in demand? What level of purchasing power is necessary, and at what

distance from supply, to ensure an inflow of food or other items? How do prices behave following an injection of cash? At what level of cash inflow does inflation become inevitable? How do beneficiaries spend cash, and how do these patterns change in different situations? How can investment in livelihoods be encouraged, while at the same time allowing beneficiaries the flexibility to satisfy their consumption needs? These questions must be tackled through carefully planned and monitored experimentation and pilot projects before we can be confident in cash-based interventions, and learn how to minimise the risks and maximise the benefits.

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Network Papers

Network Papers are contributions on specific experiences or issues prepared either by HPN members or contributing specialists.

1 *MSF-CIS (Celula Inter-Secçoes), Mozambique: A Data Collecting System Focused on Food Security and Population Movements* by T. Dusauchoit (1994)
2 *Responding to the 1991/92 Drought in Zambia: The Programme to Prevent Malnutrition (PPM)* by D. Mukupo (1994)
3 *An Account of Relief Operations in Bosnia* by M. Duffield (1994)
4 *Bad Borders Make Bad Neighbours - The Political Economy of Relief and Rehabilitation in the Somali Region 5, Eastern Ethiopia* by K. Van Brabant (1994)
5 *Advancing Preventive Diplomacy in a Post-Cold War Era: Suggested Roles for Governments and NGOs* by K. Rupesinghe (1994)
6 *The Rwandan Refugee Crisis in Tanzania: initial successes and failures in food assistance* by S. Jaspars (1994)
7 *Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief* ed. J. Borton (1994)
8 *Targeting the Poor in Northern Iraq: The Role of Formal and Informal Research Methods in Relief Operations* by P. Ward and M. Rimmer (1995)
9 *Development in Conflict: the Experience of ACORD in Uganda, Sudan, Mali and Angola* by ACORD (1995)
10 *Room for Improvement: the Management and Support of Relief Workers* by R. Macnair (1995)
11 *Cash-for-Work and Food Insecurity in Koisha, Southern Ethiopia* by P. Jenden (1995)
12 *Dilemmas of 'Post'-Conflict Transition: Lessons from the Health Sector* by J. Macrae (1995)
13 *Getting On-Line in Emergencies: A Guide and Directory to the Internet for Agencies involved in Relief and Rehabilitation* by L. Aris, P. Gee and M. Perkins (1996)
14 *The Impact of War and Atrocity on Civilian Populations: Basic Principles for NGO Interventions and a Critique of Psychosocial Trauma Projects* by D. Summerfield (1996)
15 *Cost-effectiveness Analysis: A Useful Tool for the Assessment and Evaluation of Relief Operations?* by A. Hallam (1996)
16 *The Joint Evaluation of Emergency Assistance to Rwanda: Study III* ed. J. Borton (1996)
17 *Monetisation: Linkages to Food Security?* by J. Cekan, A. MacNeil and S. Loegering (1996)
18 *Beyond Working in Conflict: Understanding Conflict and Building Peace (The CODEP Workshop Report)*, by J. Bennett and M. Kayitesi Blewitt (1996)
19 *Human Rights and International Legal Standards: what relief workers need to know* by J. Darcy (1997)
20 *People in Aid Code of Best Practice in the Management and Support of Aid Personnel* ed. S. Davidson (1997)
21 *Humanitarian Principles: The Southern Sudan Experience* by I. Levine (1997)
22 *The War Economy in Liberia: A Political Analysis* by P. Atkinson (1997)
23 *The Coordination of Humanitarian Action: the case of Sri Lanka* by K. Van Brabant (1997)
24 *Reproductive Health for Displaced Populations* by C. Palmer (1998)
25 *Humanitarian Action in Protracted Crises: the new relief 'agenda' and its limits* by D. Hendrickson (1998)
26 *The Food Economy Approach: a framework for understanding rural livelihoods* by T. Boudreau (1998)
27 *Between Relief and Development: targeting food aid for disaster prevention in Ethiopia* by K. Sharp (1998)
28 *North Korea: The Politics of Food Aid* by J. Bennett (1999)
29 *Participatory Review in Chronic Instability: The Experience of the IKAFE Refugee Settlement Programme, Uganda* by K. Neefjes (1999)
30 *Protection in Practice: Field Level Strategies for Protecting Civilians from Deliberate Harm* by D. Paul (1999)
31 *The Impact of Economic Sanctions on Health and Well-being* by R. Garfield (1999)
32 *Humanitarian Mine Action: The First Decade of a New Sector in Humanitarian Aid* by C. Horwood (2000)
33 *The Political Economy of War: What Relief Agencies Need to Know* by P. Le Billon (2000)
34 *NGO Responses to Hurricane Mitch: Evaluations for Accountability and Learning* by F. Grunewald, V. de Geoffroy & S. Lister (2000)

Good Practice Reviews

Good Practice Reviews are commissioned 'state of the art' reviews on different sectors or activities within the relief and rehabilitation field. Prepared by recognised specialists, and subject to peer review, they are produced in a format that is readily accessible to field-based personnel.

1 *Water and Sanitation in Emergencies* by A. Chalinder (1994)
2 *Emergency Supplementary Feeding Programmes* by J. Shoham (1994)
3 *General Food Distribution in Emergencies: from Nutritional Needs to Political Priorities* by S. Jaspars and H. Young (1996)
4 *Seed Provision During and After Emergencies* by the ODI Seeds and Biodiversity Programme (1996)
5 *Counting and Identification of Beneficiary Populations in Emergency Operations: Registration and its Alternatives* by J. Telford (1997)
6 *Temporary Human Settlement Planning for Displaced Populations in Emergencies* by A. Chalinder (1998)
7 *The Evaluation of Humanitarian Assistance Programmes in Complex Emergencies* by A. Hallam (1998)
8 *Operational Security Management in Violent Environments* by K. Van Brabant (200)

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HUMANITARIAN PRACTICE NETWORK

Background

The **Humanitarian Practice Network** (**HPN**) was launched in 1994 in response to research that indicated substantial gaps between practitioners and policy makers in the humanitarian field, as well as serious weaknesses in the ability of the sector to learn and become more 'knowledge-based'.

Purpose

To stimulate critical analysis, advance the professional learning and development of those engaged in and around humanitarian action, and improve practice.

Objectives

To provide relevant and useable analysis and guidance for humanitarian practice, as well as summary information on relevant policy and institutional developments in the humanitarian sector.

Activities

- **Publishing in three formats:** Good Practice Reviews (one per year), Network Papers (four to six per year) and *Humanitarian Exchange* (two per year). All materials are produced in English and French.
- **Operating a resource website**: this is one of the key reference sites for humanitarian actors.
- **Collaborating with international 'partner' networks**: this increases the reach of the **HPN**, and brings mutual benefit to the participating networks.
- **Holding occasional seminars on topical issues**: these bring together practitioners, policy-makers and analysts.

HPN Target Audience

Individuals and organisations actively engaged in humanitarian action. Also those involved in the improvement of performance at international, national and local level – in particular mid-level operational managers, staff in policy departments, and trainers.

While a project and Network with its own identity, the **HPN** exists within the Humanitarian Policy Group at the ODI. This not only ensures extended networking and dissemination opportunities, but also positions the **HPN** in a wider 'centre of excellence' which enhances the impact of the **HPN**'s work.

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