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The potential for joint programmes for long-term cash transfers in unstable situations

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Summary

This paper examines the potential for jointly funded long-term cash transfers to form part of social protection in unstable situations. It argues that there are three essential challenges:

- Financing – how to provide longer term, more harmonised and predictable funding for social transfers in unstable situations;
- Actors and delivery capacity – which actors or combinations of actors could deliver social transfers at scale (governments, NGOs, UN agencies, or the private sector);
- Mechanisms – the form a social transfer should take (food or cash).

Social protection is increasingly recognised as an essential basic service for the poor alongside health, education and water. That social protection can be provided in fragile states remains less well understood than it is in more stable contexts (DFID, 2006). There are two approaches to this problem that have shown considerable potential: social transfers in the form of cash and joint programmes. Cash transfers are becoming more common in emergency situations and are increasingly regarded as a key part of social protection strategies. Emerging evidence suggests that they can help to tackle hunger, increase incomes, improve the educational attainment and health of the poorest families and contribute to growth (DFID, 2005; Harvey, 2005). In a number of fragile states, delivery structures are being developed that combine different actors, be they state, UN, NGO, or donor actors, into a relatively tight programme structure. Joint programmes typically involve a single approach, some kind of management or oversight agent, and basket funding in order to ensure harmonisation.

Unstable situations / fragile states

DFID defines 'fragile states' as 'those where the government cannot or will not deliver core functions to the majority of its people, including the poor' (DFID, 2005). The main concern in this paper is a sub-set of fragile states: those involved in ongoing situations of conflict or instability. Humanitarian aid has long served as an instrument of last resort in fragile states and is attractive because it is largely delivered outside of the state by international aid agencies. The humanitarian principles of neutrality, impartiality and independence provide an ethical framework that can enable agencies to continue working during conflicts.

Humanitarian aid, however, has its limitations. The reach of humanitarian actors is often limited and the resources they have at their disposal inadequate, so needs may not be met adequately. In long-running crises, what is designed as a short-term instrument for meeting acute needs ends up as an inadequate instrument for meeting long-term needs. Precisely because humanitarian aid is primarily delivered by international actors, there are concerns that it undermines national and local capacities. Finally, humanitarian aid has been dominated in budgetary terms by the delivery of food aid and this dominance can mean that alternative response such as cash transfers are not considered. These limitations explain the long-standing concern with finding new and more effective mechanisms for international engagement in long-running crises (Harmer and Macrae, 2004).

Social protection

There has been a tendency to see any sort of welfare in developing countries as unproductive and unaffordable. The 'Catch 22' of social protection is that 'the greater the need for social protection, the lower the capacity of the state to provide it' (Devereux, 2000; Devereux, 2005). This viewpoint is now starting to shift with a growing recognition that long-term safety nets may be a key component of social protection strategies, that they may be affordable even in poor countries and that they may themselves have positive impacts on growth and development.

Cash and emergency relief

There has also been growing interest in and experience of the role of cash transfers in emergency relief. Until recently, relief provision has been dominated by the in-kind provision of assistance. Food aid has traditionally dominated emergency responses and this has often been tied to domestic surpluses in donor countries.

There are a number of key concerns about using cash as an alternative. These include that it is harder to target, more prone to corruption, inflationary in weak markets, disadvantageous to women and impossible to deliver safely in conflict

environments. Recent experience has suggested that these concerns can be overcome.

Cash transfer projects have not had inflationary effects, women have been able to have a say in how money is spent and cash has not been more prone to corrupt diversion or insecurity than in-kind assistance. Evaluations have suggested that the use of cash can be more cost-effective than in-kind assistance and create positive multiplier effects in local economies. Overwhelmingly, recipients have been found to spend cash sensibly on immediate basic needs and investments in livelihoods as well as to access health and education services. Cash transfers have been successfully delivered during conflicts in Somalia, Afghanistan and the Democratic Republic of the Congo (DRC), and have formed an important part of post-conflict strategies, for instance, in Mozambique.

Resource transfers and delivery of services in fragile states

While experience with delivering cash in emergencies is relatively new, significant experience exists of the delivery of other forms of resource transfer, notably food aid, and of maintaining services such as health and education in fragile states. Delivering any sort of resource or service in unstable situations is clearly difficult and at risk of being diverted by warring parties or caught up in the dynamics of conflict (Collinson, 2003). There is a tendency, however, to underestimate the scale of what is already being provided. Significant resources, requiring considerable implementation capacity, are often already being delivered by aid agencies. There may be existing capacity that can be drawn on to deliver cash transfers.

Financing

There is a need to attempt to move away from inadequate, short-term and project-specific funding in unstable situations. In spite of recent reform initiatives, funding for humanitarian aid is typically short-term and tied to annual and often underfunded appeals. Similar issues exist in development financing. Despite commitments to greater harmonisation and alignment, fragmentation of donor funding and the lack of alignment with government systems continue to be key concerns that are particularly relevant in fragile states.

The ability to deliver longer term, more predictable funding would deliver key advantages for both aid agencies and disaster-affected populations. For aid agencies, a move to longer term funding would enable them to plan much more strategically, to invest more in staff skills and capacity and to make longer term commitments. For disaster-affected populations, a key advantage would be predictability. One of the important drawbacks of humanitarian assistance is that it is often unreliable. Predictable cash transfers enable households to plan them into livelihood strategies, making it more likely that cash can be spent on productive investments.

Donor governments have started to develop new financing mechanisms to provide support in fragile states. As Leader and Colenso (2005) argues, various ways of pooling funds such as multi-donor trust funds and joint programmes can promote a more programmatic and long-term approach to service delivery. Emerging experience suggests that a range of financial instruments can be developed to provide more harmonised, predictable, multi-year funding in fragile states.

Actors

Providing assistance to enable people to meet basic needs requires some sort of delivery capacity. Ideally, social transfers should be provided by the state but, in the cases we are interested in, either it does not have the capacity to deliver, or donors are unwilling to work with it for political reasons, or it does not have control over all its territory. In situations where the state is weak there may be a role for other organisations (NGOs, private sector organisations, or UN agencies) in supporting and augmenting the capacity of a state-run programme. Where it is not possible to work with the state at all it might still be possible to deliver long-term social transfers purely through non-governmental actors. Even if transfers are provided primarily through non-state actors, there is still a need to respect state sovereignty. One way of approaching this is by what has been labelled shadow systems alignment, which aims to ensure that the capacity of the state to deliver services in the future is not undermined.

The organisations with existing capacity to deliver large-scale resource transfers in unstable situations are those involved in food aid delivery, mainly the World Food Programme (WFP) and key NGOs. There seems to be no reason why WFP should not interpret its mandate as one of providing the most appropriate resource to combat hunger and therefore be able to provide food aid or cash depending on which was most appropriate in any given context (Stites et al., 2005; Clay, 2004).

Options, contexts and next steps

So what does all this mean for the options available for providing long-term cash transfers in unstable situations? In delivering more long-term, harmonised and predictable funding, part of what is needed may just be additional funding to allow needs to be more adequately met in long-running crises. There may also be options for exploring the potential for different forms of joint funding and for transferring resources from short-term food aid to longer term social transfers. Which actors or combination of actors could deliver social transfers will always be context-specific. It is probably most helpful to view the options as a continuum with minimal state involvement at one end and state leadership at the other.

Thinking about where it might be possible to consider long-term cash transfers in unstable situations is difficult because the point is always to attempt to provide them in challenging contexts. Examples might include Nepal or the DRC or parts or Sudan. Some minimum criteria that could be envisaged are:

- A market system that would respond to a cash injection, enabling people to buy goods in nearby markets at reasonable prices;
- A way of delivering cash safely to people;
- Sufficient security for monitoring and a sufficient presence of implementing agencies in the field;
- A willingness by authorities to accept and engage with a social transfer programme.

It does seem as though it should be possible to explore further the potential for long-term and large-scale cash transfers in particular unstable contexts. This would include exploring the potential to provide a small but regular cash grant to hundreds of thousands of beneficiaries over a multi-year time scale. It would aim to involve national government and local authorities in the policy, and its design and implementation, to as great a degree as possible. Ideally, a joint programme approach would be taken with funding from a range of donors. UN agencies, NGOs and private sector actors would probably be involved in implementation. Significant resources should be allocated to monitoring, evaluation and documentation of learning. This would present an exciting opportunity to move forward from the often fragmentary and insufficient assistance provided to people through humanitarian instruments to providing more predictable, more appropriate and more effective support to people unable to meet basic needs in fragile states. There are some clear next steps that arise from this analysis. There is a need for:

- Context-specific feasibility studies to examine the potential for long-term cash transfers in selected unstable situations;
- Engagement with governments in unstable situations about the role of cash transfers in social protection policies;
- Engagement with key non-governmental actors with the potential capacity to deliver large-scale cash transfers at headquarter and country levels;
- The development of pilot projects to examine the feasibility of large-scale cash transfers in unstable situations.

Introduction

This paper examines the potential for jointly funded long-term cash transfers to form part of social protection in unstable situations. It is based on a brief review of the existing literature on cash transfers, service delivery in fragile states and joint funding approaches, and draws on ongoing research into the role of cash transfers in emergencies and as part of longer term social protection strategies. The paper is intended to stimulate debate and thinking inside DFID about what might be possible rather than as anything more definitive; it should be stressed that its findings are not based on empirical field research undertaken in unstable situations. Because experience of the use of cash transfers in unstable situations is limited, the paper draws on wider experience with cash transfers in developing countries.

It argues that there are three essential challenges:

- Financing – how to provide longer term, more harmonised and predictable funding for social transfers in unstable situations;
- Actors and delivery capacity – identifying which actors or combinations of actors could deliver social transfers at scale (governments, NGOs, UN agencies or the private sector);
- Mechanisms – identifying the form a social transfer should take. Should it be in cash, food, agricultural inputs or a combination of all three?

For each of these challenges the current situation in unstable situations is far from ideal. Financing is short-term, unpredictable and not harmonised, delivery capacity is limited and, until recently, food aid has been the dominant response mechanism for alleviating food and livelihood insecurity. This paper sets out options which might enable international assistance to move beyond this status quo and consider the potential of longer term cash transfers as part of strategies to protect and promote livelihoods.

Social protection is increasingly recognised as an essential basic service for the poor alongside the provision of health services, education and water. This is reflected in the commitment in the 2006 DFID White Paper to:

> Significantly increase spending on social protection by supporting national social protection programmes in at least 10 countries in Africa and South Asia by 2009 and working with the UN and NGOs in fragile states (DFID, 2006)

How DFID will implement this commitment is less well understood for fragile states, however, than for more stable contexts. At one side of the fragile states spectrum, the humanitarian instrument provides a response to situations of extreme need, which are often the result of conflict. At the other, in what might be called the 'more stable fragile states', state-based social protection with support from other actors is often a workable, if difficult, long-term proposition.

What is missing, however, are ways of delivering long-term social protection and basic services in the places where the state is unable or unwilling to do so. In these contexts there are often:

- A mix of chronic and acute needs – high levels of poverty, food insecurity, malnutrition and mortality across wide areas;
- Different levels of state capacity and incapacity and different levels of donor willingness to engage with states;
- A range of non-governmental actors (donors, UN agencies, local and international NGOs, international financial institutions and the private sector);
- Needs not currently being adequately met either by the state or the international aid system with only sporadic or patchy delivery of humanitarian aid.

These situations are often long-standing with crises continuing for many years and even decades. The challenge is to find ways to provide some sort of aid assistance to enable people to meet their basic needs for adequate food, and access to basic social services and other essentials. There are two approaches to this problem that have shown considerable potential in a number of places.

The first approach is social transfers in the form of cash. Cash transfers have been used as a short-term, one-off measure in an increasing number of emergency situations. Experience is still limited, but largely positive – suggesting that cash can be safely delivered even in unstable situations and that there is the potential for cash to be more cost-effective, allow greater choice and create multiplier effects in local economies (Harvey, 2005). Cash transfers are increasingly regarded as a key part of social protection strategies and there is emerging evidence to suggest that they help to tackle hunger and increase incomes, as well as improving the educational attainment and health of the poorest families, promoting gender equity and contributing to the empowerment of poor people. In addition, there is evidence that social transfers can contribute to growth and the development of local markets (DFID, 2005). The recent experience with cash transfers is growing – from Ethiopia, to pensions in Lesotho and pilot projects in Zambia. A number of other countries are planning large-scale pilot projects (Samson et al., 2006).

The second approach is joint programmes. In a number of fragile states, delivery structures are being developed that combine different actors – state, UN, NGO and donor – into a relatively tight programme structure. Typically, this involves a single approach, some kind of management or oversight agent and basket funding in order to ensure harmonisation and consistency. These types of structures avoid the 'projectised', fragmented, and short-term approach that is a common problem in delivering services in unstable settings. They also allow long-term planning, but with the flexibility to react to changing circumstances, and enable delivery at scale, but through several different types of implementing agency. They may permit a more structured relationship with the state, where this is possible. Examples include the National Solidarity Programme in Afghanistan or the HIV/AIDS programme in Zimbabwe.

By combining these approaches, it may be possible to put together a joint programme to deliver social (cash) transfers in the long-term, at scale in an unstable situation. This would aim, for the sake of argument, to provide a small, but regular and predictable, cash grant to hundreds of thousands of beneficiaries over a multi-year time scale, say 4–5 years. This paper examines the rationale for considering such an approach and the options that may exist for delivering long-term, large-scale cash transfers in unstable situations.

Unstable situations / fragile states

How best to engage in difficult countries has long been a dilemma for donors and international aid actors. The terminology around this issue has often shifted; fragile states is the current usage, moving on from previous concerns with poor performers and linking into ongoing debates on linking relief and development (Harmer and Macrae, 2004; Macrae et al., 2004). The essential problem, however, remains the same: the international aid system is ill equipped to deal with countries where the state's capacity is limited because many of the system's instruments are premised on working through the state.

DFID defines 'fragile states' as 'those countries where the government cannot or will not deliver core functions to the majority of its people, including the poor' (DFID, 2005). Many types of state can be classed as 'fragile', for example, weak states, states in conflict or post-conflict, and states that have strong capacity but are unresponsive to the international community and the needs of their citizens. The main concern in this paper is with states in ongoing situations of instability (e.g. Haiti and Nepal and the conflict-affected areas of Sudan and the DRC) rather than states that may be fragile but have achieved some degree of stability such as Ethiopia.

Table 1 Different types of fragile state

Collapsed state	Conflict	Post-conflict or political settlement	Able but unwilling (recalcitrant)
Haiti	Nepal	Afghanistan Burundi DRC Sierra Leone Sudan	Zimbabwe Burma Angola

Traditionally, in countries where donors are unwilling to work with the government because of political differences, or where the government has limited capacity or does not effectively control large parts of the country, humanitarian aid has served as the instrument of last resort. Humanitarian aid is attractive in these situations because it is largely delivered outside of the state by international aid agencies (such as NGOs, the UN and the Red Cross movement). Humanitarian actors are often able to continue to provide assistance when other actors are not. The humanitarian principles of neutrality, impartiality and independence provide an ethical framework that may enable agencies to continue working during conflicts.

The limitations of humanitarian aid, however, are well known and well documented. First, the reach of humanitarian actors is often limited and the resources they have at their disposal inadequate, which means that needs in long-running crises may not be met adequately. The 3.9 million people who died in the DRC between 1998 and 2004 present the most shocking and graphic illustration of this point (Coghlan et al., 2006). Second, many of the situations in which humanitarian aid is the primary instrument of aid assistance continue for many years. What is designed as a short-term instrument to meet acute needs ends up as an inadequate instrument for meeting long-term needs. The long running relief programmes in Somalia, Sudan, the DRC, Ethiopia and northern Kenya are all examples of this. Third, precisely because humanitarian aid is primarily delivered by international actors there are concerns that it undermines national and local capacities. Finally, humanitarian aid has been dominated in budgetary terms by the delivery of food aid. There are contexts where food aid is the appropriate response but its dominance in the relief system means that alternative responses such as cash transfers are not considered even in contexts where they may be appropriate. Table 2 illustrates the amount spent by WFP on food aid in selected crises in the past four years.

Table 2: Total direct expenditure by WFP on food aid, 2002–2005

Country	2002	2003	2004	2005
	(thousand dollars)			
DRC	42,189	63,870	42,656	62,023
Ethiopia	128,016	225,702	161,115	336,239
Kenya	58,302	52,132	72,107	79,968
Sudan	100,045	133,176	389,290	684,970
Somalia	8,441	9,529	18,147	22,761

WFP (2005a)

Table 3 demonstrates that high levels of investment are already being made in social transfers in unstable situations and that it is possible to transfer resources on a relatively large scale even in very difficult environments.

These limitations explain the long-standing concern with better linking relief and development and with finding new and more effective mechanisms for international engagement in long-running crises. Concerns about the limitations of humanitarian aid as the instrument of last resort have led to growing engagement by development aid actors in 'expanding their capacity to mobilise, coordinate and disburse resources as well as set[ting] the policy framework for interventions in protracted crises' (Harmer and Macrae, 2004). A renewed interest in social protection provides one avenue for progressing what had become a somewhat stagnated debate about the appropriate roles of relief and development actors. In arguing for more predictable and long-term support in unstable situations, it is important not to assume that longer term safety nets will be a complete substitute for short-term humanitarian responses. The introduction of the Productive Safety Net Programme in Ethiopia, for example, indicates that there may be major problems with exclusion from cash-based safety nets and with the capacity of governments to deliver longer term support effectively (Kebede, 2006). More fundamentally, a long-term safety net may reduce the vulnerability to food insecurity following a shock such as a drought or floods for those households receiving it, but humanitarian relief will still be needed as a short-term response. Longer term safety nets will also need to be flexible enough to adapt to changing circumstances in long-running crises.

Social protection

There has been a tendency to see any sort of welfare in developing countries as unproductive and unaffordable – what Devereux describes as the Catch 22 of social protection, that 'the greater the need for social protection, the lower the capacity of the state to provide it' (Devereux, 2000; Devereux et al., 2005). In the absence of humanitarian relief or social protection poor people in developing countries are expected to move towards sustainable and self sufficient livelihoods. For many of the poor, particularly in Africa, this is clearly unachievable, as is demonstrated by the high levels of chronic poverty and destitution in contexts such as Ethiopia (Sharp et al.. 2003).

This attitude to welfare is now starting to shift and there is a growing recognition that long-term welfare safety nets may be a key component of social protection strategies, that they may be affordable even in poor countries and that they may themselves have positive impacts on growth and development (Farrington et al., 2005). This has stemmed in part from the positive experience with conditional cash transfers in Latin America which resulted in increased enrolment of children in education, improved health and a reduction in the poverty gap for participating households. There has also been renewed interest in the positive impacts of pensions in South Africa and Namibia, which have played an important role in poverty reduction and enabling old people to bear some of the burden of the HIV/AIDS epidemic (Case and Deaton, 1998; Devereux et al., 2005; HelpAge, 2004; Samson et al., 2006).

Recent developments have included the introduction of universal pensions in Lesotho, pilot cash transfer safety nets in Zambia and the productive safety net project in Ethiopia (Samson et al., 2006). DFID's commitment in the recent White Paper demonstrates the UK government's determination to push this agenda forward, which is also seen on the ground with well-developed plans to pilot a safety net programme in Kenya as well as assessments and feasibility studies which are about to be carried out in Uganda and Rwanda.

The emerging literature on the role of cash transfers in social protection strategies suggests that a series of choices can be made around different types of cash transfer. For example, cash transfers can be relatively universal such as a pension for all people over a certain age, or more narrowly targeted at poor people; and provided with conditions such as a work requirement or attendance at school or provided unconditionally. Samson et al. (2006, p.29) suggests that there are four central questions that must be asked when selecting social transfer instruments:

- Who benefits from social transfers?
- What size of a social transfer is provided to beneficiaries?
- Are targeting mechanisms employed to reach the poor?
- What conditionalities (if any) are imposed for eligibility?

As Samson et al. (2006) points out, the choice of instrument should be context-specific, and is likely to be subjective and political, and to depend on the funding available.

As Harmer and Macrae (2004) argues, a consensus is emerging within the development community around the need to pay greater attention to the basic welfare needs of populations living in difficult environments. If the needs for social protection and welfare responses to chronic poverty are being increasingly recognised, and donors are increasingly willing to support them, then there might be opportunities to expand welfare safety nets during periods of crisis to help people to deal with shocks. There may also be opportunities to develop cash transfers that began as emergency interventions into longer-term social protection programmes.

Table 3: Examples of different types of cash transfers

Conditional cash transfers	Brazils's Bolsa Familia Mexico's Opportunidades Programme	Grants targeted at poor households with conditions such as having to attend school or health clinics
Public works	Maharashtra employment scheme in India PNSP in Ethiopia	People receive cash payments for labour on public works projects
Social pensions	Lesotho, Namibia and South Africa	Lesotho's pension is universal. South Africa's is targeted at the poorest
Child benefits	South Africa UK child benefit	People with children receive cash grants (may be targeted at the poorest)
Disability grants	South Africa	Support for people with disabilities
Targeted cash grants	Kalomo pilot project in Zambia	Poorest households are targeted with a small grant

These linkages could, of course, equally apply to in-kind relief and development assistance. However, if, as seems to be the case, cash is increasingly being used in long-term social protection programmes, this may make its use more feasible in emergencies. Aid actors are likely to be more comfortable with cash, channels for distributing cash to remote rural areas may already be developed, and state and local capacities to deal with cash may already have been strengthened. Equally, if longer term cash transfers can be delivered in unstable situations as an alternative to short-term humanitarian relief, these may have greater potential eventually to be taken up by national governments as part of their social protection strategies.

Cash and emergency relief

There has also been growing interest in and experience of the role of cash transfers in emergency relief. Until recently, relief provision has been dominated by the in-kind provision of assistance in the form of food aid, seeds, shelter materials and non-food items (buckets and blankets, etc.). Theoretically, giving people cash is an alternative whenever in-kind assistance is provided and one which has the potential to be more cost-effective and to create multiplier effects in local economies (Harvey, 2005).

There are two main factors behind the relative paucity of cash-based responses to emergencies in the past. The first is that food aid has traditionally dominated emergency responses and this has often been tied to domestic surpluses in donor countries. This is becoming less true but is still a factor particularly with US food aid. Second, there were concerns about the feasibility of cash; that it would be harder to target, more prone to corruption, inflationary in weak markets, disadvantageous to women and impossible to deliver safely in conflict environments. Recent experience has suggested that these concerns do not necessarily apply even in fragile states. Cash transfer projects have not been inflationary and women have been able to have a say in how money is spent. Corruption and insecurity clearly remain important concerns but cash has not been more prone to corrupt diversion than in-kind assistance even in conflict situations. Evaluations of cash transfer projects have also suggested that the projected positive effects of cash have materialised. Cash can be more cost-effective than in-kind assistance, it can create positive multiplier effects in local economies and it provides people with greater choice, which can create opportunities for productive investment and spending on key social services. Overwhelmingly, recipients have been found to spend cash sensibly on immediate basic needs and, if more generous amounts are provided, on critical investments in livelihoods and to access health and education services.

The provision of cash was often seen as particularly difficult in conflict environments but recent experiences have suggested that it may still be possible. Cash transfers have been successfully made in Somalia, Afghanistan and the DRC – even where conflict is ongoing. Such transfers have also been an important part of post-conflict strategies, for instance, in Mozambique.

Box 1: Value for money?

Most food aid in eastern DRC is transported from Uganda. Maize was bought at $220 per tonne and beans at $340 – but it cost another $400 per tonne to transport. Managing the process cost $180 per tonne so, by the time the food reached the beneficiary, the donor had paid $800 per tonne for maize and $920 for beans. Meanwhile, farmers in the region could not find markets for their crops, and were selling maize and beans at just $60–$100 per tonne. The beneficiaries, who needed money and not food, were selling part of their food for just $60. In the end it cost $15 (to the donor) to deliver the equivalent of $1-worth of food to the recipient.

Source: Levine and Chastre, 2004, p.11

In the 1990s, during the conflict, the government of Mozambique successfully implemented a social transfer programme, targeted at those disabled or displaced by the country's civil war, to reduce destitution in Mozambique's 13 principal urban centres. GAPVU (the Cash Payments to War-Displaced Urban Destitute Households Programme) had provided very small but significant cash transfers to more than 70,000 households by 1995. The programme was suspended in 1997 because of fraud and corruption, although it had worked well in the first five years given the low state capacity and limited fiscal resources. The programme was put under increasing strain as pressures built for more rapid expansion. GAPVU illustrates the capacity of a fragile state to successfully implement a social transfer programme, which contributed significantly to food security, promoted trading activities, supported home gardens and in some areas increased household income by up to 41 per cent. However, the failure of GAPVU in the late 1990s emphasises the need to properly resource sound administrative systems and for effective monitoring and supervision (Samson et al., 2006).

Cash has also been part of the attempted transition from relief to a longer term safety net in Ethiopia in response to the need to address chronic and long-term food insecurity using predictable resources. Although not in an unstable situation, the Ethiopia Productive Safety Net Programme provides some interesting lessons on

Box 2: Cash transfers in conflict situations

Somalia: Oxfam, Horn Relief and ACF have recently successfully implemented both cash grant and cash for work projects in both northern and southern Somalia. Cash for these projects was delivered to beneficiaries using remittance or money transfer companies to minimise security risks. Beneficiaries were found to spend the money on their basic needs for food and water, on debt repayments and, if cash transfers were generous enough or timed after harvests, on livestock. No inflation was reported partly because markets were competitive and traders stocked additional goods in anticipation of cash injections (Ali et al., 2005). There is currently an €4 million EU call for proposals for additional cash transfer projects in southern Somalia.

Afghanistan: In response to drought and conflict, huge volumes of food aid were delivered in Afghanistan in 2001–2002. Large-scale food aid programming continued into 2002–2003, but there was an increasing shift towards cash for work rather than food for work. This seems to have been prompted in part by a study that argued for greater use of cash-based responses, and in part by government calls for a shift towards cash as part of a longer term social protection strategy (Lautze, 2002; Transitional Islamic State of Afghanistan, 2003). The National Rural Access Programme is a major government programme which has provided a widespread cash for work safety net, jointly funded by several donors. Cash has been used mainly for food and paying debts, which has helped to revitalise crucial credit markets. As in Somalia, money transfer companies have been used as an innovative way to deliver cash to insecure areas, particularly in southern Afghanistan (Hofmann, 2005; Lockhart, 2006).

DRC: Save the Children has implemented small-scale cash for work projects in eastern DRC. Cash was seen as more cost-effective than food aid and enabled investment in livestock and small businesses as well as payment of school fees (Guluma, 2004).

the challenges of scaling up social protection interventions in the context of limited government capacity and weak markets. The Government of Ethiopia, with support from a wide range of donors, developed the Productive Safety Net Programme (PSNP), which provides six months of support to households in designated food insecure *woredas* (districts). Payments are made either as cash or food or a combination of cash and food. About 80 per cent of beneficiary households gain their entitlement by completing public works, while about 20 per cent receive direct support with no work requirement. The first year of implementation has now been completed and the lessons are starting to be evaluated. Some of the emerging lessons are described in Box 3. The implementation difficulties described highlight the need for caution when implementing large-scale cash transfers.

Cash transfers are sometimes seen as more of a risk in insecure environments because the greater attractiveness of cash may make it more of a target for diversion, looting or theft. Security risks include both the dangers associated with transporting and distributing cash for aid agency staff and the possibility that recipients will have the cash taken from them once it has been distributed. Assessing whether cash can be delivered safely by agencies and spent safely by recipients is one of the keys to determining whether cash is feasible. There are clear concerns about giving people cash during conflicts and in predatory political economies. Even if cash can be safely delivered to recipients, there are legitimate fears about what happens to it after it reaches traders or beneficiaries, and whether it could make conflicts worse. However, evidence from existing cash and voucher projects suggests that ways can be found to deliver and distribute cash safely even in conflict environments; and even that, in some situations, cash has been less prone to diversion than in-kind alternatives.

The security risks associated with cash should perhaps most helpfully be viewed as different, rather than necessarily greater or smaller, than those associated with in-kind transfers. Some of the key security risks associated with in-kind distributions relating to the transport and storage of bulky commodities do not apply in the same way to cash transfers. The use of banks and other financial institutions has the potential to reduce the security risks associated with cash transfers. Rather than aid agencies needing to deliver large amounts of either cash or in-kind commodities to beneficiaries who are highly visible, and make distributions that are potentially vulnerable to looting, recipients can collect their cash from banks or post offices more discretely when it is convenient and safe for them. Where banks do not exist aid agencies have been able to use a variety of innovative delivery mechanisms, including mobile banking services, the use of sub-contracted security companies and remittance and money transfer companies.

Box 3 Implementation and financing issues of the PSNP

The PSNP began in January 2005 and in the first year experienced significant implementation challenges. The most serious of these was the inclusion in the programme of household beneficiaries who were not the poorest or most food insecure. This had resulted from pressure on regional governments and *woreda* authorities to demonstrate that households could 'graduate' from the programme and into food security within three years. As a result, *woredas* targeted households that they thought most likely to graduate (Kebede 2006).

Other implementation problems included poorly organised public works. Although public works created some important community assets, the timing and design of the work requirements meant that some households spent very large amounts of time doing public works at the expense of working on their own land. To some extent this was an implementation failure: public works were supposed to take place during the agricultural slack season but in many *woredas* they continued during ploughing, planting and weeding. Even when public works were better timed, households were then prevented from doing other non-agricultural activities by public works requirements.

There were also delays in cash payments to beneficiaries. While the *woredas* are experienced in delivering food aid, the different skills and expertise required for delivering cash are often not present at this level. There are significant capacity constraints and the sheer size of the PSNP compared to *woreda* budgets creates an administrative burden and has distorting effects on strategic operations.

The Ethiopian PSNP highlights the importance of simultaneous market interventions when cash is injected into the economy. The PSNP evaluations found that after the first year and a half of implementation, the injection of cash into the local economy had created inflationary effects and had not, as hoped, triggered a supply response in the local agriculture sector. It is therefore necessary to recognise that scaling-up cash interventions requires simultaneous action to address potential market supply problems, and that if these are factored into budgeting, the cost of cash transfers increases.

Sources: Kebede, 2006; Slater et al., 2006

Many of the cash transfer projects reviewed above have been managed by international aid agencies and have been relatively small-scale, particularly compared to much larger commodity distributions. There are therefore a series of open questions about how successfully cash transfers could be scaled up. These centre around the possible risks of inflation and whether expanded cash projects could continue to be effectively managed to minimise risks of insecurity and corruption at the larger scale. Some experiences with larger scale cash transfers do exist but these have often been undertaken by governments. In Sri Lanka, following the tsunami, a nationwide project jointly funded by several donors provided cash to all tsunami-affected households to rebuild or repair their houses. Cash grants were also provided on a large scale as part of the government response to the 2005 earthquake in Pakistan.

These examples illustrate that large-scale cash transfers are possible at least in countries with a relatively well developed state capacity. Some aid agency responses have also started to be on a relatively large scale. Mercy Corps' cash for work programme in Indonesia in response to the tsunami employed at its peak nearly 18,000 people and disbursed over $4.5 million in direct payments during its seven-month lifespan (Doocy et al., 2006; Mercy Corps, 2006). Oxfam in Zambia implemented a cash transfer programme as its primary response to food insecurity in 2005–2006 on a reasonably large scale of 13,500 households (Harvey and Marongwe, 2006).

The strongly positive evaluation of smaller scale cash programmes presents a clear case for thinking about how to scale-up cash-based responses. At the moment the humanitarian system is trapped into something of a Catch 22 where because food aid is what agencies have the skills and capacity to deliver on a large scale, that is what receives the majority of funding—it is what donors trust can be delivered. For instance, in the 2005–2006 response in to the Horn of Africa drought, HPG (2006, p.5) finds that 'in the face of a well understood, analysed and accepted food system and widely available food assistance, donors were simply not convinced that livelihoods interventions stood a better chance of saving lives'.

Similar skills and capacity are required in relation to cash-based responses but these will take time to develop. Part of the process must be to embed planning for potential cash-based responses into disaster preparedness and contingency planning. Large-scale government cash responses to the tsunami were possible in part because systems were already in place. Clearly, for cash transfers in unstable situations to be feasible greater skills and capacity will have to be developed by different actors, and scaling up will be a key challenge.

Box 4: Government tsunami cash responses

In *Thailand* the government provided cash grants as compensation to the relatives of those who had died or been injured in the tsunami (Government of Thailand, 2005). The government also provided tax and loan reprieves such as temporary income tax exemptions.

In *Indonesia* the government aimed to provide IDR 3,000 per person per day, starting in March 2005 and continuing through 2005. This was intended to complement a WFP ration. In practice, both delivery of the cash from national to local government and receipt of it by disaster-affected households was extremely patchy.

In *India* people received $2,264 for each death in their family and lower amounts for injuries, $22 per person per month for four months to cover basic needs and $22 per household intended to cover basic household goods such as kitchen utensils and stoves. The government also provided cash for self-help groups, repair and replacement of fishing equipment, exemptions from school fees, grants to women in fishing communities for fish related businesses, extra pension benefits for agricultural reclamation and support to orphans. Most affected people do seem to have received this cash support, although there were issues with exclusion particularly of traditionally marginalised scheduled castes and tribes.

The Government of *Sri Lanka* provided $1,515 compensation for deaths, $25 for household items, $50 emergency resettlement allowance, $8.50 a month for approximately 12 months and four unconditional transfers of $198 per household. These do seem to have been received by most households. The government also provided cash grants for people with damaged and destroyed houses.

Sources: Adams, 2006; Deshingkar et al., 2006; Schubert, 2005)

The fact that cash transfers have been successfully used in some emergency contexts does not mean that they will always be appropriate. What is needed is the capacity to make informed decisions about the range of mechanisms to be used to deliver social transfers—should it be in cash, food or something else such as agricultural inputs, as was the case in Malawi? At the moment assessments of need too often remain resource driven, meaning that alternatives to food aid are not considered (Darcy and Hoffman, 2003; Haan et al., 2005). Zimbabwe is a context where cash transfers may be more difficult because of hyperinflation. Samson notes, however, that people spend cash quickly as a response to high inflation, that they adapt to inflation and that cash might still be appropriate if it can be transferred and disbursed quickly.[1] Alternatives such as vouchers have their own drawbacks because of supply chain disruptions. For instance, in an ActionAid programme people had only a few days in which they could redeem vouchers in local shops but the shops often did not have the goods at the right time. South Sudan during the civil war is another often cited context where cash in remote areas was so scarce that communities reverted to a barter system in which commodities such as soap and salt became preferred payments. Assessments need to be able to make informed judgements about the ability of markets to respond to increased demand generated by cash transfers and this implies investing in improved tools and skills for market analysis. There are encouraging signs that the need to understand how markets are affected by emergencies is becoming more generally recognised and this should form part of the development of a better balance between cash and in-kind responses.

Some progress is being made with considering alternatives to food aid. The new WFP emergency food security assessment handbook explicitly includes cash transfers as one of the range of responses that can be considered (WFP, 2005b). There have also been recent adaptations to early warning and assessment tools and methodologies in southern and eastern Africa. The Malawi vulnerability assessment in 2005, for instance, presented missing food entitlements in cash and in maize equivalents, explicitly making the point that there was a choice of how people could be supported to access their missing food entitlements (Malawi VAC, 2005). What remains to be seen is the extent to which these guidelines translate into changed practices in the field and a willingness to consider and recommend a wider range of response options, including cash transfers when they are appropriate. Donors may have a role to play in prompting consideration of a range of social transfer mechanisms, in supporting the development of better technical capacity to

[1] Samson, personal communication, August 2006.

Box 5: Moving from food aid to safety nets in Turkana

Currently, the Turkana 'pastoralists' live largely off aid. Despite years of food aid, the majority of households have unviable herds and have not been able to build up these up to a viable size. As a result, the need for welfare aid continues from year to year. There are a number of problems with continuing this approach:

- The justification for ad hoc assistance has to be made in the language of 'humanitarian response'. This focuses attention on phenomena such as droughts, although the problem is actually one of structural poverty and marginalisation.
- It is hard to make decisions about the amount of aid needed, and the kind of aid needed, on the most relevant criteria, since the problem is always couched in a short-term context.
- 'Relief aid' is programmed on its own each year, and not as part of an overall package designed to bring Turkana out of poverty.
- Ad hoc food aid has to be appealed for each year.
- No-one can say in advance whether aid will be given and, if so, at what levels. State agencies and non-governmental agencies cannot plan a coherent response to Turkana's poverty; and nor can the pastoralists.

A 'safety net' programme could be conceived differently. A long-term commitment to making a given transfer means that it can be programmed as an integral part of a longer term development package of interventions, designed within an analysis of extreme and widespread poverty as a long-term problem. Furthermore, if pastoralists can rely on the transfer, they can make more sensible decisions on herd management, and will in principle be able to invest sensibly to build-up their herds to a viable level. They are also given responsibility for managing their own 'drought cycle'. Setting aid levels according to the difficulty of each year puts this responsibility on the humanitarian actors (including the state). A standard transfer for all conditions, while not ruling out extra assistance in a particularly severe drought, could allow pastoralists to increase their herds in good years so they can then sell more animals in worse years. The safety net level could be set to ensure that over the 'cycle', there is a net increase in herds.

A welfare 'transfer' could be payment in cash, in kind or in some combination. Years of relief food aid have not solved the structural problems of poverty in Turkana, and a safety net is unlikely to do so either. The levels of transfer would have to be set at a high level (over $400 per household per year for several years). It would be socially impossible to target the transfer within Turkana and politically impossible to target only Turkana, although it should be noted that even this amount is less than $0.20 per person per day. There are many other reasons for not using relatively large welfare payments as a single mechanism for tackling poverty. Poverty in Turkana can only be tackled with a range of measures that include safety nets but also productive support, improvements in marketing systems, combating political marginalisation and supporting alternative livelihoods.

Source: Levine and Crosskey, 2006, p.8

carry out assessments and in the politics of decision making around how to respond to both chronic and acute food insecurity. DFID in Zambia in 2005–2006, for example, funded cash pilot projects in part to prompt new thinking about ways to respond to food insecurity (Harvey and Marongwe, 2006).

Resource transfers and delivery of services in fragile states

While experience with delivering cash in emergencies is relatively new, significant experience exists of the delivery of other forms of resource transfer and maintaining services in fragile states.

The main forum of resource transfer in emergencies has typically been food aid.

Table 4 shows total tonnages of food aid delivered in selected crises in the past decade.

Table 4: Total cereals and non-cereals

Million tonnes per year		
Country	1995–1997	2001–2003
DRC	34225	68998
Ethiopia	Data not available	881688
Kenya	66377	163462
Sudan	87056	148470

Source: FAOSTAT, Food Aid Shipments

There is also important experience with trying to maintain basic services such as health and education in fragile states. Delivering any sort of resource or service in unstable situations is clearly difficult and at risk of being diverted by warring parties or caught up in the dynamics of the conflict (Collinson, 2003; Duffield et al., 2000). There is a tendency, however, to underestimate the scale of what is already being provided. Significant levels of resources, requiring considerable implementation capacity, are often already being delivered by international aid actors. There may therefore already be capacity that can be drawn on in delivering cash transfers and there may be potential, where appropriate, to shift resources from food aid to cash, rather than cash transfers necessarily requiring additional resources.

Evidence and experience show that there are key programme and policy components vital to delivering services in fragile states, which vary according to context (e.g. levels of state capacity, and of state willingness). Some key lessons include that:

- There must be good coordination between different actors (government, donors, NGOs and the private sector).
- There are numerous points of entry for working with governments on pro-poor service delivery policies and strategies. Even very weak governments can help set the policy environment and work through other agencies in a contractual arrangement to ensure adequate service delivery.
- Building the capacity of state and non-state actors should be integrated into all programmes of work in difficult environments. By including capacity building in service delivery strategies, organisations can incorporate the long-term perspective even while providing short term interventions.
- Effective delivery of services in difficult environments requires long-term funding commitments.
- Sustainable systems can be nurtured in difficult environments. A starting point would be for all assistance to work from the principle that local capacity does exist, be it in communities, civil society, or local or national government.
- Where governments are more fragile, or show little interest in getting services to poor people, alternative coordination mechanisms need to be put in place through either the UN or other umbrella coordination organisations (Carlson et al., 2005).

Financing

Regardless of the resources being provided in fragile states there is a clear need to attempt to move away from inadequate, short-term and project-specific funding. The key question is: how to provide longer term, more harmonised and predictable funding for social transfers in unstable situations? One of the limitations of humanitarian approaches is how they are financed. Funding is typically short term and tied to annual and often underfunded appeals. For example, only 35 per cent of the 2006 consolidated appeal for DRC has been funded (OCHA, 2006).

The ability to provide longer term, more predictable funding would deliver key advantages to both aid agencies and disaster-affected populations. For aid agencies, a move to longer term funding would enable them to plan and programme much more strategically, to invest more in staff skills and capacity and to make longer term commitments to communities and local partners. For disaster-affected populations, a key advantage of longer term funding would be predictability. One of the important drawbacks of humanitarian assistance is that it is often unreliable. If longer term cash transfers could be delivered predictably on a monthly basis, then households would be able to plan them into livelihood strategies and their own coping mechanisms, making it more likely that cash could be spent on productive investments and strengthening livelihoods. Predictability cannot be assumed or guaranteed and long-term cash transfers, like short-term in-kind humanitarian relief, would be prone to disruption linked to insecurity. However, finding ways to make cash transfers a more predictable and reliable entitlement rather than an opaque form of irregular charity would be an important objective.

Funding also tends to be tied to particular sectors or projects. There are ongoing attempts to improve on and reform this situation, reflected by a number of initiatives, such as the Good Humanitarian Donorship initiative, the Expanded Central Emergency Response Fund (CERF) and common funding.

Similar issues exist in development financing. Despite commitments to greater harmonisation and alignment through the Rome Declaration, fragmentation of donor funding and a lack of alignment with government policy and systems continue to be key concerns. It is argued that this

Box 6: Financing reforms in the humanitarian system

A series of recent reforms in the humanitarian system have aimed to enable the provision of more timely and predictable financing, arising from concern with the inadequacies of recent responses to crises such as Darfur, Sudan.

The Good Humanitarian Donorship initiative involves 22 donors (DAC and EC) that have committed to a set of principles and good practice guidelines for humanitarian action. The GHD is driving 'pooled' or 'common' funding at the country level, where donors are channelling part of their resources directly to the Humanitarian Coordinator. While not without its problems, the aim of common funding is to avoid fragmented and uncoordinated funding and increase the authority to prioritise resources strategically according to needs as they are assessed on the ground. This is currently being trialled in Sudan and the DRC. The expansion of the UN's CERF includes an objective to address critical needs in ongoing, neglected and underfunded crises.

Source: (HPG, 2005)

can undermine ownership (either current or future) of domestic policy processes and further damage a weak institutional government, and that harmonisation and alignment are particularly relevant in fragile states (ODI, 2005).

Donor governments have attempted to harmonise in part through the development of new financing mechanisms to provide support in fragile states. As Leader and Colenso (2005) argues 'various ways of pooling funds such as multi-donor trust funds and joint programmes can promote a more programmatic and long-term approach to service delivery' (Leader and Colenso, 2005). Project-based approaches can also provide predictable funding over time and incorporate varying degrees of alignment to government systems. In Zimbabwe, DFID provides multi-year funding to NGOs to protect livelihoods.

Joint programming aims to respond to the problems created by multiple donors, fragmented short-term funding, programming outside of government structures, and the creation of parallel bureaucracies that leave national civil services stymied and incapable of maintaining legitimacy. A joint programme therefore aims to harmonise the various donor programmes into a unified, transparent and criteria-driven framework that is designed and implemented by relevant stakeholders at all stages. Such programmes have national reach and long-term objectives, are implemented through multi-year horizons and can harness national policy oversight to available capacity. Joint programmes can be funded through a trust fund window, a budget line item, and through international and/or domestic revenue. To the extent possible, financing flows should be unified at central level, although decision rights can be devolved for aspects of the programme (Lockhart, 2006).

Joint programmes are ideally closely linked with the idea of supporting emerging state capacity and co-produced by a government on one side, and a range of other actors (bilateral and multilateral organisations, the private sector, NGOs and communities) on the other, to serve as a vehicle for implementation of key policy objectives. Where possible they will seek to mobilise national capacity to manage policies and programmes in a manner that is accountable to the public, in partnership with the donor community and other relevant stakeholders. However, in unstable situations and contexts where working with the state is not an option, joint programmes could also be seen as a way of harmonising donor support through other actors such as international agencies, which is discussed further in the section below.

The role of Operation Lifeline Sudan provides an interesting example of a model used for the delivery and coordination of assistance during a long-running civil war. The coordinating umbrella consisted of the United Nations, the government and NGOs and provided both an umbrella for negotiation of humanitarian access with the parties to the conflict and a mechanism for coordination of service delivery, for instance, in standardising the prices of drugs (Karim et al.,1996).

There are also some interesting examples of innovative funding approaches in the responses to the tsunami in Indonesia and Sri Lanka. A report of the Multi Donor Fund in Indonesia argues that it has worked well with government because of its:

- Provision of flexible financing through non earmarked grants that fill gaps and respond to priorities as they change over time;
- Responsive governance through a Steering Committee that reflects the interests of key

stakeholders (government, civil society, donors and other key players);
- Ability to go beyond traditional project finance to serve as a forum for donor coordination and policy dialogue for rehabilitation and reconstruction;
- Emphasis on high-quality investments through involvement by the most experienced international and local partners in project design and implementation;
- Partnership with the BRR which endorses and submits all project proposals, co-chairs the Steering Committee and now co-finances individual projects (Secretariat of the Multi Donor Fund, 2006).

In Sri Lanka there was multi-donor support for a government-run programme to provide cash to enable people to rebuild and repair their houses. Interestingly, this subsequently attracted further support from international aid agencies that topped up the amounts provided by government. The IFRC, for instance, is providing USD25 million to the project. This is part of a partnership established between the Sri Lanka Red Cross, the IFRC and UN-Habitat, with technical support to the government programme provided by the Swiss government and Price Waterhouse Coopers (Community recovery and reconstruction partnership, 2006).

Emerging experience suggests that there are a wide range of possible financial instruments that can be developed to provide more harmonised, predictable, multi-year funding in fragile states. Financing will still need to be tied to the design of a particular transfer programme in order to allow for flexibility in response to changing circumstances, and for fluctuations in the size of the eligible population. Putting these kinds of programme in place, however, would require longer term commitments from donors willing to fund multi-year programmes as well as engagement from development actors and humanitarian departments that are often only able to make short-term commitments.

Actors

Providing assistance to enable people to meet basic needs requires some sort of delivery capacity. Whether it is food aid, cash transfers or seeds that are being provided, there is a need for some way of getting it to people. Ideally, of course, social transfers should be provided by the state. In the cases we are interested in, however, either the state does not have the capacity to deliver such transfers, or donors are not willing to work with it

Box 7: Financing mechanisms in fragile states

Afghanistan
The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide support to Afghanistan for the recurrent costs of the government, such as the salaries of teachers, health workers, civilian staff in ministries and provinces, operations, and maintenance expenditures; and to support investment projects, capacity building, feasibility studies, technical assistance, and the return of expatriate Afghans. The ARTF is administered by the World Bank under the supervision of a Management Committee. As of 21 May 2006, 24 donors had pledged USD1.6 billion to ARTF, of which USD1.3 billion has been received. Over USD814 million had been disbursed to the Government of Afghanistan to help cover recurrent costs, and USD214 million has been disbursed for investment projects. The ARTF co-finances the National Solidarity Programme which has been rolled out rapidly since September 2003. It currently reaches over half the rural communities in 273 districts located in all 34 of Afghanistan's provinces. It benefits 11.5 million people in rural areas, and provided 16.6 million person days of labour (World Bank, 2006).

Burma
A United Nations-led joint programme on HIV and AIDS in Burma (Myanmar) is a strategic plan agreed by government, donors, and NGOs, aiming to build on the government's existing national AIDS plan. Resources are provided by bilateral donors through the joint Fund for HIV/AIDS in Myanmar.

The programme was needed because of the scale of the problem in Burma – an estimated 620,000 people are infected with HIV – and because the national response was inadequate, both in terms of resources and policies. O'Dwyer (2004) argues that the Joint Programme has been successful in allowing donors, NGOs, and even the opposition National League for Democracy, to work with government agencies. Factors contributing to this success include responding rapidly to signs of openness on the part of the government, the creation of space for policy dialogue and development of effective systems for technical review, monitoring and evaluation, and training. Remaining challenges include mounting the response on a larger scale (O'Dwyer, 2004).

for political reasons, or it does not have control over all its territory.

It should be possible to map the range of actors involved in any given context. These will include UN agencies, international financial institutions, private sector organisations, international and local NGOs, and other civil society organisations such as churches. The key question is which actors – or combinations of actors – can deliver social transfers at scale? This question is clearly context-specific. In some contexts there may still be enough state capacity for the state to play a central role and for donors to be willing to fund a state. Where this is the case, it is clearly preferable.

There is, however, a need to be realistic about the delivery capacity of a state. In particular there is a need to guard against moving from a situation where there is expensive and patchy but effective NGO delivery to one where the government is providing services in theory but in practice it does not have the capacity. This can result in a collapse in entitlements as health clinics or schools stop functioning because people are not being paid or supplies such as drugs are not being delivered.

In situations where the state is weak there may be a role for other organisations (NGO, private sector, or UN agency) in implementing or augmenting the capacity of a state-run programme. This is the sort of model being talked about for piloting cash transfers in northern Kenya, for instance, and that has been used in Afghanistan for the National Solidarity Programme. It is important to recognise that this model is not without its risks. In Afghanistan, for instance, significant resentment has started to build over the role of international agencies that are perceived to be more expensive and less effective than national actors (Ghani et al., 2005). Ghani et al. highlights problems with the creation of a dual bureaucracy in Afghanistan where the salaries of people working for international aid agencies are massively higher than those of government civil servants.

Social protection has sometimes been presented as an agenda that can strengthen the legitimacy of the state by allowing it to resume responsibility for ensuring the basic survival of its citizens (Christoplos, 2004). Indeed, social protection mechanisms such as pensions are best seen as a central part of the social and political contract between a state and its citizens. This may make it problematic to deliver instruments such as pensions through non-governmental actors. One option might be to consider more targeted cash grants where national governments cannot play a leading role but to move towards more universal grants and entitlements as government capacity and revenues increase and these become both affordable and feasible.

In some situations, working with the state is not possible at all, either because it does not control the parts of the country where services need to be delivered or because donor governments are unwilling to work with it for political reasons. In these circumstances it might still be possible to deliver long-term social transfers purely through non-governmental and UN actors. This is arguably what is already happening in the case of social transfers of food aid by WFP and its implementing partners.

Even if transfers are provided primarily through non-state actors there may still be a need to respect state sovereignty and to attempt to involve the government in some way. One way of approaching this is shadow systems alignment, which aims to ensure that the capacity of the state to deliver in the future is not undermined. Shadow systems alignment, in the short-term, would organise aid delivery to be compatible with existing or future state structures rather than duplicating or undermining them. The long-term aim is for the state to provide these services. Such an approach is deemed appropriate in a situation where there is a:

- A lack of, competing or multiple systems
- Concern about legitimising a particular government or authority
- Serious concern about the intentions of the authorities towards their own population
- Significant and prolonged humanitarian presence (ODI, 2005).

Where government capacities to deliver large-scale social transfers are limited it may still be possible to engage with relevant line ministries in the development of policy. Often the ministries responsible for social protection and welfare safety nets have become relatively weak because of the lack of investment in this field compared to, for example, ministries of health or education. Engaging relevant line ministries in debates about social protection policies may be part of the process of rebuilding some analytical and implementation capacity within governments to deliver social protection. Experience of scaling up programmes in Kenya and Zambia shows the importance of links between ministries and departments – especially if the programme is implemented by an underfunded department, such as ministries and departments of social welfare, without strong links to more powerful central ministries such as finance and/or planning (Devereux et al., 2005). International aid agencies working in emergencies often work primarily with government departments dealing with emergency response. These can be relatively well resourced at least in emergency prone countries, but have little knowledge of the debates around longer term social protection. There may be a need to encourage links between different government ministries such as social welfare, finance and those with responsibilities for disasters.

From examining existing capacities to deliver large-scale resource transfers in unstable situations, it is clear that the organisations that have developed a capacity to do so are those involved in food aid delivery, most notably the World Food Programme and key NGOs such as World Vision, CARE and Catholic Relief Services. At the moment these actors remain focused on the delivery of food aid but there are signs that this approach is being reconsidered. WFP and CARE have implemented cash transfer pilot projects in Sri Lanka and Indonesia, for example (Meyer, 2006; Sharma, 2006). There seems to be no reason why WFP could not interpret its mandate as one of providing the most appropriate resource to combat hunger and therefore be able to provide food aid or cash depending on which is most appropriate in any given context. Stites et al. (2005, p.50), a review of non-food responses for WFP, concludes that WFP must decide whether the agency should continue as 'the food aid agency' or as a 'food security agency'. Clay has suggested that WFP's mandate could be expanded to allow it to provide whatever form of relief is most appropriate (Clay, 2004; Clay and Benson, 1998). There are some signs that this is being considered, with WFP piloting cash-based responses, for instance, in Sri Lanka. Edirisinghe notes that 'WFP's mandate to assure food security in emergencies is the basic premise for assessing cash transfers in lieu of food' (Edirisinghe, 2005). This would require a shift in focus away from the logistics of food delivery as well as the development of new skills and capacities to both analyse appropriateness and deliver cash and food, but it is a debate that is actively ongoing inside WFP. The actual delivery of food aid to recipients is generally carried out by WFP's NGO partners, so a shift in the focus of WFP would also prompt further shifts in NGO approaches. Similar debates are ongoing inside CARE and World Vision, and other NGOs such as Oxfam and Save the Children have already played a leading role in pushing cash-based responses on to the agenda (Creti and Jaspars, 2006; Levine and Chastre, 2004).

Options, contexts and next steps

So what does all this mean for the options available for providing long-term cash transfers in unstable situations?

The first challenge identified in the introduction was that of delivering more long-term, harmonised and predictable funding. Here, part of what is needed may just be additional funding to allow needs to be more adequately met in long running crises. There may also be options for exploring the potential for different forms of joint funding and for transferring resources from existing commitments to food aid to longer term social transfers. Joint programmes provide one possible way forward but will require significant coordination between donors as well as policy dialogue with national governments and international aid agencies. Another option that could be either an alternative to joint programmes or a way of pushing them on to the agenda could be to push ahead with financing the implementation of pilot cash transfer projects in particular contexts where assessments suggest they are appropriate. Under this model, DFID could provide the initial financing in the hope that other donors will be keen to contribute if the approach is seen as feasible and successful.

The second challenge identified in the introduction was to identify which actors or combinations of actors can deliver social transfers at scale. Clearly, this will always be context-specific, but the experience reviewed suggests that there is likely to be a role for the state and local authorities, international aid agencies and national civil society organisations. The options would include:

- State-led, state-implemented and state-managed transfers with support provided if needed from international and local NGOs, the private sector and UN aid agencies in order to augment delivery capacity
- International aid agencies or the private sector playing a more substantive role in implementation while governments remain involved in setting policy objectives, and with projects shadow aligned to avoid undermining the state.

Table 5: Pros and cons of different types of cash transfers

Type of cash transfer	Pros	Cons
Broad or universally targeted benefits – such as universal pensions or child benefits	Easier to target Clear criteria make them simpler for people to claim as entitlements Have the potential to reinforce the legitimacy of the state	Universality makes them more expensive and potentially less affordable. May be less appropriate to deliver through non-state actors. Require a long-term commitment
Cash transfers targeted at the poorest	Possibly more affordable May link better with the existing food aid caseload	More difficult to target and so administratively demanding Because more difficult to target, potentially more prone to corrupt abuse
Conditionality in cash transfers (either a work requirement or school or clinic attendance)	May provide an element of self-targeting Work projects may build useful assets given sufficient capacity May increase political acceptability	More complex and demanding to manage People may not have access to services (health or education) on which conditions are based
Financing		
Joint Programmes (such as multi-donor trust funds)	Joint financing will increase level of resources available Government involvement form the start of the process	Requires coordination, and agreement with the national government and other donors which may take time and be difficult to get
Initial DFID financing on a project basis	Quicker to establish May be necessary to demonstrate feasibility with a pilot project in order to achieve other donor and government buy-in	Other donors and government may not subsequently be interested or may feel excluded
Actors		
Government-led and managed	The ideal to move towards but may not be feasible in some contexts	Higher corruption risks Limited delivery capacity
Competitive tender process for non-state actors to provide support	An open and competitive process May encourage consortia of different actors Enables private sector involvement	Tendering process may favour those used to preparing bids and exclude national actors Might marginalise government
UN agency playing a lead role working with NGO partners	An existing model which would just need a switch from food aid to cash. NGO partners can include national as well as international agencies. WFP could maintain the flexibility to switch back to food aid if needed. Would enable experience, skills and capacity to be built up internationally over different contexts	Less competitive May exclude private sector actors Might marginalise government

Rather than seeing this as a set of either or options, it is probably most helpful to view the options as a continuum, with minimal state involvement at one end and state leadership at the other. Taking forward this agenda may also require DFID to engage with a wider range of donors, for instance, the Swiss government, which has played a leading role in taking forward the use of cash transfers in emergencies (SDC, 2003).

The third challenge identified in the introduction was to decide whether a social transfer should be provided in the form of food or cash. Emerging evidence makes a strong case for wider use of cash but the decision on appropriateness will always need to be context-specific and flexible enough to enable a switch back to in-kind transfers if cash ceases to be appropriate.

Table 5 sets out what this might mean in terms of the options available to take this forward. If DFID were interested in taking forward thinking about the potential for long-term cash transfers, it would face a set of critical decisions:

- The type of cash transfer to provide (targeted or universal, with conditions or without);
- Whether to aim for joint funding from the start or push ahead with a DFID-financed pilot project in the hope that other donors might participate if it is seen as successful;

- The degree of government involvement that it is possible to aim for;
- The role for non-governmental actors, and whether to aim for a competitive bidding process or engage with predetermined partners through the design and implementation process.

The terms of reference for this paper asked us to consider the kind of contexts in which the approach might be suitable and criteria for choosing likely places in which to consider it. This is difficult not only because of the need for more detailed contextual analysis but also because to some extent the whole point of this exercise would be to attempt to provide cash transfers where it is more difficult. Cash transfers would clearly be simpler to implement on a large scale in contexts where there is some government capacity, a banking system and low levels of insecurity and corruption. It is, however, precisely the contexts where capacity is very limited, insecurity is high and banks are limited that are the focus of this paper. Experience of the provision of cash in emergency relief suggests that even in difficult contexts such as Somalia and Afghanistan it can be possible to deliver cash – so there is a danger in developing criteria that would appear to rule out such an approach in some contexts. Long-term, large-scale cash transfers are likely to be simpler to implement in contexts where governments have a degree of legitimacy, capacity and donor support, and thus would clearly be easier to implement in Sierra Leone than in Haiti. It might, however, make sense to select contexts for consideration that present particular challenges. An example might be Nepal or the DRC, where government control over parts of the country is limited; Eastern Sudan, where there is ongoing low-level conflict; or Haiti, which would present huge security challenges to any sort of programming.

Some minimum criteria that could probably be envisaged are set out in Table 6.

There are some clear possible next steps that arise out of this analysis:

- A need for context-specific feasibility studies examining the potential for long-term cash transfers in selected unstable situations;
- Engagement with governments in unstable situations about the role of cash transfers in social protection policies;

Table 6: Minimum criteria for implementing cash transfers in different contexts

Minimum criteria	Contexts that might be problematic
A market system that would respond to a cash injection enabling people to buy key goods in nearby markets at reasonable prices	Zimbabwe, where hyperinflation might make cash transfers difficult, although vouchers would be a possibility Very remote places with weak markets – possibly areas of South Sudan for instance
Some way of delivering cash safely to people	Areas with significant levels of high intensity conflict might be ruled out; but if in-kind resources can be delivered cash should also be possible
Sufficient security for some level of monitoring and field presence of implementing agencies	Areas where aid agencies may be targets for insurgents such as parts of Iraq or Afghanistan, making accountability difficult
Willingness of authorities to at least accept the programme	In countries where governments do not control all their territory, such as Nepal, the rebel movement would also have to agree to the programme

- Engagement with key non-governmental actors with the potential or capacity to deliver large scale cash transfer at headquarter and country levels;
- The development of pilot projects to examine the feasibility of large-scale cash transfers in unstable situations.

It does seem as though it should be possible to explore further the potential for long-term and large scale cash transfers in particular unstable contexts. As is suggested in the introduction, this would explore the potential to provide a small, but regular and predictable, cash grant to hundred of thousands of beneficiaries over a multi-year time scale (say 4–5 years). It would aim to involve national government and local authorities in the policy, design and implementation to as great a degree as possible. Ideally, a joint programme approach would be taken with funding from a range of donors and an agreed single approach.

UN agencies, NGOs and private sector actors would probably be involved in implementation. A deliberately experimental approach could be taken with significant resources allocated to monitoring, evaluation and documentation of learning.

This would present an exciting opportunity to move away from the often fragmentary and insufficient assistance provided to people through humanitarian instruments and towards provide more predictable, appropriate and effective support to people unable to meet basic needs in unstable situations in fragile states.

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