

Cash and vouchers - lessons from recent experience

HPG Project Research Framework

1. Introduction

This research project will focus on the use of cash and vouchers as mechanisms for providing people with assistance in emergency situations. Despite the strong theoretical case for cash and vouchers, commodity based distributions of food aid, seeds, shelter materials or non-food items remain the dominant form of response in most emergencies and the willingness of aid agencies and donors to consider cash and voucher based responses has remained limited. There is, however, a growing body of experience with cash and voucher based approaches and an increasing willingness to consider their appropriateness. Examples include a recent cash grant distribution in Somalia, ongoing cash relief in Ethiopia, cash for work in DRC and Afghanistan, cash payments in Bam, Iran, the work of CRS around the world to pioneer seed fairs and vouchers as an alternative to seed distributions, cash for shelter in Ingushetia and an urban voucher programme in the West Bank.

Proponents of cash and voucher based approaches argue that they can be more cost effective and timely, allow recipients greater choice and dignity, and have beneficial knock-on effects on local economic activity. Sceptics fear that cash and voucher approaches are often impractical due to additional risks of insecurity and corruption, and the fact that targeting cash may be more difficult than commodities. Even where they are feasible, there are concerns that women may be less able to keep access to cash, that it may be misused by the recipients and that it may have negative effects on local economies and potentially fuel conflicts. Others feel that cash or voucher based responses sound interesting, but that in practice commodities are what is available and what relief agencies have the skills and experience to deliver.

This project will aim to review the empirical evidence for these viewpoints and assess when and where cash and voucher based responses are appropriate, whether they should be seen as complementary to, or replacements for, commodity based approaches and detail the practical operational challenges in implementing effective cash and voucher based responses. The main questions that this project will address can be grouped into three main areas;

- Examining cash and voucher based responses both in terms of their direct impact on livelihoods, their indirect impact on the economy and on the political and social context of crises.

- Analysing the practical programming issues around the implementation of cash and voucher based responses and how issues such as targeting, security and corruption have been dealt with in previous interventions.
- Examining the appropriateness and cost effectiveness of cash and voucher based responses and how appropriateness is assessed. Linked to this, an analysis of the institutional and organisational barriers that currently exist to cash and voucher based responses.

Much recent experience with cash and vouchers remains in the grey literature of aid agency policy and project documents and has not yet been systematically reviewed or shared between agencies. This project will provide an opportunity to analyse and reflect on the lessons which are emerging from this experience. Knowledge and awareness of cash and voucher based approaches in the humanitarian system remains relatively limited. If agencies are to more routinely consider cash and vouchers as a possibility and donors to be willing to fund it, there is a need for analysis of when these approaches are appropriate and feasible to reach a wider audience. The Humanitarian Policy Group at ODI brings to this issue a proven track record in conducting field research and expertise in state of the art reviews in key areas of humanitarian policy and practice. One of the core strengths of the Humanitarian Policy Group in ODI is its ability to disseminate findings widely to key humanitarian practitioners, policy makers and researchers.

Direct relief cash payments, cash-for-work and voucher schemes will be included in the scope of the research. These will be considered in a range of emergency settings; including natural disasters, complex emergencies and in the context of repatriation. Micro-finance, insurance, remittances and monetisation will not be addressed; not because they are not interesting and important issues but because the project needs to restrict its scope.

2. Objectives

The objectives of the project can be grouped into three broad areas of concern, as outlined in the introduction. These are; impact issues, implementation issues and questions around appropriateness and cost effectiveness.

Impact Issues

- To examine the impact of cash and voucher interventions both in terms of the immediate impact on beneficiaries' livelihoods and the wider economic impacts on markets, prices and conflict dynamics.
- To analyse the intra-household and gender issues involved in cash and voucher interventions.

Implementation Issues

- To analyse existing cash and voucher projects for how practical implementation issues such as concerns around targeting, security and possible corruption have been dealt with.
- To examine whether cash and voucher based responses allow assistance to be delivered with a greater respect for the dignity of the recipients

Appropriateness and cost effectiveness

- To examine the appropriateness of cash and voucher responses; how the decision to use cash or vouchers was made and on the basis on what assumptions and assessment information.
- To assess the cost effectiveness of cash and voucher responses and where possible compare this to possible commodity based alternative means for supporting livelihoods.
- To examine attitudes towards cash and voucher responses with aid agencies and donor governments and institutional and organisational barriers to the use of cash and vouchers as possible mechanisms.

3. Key Issues and Questions

To examine the impact of cash and voucher interventions both in terms of the immediate impact on beneficiaries' livelihoods and the wider economic impacts on markets, prices and conflict dynamics.

There are a wide range of questions that need to be examined under this broad objective. The first set of questions relate to the impact of cash and voucher programmes in terms of their primary stated objectives which will normally relate to protecting or enhancing livelihoods or food security. The second set relate to the possible wider impacts of the delivery of cash into local political economies.

- What was the impact of the programme in terms of its stated objectives?
 - Did people receive the cash/voucher and were they able to spend the cash?
 - What did people spend the money on?
 - Was the amount of cash provided sufficient to make a significant difference in saving lives or protecting livelihoods?
- What was the wider economic impact of the programme on markets, prices and conflict dynamics?
 - Did the project lead to local price inflation for key goods (food, shelter materials, seeds etc.)?
 - Were sufficient goods available to meet the increased demand?
 - How did traders respond to the cash injection into the local economy (by raising prices, increasing the supply of goods)?
 - Were there any impacts on exchange rates, and/or monetary policy at local or national levels?
 - Did the provision of cash or vouchers in any way fuel local conflicts (for example through increased arms sales) or anti-social behaviour (increased drug or alcohol activity)?
 - Where there any multiplier effects in terms of increased economic activity, employment etc?

To analyse the intra-household and gender issues involved in cash and voucher interventions.

One of the key concerns sometimes raised with cash and voucher approaches is the possibility that cash has particular drawbacks in terms of the access of women to the resources provided. It has been suggested, in some contexts, that women will be more likely to be able to keep control of commodities such as food than cash, which is more likely to be controlled by men.

- Within the household who was able to maintain control of the cash provided?
 - Did male and female views differ about the use of cash as opposed to commodity based alternatives?
 - Was the cash / voucher distributed to women or men and did this make any difference in how the cash was controlled and spent?
 - Did the distribution of cash lead to any changes or conflicts in terms of intra-household gender dynamics?

To analyse existing cash and voucher projects for how practical implementation issues such as concerns around security and possible corruption have been dealt with.

The concern here is with the administrative processes of cash projects and with the practical operational challenges in implementing effective cash and voucher based responses. Particular focus will be given to concerns around security and corruption as these practical issues are often seen as the greatest constraint to implementing cash or voucher based responses.

- How have security concerns been dealt with in cash and voucher projects? Did the transport and distribution of cash lead to any security incidents for aid agency staff or beneficiaries or any more general increase in insecurity?
- Is targeting of assistance more difficult because cash is seen as more attractive to those who are not the target group?
- How have concerns about corruption been dealt with in cash and voucher projects? Is there any evidence that the use of cash or vouchers was more prone to misappropriation on the part of aid agency staff or local authorities?
 - Is there any evidence that the distribution of cash made beneficiaries a target for looting from warring parties?
 - Is there any evidence of formal or informal taxation of cash / voucher benefits on the part of local authorities or warring parties?
 - Is there any evidence of misappropriation on the part of staff responsible for implementing the project?
 - How robust are the monitoring and accounting procedures to minimise the risks of corruption?
 - How do these security risks compare to levels of insecurity faced by possible alternatives to cash or vouchers such as commodity based distributions?

To examine whether or not cash and voucher based responses allow assistance to be delivered with a greater respect for the dignity of the recipients.

It is sometimes argued that cash and voucher based responses enable aid agencies to operationalise their commitments to showing respect for dignity in the delivery of assistance. Mitchell and Peppiat (2001: 13)¹ for example, argue that the ability of beneficiaries to determine their own needs, ‘represents a fundamental step towards empowerment’. The greater choice that cash allows beneficiaries in how to meet their immediate needs and indeed in which of their needs are the greatest priority may be important. Cash or voucher approaches, if they are able to avoid the long queues that often characterise food distributions, may also help to avoid some of the indignity that is sometimes part of relief distributions.

- What is the perception of people in the programme areas towards cash and voucher mechanisms and their impact on peoples’ dignity?
- What was the distribution process for cash and voucher based programmes and how did it address concerns about the dignity of recipients?

To examine the appropriateness of cash and voucher responses; how the decision to use cash or vouchers was made and on the basis on what assumptions and assessment information.

The decision to implement a cash or voucher programme is of particular interest. In many contexts it seems that aid agencies remain reluctant to consider cash as a possibility either because of concerns about its appropriateness, because agency policies or staff skills mean that it is not even considered, or because funding for cash or voucher approaches is not available.

- On what basis was the decision to use cash or vouchers made and on the basis on what assumptions and assessment information?
 - How robust was the assessment information and were key questions relating to the appropriateness of cash adequately addressed (markets functioning, risk of inflation etc.)?
 - Where the assumptions on which the decision was made valid and was their validity subsequently assessed?

Cash and Food

Debates about the appropriateness of cash based forms of relief have tended to be framed in terms of a debate about the relative appropriateness of cash as opposed to food aid. In part this is understandable in the sense that food aid has remained the overwhelmingly dominant form of response in humanitarian emergencies. It may also stem from the fact that the theoretical case for cash tends to start with the entitlements approach to famine and the distinction between threats to the availability of food and threats to access to food.

Setting cash assistance up in terms of opposition to food aid, however, can be unhelpful in a number of ways.

¹ Peppiat, D., Mitchell, J. and Holzmann (2001) Cash transfers in emergencies: evaluating benefits and assessing risks, HPN Network Paper 35

- It implies an either / or choice when a combination of approaches may be appropriate.
- It focuses attention on cash as a possible alternative to food when it could equally serve as an alternative to many other commodity based interventions such as seed distributions, and shelter and non-food item distributions.

Exploration of the ways in which cash or voucher based responses can be complementary to commodity based approaches will be addressed in the case studies.

Nevertheless, there are some ways in which the framing of cash as an alternative to other forms of assistance is relevant;

- Needs assessments – analysis of needs has tended to be resource driven and often continues to follow a food availability model in which food aid needs are almost automatically assumed to follow from shortages of food at household or national levels. Darcy and Hoffman (2003) suggest a model based instead on risk in which analysis of needs is separated from analysis of how best to meet the risks being faced.
- Cost effectiveness – one of the arguments for cash is that it is potentially more cost effective than alternative ways of meeting needs in part due to the heavy logistical costs of commodity based distributions. Lower logistical costs it is argued could be invested in greater levels of monitoring and supervision to offset the additional corruption and security risks.
- Market and price distortions – both cash and food bring with them risks of distorting local markets and prices. Assessment of the appropriateness of cash therefore in part relies on judgements about the possible negative impacts of food aid.
- Food aid is often seen as a free or additional resource by the aid agencies that distribute it. This can inhibit analysis or discussion of appropriate alternatives such as cash. In many situations, agencies may not feel that food is the most appropriate response but it is what is available and it is seen as better than nothing.

So although this paper will aim to avoid setting up cash based responses in opposition to food aid, the issues raised above will form part of the analysis.

To assess the cost effectiveness and efficiency of cash and voucher responses and where possible compare this to possible commodity based alternative means for supporting livelihoods.

It is often argued that a possible advantage of cash or voucher based responses is that they are more cost effective than alternatives such as food. It is also argued that they may be logistically simpler and hence allow assistance to be delivered more rapidly than alternatives. Where possible, in the literature review, analysis of recent project experience and the case studies, attempts will be made to assess the cost effectiveness of cash or voucher based responses compared to possible alternatives.

- How cost effective have cash or voucher based responses been compared to possible alternative interventions?
- How timely have cash based responses been?

To examine attitudes towards cash and voucher responses with aid agencies and donor governments and institutional and organisational barriers to the use of cash and vouchers as possible mechanisms.

The project will consider existing institutional and organisational barriers to the more widespread adoption of cash-based responses. Given the arguments in favour of greater consideration of cash-based responses, why have agencies remained so reluctant to use them? This will include consideration of the issues around corruption and security which may help to explain agency reluctance, and wider issues to do with the architecture of the current humanitarian system.

- Do aid agencies routinely consider cash and voucher based responses as an option within humanitarian programming?
- Are donors willing and able to fund cash and voucher based responses?
- Do aid agency staff have the skills and capacity to assess, design and implement cash based responses?
- Where aid agency or donor staff remain sceptical about the appropriateness of cash or voucher based responses, what are the reasons for this?
- Is assistance sometimes tied to particular commodities, inhibiting the consideration of other approaches, including cash or vouchers, which may be more appropriate?

Cash, Relief and Development

Cash has been largely avoided in emergencies but what is the picture in development? Development actors have also remained reluctant to use cash as an instrument. There is far greater experience with development food aid, and with provision of commodities as part of food security projects for example. However, there is a growing body of analysis and experience around the use of cash as an instrument in social protection programmes. This raises a number of issues;

- What lessons can be learnt for humanitarian relief from the use of cash in long-term social protection programmes?
- What opportunities are there for linking ongoing cash based social protection schemes with cash based responses to emergencies?
- Equally, what lessons have been learnt and what opportunities exist for greater synergies between emergency projects and longer-term cash based social protection?

The project will review the growing literature on the use of cash and vouchers as instruments in development and social protection programming and highlight areas where there may be useful lessons for humanitarian aid actors.

4. Methodology

The project will aim to review current practice in the implementation of cash and voucher based responses by a comprehensive review of the existing published and

grey literature and a series of desk based and field case studies of recent and ongoing cash and voucher responses.

Current Practice Review

A working hypothesis for the project is that there are significant amounts of recent experience with cash and voucher interventions many of which have not been documented or analysed in a systematic fashion. Currently known examples include;

- A 2003/4 emergency cash grant in Sool / Sanaag plateau in Somalia, implemented by Horn Relief and NPA, funded by NOVIB.
- Cash grant programmes currently being implemented in Ethiopia by Save the Children.
- Cash for work programmes in DRC currently being implemented by Save the Children and German Agro-Action.
- The ICRC voucher programme in the West Bank
- Cash for work programmes in Afghanistan in 2002 to date by a large number of aid agencies
- Widespread experience with the use of seed vouchers
- Cash grant programme in response to the 1999-2000 floods in Mozambique
- Use of vouchers and cash in the British government response to the Monserrat volcanic emergency

No doubt there are many other examples and the aim will be to gather together project documents and analyse the key themes emerging from as comprehensive review as possible of the wide range of cash and voucher based responses to emergencies.

The existing literature on cash and voucher based responses is relatively slim and most of the documentation that does exist is in the grey literature of project and internal agency documents. As much as possible of this grey literature will be gathered and analysed. The literature review and analysis of existing project documents will be complemented with interviews with key aid agency staff involved in implementation of selected cash and voucher responses, in order to flesh out the analysis and bring in, as far as possible, a practical concern with the lessons learned and what worked and what didn't in the implementation of cash and voucher projects.

Analysis of the literature and project documents will focus on the issues covered in the objectives above including; impact, intra-household issues, practical implementation, appropriateness, and cost effectiveness.

Case Studies

The project will also conduct case studies of a cash-based response in recent emergencies. The following case studies are currently being considered;

- An ongoing cash grant project being implemented by Save the Children in Wollo Ethiopia
- An ongoing cash for work project being implemented by Save the Children in Ituri, DRC

- Cash for work programmes in Afghanistan

As well as 2 to 3 case studies involving a field-work component further desk based studies will be conducted. These are still to be determined but may include:

- ICRC urban voucher programme in the West Bank
- Cash grant programme implemented by NPA and Horn Relief in Sool / Sanaag Somalia

Further desk based case studies will be selected as additional cash and voucher based responses are identified. The desk based case studies would analyse existing project documents (proposals, reports, evaluations) and conduct telephone interviews with key staff involved in the implementation of the projects.

For the case studies involving field-work, both qualitative and quantitative research methods would be utilised to analyse the broad range of issues set out in the objectives. The limited budget and time available for field level research means that there will inevitably be limitations on the amount of empirical, quantitative information on impact at a beneficiary level that it will be possible to collect. In order to overcome this limitation, the case studies will, where possible, link closely with aid agencies involved in cash based responses and develop an action research methodology that aims to input into ongoing monitoring and evaluation processes and so be able to draw on the information already being gathered as a routine part of the project.

1. Work with the partner agency to include a research component into the design of the monitoring and evaluation process. The aim will be to integrate data collection about impact, appropriateness, cost effectiveness and practical implementation issues into ongoing monitoring and evaluation. This information could then be drawn on and analysed by the HPG researcher involved in the case study.
2. Conduct interviews with aid agency staff about practical implementation issues, particularly how concerns with security and corruption were addressed and how effective these were. Interviews would aim to be with both senior staff and front-line distribution staff involved in the day to day business of project implementation.
3. Interviews with key stakeholders (donors, local authorities and traditional leaders, other aid agencies) to address their attitudes and perceptions of the project, addressing questions such as the appropriateness of cash, willingness to consider it as a mechanism and unintended effects.
4. Where possible, in the context of security and time constraints, interviews and focus group discussions with people in the programme area (beneficiaries, non-participants, market traders etc.).
5. Review of aid agency monitoring and evaluation data.
6. To the extent possible, using existing data, assess the cost effectiveness of the cash / voucher intervention and compare this with possible commodity based alternatives.

Coordination

The project will work closely with other actors involved in the implementation of, and research on, cash and voucher based responses, in order to avoid any duplication and maximise synergies. HPG has an existing programme of cooperation with the Feinstein International Famine Centre at Tufts University and this project will work closely with the Alchemy Project on micro-finance and income generation. It will also link closely with work being carried out by Kate Longley, an HPG Fellow, on the role of agricultural markets in emergencies and on seed vouchers, as part of the ongoing partnership between ODI and ICRISAT. CRS has played a leading role in developing seed voucher methodologies and this project will draw on the ongoing links between CRS and the work on seed systems led by Kate Longley.

As part of the process of mapping current cash and voucher interventions that will be carried out at the start of the project, links will be established between the project and humanitarian agencies involved in cash and voucher based responses. The project will aim to feed into the ongoing development of agency policy around cash and voucher responses. For the case studies action research methodologies will be developed with Save the Children's programmes in Ethiopia and DRC which, it is hoped, will have direct impact on the particular programmes and on wider policy development. Links have already also been established with Oxfam and the Red Cross movement.

The project will also work closely with donor governments with a particular interest in cash and voucher based responses. The SDC has played a particularly important role in developing experience and learning around cash responses and this project will work closely with Project Team Cash, a support unit for cash approaches, within the department for Humanitarian Aid in the SDC.

Project Advisory Board

The project will develop a project advisory board that will input in the design and management of the project at critical phases. In particular it will comment on the research framework, case study methodologies and serve as peer reviewers for the final report. The advisory board will consist of key actors from aid agencies and donors involved in cash and voucher based responses.

5. Communication / Dissemination Strategy

One of the core strengths of the Humanitarian Policy Group in ODI is its ability to disseminate findings widely to key audiences. The HPG mailing list and HPN membership network enables findings to be sent directly to over five thousand key humanitarian practitioners, policy makers and researchers. Further discussion of the findings would be ensured by holding workshops in both the UK and the case study countries, to discuss, debate and advance the findings from the literature review and field-work.

The findings of the study will be communicated through a series of publications, electronic media and briefings including:

- An HPG Briefing Paper summarising key findings.
- An HPG Report
- Articles in a peer reviewed journal
- UK and case study country workshops to present findings to key audiences.
- A series of linked web-pages, including a web based resource guide
- An article in Humanitarian Exchange (the Humanitarian Practice Network newsletter)
- A CD Rom for dissemination to field staff without web access.

The widely used HPN website ensures that all research is freely available to those with web access and the reports will be posted on other heavily used humanitarian websites such as ReliefWeb and Alertnet. The report will also be posted onto key development research websites such as ELDIS and ID21 to promote learning between development and humanitarian actors.

An HPG Report and Briefing Paper will be produced. The case studies will be published on the website as background papers and a web-based resource guide will be developed. A CD-Rom bringing together all of the research products will be produced. The primary audience for this study will be operational humanitarian agencies involved in responding to food and livelihood insecurity, and interested in the possibility of developing cash-based responses. Donor governments able to fund cash-based responses will also be a target audience. A workshop will be held in the case study countries to present initial findings, and the report will be launched at a meeting in the UK.

6. Timeline

<i>Activity</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>
Develop research framework												
Review literature and map existing cash and voucher responses												
Develop case study methodologies												
Conduct case studies												
Peer review												
Report writing												
Launch meeting and report dissemination												

7. Budget Cash relief - lessons from recent experience

<i>Notes/Description</i>	QUANTITY	UNIT COST	COST	TOTALS
<u>SALARY COSTS</u>				
HPG Coordinator	5	603	3,015	
Research Fellow (PH)	55	472	25,960	
Research Fellow (KL)	45	419	18,855	
Research Officer (CAH)	30	359	10,770	
HPG Administrator	42	166	6,972	
SALARY COSTS TOTAL	177			£65,572
<u>HPG ADVISORY GROUP</u>				
<u>EXTERNAL RESEARCH COSTS</u>				
Research Associates / consultants	1	60	350	21,000
Peer Reviewers		5	300	1,500
EXTERNAL RESEARCH TOTAL				£22,500
<u>TRAVEL AND SUBSISTENCE</u>				
Flights - return		4	600	2,400
Accommodation and subsistence		40	150	6,000
Visas, vaccinations and insurance		5	50	250
Airport transfers		4	20	80
In country travel		4	200	800
UK travel		1	150	150
TRAVEL & SUBSISTENCE TOTAL				£9,680
<u>PUBLICATION COSTS</u>				
<u>HPG Briefing Papers x 2</u>		6	285	1,710
		2	2140	4,280
<u>HPG Report x 1</u>		7	285	1,995
		1	4849	4,849
PUBLICATIONS TOTAL				£12,834
<u>ELECTRONIC PUBLICATIONS</u>				
CD-Rom		1	2000	2,000
Web pages				487
CD-Rom / Website Total				£2,487
<u>MEETINGS/DISSEMINATION EVENT</u>				
Seminars		1	1000	1,000
RF Dissemination days (PH)		3	472	1,416
Events Coordinator		3	159	477
MEETINGS TOTAL				£2,893
<u>PROJECT COSTS / MISC</u>				
Communications and project costs		1	200	200
Documentation costs		1	150	150
				£350
GRAND TOTAL				£116,438