Cash-based Programmes in Humanitarian Action: The Way Forward?

Evidence from Catholic Relief Services Indonesia Transitional-shelter Programme in West Sumatra

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# Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACF</td>
<td>Action Contre la Faim</td>
</tr>
<tr>
<td>BNPB</td>
<td>Badan Nasional Penanggulangan Bencana</td>
</tr>
<tr>
<td>CaLP</td>
<td>Cash Learning Partnership</td>
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<tr>
<td>CRS</td>
<td>Catholic Relief Services</td>
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<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DFID</td>
<td>UK’s Department for International Development</td>
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<tr>
<td>ECHO</td>
<td>European Commission’s Humanitarian Aid Office</td>
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<tr>
<td>GOI</td>
<td>Government of Indonesia</td>
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<tr>
<td>HAP</td>
<td>Humanitarian Accountability Partnership</td>
</tr>
<tr>
<td>IDR</td>
<td>Indonesian Rupiah</td>
</tr>
<tr>
<td>IRCRC</td>
<td>International Red Cross and Red Crescent</td>
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<tr>
<td>NGO</td>
<td>Non Governmental Organisation</td>
</tr>
<tr>
<td>OCHA</td>
<td>UN Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>OFDA</td>
<td>US government’s Office of Foreign Disaster Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SDC</td>
<td>Swiss Agency for Development</td>
</tr>
<tr>
<td>T-shelter</td>
<td>Transitional shelter</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>WASH</td>
<td>Water, Sanitation and Hygiene</td>
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<td>WFP</td>
<td>World Food Programme</td>
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</table>
Abstract

Cash-based approaches to the delivery of humanitarian relief are increasingly replacing or complementing traditional forms of in-kind assistance. In the last few years, the potential benefits of cash transfers received a growing recognition among humanitarian actors but common fears associated with this mechanism are still slowing down their expansion. The objective of this paper is to give new evidence to this “cash debate” by assessing the appropriateness of the use of cash in a specific programme and context (namely the Catholic Relief Services (CRS) transitional-shelter programme in West Sumatra, 2009).

With this aim in view, a thorough literature review, complemented by the analysis of key project-related documents and semi-structured interviews with CRS staff members, was performed in order to evaluate the appropriateness of this response mechanism in light of ten criteria: relevance, targeting, dignity of the beneficiaries, cost-effectiveness, speed/timeliness, corruption and security risks, gender and market impacts and acceptance.

Even though some problems concerning corruption risks and market impacts were reported, this paper found that overall cash transfers was the most appropriate option to fulfil the objectives of the CRS t-shelter programme in West Sumatra following the earthquake of 2009.

These findings confirm that cash transfers must always be at least envisaged as one possible tool in humanitarian interventions as it might be the most appropriate way to deliver assistance. However, this research also emphasises that the appropriateness of cash is highly context-specific. In consequence, it must not be an automatic choice: advantages and disadvantages of cash-based approaches need to be carefully weighed for every operation.
Chapter 1

Introduction

1.1 Research background

The humanitarian sector is undergoing radical transformations. The increasing development of standards, guidelines, coordination fora and networks, the introduction of the clusters system, the use of new technologies and the professionalization of the humanitarian field are only few examples of this evolution.

As part of this process, the use of cash and vouchers transfers as an alternative or complement to in-kind distribution of commodities appears since a few years as one option to enhance the quality of humanitarian interventions. While the field of cash and voucher programming in the relief sector is not brand-new, the last decade has in fact seen a rapid expansion of these mechanisms which are nowadays considered to be an integral part of the toolbox of many humanitarian agencies.

The success of these innovative ways of delivering aid is notably evidenced by the growing number of standards and guidelines documents that are taking into account the use of cash transfers or vouchers as possible response options. Furthermore, more and more humanitarian organisations are currently using these tools as part of their relief efforts (for example, several cash-based programmes have been implemented and “cash-based response working groups” have been created in response to the recent famine in the Horn of Africa). Finally, many organisations and research institutions are also involved in advocacy work to support and expand the use of cash and vouchers within the aid sector, notably through specialised networks such as the Cash Learning Partnership (CaLP).

However, while the potential benefits of delivering money instead of in-kind commodities received a growing recognition in the sector in the last few years, the fears

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1 See The Sphere Project 2011; Oxfam 2006; IRRCRC Movement 2007; Harvey 2007; ACF 2009; ECHO 2009a; WFP 2009; Harvey and Bailey 2011

2 The CaLP was founded in 2005 by Oxfam, the British Red Cross, Save the Children, Action Contre la Faim (ACF) and the Norwegian Refugee Council together with the Overseas Development Institute (ODI) and ALNAP. See http://www.cashlearning.org/english/home
commonly associated with these mechanisms are still numerous. On the one hand, the proponents of cash and/or vouchers-based programmes argue notably that these innovative options prove to be often more cost-effective, allow timely interventions, foster the dignity of the beneficiaries, give them a greater choice and have positive impacts on the local economy. On the other hand, opponents answer that cash transfers pose high security and corruption risks, are often used for anti-social purposes (e.g. to buy alcohol or cigarettes), cause inflation and can disadvantage women and vulnerable people.

Today, the majority of humanitarian responses continue to be predominantly based on in-kind distributions as a substantial number of stakeholders (e.g. donors, humanitarian organisations, governments and local authorities, beneficiaries) still oppose the use of cash or vouchers in relief operations. However, the different positions among humanitarian practitioners have led to a general discussion about cash-based interventions in which both parties strive to provide strong arguments and evidence-based documents (such as case-studies, evaluation reports and researches) in order to support their views.

This paper intends to be part of this “cash debate” as it aims precisely to evaluate the appropriateness of the use of cash transfers in a specific project and from an objective point of view.

1.2 Research question

The focus of our research will be the transitional shelter (t-shelter) project from Catholic Relief Services (CRS) Indonesia in West Sumatra following the earthquake of September 2009. By challenging the assumptions commonly associated with cash-based approaches, we will answer the following research question:

“To what extent was the use of cash transfers the most appropriate response mechanism in the CRS Indonesia t-shelter programme following the 2009 West Sumatra earthquake in terms of relevance, targeting, dignity of the beneficiaries, cost-effectiveness, speed and timeliness, corruption and security risks, impacts and acceptance?”

The use of objective criteria will allow us to assess comprehensively the appropriateness of cash transfers in a specific humanitarian intervention. This will eventually
provide new evidence which will shed some light on the general debate shaping currently the aid sector and which can be sum up in one general question:

“To what extent is the use of cash transfers the most appropriate response mechanism in humanitarian operations?”

1.3 Structure

Following the introductive part, the second chapter of this paper starts with an extensive review of the literature related to cash-transfer programming and provides the reader with a clear understanding of the key concepts involved in the topic. The framework of analysis used in this research, consisting of criteria and theoretical assumptions related to cash-based programmes, is then formulated and explained. Subsequently, Chapter 3 focuses on the description of the CRS T-shelter programme implemented in 2009 following the earthquake in the West Sumatra Province of Indonesia. In the Chapter 4, we proceed with the analysis of these data in light of the theoretical assumptions and criteria elaborated in the theoretical framework (Chapter 2) in order to answer our research question. Finally, this paper is concluded by a brief discussion about the findings of the study and their implications for the debate about cash transfer programming in humanitarian action.
Chapter 2
Theoretical framework

As cash-based programmes are relatively new in the humanitarian field, it is important to explain the basic concepts involved in this response tool. Therefore, even though this study will be focused on one particular programme in a specific context, it was deemed necessary to provide a brief explanation of the general notions related to cash transfers programming in order to allow the reader to fully understand the substance of the topic and eventually set the framework of the analysis. In this respect, this chapter will explain what cash-based responses are, when they can be used and in which sectors. Afterwards, an overview of the debate between in-kind and cash-based operations will be provided before presenting the theoretical framework of analysis that we used in this paper.

2.1 Cash-based responses: definition and types of transfers

The literature devoted to the subject does not dwell on one specific definition of cash transfer programming. As ECHO terms it, “cash transfers are the provision of money to individuals or households, either as emergency relief intended to meet basic needs for food and non-food items or to buy assets essential for the recovery of livelihoods” (ECHO 2009a, 3). In other terms, cash-based approaches involve replacing or complementing traditional forms of in-kind assistance with cash grants or vouchers fixed to an exchange for specific goods or services. As cash is usually the most important means of economic exchange, delivering money allows beneficiaries to purchase goods and services in local markets (Norwegian Agency for Development Cooperation 2011, 1).

Different types of interventions fall under the label “cash-based programmes” or “cash transfers programming” and different terms are commonly used to describe them. Firstly, “cash for work” projects refer to payments made to people who take part in public works programme which usually aim to rehabilitate community infrastructures or services. Secondly, the term “unconditional cash transfers” is used when the project consists in giving people money with no specific condition or requirement. Thirdly, “conditional cash transfers” are money grants given at the condition that the beneficiary does something (e.g.
plant seeds, attend school, provide labour, build a shelter) (IRCRC Movement 2007, 12). Table 1 summarises the different sorts of cash-based programmes.

It must be noted that voucher programmes, namely when organisations are giving people vouchers which can be exchanged with a particular type of goods, a bundle of goods (commodity vouchers), a certain amount of money (cash vouchers) or a mix of both, are usually classified as cash-based approaches in the literature but are not envisaged within the framework of this analysis. Finally, other types of interventions such as cash-based longer-term social assistance (e.g. social safety net) (Mathison 2003; Twigg 2004), micro-finance (Miamidian 2005) or micro-insurance are not discussed in itself in this paper either.

Table 1: Types of cash-based responses

<table>
<thead>
<tr>
<th>Types of transfers</th>
<th>Labels commonly used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving people money as a direct grant with no conditions or work requirements</td>
<td>Unconditional cash transfers</td>
</tr>
<tr>
<td>Giving people money on condition that they do something (e.g. attend school, plant seeds, build a shelter)</td>
<td>Conditional cash transfers</td>
</tr>
<tr>
<td>Paying people in cash for taking part in public or community works programme</td>
<td>Cash for work</td>
</tr>
</tbody>
</table>

Adapted from Harvey 2007, 3

2.2 When to use cash transfers?

Cash-based responses have been successfully implemented in different contexts and during different phases of a global humanitarian response to a disaster. This does not imply that cash transfers will be appropriate at all times but rather that this mechanism can be envisaged in response to all types and phases of emergencies.

Consequently, the use of cash can be applicable in the broad range of contexts in which humanitarian relief is delivered, from war or complex emergencies to natural disasters and from slow-onset to quick-onset, chronic or long-running emergencies. There is no prima facie reason why cash transfers could not be envisaged in humanitarian responses as long as
the basic conditions to implement a cash-based intervention (functioning and accessible markets, key goods available) are met. However, many factors will need to be taken into account to evaluate the appropriateness of such response tools as we will see below (point 2.5). The analysis of these diverse elements will eventually lead to a decision on which mechanism to use in this particular intervention.

It is important to emphasise that some factors will be strongly influenced by the context in which the relief efforts are taking place. Indeed, a situation of armed conflict will usually raise more issues than a post-disaster zone, for example in terms of security and corruption risks. Furthermore, markets and banking systems can be particularly disrupted during the first days of an emergency (Harvey 2005, 9). In any case, the decision to use cash and vouchers as response mechanisms will be highly context-specific and will therefore need to be carefully assessed.

However, the experience reviewed by the literature challenge the classical assumptions that cash transfers would be always unsuitable in certain areas such as developing and conflict-affected territories (Harvey 2007, 4). In consequence, the option should not be ruled out automatically without further assessment. In addition, cash can be envisaged in every phase of an emergency as summarised in Table 2. Before a disaster, it can be incorporated in disaster risk reduction programmes. During the first few days or weeks after a disaster, cash transfers can help to meet immediate needs. In a post-disaster context, the money delivered can help to support livelihoods and other needs that may still be unmet (IRCRC Movement 2007, 13). In this study, we will look at a specific project implemented in a post-disaster context (see Chapter 3).

Table 2: Phases of humanitarian responses and possible use of cash transfers

<table>
<thead>
<tr>
<th>When</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-disaster</td>
<td>In preparation for predictable shocks or incorporated in disaster risk reduction programmes</td>
</tr>
<tr>
<td>Initial stages of a disaster</td>
<td>To meet immediate and essential food and non-food needs</td>
</tr>
<tr>
<td>Post-disaster / Early Recovery context</td>
<td>To help re-establish/support livelihoods and/or provide shelter or other unmet needs</td>
</tr>
</tbody>
</table>

Adapted from IRCRC Movement 2007, 13
2.3 From in-kind to cash-based responses – History of the debate

2.3.1 The entitlement’s theory and livelihood approaches

Originally, the debate about the appropriateness of in-kind versus cash-based programmes stemmed from the food aid sector and the famine literature (Devereux 2000). In particular, the rationale for cash responses is widely acknowledged to derive from the “entitlement’s theory” developed by Amartya Sen in Poverty and Famines in 1981 (Devereux 2000; Peppiatt et al. 2001; Khogali and Takhar 2001; Harvey 2005). As this theory and its applications have been thoroughly dissected\(^3\), championed and criticised by the literature in the last decades\(^4\), we will not go much into the economic details of the theory and we will focus only on the relevant parts for the present research.

Sen defines the term “entitlement” as “the command over commodities that people have” and defines two forms of entitlement failure: a “pull failure” which refers to a loss of demand (loss of the means to purchase food) and a “response failure” or loss of supply (Khogali and Takhar 2001, 40-41). In the first case, famine is caused more by a decline in access to food rather than a problem of availability. Sen argues in this regard that the key problem in many contemporary famines is precisely this lack of access to food rather than a lack of supply as it was commonly acknowledged by his predecessors (Sen 1981). As a consequence, if a famine is caused partly by a loss of the economic access to food, an economic response with the purpose of boosting the purchase power of people (a “cash-based” response) can be an appropriate and even preferable supplement or alternative to a classical food distribution (Peppiatt et al. 2001, 2-3). It must be noted however that Sen’s theory does not rule out a problem of food availability as a problem of famine but rather points out the need of better analysis of the economic causes of famine (Harvey 2005, 9-10).

In addition, the entitlement’s theory has helped to develop new ways of analysing the livelihood and coping strategies of poor people in the last decade (Harvey 2005, 10). These “livelihood approaches” (Chaum ba et al. 2003) have in turn pointed out two significant findings. First, the livelihood strategies of poor people are diverse (e.g. small businesses, migration labour). Recognising this wide range of activities implies that a wider range of responses is also available (Harvey 2005, 10)). These analyses also show that, in the

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\(^3\) For a detailed description of the theory, see Drèze and Sen 1989.

\(^4\) For a review of the related literature, see Devereux 2000.
aftermath of a disaster, poor people often seek an income (Peppiatt et al. 2001, 3) by resorting to coping strategies which are damaging for their livelihood and/or their dignity (e.g. illegal or sexual activities, sale of productive assets). Providing cash to these populations can therefore help them to avoid these damaging coping strategies and fight the dependency often associated with the in-kind deliveries of aid (Oxfam GB 2006, 6-7).

While Sen’s entitlements theory and livelihood approaches have been criticised because of their lack of analysis of the political and power contexts in emergencies (Harvey 2005, 10-11), they undoubtedly put forward the core arguments on which the recent literature about cash-based programmes bases its advocacy. Sen’s theory also highlights the basic enabling conditions to use cash in humanitarian response, namely that the key goods are available locally and that the markets are function and accessible. While we won’t elaborate on these conditions in this paper, it is important to bear in mind that those are preliminary requirements for every cash-based approaches to be successful.

2.3.2 Present situation

Even though the entitlements theory is now widely acknowledged, the influence it had on relief programmes has been limited for many years. Indeed, despite this strong theoretical basis, the classical in-kind distribution of food aid and other commodities remain the dominant type of response in humanitarian contexts as we already mentioned in the introduction of this paper. This situation is mainly due to the common negative assumptions that the different stakeholders associate with the use of cash in relief operations. Indeed, fears such as the possibility of local inflation, anti-social use of cash by the beneficiaries as well as corruption and security risks led humanitarian practitioners to slow down the development of these new response mechanisms. Furthermore, specific objectives notably related with nutrition issues appear difficult to attain with cash or vouchers transfers. On the other side, proponents of cash-based programmes emphasise the potential advantages that these innovative options to deliver aid can have such as the impacts on the local economy (knock-on and multiplier effects, as it will be explained in section 2.5), the cost-effectiveness, timeliness, the preservation of the dignity of beneficiaries and the greater choice it gives them.
Before the 21st century, only few changes had been observed due to different reasons additional to the ones cited in the previous paragraph. First, as there were only rare well-documented experiences of cash-based programmes in response to emergencies, agencies were reluctant to leap into the unknown and rather preferred to implement programmes they had the experience and the skills to deal with. Secondly, donor policies did not incorporate cash responses as possible mechanisms in humanitarian interventions, consequently precluding the funding for such programmes. Thirdly, the assumption that beneficiaries do not know what is best for them (stemming from the Western concept of “charity” or “paternalism”) has also played a role in the relative ignorance of cash-based responses. Finally, other fears commonly associated with cash (e.g. insecurity, corruption, gender issues, leakage) have impeded the spread of cash-based programmes during the different phases of an emergency as well as we mentioned earlier (Peppiatt et al. 2001, 3-4). These arguments will be explained in more details in the next section.

While the commodity-based relief responses remain the dominant type, the first decade of the 21st century has seen a steady change towards a larger recognition of cash as an alternative as many of the arguments opposing its use are no longer relevant or have been overcome. Firstly, cash-transfer programming in emergencies is no longer an unknown field. Indeed, an extensive set of guidelines developed by many of the biggest humanitarian organisations and based on their multiple recent experiences with cash-based programmes has appeared in the last years (Oxfam 2006; IRCRC Movement 2007; Harvey 2007; ACF 2009; ECHO 2009a; WFP 2009; Harvey and Bailey 2011). These reports and guidelines help to bridge the knowledge gap and to overcome some of the fears which still impede a more systematic consideration of cash as an alternative to in-kind responses. Secondly, thanks partly to these initiatives and the advocacy of these groups but also to external factors (e.g. decrease of food aid levels, economic crises) and overall critics of the food aid sector (Barrett and Maxwell 2005; Maxwell 2007), key donors start to incorporate cash transfers in their policies. For example the European Union, world’s largest humanitarian donor, has released specific funding guidelines relating to the use of cash and vouchers in emergencies (ECHO 2009b). Thirdly, this overall process tends to fight the ageing Western concept of “charity” and emphasise the more fashionable terms such as “empowerment” or “dignity” of the people in need.
Despite this rising interest in the potential of cash-based programmes and the expanding use of these types of responses in humanitarian contexts, the vast majority of the humanitarian aid is still provided in kind as we already mentioned. While this can be the best response sometimes, the problem lies in the fact that it is often the only tool considered by relief agencies even when cash-based projects can be more appropriate. This situation is mainly due to the common fears and assumptions that are still associated with the use of cash in humanitarian action. The section 2.5 will further detail these fears along with the expectations stemming from cash-based approaches and will eventually allow us to assess the appropriateness of cash in relief interventions.

2.4 Cash-based programmes and sectoral issues

Originally, cash has been considered mainly as an alternative to food aid (see 2.4). However, it is important to realise that it is not a sector in its own right but rather a mechanism for delivering assistance that can be used across different sectors (Norwegian Agency for Development Cooperation 2011, 7). Indeed, the flexibility of this approach has pushed relief workers to see cash-based interventions as a way of supporting a large variety of needs and cash as a tool has consequently spread to multiple sectors of the humanitarian field in the recent years. This section provides a brief overview of the different sectors in which cash transfers have already been used as part of the relief efforts.

First and foremost, cash is nowadays used in order to address food insecurity and nutrition in emergencies, and is therefore considered as an alternative to food aid (Harvey and Bailey 2011, 6). On the one hand, one of the main issues of the use of money transfers in the food aid sector is revolving around the nutritional impacts of the projects. Indeed, food deliveries are often seen as the best way to address particular nutritional deficiencies (e.g. vitamin or mineral deficiencies). On the other hand, cash transfers can have a more important effect on the underlying causes of malnutrition such as food insecurity (Harvey and Bailey 2011, 6) by acting on the low purchasing powers of the poor households. Evidence from the literature finds that while cash-based projects are unable to fulfil the need of specialised food supplements to fight moderate or severe malnutrition, they can still contribute towards protecting children’s nutritional status when combined with other types of interventions (Save the Children UK 2009). Evaluations also suggested that this new
response mechanism may be more effective than food transfers in increasing the dietary diversity of the beneficiaries as it gives them the opportunity to buy different kind of foods (Skoufias, Tiwari and Zaman 2011). Furthermore, the transfer of money instead of food aid deliveries is often cited as a potential advantage in terms of dependency of the recipients (Harvey and Lind 2005).

Cash is also used in relief projects aiming at protecting, establishing or re-establishing livelihoods. Thanks to a cash grant, affected people can indeed avoid resorting to coping strategies which would have negative effects on their livelihoods (e.g. selling livestock). Furthermore, the money received gives people greater flexibility and can enable them to use some for purchasing productive assets (e.g. tools, seeds, livestock), services or repaying debts in order to regain creditworthiness (IRCRC Movement 2007, 11). The literature points out however that cash shouldn’t be seen as a sufficient tool by itself in order to rebuild livelihoods but rather as part of a programme and complemented by technical assistance (e.g. to help people developing small-scale businesses and enterprises) (Harvey 2007, 21). It must lastly be observed that these potential effects depend mainly on the amount given. Indeed, if a small amount of cash is delivered in a post-emergency context, it is highly likely to be spent on immediate consumption needs (Harvey and Bailey 2011, 7-9). Large sums will therefore be more likely to be spent on productive assets (Frize 2002).

Thirdly, evaluations often found that part of the cash distributed is spent on accessing basic services such as health care or education and that cash can therefore be a tool for organisations to increase access of people to basic services (Harvey and Marongwe 2006).

Fourthly, cash has been used in the context of displacements, both during the displacement and to facilitate the return and reintegration. An evaluation from an UNHCR’s experience in the middle-east in 2009 showed that cash may be popular among refugees who considered it as a dignified and flexible form of assistance (Harvey and Bailey 2011, 12; Troger and Tennant 2008). Cash transfers have also been used in disarmament, demobilisation and reintegration programmes but this use raises particular concerns in this sector which are not discussed in this paper (see Willibald 2006).

The fifth area in which cash has been used is the non-food items sector. Even though a strong tendency still exists to distribute these items in-kind, cash has notably been used as
a substitute in the Democratic Republic of Congo as a case study from Bailey and Walsh reports (2007).

Finally, cash transfers have sometimes been used in shelter responses after disasters in the last few years. Given some recurrent problems associated with in-kind provision of shelters or materials (e.g. poor-quality tents, badly designed or inappropriate housing), cash grants have been envisaged as an alternative to help people obtain or rebuild temporary or permanent shelter (Harvey 2007, 21-24), or in other terms to shift from a “donor-driven” to an “owner-driven” approach as labelled by the World Bank. Recent examples include the shelter responses to the Tsunami in 2004 (World Bank 2004), the Pakistan Earthquake in 2006 (Duyne Barenstein 2006) or the West Sumatra Earthquake in 2009 (Aspin 2010) which will be the focus of our analysis. In addition to the common questions related to the appropriateness of cash-based responses in the different phases of an emergency, the shelter sector raises particular issues as well such as technical issues, land rights or control and conditionality of the assistance. Some of the key questions will be addressed later in this paper as when we will describe and evaluate the CRS t-shelter programme (Chapter 3 and 4).

2.5 Judging the appropriateness of cash – criteria and assumptions

In this section, we will elaborate on the criteria and assumptions that we will use in this paper in order to assess the appropriateness of the use of cash transfers in the CRS Indonesia t-shelter programme in West Sumatra. Each subsection will consist of a brief definition of the criterion followed by the theoretical assumptions formulated as fears and/or expectations. We decided to choose the following criteria because all together they form a comprehensive theoretical framework allowing us to analyse the appropriateness of the use of cash in humanitarian responses. Furthermore, they are associated with the common fears and expectations stemming from the use of cash in these particular contexts. Table 3 (see page 24) gives a brief summary of the criteria used in this paper.

Before starting this section, it is important to emphasise that this study does not intend to evaluate the overall programme of CRS in West Sumatra as it only focuses on the aspects related with the cash transfer programming of the project. In other words, this paper is not an evaluation of a humanitarian programme in itself but rather assess with hindsight whether the decision to use a cash-based response was the most appropriate in
this context. Consequently, even though the criteria chosen in this study draw upon some of the criteria commonly used in project evaluations (see OECD 2002, ALNAP 2006), we do not take all of them into account and we adapt the ones we use in order to assess as accurately as possible the cash-related aspects of the response.

Finally, as we already mentioned, it must be reminded that this research does not look at the enabling conditions necessary to implement a cash-based approach, namely the availability of key goods at the local level and the functioning and accessibility of the markets.

2.5.1 Relevance

The relevance of a (cash-based) programme is the extent to which the intervention is in line with the local needs and priorities of the beneficiaries (OECD 1999, 22). The question will therefore be whether to choose cash was the most relevant option to respond to the specific needs of the affected population.

**Theoretical assumptions**

| Fear: “The flexibility of cash complicates the definition and fulfilment of specific objectives” |
| Expectation: “Cash allows recipients to set their own priorities as they decide what and when to buy” |
| Fear: “Cash is used to buy non-essential goods” |

Choice and flexibility are always cited as main arguments in favour of the implementation of cash-based programmes (WFP 2009, 3). Money can indeed be used in a large variety of ways (e.g. education, health, food, water, productive assets, and shelter) and allows people with different needs to set their own priorities. In other terms, beneficiaries are less “patronised” as they are able to manage their own budget and decide what to spend their money on while commodities transfers are rather inflexible and consequently give some people things that they need less (Harvey 2005, 11-12).

It is important to realise, however, that this flexibility makes more difficult for the organisations to define and fulfil specific objectives and report to their donors and the public as they have less control over what they assistance will be used for (Harvey 2005, 29). The
relevance of the project can therefore be affected by a lack of precise goals. For example, in shelter programmes like the one we are analysing, it is difficult for aid providers to ensure how, where and when cash grants will be used (Harvey 2007, 23). In this regard, they often put in place conditional grants or provide the money in different instalments as we will see in the next Chapter.

Furthermore, a common fear among humanitarian practitioners is that the power to choose given to the recipients would be badly used. As they have less control over what the cash grants will be used for, the biggest concern is that people use the money for anti-social purposes (e.g. prostitution, alcohol, cigarettes) or non-essential items that are not incorporated and/or impede the fulfilment of the goals of the programme. Furthermore, such misuses can have overall short and long-term negative impacts on the community and the beneficiaries that the organisation is trying to help. Sometimes, this fear is multiplied as only one person in the households is given the grant and therefore the power to choose (ACF 2007, 29; See 2.4.3).

As Peppiatt et al. terms it, the choice involved with cash-based programming is therefore “both a strength and a weakness” (2001, 14). So far, however, reports and evaluations from cash-based programmes suggest that people do not use the money for purchasing non-essential goods, with only few exceptions (Adams and Kembele 2005; Harvey 2005; Willibald 2006;, 29-30; ACF 2009, 33-35). More evidence is needed to confirm these findings.

2.5.2 Targeting

The targeting of an intervention refers to the coverage of the project in terms of beneficiaries: who was supported by the project and why (ALNAP 2006, 38). It is indeed important to know if all the people in need received assistance and if not, the reasons to exclude them.

Theoretical assumption

| Fear: “It is harder to target only the most affected and vulnerable since cash is attractive for everybody” |
Targeting is a difficult task and is not particularly related to cash-based programming but concerns every humanitarian operation. Indeed, the principal goal of targeting is to ensure that the most in need receive the assistance as the programmes are limited in resources and capacities (IRCRC Movement 2007, 42). Nonetheless, two particular issues are pointed out by the literature regarding the process of targeting in a cash-based response.

First, the attractiveness of cash can make it more desirable for everybody, even the wealthier who are not eligible. More people will therefore try to be included in beneficiary lists. The second issue relates to the flexibility of the cash, which complicated the specification of the objectives and consequently of the target groups (Harvey 2005, 29). These problems are even more important as targeting errors can have particularly negative effect in cash-based programmes. One concern is that cash is less likely to be shared between households than in-kind commodities (Harvey and Bailey 2011, 68-69). The other is the risk of inflation, which will be explained below (see 2.4.6). These risks make exclusion errors particularly damaging as they affect both recipients and non-recipient.

It must be noted, however, that the evidence collected so far concerning targeting issues in cash-based responses have been mixed and does not allow to confirm neither to invalidate these theoretical fears (Peppiatt et al. 2001, 15; Kardan et al. 2010; Harvey and Marongwe 2006).

### 2.5.3 Dignity

In the common sense, dignity is defined as “the state or quality of being worthy of honour or respect” (Oxford Dictionaries Online). In humanitarian action, reference is usually made to the obligation for the agencies to respect the dignity of beneficiaries. This includes the rights to be heard and to participate in activities that affect their basic welfare (HAP 2005). In this paper, we will evaluate if and how the dignity of the beneficiaries is taken into account through cash-based programmes.

**Theoretical assumption**

<table>
<thead>
<tr>
<th><strong>Expectation:</strong></th>
<th>“Cash-based responses preserve the dignity of the recipients and make them responsible for their own recovery”</th>
</tr>
</thead>
</table>
An invaluable potential advantage of the cash-based approach is related to the concept of dignity of the recipients. Indeed, not all the sufferings are economic and material, and it is therefore important to consider the psychological effect of a disaster. One of them is the fact that people often lose the ability to control their own lives as they become merely “beneficiaries”. The example of long and degrading queues in food distributions gives a good illustration of this argument. It is therefore the responsibility of the humanitarian agencies to respect and foster the dignity of the people. In cash-based programmes, money grants can help the people to maintain/restore their dignity as it makes them responsible for their own recovery (ACF 2009, 27). Furthermore, as they regain control of their lives, many positive psychological effects can follow this form of empowerment of the recipients.

2.5.4 Cost-effectiveness

The cost-effectiveness of a project is a measure of how economically resources/inputs are converted to results (OECD 2002, 21). Usually, it involves to evaluate how a certain level can be produced at the least cost, and conversely. It can be used to compare alternative strategies, such as cash-based vs. in-kind response.

**Theoretical assumption**

*Expectation: “Cash-based programmes are more cost-effective both for the organisation and for recipients”*

Cash transfers are likely to have lower transport and logistics costs (e.g. storage, disbursement) and are therefore theoretically more cost-effective for the organisation. However, additional costs (e.g. to hire finance staff) may also be needed (Harvey 2007, 5). Furthermore, the cost-efficiency will depend on the difference between the prices of essential goods in the local markets and the price it would cost the agency to deliver equivalent (for example by purchasing in bulk in the regional or international market). A careful analysis of all the costs involved has therefore to be undertaken to allow a comparison between cash-based and in-kind programmes.

Cash can also be theoretically more desirable for recipients as it avoids them transportation costs from the distribution point and losses if they have to sell the
Cash commodities at a low price. Nevertheless, these costs have once again to be compared in practice with the costs entailed by the travels to and from markets and the possibility for the agency to purchase goods in bulk (Harvey and Bailey 2011, 38).

2.5.5 Speed and timeliness

The speed and timeliness of an operation refer to how fast and timely the programme is implemented. The question answered by this criterion is whether the support was delivered fast enough and at the right time by the agency.

**Theoretical assumption**

*Expectation: “The use of cash allows a faster and more timely response”*

In theory, cash is quicker to be made available and to be delivered. This is mainly due to the simplicity of the logistics (namely disbursement, transportation, storage, distribution) involved in cash-based responses compared to the commodities-based ones such as food distributions, even when the food is purchased at the local level (Peppiatt et al. 2001, 12-13). As a consequence, cash-based operations are more likely to be able to reach people in need at the right time at the right place.

However, this approach is difficult to generalise and may be true for certain types of commodities only (e.g. food rations, construction materials). The difference in speed and timeliness between the different response mechanisms in a programme will in fact mainly depend on the types of goods to be transported and distributed, and how accessible they are for the people in the local markets. Moreover, in practice the literature finds that cash transfers have sometimes take longer to implement than in-kind transfers, in part at least because cash-based programming is still a innovative way of delivering assistance in response to emergencies. Cash transfers are yet to be integrated into organisational systems or preparedness and contingency plans (Harvey and Bailey 2011, 43). This would allow a faster implementation of cash-based programmes.
2. Theoretical framework

2.5.6 Corruption risks

Corruption is commonly defined as “the abuse of entrusted power for private gain” (Transparency International 2010, 157). It can take many forms such as bribery, collusion, deduction or diversion. The risks of corruption associated with the use of cash in a relief operation will be assessed within this criterion.

Theoretical assumption

| Fear: “Cash is particularly prone to be captured or diverted by influential persons” |

As we already mentioned previously, cash is said to be useful and attractive for more people than in-kind goods, can be used everywhere, is easy to hide and transport in large quantities. Furthermore, there is “no limit to how much is useful” (ACF 2009, 30). Due to these characteristics, there exists a common fear in the humanitarian community that cash is more prone to diversion and can trigger corruption problems.

Indeed, agencies assume notably that powerful persons (e.g. men within the household, community leaders at the community level) will use their influence in order to take control of the cash. Moreover, more people will try to be included in the beneficiary lists, sometimes by any means (e.g. influence, bribe) which can worsen or trigger corruption problems. These risks can be particularly high in community targeting processes, as the committee can use their power to manipulate lists or demand bribes. The likelihood of thefts -from outsiders, staff workers or beneficiaries themselves- at every stage of the programme (e.g. transport, storage, distribution) will also be more likely (ACF 2009, 30-31; Transparency International 2010, 101-102).

However, it is important to keep in mind that some of the problems can also be present in commodity-based programmes and are not always specific to the use of cash as an assistance tool. Furthermore, agencies have developed many ways of minimising the risks (e.g. using bank systems, electronic transfers and bank staff) (Transparency International 2010, 101-102). The most important is therefore to understand where the risks lie and what can be done to minimise them (Harvey 2007, 33).
2.5.7 Security risks

Within this criterion, the security risks involved with the use of cash in a humanitarian response will be evaluated. These risks include notably the possibility of thefts or aggressions and concern both the relief workers and the beneficiaries.

Theoretical assumption

Fear: “The attractiveness of cash creates risks both for staff and recipients”

One of the reasons for the late emergence of cash-based responses as an alternative to classical assistance operations relates to security concerns. Firstly, there are security risks for the agency staff. As money is more attractive and fungible than in-kind commodities, it is assumed that its transportation and distribution involve extra risks for them. Secondly, the same reasoning applies when it comes to the security of recipients. The possibility for the beneficiaries to get robbed after they received the cash appears to be bigger than following a commodity distribution (Harvey 2005, 38).

However, these assumptions are being challenged by the recent literature. Indeed, as cash is easier and less visible to transport (both for agencies to the distribution point and for recipients from there), the risks can conversely be minimised compared to the transportation of commodities which are large in volume. Furthermore, in the recent years agencies have found innovative and safer ways to deliver the money (e.g. payment through bank accounts) (Harvey 2005, 39-40; Hoffman 2005).

In anyway, it is always difficult to assess and compare in general these security risks as they are highly context-specific and must therefore be evaluated in particular for every project. Indeed, as we already mentioned, a situation of armed conflict will usually raise more issues than a post-disaster zone, notably in terms of security and corruption risks.

2.5.8 Impacts

As defined by ALNAP, the impacts of an intervention “look at the wider effects of the project – e.g. social, economic, technical, and environmental – on individuals, gender- and age-groups, communities and institutions. Impacts can be intended and unintended, positive and negative, macro (sector) and micro (household)” (2006, 56). This paper will focus on the
impacts of the cash-based programme on gender and vulnerability issues. It will also look at the economic impact that an injection of cash may have on the local market.

2.5.8.1 Gender and vulnerability

**Theoretical assumptions**

<table>
<thead>
<tr>
<th>Fear:</th>
<th>“Cash transfers disadvantages women as they have less control of its use”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation:</td>
<td>“Cash transfers targeting women and vulnerable group benefit and empower them”</td>
</tr>
</tbody>
</table>

A common concern related with cash transfers is that it can disadvantage women, especially in societies where men traditionally control the money (ACF 2009, 35). In this perspective, giving cash is thought to undermine the role of women as they have less to say about how the money is spent. This assumption about decision-making and the traditional roles of men and women within the households is also reinforced by gender stereotypes which usually depict men as self-serving, spending the money on themselves and for anti-social purposes (Concern Worldwide and Oxfam GB 2011, 12).

On the other hand and in response to these arguments, recent literature and reports about cash-based programmes in emergencies finds that many agencies choose to target directly women. Indeed, as we mentioned above, it is assumed that women will use the money more responsibly and in the way intended (Khogali and Thakar 2001; Slater and Mphale 2008; Concern Worldwide and Oxfam GB 2011). The consequent expectation is that giving money to the women or the most vulnerable groups (e.g. elderly, disabled) will give them more power in the decision-making process (within the household and/or the community) and increase their status. While there is evidence supporting these ideas, recent evaluations and reports focusing on these questions give mixed feedbacks (Khogali and Thakar 2001; Slater and Mphale 2008; Concern Worldwide and Oxfam GB 2011).

Given all these assumptions and stereotypes, it is important to remind that the implementation of a relief programme must always be based on a clear understanding of the economic, cultural and societal specificities of the particular context in which it takes place. This is particularly true for cash-based programmes and even more concerning gender issues, as power relations and gender roles within a household are culturally and geographically specific.
2.5.8.2 Market impacts

**Theoretical assumptions**

<table>
<thead>
<tr>
<th>Fear:</th>
<th>“Cash-based programmes cause inflation in the price of key goods and services”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation:</td>
<td>“The money spent in the local markets has a positive effect on local economy by promoting local business and production”</td>
</tr>
</tbody>
</table>

One of the main arguments against the use of cash-based programmes in response to an emergency is the risk of inflation that an injection of cash causes in a local market. Following a simple economic rule, prices are effectively pushed up if there is a high demand for a low supply. A direct effect of the cash transfers will be a rise in the demand of key goods (or at least the goods that people need most) and the likelihood of inflation will therefore depend on the ability of the market to respond to this increase (see below). Furthermore, in certain contexts, only few traders have the supplies available. In this situation of monopoly, they may simply raise the prices as they know people will have more cash available (ACF 2009, 30).

More than only undermining the impact of the project (as the amount of goods that beneficiaries can afford will decrease), an inflation will provoke another negative effect. Indeed, if the prices of key goods are rising following the transfers of grants, the operation would make more harm than good by decreasing the purchasing power (and therefore increasing the vulnerability) of the people who are not included in the programme (Basu 1996).

As we briefly mentioned above, the likelihood of inflation is connected “to the impact of the disaster, the competitiveness, integration and resilience of local markets and the capacity of local traders to respond to the increased business that the cash injection is likely to stimulate” (Harvey and Bailey 2011, 29). The competitiveness of a market will depend on the size and the number of suppliers compared to potential buyers: the more suppliers, the more competitive the market tends to be (Creti 2010). The integration of a market is measured by the degree to which markets in different geographical areas are connected to each other (Harvey and Bailey 2011, 30). If a local market is well integrated within regional or international markets, it will allow the goods to move smoothly from one market to
another and therefore to meet the increase in demand (Drèze and Sen 1989; Oxfam 2006, 20).

The evidence collected in the literature indicate that the case of inflation caused by cash-based interventions have been rare so far. Cash transfers have usually had little impact on local market prices as traders are often able to respond quickly and market mechanisms prove to be effective and robust, even in the wake of a disaster (ACF 2009, 33; Harvey and Bailey 2011, 30). However, more evidence is needed to support these findings, especially in large-scale cash-based programmes.

Cash transfers do not have only a negative impact on the markets. Firstly, the increase in demand can attract food sellers and link the areas with a lack of goods with the ones with surpluses. This effect is termed by Drèze and Sen as “the sharing of distress over a wider area” (Drèze and Sen, 1989). Provided that the markets are well integrated, these mechanisms can therefore boost the local economy and restore the market equilibrium while reducing the risk of inflation (Peppiatt et al. 2001, 13).

Secondly, the use of cash is assumed to avoid the negative effects on local production. Even though the literature is divided on this subject (Abdulai et al. 2005; Harvey and Lind 2005; Gelan 2006), a common assertion in the food aid sector is that the distribution of food has a disincentive effect on recipient production. The logic behind is that these deliveries increase supply faster than demand, reduce the food prices and therefore discourage local producers to invest (Abdulai et al. 2005, 1689). Conversely, as cash transfers stimulate demand, this type of programme may have the opposite effects and create incentives for local production.

Finally, one of the economic arguments in favour of cash-based responses is the so-called “multiplier effect” that such programs can have in the local economy (Harvey 2005, 33-34). Indeed, cash circulates more quickly, for a longer time than commodities transfers and benefits to more people than only the recipient. For example, a cash injection will be used by the recipient to buy goods from a seller, which in turn will benefit from this cash. In addition, cash has not a limited life, can be invested or banked in numerous way and therefore participate in the broader economic system (Peppiatt et al. 2001, 13).

In conclusion, this section highlights the need for intensive market assessments and monitoring before, during and after a relief operation. In the case of cash-based programmes, these analyses are essential in order to avoid doing more harm than good.
2.5.9 Acceptance

The acceptance of a humanitarian programme is the extent to which this intervention is accepted and authorised by the different stakeholders (e.g. donors, relevant governments or authorities and beneficiaries). In this respect, the acceptance or rejection of a response will have different consequences depending on the identity of the actors involved (financial for the donors, formal authorisation to operate in the area for the authorities and participation issues for the beneficiaries).

In this research, this criterion will be used to assess whether the use of cash in a humanitarian programme is accepted by the donors, the local authorities and the beneficiaries.

Theoretical assumption

**Fear:** “The main stakeholders (donors, governments and local authorities, beneficiaries) do not accept the use of cash due to the fears commonly associated with this response mechanism”

As we already mentioned earlier in this paper, the difficult acceptance of cash as a response mechanism is one of the difficulty experienced by humanitarian organisations willing to incorporate cash as part of their relief efforts. This reluctance from stakeholders to support cash-based approaches is mainly due to the common fears that are still associated with the use of cash in humanitarian contexts that we developed in this section.

Concerning the donors, key institutions (such as ECHO, the UK’s Department for International Development (DFID), the Swiss Agency for Development and Cooperation (SDC) or the US government’s Office of Foreign Disaster Assistance (OFDA)) have become increasingly open and are now accepting cash transfers in relief operations (Norwegian Agency for Development Cooperation 2011, 9-10). However, many donor governments still do not actively consider this response mechanism and do not have specific policies to aim their decisions about funding cash-based approaches (Harvey 2007, 54).

Regarding the local authorities and beneficiaries, the negative assumptions related to the use of money in the delivery of assistance and their relative ignorance about its potential positive effects emerge as the major impediments to the acceptability of cash-based programmes. Involving the authorities and the beneficiaries in the early stages of the implementation of the project is crucial in this respect.
### Table 3: Analytical framework - Judging the appropriateness of cash in Humanitarian Action

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| **Relevance**         | **Fear**: “The flexibility of cash complicates the definition and fulfilment of specific objectives”  
 | **Expectation**: “Cash allows recipients to set their own priorities as they decide what and when to buy”  
 | **Fear**: “Cash is used to buy non-essential goods”  |
| **Targeting**         | **Fear**: “It is harder to target only the most affected and vulnerable since cash is attractive for everybody”  |
| **Dignity**           | **Expectation**: “Cash-based responses preserve the dignity of the recipients and make them responsible for their own recovery”  |
| **Cost-effectiveness**| **Expectation**: “Cash-based programmes are more cost-effective both for the organisation and for recipients”  |
| **Speed / Timeliness**| **Expectation**: “The use of cash allows a faster and more timely response”  |
| **Corruption risks**  | **Fear**: “Cash is particularly prone to be captured or diverted by influential persons”  |
| **Security risks**    | **Fear**: “The attractiveness of cash creates risks both for staff and recipients”  |
| **Impact on gender & vulnerability** | **Fear**: “Cash transfers disadvantages women as they have less control of its use”  
 | **Expectation**: “Cash transfers targeting women and vulnerable group benefit and empower them”  |
| **Market impacts**    | **Fear**: “Cash-based programmes cause inflation in the price of key goods and services”  
 | **Expectation**: “The money spent in the local markets has a positive effect on local economy by promoting local business and production”  |
| **Acceptance**        | **Fear**: “The main stakeholders (donors, governments and local authorities, beneficiaries) do not accept the use of cash due to the fears commonly associated with this response mechanism”  |
2.6 Research design and methodology

This study intends to assess with hindsight the appropriateness of the use of cash transfers within the CRS Indonesia t-shelter programme following the West Sumatra earthquake of 2009 in terms of relevance, targeting, dignity of the beneficiaries, cost-effectiveness, speed and timeliness, corruption and security risks, impacts and acceptance. As we already pointed out, this paper does not aim to evaluate the overall programme as it only focuses on the cash-related facets of it. In order to do so, the first part of the study consisted of an extensive desk review of the literature devoted to cash-based approaches. From this review, criteria and theoretical assumptions have been developed about cash transfers as a response mechanism in humanitarian contexts. These assumptions and criteria will be used in the Chapter 4 in order to assess the appropriateness of the use of cash transfers in the CRS t-shelter programme which will be described in details in the next chapter. In other words, we will evaluate if the fears and expectations commonly associated with cash-based programmes in humanitarian assistance were materialised in this particular context. Finally, findings of this analysis and their implications for the general debate about cash-based programmes in relief operations are discussed further as part of the general conclusion in the last chapter.

Concerning the methodology, this research has been conducted following a qualitative approach using primary and secondary sources. The data collected are indeed mainly stemming from a review of existing project documentation, namely key documents and evaluation reports. This information is complemented by interviews conducted with CRS key staff members involved in the different phases of the project. A list of interviewees is presented in Annex I. The semi-structured interviews were guided by targeted questions drawing upon the criteria used in this paper in order to assess the appropriateness of the programme. While we were aware and took into account in our analysis the risk of bias in the answers of the staff members, it appeared to be an efficient method given both time and resources constraints.

2.7 Research limitations

As we explained in the previous section, this study relies mostly on secondary sources, complemented by interviews of the organisation staff members involved in the
design and implementation of the t-shelter programme. In consequence, no primary quantitative data was collected by the researcher. This approach was considered to be the most appropriate due to practical (time, resources) constraints.

It must also be noted that this paper does not intend to provide an extensive review of the use of cash in humanitarian contexts. Instead, it focuses on one project, using one type of cash transfers, implemented by one organisation and in one particular context. As we saw, some of the assumptions formulated in the section 2.5 can be highly dependent on the context. For example, an ongoing armed conflict can worsen the security situation and corruption risks and jeopardise the acceptance of cash-based approaches. In consequence, the conclusion we will draw in the last chapter and the lessons that can be learned from this case-study regarding the general debate about cash-based programmes in humanitarian action need to be taken with caution. While this research provides valuable evidence that may be used to support some arguments within the debate, one must bear in mind that these findings are limited to one project in one specific context.

Finally, this paper does not look at the preliminary conditions necessary to implement a successful cash-based programme, namely the availability of food at the local level, the functioning of the local markets and the physical access for the beneficiaries to those. It takes these conditions as granted in the case-study (see 3.2.2.2) and focuses instead on the appropriateness of cash in relation to the criteria specified in the section 2.4.
Chapter 3

CRS Indonesia West Sumatra Transitional Shelter Programme

In this chapter, we will describe the CRS Indonesia t-shelter programme from the documents analysed and the interviews conducted with key staff members. After presenting the background and overall context in which the intervention took place, we will focus on the different parts of the response, starting from the project design through its implementation and to its results and larger impacts.

3.1 Background and context

On 30 September 2009, two earthquakes measuring 7.6 and 6.2 on the Richter scale struck the region of West Sumatra in Indonesia (OCHA 2009a, 1). The disaster affected five districts of West Sumatra province and the Indonesian National Disaster Management Agency (BNPB) reported that a total of 1117 people lost their lives with over three thousand injured. 249,833 homes were damaged by the earthquake, including 114,797 heavily damaged and 67,198 moderately damaged homes (BNPB et al., 2009).

On 1 October 2009, the Government of Indonesia (GoI) declared a state of emergency for two months and welcomed international assistance (OCHA 2009b, 2). Along with the GOI and other international and national humanitarian organisations, CRS was among the first to send teams to the affected areas (OCHA 2009a, 2). During the first two months following the earthquake, national and international relief agencies, under the UN cluster system, were mobilised to respond to massive humanitarian needs ranging from food aid to water, sanitation and hygiene supplies through health issues. One of the main concerns was in the shelter sector as more than 135,300 households were severely affected and a further 62,900 moderately affected by the earthquake, meaning that 198,200 households were in need of emergency shelter in the most affected districts of West Sumatra (OCHA 2009c, 2).

On 31 October 2009, various media sources reported that the GOI had announced the end of the emergency response phase and the start of the recovery phase (OCHA 2009d,
1. Concerning the shelter sector, CRS and the other members of the Shelter Cluster reported on the 3rd of November that at least 110,000 households (451,000 people) have received emergency shelter and that they believed that the needs were largely met. CRS alone had distributed this type of shelters to 8700 households. Consequently, in this context the focus was now on transitional shelter needs and promoting safe building practice (OCHA 2009d, 2).

3.2 Programme design

3.2.1 Programme objectives

Following an initial assessment conducted during the early days of the emergency, CRS quickly identified t-shelter as an urgent need and began to design its response strategy during the early days, in partnership with the local NGO Walhi (CRS 2010, 5). Further evaluations confirmed that transitional shelters was indeed an urgent and even “the most basic” need for affected family after the first few weeks (other needs included support to re-establish livelihoods and rehabilitation of water and sanitation infrastructure). Following the completion of the emergency shelter distribution, CRS focus therefore their programme from December 2009 on this aspect along with other agencies such as Mercy Corps, Oxfam or Save the Children with the main aim to build safe and adequate place to live and re-establish livelihoods before their permanent house has been repaired or (re-)constructed (Aspin 2010, 7). The table 4 summarises the overall objectives of the CRS t-shelter programme.

In order to reach this strategic objective, key technical staff developed a set of standards to build Safe (resistant to earthquake and other hazards), Adequate (size, ventilation, gender-sensitive with appropriate privacy) and Durable (materials strong and durable to last at least 18-24 months) [SAD] transitional shelters (or pondok as they term it in Bahasa Indonesia). These SAD standards made sure the shelters complied with the Sphere standards (The Sphere Project, 2011). Furthermore, they would be easily understood by the beneficiaries who would be the ones leading the construction process of their own t-shelter (CRS 2010, 8). As one of the CRS staff member said during the interview, “most of the responsibility was put on [the beneficiaries] shoulders”. In addition to these standards and the technical assistance provided by CRS and partners staff members in the field, CRS
decided to distribute a cash grant in order to enable the targeted people to purchase the building materials they needed.

Table 4: Objectives of the CRS T-shelter programme

<table>
<thead>
<tr>
<th>Goal: People affected by the 2009 West Sumatra Earthquake rebuild their lives and their livelihoods.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Objective:</td>
</tr>
<tr>
<td>Earthquake-affected households in target villages of West Sumatra province have a safe, adequate and durable place to live in the interim period before their permanent houses have been repaired or (re)-constructed</td>
</tr>
<tr>
<td>Intermediate Result:</td>
</tr>
<tr>
<td>Target families make use of shelter support in targeted time frame.</td>
</tr>
<tr>
<td>Output 1.1: Target households have received adequate Technical Assistance to (re)-build Sphere compliant transitional shelter</td>
</tr>
<tr>
<td>Output 1.2: Target households have received adequate cash support to (re)-build Sphere compliant transitional shelter</td>
</tr>
</tbody>
</table>

Source: CRS 2010, 8.

3.2.2 Decision to use cash

A highly interesting point came up from the interviews and the analysis of the documents: the initial design of the project did not incorporate the use of substantial cash transfers. Indeed, while the objectives were the same, the first response strategy from CRS incorporated the provision of construction materials combined with a small cash grant of 25 USD for complementary labour or materials (CRS 2009a, 5-6). In the final project design, the provision of materials had been replaced by a larger cash transfers amounting to IDR 2,500,000 or USD 250 to allow the households to purchase all the materials and labour needed to build a SAD transitional shelter by themselves. It is important to understand the reasons of this shift.

3.2.2.1 Variety of needs

The interviewees answered unanimously that one of the main reasons to use cash in the programme design was due to the variety of materials and labour needed by the
affected households. Indeed, field assessments carried out by staff members during the first weeks of the emergency found that many affected people had already begun salvaging materials from their damaged houses and constructing transitional shelters with these materials. However, the amount of materials salvaged at their disposal as well as the ability to undertake such construction varied greatly between households. Furthermore, it was also apparent that the population were encountering shortfalls in material and/or labour resources for construction of Sphere standards-compliant transitional shelters (CRS 2009b, 1-2).

In consequence, as the CRS team felt that the project would need to adopt a flexible approach to allow the households to determine and access the types and amounts of specific materials and labour inputs they would need, they decided to provide people with money instead of giving them a predetermined kit of materials (CRS 2009b, 2). To ensure the quality of the t-shelter (SAD), technical assistance was provided prior and during the implementation of the project (e.g. presentation, handing out of leaflets and posters, on-site support, house visits).

3.2.2.2 Market preconditions

Another reason for the use of cash pointed out by the interviewees and the project-related documents was the fact that households did not cite market access or availability of key goods as an impediment to purchase the materials they needed. Indeed, initial observations indicated that local markets had quickly recovered from the earthquake and were able to supply materials and support the rising demand (Aspin 2010, 10). Furthermore, households did not have any issues in terms of physical accessibility to the markets.

3.2.2.3 Acceptance

The decision to use cash transfers in this programme was facilitated by the overall acceptance this type of response mechanism received from the local leaders and authorities. This acceptance was fostered by the advocacy role of CRS and the Shelter Cluster in general which built on their last successful experiences following previous emergencies in Indonesia (e.g. tsunami in Aceh in 2005, earthquake in Yogyakarta in 2006).
However, international donors initially expressed some reluctance to fund cash transfer programmes in West Sumatra. These concerns were eventually overcome through the advocacy work which took place in the early design period of the project and the CRS project was eventually fully funded by USAID’s Office of Foreign Disaster Assistance (OFDA), UN-OCHA’s Emergency Response Fund, Caritas Australia, Caritas New Zealand, Trócaire/Irish Aid, private foundations and CRS private funds (Wijiastuti and Ramadhan 2010, 3).

3.2.2.4 Other reasons
The other reasons cited in the internal documents from CRS to justify the decision to adopt a cash-based approach include protection of the dignity of beneficiaries, support to local markets and avoidance of monetisation of the assets (Kraft et al. 2010, 9-10). However, these reasons were not mentioned as the main reasons by the staff members interviewed.

3.2.3 Amount and type of transfers

3.2.3.1 Amount of the cash grant
The size of the grant for each household was 2,500,000 IDR (250 USD). The value was decided after CRS engineers estimated that the amount required to build a SAD-compliant pondok from scratch for a family of 5-6 people ranged between IDR 3.9 million to IDR 8 million depending on the style of the shelter constructed. Considering the fact that people at salvaged materials at their disposal and that smaller households would choose to build smaller shelters, CRS team decided initially to set the amount of the cash grant to IDR 2 million and revised it to IDR 2.5 million following the lessons of the pilot studies (Kraft et al. 2010, 10). According to final evaluations, “this was a main advantage to provide a cash grant less than the full cost of a pondok, in that it served as an incentive rather than a handout. [In other terms], beneficiaries were expected to contribute labour, salvaged materials, and other resources to complete their shelters” (Kraft et al. 2010, 20).

As we will see in more details below, the cash grant amount was considered appropriate by the programme evaluation as “it provided sufficient assistance to those who could not provide for themselves and a useful stimulus for most beneficiaries to begin rebuilding their homes” (CRS 2010, 19).
3.2.3.2 Type of transfers

CRS decided to transfer the cash in two tranches of 80% and 20%, the second instalment being distributed upon the verification that within a community, 80% of target households – in particular vulnerable households (physically and/or socially isolated, such as elderly, single women, disabled) – were able to build SAD-compliant shelters. In other terms, the team chose to use conditional transfers as the second payment was contingent on the progress achieved by the household and the community in general (CRS 2009b, 5). The amount of the two instalments was decided because, following the pilot project, the CRS team considered RP 2 million (80%) to be a good incentive for the people to start building their pondok while the split would motivate households to make quick progress in order to be eligible for the second tranche, as 500 000 RP is considered a substantial amount in West Sumatra (Kraft et al. 2010, 11).

The rationale for putting a condition for the second payment was also to ensure the fulfilment of the objectives regarding the technical standards. Indeed, most interviewees mentioned that conditional cash transfers allowed CRS and Walhi to ensure a systematic monitoring of the progresses and the quality of the shelters, both at the individual and at the community levels. Indeed, the second tranche was distributed only after CRS field teams determined that “the community’s most vulnerable households had built a SAD-compliant shelter and that the rest of the community was beyond an 80% level of completion” (Kraft et al. 2010, 11).

A last reason stemming from the interviews for the conditionality of the grant was that the objectives of the programme were clear and CRS wanted to help only the people willing to be responsible of their own recovery. In this respect, given the community pressure and the strong monitoring system, the conditional mechanisms worked as a self-targeting tool as people who would not be willing to build appropriate t-shelter would lose their own entitlement and would put the whole community at risk for the second tranche.

3.2.4 Complementary programming

As we already mentioned, technical assistance was provided to the beneficiaries in addition to the cash grant in ensure to support them in the building of quality (SAD) shelter.
This support took three forms. First, a technical presentation was given by the CRS/Walhi engineers to the targeted households before the first disbursement. During this presentation, beneficiaries were given a poster summarising SAD standards and key techniques. Finally, regular on-site technical support was provided by CRS/Walhi teams during the weeks following the cash transfers (Wijiastuti and Ramadhan 2010, 2).

### 3.2.5 Pondok committees

Community Shelter Committee or pondok committees, formed of approximately ten community members in equal number of men and women, were established in the first phase of the programme in order to help CRS/Walhi staff to ensure the involvement of the community (coordination and communication, socialisation) and support them with the beneficiary selection. Overall, they played an active role throughout the whole project and were described as helpful, knowledgeable and useful for speeding up the process among other things (CRS 2010, 12). In addition, the beneficiaries expressed that they relied mostly on their pondok committee concerning every concern or questions they would have.

### 3.3 Programme implementation

#### 3.3.1 Targeting

Regarding the geographical areas covered, an initial decision was made by CRS at the beginning of the emergency to focus their assistance efforts on the more remote and neglected rural villages (Agam and Pasaman Barat districts) rather than in the urban centre and villages surrounding the city of Padang (CRS 2009a, 1). Overall, the Shelter Cluster reported that an estimated 75% of the shelter needs had been covered even though the urban district of the city of Padang had been neglected (International Federation of Red Cross and Red Crescent Societies 2011, 29).

Concerning the beneficiary selection, the process designed by CRS and Walhi teams was relatively straightforward. First, the CRS/Walhi teams and the pondok committee of the community would visit all households who received emergency shelter assistance and determine whether they already have built a new shelter and whether this shelter meets Sphere-SAD standards. T-shelter support was then provided to the affected families not
currently living in such a shelter. Once this first selection was completed, preliminary beneficiary lists were posted for review through a complaint mechanism consisting of a hotline service that people could call for any complaint (CRS 2009b, 3-4). Even though many beneficiaries reported not being fully aware of the targeting criteria, they trusted the pondok committee and other stakeholders and overall they described the process as fair (CRS 2010, 3-4).

As mentioned above, particular emphasis was put on the most vulnerable households in order to allow them to complete the construction of a quality shelter along with the other members of their community.

3.3.2 Delivery mechanisms

The partnership and procedures agreed upon between CRS and the Indonesian Post Office (PT Pos) regarding the cash disbursement process were undoubtedly a highlight of the CRS t-shelter programme in West Sumatra. However, the agreement was signed only at the end of December 2009 and the actual cooperation started early January 2010, few weeks after the start of the project. It meant that CRS/Walhi staff members had to process to the cash disbursements themselves during the first phase of the project (notably during the pilots). As it came out from one of the interviews with Syahri Ramadhan (CRS Programme Manager), CRS quickly decided that it was unacceptable to put its staff at risks (moving large amount of cash, distribute actual cash to the beneficiaries) and alternatives were therefore rapidly envisaged.

The collaboration with PT Pos was an overall success. Indeed, it “helped CRS field staff engage the communities more effectively, [to focus on other aspects of the programme] and promoted the safe transfer of money and a sense of security among all project stakeholders” (Kraft et al. 2010, 11). Furthermore, PT Pos was able to reach even the most remote targeted communities and without substantial delays, consequently avoiding any discrimination between targeted families. The low level visibility of CRS was the negative point of the partnership with PT Pos. As only few beneficiaries were able to trace back the support they received to CRS and Walhi, it hindered the accountability of CRS to the communities.
Concerning specifically the safety of the process (both for beneficiaries and staff members), it was considered by CRS as an issue of primary importance as we mentioned above. In this respect, the partnership with PT Pos was crucial in ensuring a safe disbursement. Indeed, PT Pos had the experience of handing out cash transfers due to its involvement in government cash-based safety nets and also took safety-related precautions such as the requirement that a police escort be present at all disbursements. CRS staff expressed feeling more confident about security issues as the collaboration enabled them to avoid many of the sensibilities linked to the direct handling and transfer of cash (Kraft et al. 2010, 11-16).

In the end, no incidents nor cash loss were reported during the project and beneficiaries did not express any concern about security (Kraft et al. 2010, 17).

### 3.3.3 Monitoring and feedback mechanism

The project was monitored through the regular visits of the field staff to the households (both for technical assistance and verification of the progress before the disbursement of the second grant) and questionnaires filled by the recipients after the deliveries. Furthermore, a feedback mechanism was put in place which allowed beneficiaries to file any complaint or questions they would have through a 24/24 hotline directly managed by CRS field staff. According to the CRS Monitoring & Evaluation officer, this mechanism was efficient and enabled households to contact directly the organisation in case of problems. The issues raised by the people ranged from complaints about the targeting processes through question about the dates of delivery to the denunciation of deduction practices.

It must finally be noted that no monitoring of the prices of the key goods was carried out during or after the implementation of the project.

### 3.3.4 Timeliness

When asked about timeliness, all the interviewees responded that the programme was quick and timely as it reached more than 11,000 households in less than 6 months (from December 2009) and at a time when shelter assistance was the most needed. According to them, this rapidity was notably due to the decision to use cash instead of delivering commodities in kind and was also facilitated by the partnership with PT Pos. Overall, 88.4%
of the beneficiaries responded that they considered the programme to be “quick” (Wijiastuti and Ramadhan 2010, 5). However, Achmad Judi Wirjawan (CRS Emergency logistic officer) mentioned that the decision to use cash involved substantial time spent to set up a programme of quality and to arrange the agreement with the financial institution (PT Pos) as these are relatively new methods to deliver aid.

While the facts mentioned above are true, interviewees did not mention the fact that many pondoks (around 20% of the total targeted households) at the end of the programme were still not complete, even though evaluation findings indicated that 89.1% of them already adhered to the SAD standards –two different things as explained above- (CRS 2010, 23). One of the reasons cited by beneficiaries to explain these delays was the fact that the amount of the cash grants was not enough to cover the full construction of the t-shelter and that they needed some time to save the additional money. Furthermore, skilled workers (often needed by households to help them in the building process) were in short supply in the region in the months following the earthquake. Consequently, some beneficiaries had to wait their turn before being able to hire such labourers (CRS 2010, 23-24). While this appears to be a down side, it is important to note that these issues remained localised and limited and therefore did not substantially impede the timeliness and the overall success of the project.

3.3.5 Cost-effectiveness

The project-related documents (notably the final evaluation) consider the project cost-efficient as it achieved a high level of success with a low level of input. This was mainly due to the simplicity of the programme, “with clear goals and methodology” (CRS 2010, 23). The partnership with PT Pos enhance also the cost-efficiency, both due to the experience of PT Pos in cash grant deliveries and due to the fact that PT Pos could reach the most remote village and consequently avoid costly and lengthy travels for the targeted families. However, the cost-efficiency of this last point was discussed by PT Pos itself, especially regarding the disbursement of the small second tranche, as communities were geographically spread apart and sometimes with relatively small numbers of beneficiaries (Kraft et al. 2010, 19).

The CRS staff interviewed pointed out the fact that compared to an in-kind distributions of commodities, the cash-based programme was undoubtedly more cost-
effective given the logistic burden that a distribution of material would have involved (namely due to the difficult and lengthy access by car to some communities and due to the variety of needs in every village).

3.4 Programme results and impacts

3.4.1 Completion of t-shelters

As already mentioned earlier, the CRS t-shelter programme was an overall success as it achieved its strategic objective. Indeed, at the end of the project, 89.1% of the target beneficiaries (11 000 households) had completed pondok which adhered to Sphere standards (SAD-compliant for this project). As this percentage was the main measure of the project success, it is clear that the programme reached its main objective.

When SAD-compliance and completion were evaluated together, a difference was found between the two criteria as only 81% of the pondoks were complete at the end of the project while 89% were already SAD-compliant. However, the CRS team expected these indicators of completion to continue to improve over time as many families were still working on their pondoks at the time of the evaluation, which in fact happened according to the interviewees (CRS 2010, 19). Figure 1 summarised these findings.

The main reasons cited for these high rates of success were the motivation and commitment of the households to rebuild their own lives, the regular technical assistance, monitoring and the conditionality of the grant which kept beneficiaries accountability (to themselves and to their community) high.

Figure 1: Improvement in SAD-compliance and pondok completion over time

Source: CRS 2010, 19

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5 A pondok was considered “complete” when the frame, walls, flooring and roof were installed. Consequently, a shelter could be SAD-compliant but not yet have a floor or all the walls completed for example.
3.4.2 Use of cash grants

According to both interviewees and evaluation documents, only few people had reportedly used cash for other purposes than the construction of their pondoks (such as food, paying school tuition fees, paying back debts, “thank you money” for the pondok committee (see 3.4.4)). The expenditures involved mainly construction materials but also transport costs and labour. In total, as Figure 2 shows, 87.1% of the beneficiaries consulted spent the full cash grant or more for the intended purpose (building their t-shelter). 9% of them spent more than half of the grant in their pondok and the remaining 3.9% less than half of the money (CRS 2010, 21).

Overall, 95.5% of the surveyed responded that they were satisfied with the cash grant process (CRS 2010, 13). Moreover, in all the beneficiaries focus group discussions conducted by the evaluation team, they mentioned that they appreciate the flexibility given by this approach as it enabled them to meet their own needs (Kraft et al. 2010, 21). However, at the same time many of them reported that they still had significant livelihoods needs that CRS programme did not directly support, but recognised that the project helped by providing a “stable platform” to invest in their livelihoods (CRS 2010, 25).

Figure 2: Expenditure for pondoks

Source: CRS 2010, 21
3.4.3 Dignity

Overall, the findings indicated that people were highly motivated to take on their own recovery and were able to build most of their shelter by themselves, completing the amount of the cash grant with their own ingenuity and the salvage materials from their old house. This freedom and empowerment, especially for the vulnerable households, allowed the beneficiaries to maintain a strong sense of dignity (Wijiastuti and Ramadhan 2010, 3).

3.4.4 Deductions / corruption

During the implementation of the project, it became rapidly clear that deductions happened, usually by pondok committee members and were seen as a payment for their efforts in the project implementation. While the interviewees pointed out that it led to controversial debates among CRS/Walhi staff members, the two organisations decided to publicly opposed deductions from the cash grants.

However, it became soon a common practice among communities and was often taking the form of a voluntary contribution to the work of the pondok committee (“thank you” money) even though incidents were reported in which pondok committee members asked for more than a beneficiary was willing to give (Wijiastuti and Ramadhan 2010, 7). In these cases, CRS did not react and leave the freedom to the people to use a small part of their grant for this purpose. As it was raised in the recommendations of the evaluations, it might have been wise to provide a compensation for the important work done by the pondok committees from the start (Kraft et al. 2010, 26). Such incidents would have probably been avoided.

In cases of extreme deduction (in one community, beneficiaries reported through the feedback mechanisms that they had to give 1 million IDR to their pondok committee), the project team reacted by taking strong measures (namely reporting the incident to the authorities for further inquiry) and ensured the money was returned.

One corruption incident involving a Walhi staff member was also reported by the interviewees. In this case, the staff member was colluding with the head of a village in order to include 10 beneficiaries in the list while they would normally not be entitled to receive the cash grant. The issue was resolved internally.
3.4.5 Gender and vulnerable people

As we already mentioned in the previous sections, the programme was specifically designed to take into account the situation of vulnerable households and was successful in this respect.

In regard to the gender aspect, no specific objectives were incorporated in the programme (except for the pondok committees which had to be composed half by women and half by men). This was justified by the fact that the West Sumatra society is matriarchal and in fact, women often took a leadership role in the construction of their pondok, collected cash themselves and interacted directly with project teams.

3.4.6 Local market impacts

Localised cases of inflation were reported in the evaluation reports due to the injection of cash from the CRS programme, but those varied between places and were mostly too small to cause any significant hindrance to the project progresses. Beneficiaries and traders indicated that costs for construction materials had increased by an average of 5-10% during the period of the project implementation. Moreover, while there was no report of lack of supplies as traders were usually able to meet the rise of demand, beneficiaries were often slowed in their construction process by the limited availability of equipment or labourers (Kraft et al. 2010, 21-22).

Traders and other indirect beneficiaries have also benefited economically of the programme as households used the cash to purchase materials and labour at the local market level. However, it was often highly-localised and time bound – in the days following the disbursements - (Kraft et al. 2010, 22). Furthermore, this multiplier effect is highly difficult to evaluate given the limited data available.

In general, the economy of West Sumatra was thought large and stable enough to limit the economic impacts and disturbances to the regional economy (CRS 2010, 25-26). However, as it was mentioned during one of the interviews, there is an important limitation in the findings related to the economic impacts of the programme. Indeed, no comprehensive market analysis (only limited ones) has been undertaken neither during nor after the implementation of the project. In consequence, caution should be exercised when drawing conclusions from these limited studies.
Chapter 4

Analysis – Challenging the assumptions

This chapter will consist in the analysis of the data collected and detailed in Chapter 3. In this respect, we will get back to the criteria and assumptions defined earlier in the section 2.4 and challenge them with the reality of the data. Consequently, this work will eventually allow us to assess the appropriateness of the use of cash in the CRS Indonesia West Sumatra t-shelter programme.

Each section will be devoted to one criterion, its related assumptions and a small conclusion. A general conclusion about the overall appropriateness of the use of cash in this specific programme will be drawn at the end of the chapter.

4.1 Relevance

**Fear:** “The flexibility of cash complicates the definition and fulfilment of specific objectives”

The objectives of the project were made clear from the outset of the project’s design and were based on the thorough needs assessments conducted by the CRS staff both during the first days of the emergency and following the distribution of emergency shelters. As the goal of the project was established before the decision to use cash transfers, the flexibility of this tool did not complicate the definition of these objectives.

**Expectation:** “Cash allows recipients to set their own priorities as they decide what and when to buy”

This statement did not appear completely true within the framework of the CRS t-shelter project. Indeed, as specific goals had been established by CRS key staff members, they subsequently decided to use conditional cash grants in order to reach the programme’s objectives of ensuring that people in West Sumatra had a “safe, adequate and durable place to live in the interim period before their permanent houses have been repaired or (re)-
constructed” (CRS 2010, 8). In other terms, they restricted the choice of the people to decide what and when to buy as they conditioned the disbursement of the second instalment of the grant to the progresses made in the construction of their pondok. Consequently, beneficiaries were meant to use their grants in construction materials and skilled labour.

This decision made by CRS/Walhi highlights the difficulties for a cash-based programme to balance the choice given to the beneficiaries and the fulfilment of specific objectives. In this context, we consider that the organisation made the right choice by restricting this choice as their objectives were based on a thorough and commonly agreed (notably within the Shelter cluster) needs assessments. Furthermore, the shelter sector is a technical field: transitional shelters need to be well designed in order to be resistant, comfortable and adequate. Leaving beneficiaries without any guidance in how and when to spend their money might have led to unsafe or inadequate pondoks. In this respect, the technical assistance provided by CRS/Walhi staff during the project was of utmost important and contributed greatly to the success of the programme.

Finally, CRS did not completely restrict the choice of the people. In fact, they were able to buy the construction materials and labour they needed for themselves, which allowed them to make the most optimal use of the money received in order to build a SAD-compliant transitional shelter. While restricted, the choice given to the beneficiaries was of great importance given their variety of needs and abilities.

<table>
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<th>Fear: “Cash is used to buy non-essential goods”</th>
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As we briefly mentioned in the chapter 3, this assumption did not appear to be true in the CRS project. Indeed, only an insignificant number of people used their cash grants for other purposes than the construction of their pondoks. This was certainly partly due to the decision to use conditional cash grants as it gives an important incentive for beneficiaries and pressure within the communities to build SAD-compliant t-shelters. It can also be seen as evidence that the needs of the population were correctly assessed.

From this analysis, it can be concluded that the decision to use cash was in line with the local needs and the priorities of the beneficiaries. Indeed, while their situations were varying, the affected households needed support for the construction of transitional
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shelters. The decision to use of cash grants instead of distributing commodities, allowing each family to purchase diverse construction materials and skilled labour, combined with technical assistance on the field was certainly the most relevant option to respond to these needs.

4.2 Targeting

**Fear:** “It is harder to target only the most affected and vulnerable since cash is attractive for everybody”

Thanks to precise and transparent targeting criteria and the assistance of the pondok committees, CRS did not encounter any problem in the targeting process. The families who were not included in the project were informed of the reasons and only few further complaints had to be treated. Furthermore, the emphasis put on the inclusion of vulnerable in the targeting phase together with the conditions associated with the second disbursement of the grant (80% of the beneficiaries in the community and all the vulnerable households must have achieved significant progress) helped to the successful integration of vulnerable people in the programme.

With hindsight, we can conclude that this intervention covered all the people in need of transitional shelters in the areas selected by the organisation. The vulnerable households were also efficiently empowered by the programme through the different mechanisms put in place to support them. The attractiveness of cash did not create any difficulty during the targeting process.

4.3 Dignity

**Expectation:** “Cash-based responses preserve the dignity of the recipients and make them responsible for their own recovery”

This expectation was apparently met by the cash-based t-shelter programme, even though the information collected mainly relies on beneficiaries’ surveys and testimonies. Preserving the dignity of beneficiaries and make them responsible of their own recovery was
4. Analysis – Challenging the assumptions

one of the main justification for using cash in this intervention and it appears to have been successful in this regard. Indeed, by enabling the affected households to construct their own shelter and therefore rebuilding the foundations of their lives, the project fostered a sense of dignity and responsibility among its beneficiaries which they greatly appreciated.

In conclusion, while the beneficiaries were not fully integrated in the early design of the project (which can be explained by the highly technical nature of the intervention), their preferences and their concerns were later on taken into account through the feedback mechanisms and monitoring systems put in place. Furthermore, the decision to use cash enabled the affected families to participate in all the activities of the project and made them responsible for their own recovery.

4.4 Cost-effectiveness

Expectation: “Cash-based programmes are more cost-effective both for the organisation and for recipients”

This assumption appeared to be true for the project analysed in this paper. Indeed, due to the use of cash, costly and lengthy logistical support needed for a commodity-based intervention (involving notably storage, transport and distribution of the goods) has been avoided. Consequently, the organisation was able to allocate this money for other purposes. Furthermore, the partnership with PT Pos allowed beneficiaries to receive the cash grant in their villages, meaning that the costs of transportation for each family to the distribution points were also avoided.

On the other hand, it must be noted that the decision to deliver cash to the beneficiaries involved also extra costs for the organisation such as hiring staff specialised in cash transfer programming and the cost of the agreement with PT Pos.

In conclusion, given the lack of precise data related to the distribution of in-kind materials, it remains difficult to evaluate precisely the difference in costs between this cash-based approach and a similar in-kind response. Nevertheless, the data analysed indicate that the CRS t-shelter programme achieved a high level of success (11 000 households supported, among which 89.1% completed SAD-compliant shelters) with a low level of input (distributions of IDR 2.5 million cash grants and technical support on the field) and was
therefore highly cost-efficient. Overall, it is unlikely that the extra costs incurred as a consequence of the use of cash amounted to the additional costs which would have been necessary for a similar commodity-based programme (e.g. transport, storage). In conclusion, the use of cash was certainly the most cost-effective option in this context.

4.5 Speed and timeliness

**Expectation:** “The use of cash allows a faster and more timely response”

Part of the reasoning of the cost-effectiveness analysis applies equally to the speed and timeliness of the CRS cash-based programme. Indeed, the decision to use money affected the speed of the intervention as it spared the lengthy logistical process of storage, transports and distributions of in-kind materials. However, it appeared from one interview with the CRS Emergency Logistic officer that the design process was lengthened due to the innovative aspect of the use of cash grants. Indeed, even though CRS had prior experience with cash transfer programming, it took them longer to set up a quality programme and to reach an agreement with the financial institution (PT Pos) for the disbursements. Consequently, the expectation that the use of cash allows a faster and more timely response was not verified in this context. Furthermore, even though this issue was localised and limited in scale, some beneficiaries mentioned that they had to wait their turn to hire skilled labourers given the high demand.

In conclusion, CRS intervention was undoubtedly fast enough and timely to respond to the needs of the majority of the affected population. It brought quick support at the right time to the families. However, the use of cash did not substantially speed up the process. Indeed, our analysis indicates that if CRS had decided to deliver commodities in kind, the process would have been eventually as fast as with the cash grants method. This is mainly due to the relative novelty of the cash-based approach, meaning that most humanitarian organisations do not have yet agreed on internal procedures and “ready-to-use” guidance documents for cash transfer programming and need consequently more time to design such kind of projects.
4.6 Corruption risks

**Fear: “Cash is particularly prone to be captured or diverted by influential persons”**

This fear appeared to be verified during the CRS t-shelter programme as cases of deductions are considered to be a form of corruption. Indeed, the results of this mechanism were the “capture” of a certain amount of the cash grant by influential persons, namely pondok committee members. While the reasons for these practices were diverse and not necessarily seen as negative for the beneficiaries or the completion of the objectives of the project (except for extreme cases), it is undoubtedly a form of corruption which is more likely to appear in cash-based programme such as the one we are focusing on in this study.

In conclusion, compared to a commodity-based project, the corruption risks were certainly higher during the implementation of this project due to the flow of money. The deductions cases mentioned above are the realisation of those risks. However, it must be noted that they could have been reduced through different mechanisms such as providing an official compensation for the work of the committees.

4.7 Security risks

**Fear: “The attractiveness of cash creates risks both for staff and recipients”**

No security incident was reported throughout the whole implementation of the programme. In this respect, we can consider that the assumption mentioned above did not appear to be true in this context. However, security has been mentioned by the CRS and Walhi staff members as one their main concerns, especially before the partnership with PT Pos was agreed upon at the time the staff had to deliver the money by themselves. It means that the organisation was aware that the attractiveness of cash might have created higher security risks both for beneficiaries and the staff, even though it did not happen during this specific intervention.

In conclusion, the security of the staff and the beneficiaries was not a main issue in the CRS t-shelter programme and no incident was reported during the 6 months of the implementation of the project. Both the particular context in which the project took place
(post-earthquake, no-conflict area) and the partnership agreed upon between CRS and PT Pos contributed to this sense of safety among beneficiaries and relief workers.

4.8 Impacts

4.8.1 Gender and vulnerability

| **Fear:** “Cash transfers disadvantages women as they have less control of its use” |

As we already mention in the Chapter 3, gender issues were not present in this context notably due to the fact that the West Sumatra society is matriarchal. In this respect, women were fully integrated in all the activities of the project and even often took a leadership role in the construction of their pondok and decided what the cash grant would be used for.

| **Expectation:** “Cash transfers targeting women and vulnerable group benefit and empower them” |

Vulnerable households (physically and/or socially isolated, such as elderly, single women, disabled) were also integrated in the CRS t-shelter programme and were even specifically targeted so that all affected vulnerable families received the support they needed. The disbursement of the cash grant to them, combined with the condition that within a community all vulnerable people had to have made significant progress in the construction of their shelter before the second tranche was distributed to the households of the community, effectively empowered the vulnerable groups. In consequence, they felt responsible of their own recovery and actually capable to rebuild their lives.

In conclusion, the impact of the cash-based project on vulnerable people was highly beneficial and is hoped to have long-lasting effect on these groups. Indeed, by giving them conditional cash transfers and making them responsible of their own recovery, it effectively empowered the vulnerable households and fostered their self-confidence. Regarding women, it is difficult and does not make much sense to analyse the impacts of the project on
4. Analysis – Challenging the assumptions

this topic as gender questions are not a real issue in West Sumatra society and did not appear to be a concern during the programme.

4.8.2 Market impacts

**Fear:** “Cash-based programmes cause inflation in the price of key goods and services”

This assumption was not fully verified in this programme as cases of inflation were highly localised and too small to be a real issue. In this respect, it did not appear to be an impediment for the fulfilment of the objectives of the project or to have significant negative effects to the beneficiaries and/or non-beneficiaries living in the area. Indeed, the few cases of inflation reported lasted only for few days and amounted to an estimated 5-10% rises in prices.

However, we noted that the lack of monitoring of the prices in the local markets was a major drawback of the CRS project. In this respect, cases of inflation may have been overlooked or even left unnoticed.

**Expectation:** “The money spent in the local markets has a positive effect on local economy by promoting local business and production”

Data from diverse sources indicate that the use of cash grants in this programme had a knock-on effect on the local economy as it boosted the local businesses and production for construction materials and the skilled labour market. Similarly, the injection of money involved reportedly a multiplier effect for the local economy as the cash circulates much longer and benefits to more people than in-kind commodities.

However, a thorough analysis of these data indicates that there is not much evidence to base these statements on. As one interviewee acknowledged, no comprehensive market analysis was conducted before or after the programme as only interviews with few traders were conducted. Furthermore, no regular monitoring of the prices was conducted during or after the project. It is therefore impossible to give a detailed report about the economic effects of the CRS and other cash-based programmes on the local economy. In consequence,
it is eventually highly difficult to assess if the expectation stated above was fully met in this case.

In conclusion, the impacts of the CRS cash-based t-shelter programme on the local markets are difficult to assess in details. There were undoubtedly few cases of localised inflation and some local traders reported increases in their businesses during the implementation of the project. However, none of these impacts seems to have been large enough to provoke significant positive or negative effects for the beneficiaries and the non-beneficiaries of the intervention. Given the lack of detailed market analysis and regular prices monitoring, these conclusions need to be handled with care.

4.9 Acceptance

| Fear: “The main stakeholders (donors, governments and local authorities, beneficiaries) do not accept the use of cash due to the fears commonly associated with this response mechanism” |

Despite an initial reluctance from international donors, this fear did not materialise for the CRS programme. Local authorities and beneficiaries were overwhelmingly positive about the use of cash in the relief response. This attitude was notably due to the successful cash-based experiences that were implemented following previous emergencies in the country (e.g. tsunami 2004/2005, earthquake in Yogyakarta 2006). Furthermore, the organisation made sure that both beneficiaries and local authorities were aware of the project since its inception.

Regarding the international donors, CRS did an important advocacy work together with other NGOs (such as Oxfam, Mercy Corps) within the framework of the Shelter Cluster in order to convince the different funding mechanisms to accept the use of cash transfers. The efforts turned out to be successful as the CRS t-shelter project was eventually funded by OFDA, UN-OCHA’s Emergency Response Fund, Caritas Australia, Caritas New Zealand, Trócaire/Irish Aid, private foundations and CRS private funds.

In conclusion, the use of cash transfers in the CRS t-shelter project was widely accepted by the main stakeholders of the humanitarian response to the 2009 earthquake in West Sumatra. Previous successful experiences in Indonesia, awareness of the positive potential effects of the money distribution from the local authorities and recipients,
involvement of these stakeholders from the early stages of the project and joint advocacy work from the NGOs were the keys to this global acceptance.

4.10 Conclusion: the appropriateness of the use of cash transfers in the CRS t-shelter programme

In conclusion, this intervention was relevant, properly targeted, widely accepted and preserved the dignity of its beneficiaries. Furthermore, the security risks commonly associated with the cash-based approaches in humanitarian contexts did not materialise. Finally, even though it is hard to compare with what would have been a similar in-kind response, the programme appeared to be timely and cost-effective.

While the results of the use of cash transfers were overwhelmingly positive, especially combined with the technical support from the organisation, there were also some negatives points that must be emphasised. First, the lack of comprehensive market analysis and regular prices monitoring did not allow us to fully assess the economic impacts of the project on the local and regional markets. This is a substantial drawback which needs to be addressed in future programmes as it creates the risk to overlook or even ignore the negative impacts that an intervention might have on the local economy. Second, corruption risks materialised in the form of deduction practices. Albeit it did not impede the fulfilment of the objectives, these practices are seen as corruption issues and must be denounced as such.

In our opinion, the positive effects of the cash distributions outweigh undoubtedly the negative ones. In consequence, we can conclude with confidence that in the CRS t-shelter programme, the use of cash transfers as a response mechanism was the most appropriate choice in terms of relevance, targeting, dignity of the beneficiaries, cost-effectiveness, speed and timeliness, corruption and security risks, impacts and acceptance.
Chapter 5

General conclusion

This paper evidences that cash transfers within the CRS t-shelter programme was a successful and the most appropriate response mechanism in the specific context following the 2009 earthquake in West Sumatra, Indonesia. Indeed, this widely accepted cash-based programme proved to be cost-efficient, timely and the use of the grants give beneficiaries the necessary flexibility to meet their own shelter needs which lead to the success of the project in regard with its objectives. Furthermore, the overwhelming majority of the affected families in CRS working areas received the support needed, use the money for intended purpose and mentioned that this way of delivering aid helped them to preserve a sense of dignity. Finally, negative impacts on local markets and deduction issues remained localised and limited in such a way that it did not impede the attainment of the project goals. These findings lead us to conclude that cash transfers can be a credible alternative to in-kind assistance and can even be the most appropriate tool to deliver assistance in certain contexts.

The question is therefore legitimate: should we shift away from the current majority of in-kind programmes in humanitarian responses to a majority of cash-based interventions? In our opinion, a radical shift is certainly not advisable. Cash transfers are not a panacea and most often cash in itself won’t be a comprehensive solution to a problem. Indeed, the conclusion that delivering money is the most appropriate response mechanism cannot be generalised as it will depend highly on the specific context in which the intervention is taking place. For example, implementing a cash-based programme in a conflict-affected area will pose specific risks in terms of security and the functioning of the local markets. In this respect, humanitarian organisations would commit a mistake by relying too much on cash transfers as a “one size fits all” type of response: the potential risks and expectations mentioned in this paper must be carefully weighed before implementing any cash-based project. In other words, the delivery of money must be considered merely as one possible tool in a range of different response mechanisms and not as a comprehensive remedy for all kind of needs in every context. In our opinion, it should also be increasingly seen as a
complement to other types of intervention: the combination of cash and non-cash support can have highly positive effects as we found in this study (the technical support provided was a key factor of the CRS project success) and address a large range of needs.

This being said, it must also be emphasised that much work still needs to be done in many organisations in order to incorporate cash and vouchers as an option in their relief efforts. Too often these mechanisms are not even envisaged in the project design, due notably to the lack of internal experience and the fears still associated with cash transfer programming. It is important that cash transfers are included in the toolbox of every humanitarian organisations and agencies as one possible option to take into account as this might eventually be the most appropriate type of response in certain contexts.

In conclusion, even though the humanitarian sector has profoundly evolved in this respect during the last decade, cash transfer programming is still considered as a nascent field by most of the humanitarian professionals. Old challenges are still to be overcome in some respects while new ones are already on sight. Scaling up and standardise cash-based interventions and reinforcing the human and technical capacities of the humanitarian organisations and other stakeholders in this field are two of them (Austin and Frize 2011).

The foundations stones have been laid for the expansion of the use of cash transfers in response to emergencies but efforts are still needed to face the next difficulties. The humanitarian sector has not finished its transformations.
Bibliography


---. *Indonesia - Earthquake Situation Report no.2.*, 01 October 2009.


Annex I – List of interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Function (at the time of the programme)</th>
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<tbody>
<tr>
<td>Syahri Ramadhan</td>
<td>CRS Programme Manager</td>
</tr>
<tr>
<td>Maria Josephine Wijiastuti</td>
<td>CRS Monitoring &amp; Evaluation Officer</td>
</tr>
<tr>
<td>Achmad Judi Wirjawan</td>
<td>CRS Emergency Logistic Officer</td>
</tr>
<tr>
<td>Wahyu Widayanto</td>
<td>CRS Head of Community Mobilization</td>
</tr>
<tr>
<td>Khalid Saifullah</td>
<td>Walhi Team Manager</td>
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