Cash Transfers in Emergencies

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"Famines occur because they are not prevented: they are allowed to happen."
– Stephen Devereux, Economist

"Transferring cash directly takes the power away from the humanitarian community and puts it into the hands of the beneficiaries, a notion that people still remain uncomfortable with."
– Sarah Bailey, Overseas Development Institute

"I had no choice; I could not even afford a piece of meat or one tomato. Now with the cash I feel like a free woman. Sometimes I even buy shoes for my children, when I have saved enough… I can now decide what is important for my family."
– Jawahir Hassan Ali, Somali mother

The famine that began in the Horn of Africa during the summer of 2011 is the worst that the region has seen in over 60 years. With 13.3 million people in need of assistance and the lives of 750,000 in jeopardy, there is an urgent need for a quick and effective response. A growing body of evidence suggests that cash transfers are the most appropriate means of providing assistance in food emergencies. This paper examines the use of cash transfers in food emergencies by providing a brief overview of food security and famines, reviewing literature on the use of cash transfers, and providing an example of cash transfer intervention implemented in Somalia between 2003 and 2004. With evidence of the effectiveness of cash transfers in specific contexts, the question remains why these interventions are not more readily used. This paper argues that the reluctance to use cash transfers is rooted in paternalism, and calls upon donors and organizations to reexamine themselves and their organizations in an effort to not only restore dignity to those in need, but to save lives.

Currently, the Horn of Africa—the peninsula in East Africa that is composed of Eritrea, Djibouti, Ethiopia, Somalia, and parts of Kenya—is experiencing the worst drought in over 60 years (Rosenberg, 2011). Somalia is in a particular state of emergency, as famine has been declared in six of its regions due to a "perfect storm" of high food prices, crop failure, and armed conflict (U.S. Fund for UNICEF, 2011; World Concern, 2011). An estimated 13.3 million people are in need of humanitarian assistance, and 750,000 lives are in jeopardy (World Concern, 2011).

Traditionally, in-kind donations—such as food, seeds, tools, and shelter—are provided to aid in these emergencies, (Ali, Toure, & Kiewied, 2005; Harvey & Bailey, 2011; Rosenberg, 2011). Beneficiaries are seldom given money to buy necessities themselves and ostensibly with good reason: if people are starving, they need food. Monetary assistance can reinforce corruption, increase conflict and instability, endanger women, cause inflation and weaken local markets, and be spent by beneficiaries on alcohol, drugs, and other anti-social activities (Ali et al., 2005).

There is, however, a growing body of evidence suggesting that cash transfers are a more effective means of providing assistance, and at the very least a necessary complement to direct food aid (Harvey & Bailey, 2011; La Brooy, 2009; Rosenberg, 2011). This paper will examine the use of cash transfers in food emergencies by: (1) providing a brief overview of food security and famines, (2) reviewing literature on the use of cash transfers, (3) describing the Emergency Cash Relief Program implemented in Somalia between 2003 and 2004, and (4) questioning why cash transfers are not more commonly used in appropriate contexts.

Food Security, Food Crises, and Famines

The 1996 Rome Declaration on World Food Security defines food security as, "…when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs, and food preferences for an active and healthy life" (Food and Agriculture Organization of the United Nations, 2011; Jönsson & Åkerman, 2009). Food is secure when it is available, affordable, accessible, and utilized (Global

Education, 2011; Jönsson & Åkerman, 2009). Insecurity in food supply and subsequent food crises are caused by myriad factors, for example, poverty, scarcity of water, unfavorable environmental conditions, natural and man-made disasters, conflict, barriers to trade, population growth, gender inequity, and poor health (Global Education, 2011).

While all famines are food crises, not all food crises are famines. Technically, three conditions have to be met for a food crisis to be declared a famine: (1) at least 20% of the population must consume fewer than 2,100 calories a day, (2) acute malnutrition must be prevalent in more than 30% of children, and (3) the death rate must exceed two deaths (or four child deaths) per 10,000 people per day (World Food Programme [WFP], 2011). According to Devereux (2000), food crises prior to the 1900s were caused by natural disasters that triggered food shortages, then developing into famines because of political, economic, and/or technical inabilities to intervene. By the 1970s, however, famines essentially became preventable. New technology, improved infrastructure, and coordinated international humanitarian response to food crises were sufficient enough to avert famines. Crop failure no longer causes death to millions of people in almost every region around the world—every region except for sub-Saharan Africa.

Understanding the Horn of Africa's phenomenon in the realm of food security requires a rethinking of contemporary famines. With technological changes and globalization, characteristics of famines are less straightforward than they once were. In his groundbreaking work *Poverty and Famine*s, Sen (1981) explains that most food shortages are a result of restricted purchasing power and limited access to food (i.e., failure in demand) rather than a lack of food supply (Bailey, Savage, & O'Callaghan, 2008; Devereaux, 2007; Peppiatt, Mitchell, & Holzmann, 2001). Walker (1989) adds a social component to Sen's perspective, defining famine as "a socio-economic process which causes the accelerated destitution of the most vulnerable, marginal, and least powerful groups in the community, to a point where they can no longer, as a group, maintain a sustainable livelihood" (p. 143). Devereaux (2007) stresses the centrality of politics to the contemporary famine, underscoring a famine's dependence on and vulnerability to institutional administrations and their political strategies. Other current theorists emphasize the multi-dimensionality of famines, pointing to a combination of natural, social, political, and economic causes (Ali et al., 2005; Devereux, 2007). The recent famine in Somalia embodies these complexities: a two-year drought in the context of political instability, longstanding conflict, chronic poverty, and limited infrastructure (Oxfam America, 2011).

Using Cash Transfers to Address Food Emergencies

Complex problems often require time to develop appropriate solutions. Since August 2011, Somalia has lost 29,000 children, and 6 out of 10,000 individuals are dying daily. Time is a luxury that Somalia cannot afford (Sheikh Nor, & Straziuso, 2011). Direct cash transfers are expedient and have been found to be effective in ameliorating food emergencies (Ali et al., 2005). Development and implementation of long-term, sustainable solutions is necessary, but cash transfers, when appropriate, can be prompt and effective interventions.

A cash transfer is a relief response that entails distributing free cash to targeted beneficiaries (La Brooy, 2009). Cash-based responses to emergencies have existed since the 19th century in colonial India; however, recent cash transfer programs have been rooted in Sen's investigation into the extent to which an individual's purchasing power can affect the flow of goods (Bailey et al., 2008; Peppiatt et al., 2000).

Sen's exposure to the economics of famines began at an early age. As a young boy, Sen witnessed individuals starve to death in the 1943 Bengal famine not due to a lack of food, but due to a lack of access to food; floods destroyed livelihoods, leaving little income or other entitlements to purchase available food (Pressman, 2000). Later in his life, Sen examined African and South Asian famines of the 1970s and found parallels with the Bengal famine of his childhood—those with purchasing power hoarded food, while those without were left to starve (Devereaux, 2007).

As a result of Sen's findings, there has been a shift from traditional food distribution to a more appropriate economic response: direct cash transfers increase the market demand—and consequently, price as well—for food, thereby enticing food suppliers to enter or re-enter the market (Peppiatt et al., 2001). Because markets tend to recover quickly from disasters, conflicts, and other emergencies, providing those in need with cash can give them the means to purchase food (as well as other goods and services they require the most) through local markets (Bailey et al., 2008). While there are various types of cash transfer programs specific to emergencies, such as unconditional cash transfers, conditional cash transfers, vouchers, and cash for work, the focus for this analysis is on unconditional cash transfers through which individuals are given money directly without any subsequent requirements (Harvey & Bailey, 2011).

Benefits and Risks of Cash Transfers

There is a growing recognition of cash transfers programs as effective tools for addressing food emergencies (Bailey et al., 2008). The suitability of cash transfers depends on the context of the specific emergency. Public donors are increasingly recognizing that, in certain contexts, cash transfers are more effective than in-kind assistance, particularly in environments characterized by minimal administrative challenges and certainty of adequate market response to demand for food (Bailey et al., 2008; Peppiatt et al., 2001; WFP, 2011). Traditional in-kind interventions require overhead for food packaging and transportation. A recent analysis of WFP operations in food emergencies found that replacing current in-kind interventions with cash transfer programs could result in a significant reduction in costs (Egeland, Harmer, & Stoddard, 2011; WFP, 2011). In regions where infrastructure is available, there is evidence of even greater benefits, such as monitoring of financial activity, risk mitigation, and potential partnerships with the private sector. Mobile technology and smart cards have created innovative opportunities to transfer cash to beneficiaries in more efficient and effective ways (WFP, 2011).

In their most recently published guidebook , the United

Nations Office for the Coordination of Humanitarian Affairs (2011) identifies cash transfer as an innovative practice with demonstrated effectiveness in the most challenging security conditions. One of the most significant benefits, in contrast to food distribution, is efficiency, which in this case means quicker, targeted response at a lower cost (Bailey et al., 2008; Peppiatt et al., 2001). Not only is the distribution of food more logistically complex and time consuming, but the average overhead cost of handling, transporting, storing, and distributing food can range anywhere from 30% to 50% of the total aid provided (Peppiatt et al., 2001). Another benefit of cash transfer systems is the potential to stimulate local market activity and restore market equilibrium. Distributing cash gives greater flexibility to beneficiaries, as the funds can be used not only for food, but for other means as well, such as investing and livelihood development. Cash transfer programs also restore dignity to beneficiaries by giving them the power to determine what their own needs are and to address them in a way that responds to their context (Bailey et al., 2008; Peppiatt et al., 2001).

These benefits must be weighed against risks associated with the use of cash transfer programs in food emergencies (Bailey et al., 2008; Peppiatt et al.,, 2001). One of the greatest deterrents from using cash transfers more readily is the fear that the cash will be used for unintended, anti-social purposes, namely things other than food (Peppiatt et al., 2001). Another concern is that men tend to control money and other resources in many societies, so cash transfers could increase gender disparity and threats to women. Safety of staff and beneficiaries is yet another concern, as individuals and programs themselves could be targets for. Cash transfers could also cause inflation in local markets, and a subsequent devaluation of funds that would further disadvantage beneficiaries and those who do not receive aid (Bailey et al., 2008; Peppiatt et al., 2001). While these risks should be considered, most could apply to any program involving resource transfers—even in-kind food donations (Bailey et al., 2008).

Despite the relative cost effectiveness of cash transfers, the decision to use this intervention is highly dependent on the context of the particular emergency, and the context should determine program objectives (Bailey et al., 2008; Egeland et al., 2011; Harvey & Bailey, 2011; ; Jönsson & Åkerman, 2009; Peppiatt et al., 2001; Román, 2010; WFP, 2011). Many humanitarian aid organizations have developed useful decision trees to determine whether a cash transfer program will be effective (Bailey et al., 2008; Harvey & Bailey, 2011). In addition, rigorous assessments of market conditions should be conducted before using cash transfer programs (Bailey et al., 2008). Even when a cash transfer program is deemed most suitable and is implemented, the process is iterative and therefore must be reviewed periodically to ensure quality and appropriateness (WFP, 2011).

Case Study: The Emergency Cash Relief Program in Somalia

The best determinant of whether cash transfer programs are effective is observation. Ali et al. (2005) found that in 2003 and 2004, Somalia, very much like today, was in the midst of a complex emergency. The Sool Plateau in northeastern Somalia, in particular, was experiencing a food emergency due to drought, internal conflict, and ongoing political instability. Most inhabitants of the Sool Plateau function in clans to support and protect one another, and are nomadic and pastoralist, migrating in cycles according to rainfall patterns to ensure the survival of their livestock. They are highly dependent on a credit system that allows them to access capital during economically slow periods, and to repay their debts when they are able. In 2003, after seven consecutive rain failures, decimation of livestock, and subsequent overdependence on the credit system, the local economy was in near failure. In addition, territorial conflict between various self-declared states in the region made international humanitarian assistance difficult. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) determined that 12,000 households were at risk of starvation (Ali et al., 2005).

Upon completion of an interagency assessment in 10 villages within the Sool Plateau, OCHA determined that the most viable and effective response would be a direct cash transfer program due to the availability of food in local markets, the weakened credit system, and the presence of established and credible money-transfer companies (Ali et al., 2005). In response, Horn Relief and the Norwegian People's Aid (NPA), two organizations that had maintained a consistent presence in northeastern Somalia for over 10 years, implemented the Emergency Cash Relief Program (ECRP), which provided the most vulnerable households in the Sool Plateau with temporary, one-time payments of US$50 over a six-week period. While the transfer of cash was simple, the project required effective program design, which included determining the size of the grant needed, securing funding, mobilizing the community, training inhabitants of the Sool Plateau, involving local staff and elders to create buy-in among the community, and registering the households (a.k.a., beneficiaries).

According to Ali et al. (2005), the results of ECRP were overwhelmingly positive. In terms of cost-effectiveness, for every US$100 of funding, only US$17 went to overhead costs, as compared with US$25-$35 overhead costs for other interventions. Intake of food among beneficiaries increased by at least one meal a day, and dependence on social support among beneficiaries fell by 90%. No increased volatility between men and women was observed, although some community members expressed resentment toward the emphasis on gender equity and the role of women in the program. The cash grants were not used to buy weapons or drugs, and the subsequent increase in drug use was caused not by the beneficiaries themselves, but by urban traders who used monies paid to them by beneficiaries (repayments for debts) to purchase drugs. The credit system and local economy were revived according to plan. Beneficiaries expressed appreciation and a feeling of restoration of dignity with this opportunity to prioritize their own needs.

It should be noted, however, that there were various limitations to ECRP including: (1) accounting for fluctuations in the exchange rate, which resulted in a devaluation in local currency; (2) antagonization of the Somaliland government; and (3) decrease of effectiveness due to a lag in follow-up interventions (Ali et al., 2005).

In addition to the successes achieved through ECRP in Somalia, programs in various other countries and contexts have shown promising results. In August 2008, food security in Georgia was at risk due to conflict with Russia (Jönsson & Åkerman, 2009). A direct cash transfer program implemented in Georgia has resulted in improved access to and utilization of food resources. The Zimbabwe Emergency Cash Transfer (ZECT) Pilot Program implemented between 2009 and 2010 concluded that 70% of cash assistance was used for food items, and that less than 0.5% was used on less favorable items such as tobacco and alcohol, refuting beliefs that funds would be used inappropriately (Román, 2010). This cash transfer program also improved relationships within households, despite initial concerns that cash transfers to women would encourage domestic violence (Román, 2010). In Bangladesh, Malawi, and Sri Lanka, cash transfer programs implemented by WFP have improved dietary diversity (WFP, 2011). Mobile phone technology has been effective in Kenya and the Philippines in delivering cash transfers to beneficiaries, and in Burkina Faso, cash transfer programs have protected food security even in the midst of a failing economy (WFP, 2011).

Conclusion

The question remains: If direct cash transfers have been effective in addressing food emergencies in specific contexts, why are they not used more readily? Specifically, if cash transfers were effective in Somalia nearly 10 years ago, why is there a continued reluctance to use cash transfers in food emergencies? Ali et al. note that "the use of cash seems to be fundamentally inhibited by an *a priori* reluctance to even consider it as an option," and argue that the hesitance is rooted in paternalism and fear (2005, p. 15). This attitude is reminiscent of the historically anti-poor ideology toward welfare that questions the character of those in need, and suspects or even assumes that their poverty is a result of poor behavior (Alston & Dean, 1972). Donors and aid agencies, who seek to work toward the empowerment of individuals and communities in need, should be encouraged to assess the sources of their unwillingness to provide cash transfers.

Apart from cash transfer programs being more cost-effective and rapid in providing support, they have the unique advantage of giving power back to those who are most vulnerable and marginalized. In an article in the *New York Times*, Jon C. Brause of the Agency for International Development says, “The thinking has always been that the U.S. government needs to have as many tools in its tool box as possible to meet emergency food needs of people in crisis” (Rosenberg, 2011). Cash transfers should be viewed as one of these many “tools” and used appropriately given the context and conditions of emergencies.

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