themselves. We also need to look at how donors coordinate among themselves, and at how military assets are deployed.

Whilst the GHD initiative is progressing in some emergencies in Africa (Burundi, the Democratic Republic of Congo (DRC)), it has yet to reach all parts of natural disaster response. From the donor perspective, we need to look more critically at the way we respond to natural disasters, especially those, like the tsunami, where there is huge public and media interest. It is at times like these that pressure to react bilaterally, and to be seen to be providing a *British* response, as opposed to being part of a coordinated international response, is greatest, and where there is a greater risk of donors acting inappropriately, either responding without assessing and prioritising needs, or in uncoordinated and disproportionate ways.

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Cash-based transfers – and alternatives – in tsunami recovery programmes

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The tsunami response has allowed international humanitarian agencies to test and develop new approaches to disaster recovery. One such approach is the use of cash in place of traditional commodity transfers. Projects include government cash transfers to households in Aceh, Indonesia; a World Food Programme (WFP) cash transfer pilot programme in Sri Lanka; a cash and voucher pilot in Aceh, run by CARE; cash for work projects in Aceh, Sri Lanka and India; and cash grants for livelihood recovery in Aceh and Sri Lanka. There are also some examples of cash grant/loan 'hybrid' programmes. As part of its Cash Learning Project, the Humanitarian Policy Group at the Overseas Development Institute is undertaking research into the use of cash in the tsunami response. This article reports on some of the preliminary findings.

The project

HPG's Cash Learning Project is funded by Mercy Corps, the British Red Cross, Save the Children and Oxfam. It covers Aceh in Indonesia (where the lead agency is Save the Children), Sri Lanka (lead agency Oxfam) and India. The project seeks to promote best practice in cash interventions through the development of guidelines for planning, implementing, monitoring and evaluating cash projects. It is also investigating the development of learning resources around these themes.

The project also explores when cash is *not* the best option. It seeks to help agencies to determine the most appropriate form of assistance for a given context and – for cash and voucher transfers – the best transfer mechanism. The questions facing implementers can be grouped as follows:

- the *type* of economic assistance provided (cash, vouchers and in-kind assistance);
- the *way* the resource is provided (direct disbursement of cash/vouchers or through a financial institution); and
- the *conditions* attached to the transfer: none ('grant'); behaviour change (such as schooling); expenditure restricted to specific items; labour exchange; compulsory savings; repayment plus interest (loan); pay forward to someone else (revolving fund).

All these issues are determined by the *context* and the programme *objectives*.

Planning

While many assessments covered how people had been affected by the tsunami, few agencies analysed what their lives had been like before it struck. During implementation, agencies found that they lacked critical information about many issues, including:

- pre-tsunami access to credit and levels of pre-tsunami debt;
- groups: membership criteria, village development funds;
- power dynamics, leadership structures at community level, intra-household roles and decision-making;
- traditional forms of self-help and social welfare;
- the seasonality of livelihoods activities (including agricultural labour); and
- the cost of living and profiles of vulnerability.

Lack of information at the planning stage on these and other issues has limited the effectiveness of some interventions and caused problems in others. Save the Children is one of the few agencies to have conducted and made public livelihoods analysis based on the household economy approach – useful as a benchmark for evaluating programmes, and for planning.

Monitoring and evaluation

While many agencies have undertaken evaluations of cash for work projects, most agencies providing cash grants for livelihoods are still developing a monitoring and evaluation system. Cash grant programmes are difficult to monitor because, unlike credit programmes, repayment rates cannot be used as an indicator of success.

Agencies are struggling to develop realistic and informative systems for monitoring households' progress after receipt of the grant. Perhaps the biggest challenge lies in the sheer scale of the interventions: most projects have given out thousands of grants – should we monitor them all or just a sample? Should we look at all types of beneficiary, or just certain types? There is also a difference of opinion over whether beneficiaries even need to be monitored.

Cash/vouchers or in-kind assistance?

Determining the appropriate type of transfer entails assessing what people need, and determining whether the market can supply it – usually through a livelihoods or rapid food security assessment. Guidelines are emerging from a number of agencies, but there remains a considerable gap between the contents of these guidelines and staff knowledge and skills.

There are some situations when in-kind assistance, rather than cash, is beneficial to both the agency and the beneficiary. Examples from the tsunami project include:

- When cash might pose an additional risk to the environment (for example, wood for shelter will be sought from environmentally sustainable sources if the agency procures it).
- When cash provision might result in lower standards of safety or quality (for example, earthquake-proof building standards can be enforced if the agency provides the materials and sub-contracts the work).
- When the desired commodity is not available in the market and there is little chance of organising traders to supply a weak and disparate market (for example, improved seed varieties can be provided by an agency when they are not present in local markets).
- When an agency can exploit economies of scale to get a better rate for services or goods.

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The relatively small-scale cash-based programmes that have been implemented by aid agencies are dwarfed in comparison to the large and continuing food aid programmes in Sri Lanka and Indonesia. While government cash relief has been significant, particularly in Sri Lanka, concerns have been raised about the appropriateness of international food aid in the context of recovering markets and locally available food. An Aceh assessment report from World Food Programme (WFP) headquarters suggested 'a number of innovative approaches' (food or cash vouchers) in Aceh which would 'contribute in a small way to re-energizing the trading sector'.[1] However, a market study commissioned by the WFP in July 2005 did not consider market-based alternatives,[2] and WFP Aceh therefore plans to provide food to households for a further year, despite the availability of functioning markets.

There are two notable innovations in the food relief sector. In Sri Lanka, WFP is providing cash to targeted households through the government's social welfare banking system on a pilot basis. In Aceh, CARE is assisting beneficiaries on the outskirts of Banda Aceh to meet their food needs through a combination of food vouchers and cash supplements. WFP Sri Lanka hopes to test a number of issues, including impact on households and the community, cost-efficiency, acceptability and timeliness, as well as the impact on markets. CARE is focusing on testing the practical challenges associated with cash/voucher disbursement. Both initiatives should be closely watched, as their outcome could have far-reaching consequences for future food security responses.

Cash for work

Agencies noted that beneficiaries had reported psychosocial benefits from cash for work projects implemented in the immediate aftermath of the tsunami. Projects encouraged people to go back to destroyed villages, to mourn, to take stock and to think. The physical activity was welcomed, particularly as work was focused on cleaning up villages. In the early stages, putting cash into people's pockets was the main goal for many organisations. However, as work projects continued agencies became aware of the risk of disrupting local labour markets (as NGO wages were higher than local rates). To reduce the problem, some NGOs limited the number of days people could work, and others suspended the entire project during important agricultural periods. Areas for improvement in cash for work interventions include:

- Lack of attention to child care and work opportunities for women.
- Child protection meetings often focused on the 'rules' banning children from working, and failed to consider assistance for labour-poor households (no agency provided an unconditional cash grant to such households).
- Some project outputs were of substandard quality. Representatives of the International Labour Organisation (ILO) in Sri Lanka argued that, if the idea is to give people cash and if the output is unimportant, then agencies should simply give people cash grants and let them look for other opportunities.

Mechanisms for cash disbursement

Cash disbursement options vary by context, by project type and also over time. In most situations (cash for work, cash grants to communities, cash grants for livelihoods) agencies have transferred the cash by vehicle using agency staff, and have encountered no problems. However,

1 WFP, *WFP's Emerging Recovery Strategy and Activities in Tsunami-affected Areas of Aceh Province: Mission Report of the Emergencies and Transition Unit (PDPT)*, WFP PDPT, Rome, February 2005.
2 ICASERD (2005), *Food and Labour Market Analysis and Monitoring System in Nanggroe Aceh Darussalam (NAD)*, 2005, http://www.humanitarianinfo.org/sumatra/reference/assessments/doc/livelihood/WFPFoodAndLaborMarketAnalysisReport.pdf.

Table 1: Use of banks in cash transfers

Project	Reason
Save the Children (SC) used a local bank to pay cash for work.	The agencies did not have sufficient organisational capacity to handle payments on its own (SDC's project followed a tried and tested formula of quick intervention and withdrawal). SC also wanted to promote links between banks and villagers.
The Swiss Agency for Development and Cooperation (SDC) issued one-off payments by banks to host families in Banda Aceh.	
The British Red Cross (BRCS) opened bank accounts and provided opening balances for project beneficiaries from rural areas in Aceh. Accounts were opened in banks in two main towns.	BRCS policy did not allow volunteers to carry cash; BRCS also wanted to promote access to bank accounts.

there is considerable diversity in policies, systems and procedures between agencies. Some agencies started to use banks, while others did not, regarding them as too complicated or not desired. The rationale for using banks in the early stages of the response is given in Table 1.

Cash grants or loans? Assistance options for livelihood recovery

Livelihood recovery assistance has been provided to beneficiaries as grants (no repayment required), loans (repayment required), or a mix of the two. Sometimes funds intended as grants for households have 'turned into' a loan because the partner selected for the relief intervention is a microfinance institution (MFI) suffering liquidity problems. Some humanitarian agencies – Mercy Corps is one – argue that, in the post-tsunami context, poor people who have lost their assets should have them replaced for free. Others believe that extending aid to include replacing lost assets encourages 'dependency', making people reliant on handouts and undermining cultures of borrowing and repayment. In the same vein, microfinance bodies warn that grants may damage MFIs if there is inadequate distinction between grants and loans. Mercy Corps makes a distinction between grants and loans by providing grants to poorer households, and loans to those who had medium-sized businesses prior to the tsunami. In Aceh, Save the Children distinguishes between its grants for poor households and its grant/loan packages for others by handling the grants itself, but subcontracting the loans to a bank. Microfinance agencies that do not offer grants should also consider whether promoting loans to people who cannot repay them is appropriate in disasters on the tsunami's scale: what risks might this bring for the future of microfinance in the area?

Issues for further investigation

The Cash Learning Project has identified a number of issues for further work.

- More information is needed about the impact of the tsunami and subsequent assistance on the functioning of debt and credit markets.
- The lessons of the pilot projects being implemented by CARE and WFP should be documented.
- Support should be given to agencies designing monitoring systems for cash grants, and there needs to be further investigation of the issues involved in the grant versus loan debate.

> microfinance agencies should consider whether promoting loans to people who cannot repay them is appropriate

- Aid agencies need a better understanding of government cash disbursement systems and the potential links between government and NGO assistance and long-term social welfare.
- There is scope to explore the potential for using banks and other financial institutions to transfer cash.

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References and further reading

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