

Making the case for cash

Humanitarian food aid under scrutiny

8 April 2005

Following the tsunami that struck coastal regions of South East Asia on 26 December 2004, the World Food Programme announced that two million people, mostly in Sri Lanka and Indonesia, were in need of emergency food aid.

The scale of the devastation caused by the tidal wave is such that most affected people have lost everything, from their personal belongings to the community and public facilities and infrastructural services that were in place before the disaster struck. Their livelihoods have been devastated too, with considerable losses of crops and tools and equipment for agriculture and fishing. In most cases people have lost their stocks and reserves, often including cash and savings. Besides the obvious economic losses in the farming and fishing sectors, a wide range of associated intermediary services, such as food processing, marketing, and transport, has been affected too.

In such conditions, a comprehensive package of relief assistance for all members of the affected population is immediately required. Food and water are the first needs that must be addressed, but people also need replacements for basic items such as cooking utensils, mattresses, and personal hygiene items.

In large-scale emergencies, food aid is often one of the biggest and longest-running responses. Oxfam is concerned about the standardisation of such food-aid responses and its appropriateness in the current post-tsunami context. Where food is available, and markets functioning, cash is an appropriate alternative to food aid.

Oxfam is publishing this briefing note because it is concerned about challenging the bias towards food aid in the current design of relief responses, and to raise awareness and expertise among relief workers on cash-transfer programmes and local food purchase. Especially in the current crisis, where a high level of funding has been secured, cash transfers would represent a far more cost-effective and efficient response to the terrible situation in which millions of people are struggling to survive and recover their livelihoods.

Food aid: four vital questions

The needs for food are obvious and indisputable. However, relief agencies, governments, and donors must ask themselves four immediate questions:

- 1 How much food is needed?
- 2 What type of food?
- 3 For how long?
- 4 And where to buy it?

The amount to be provided can easily be quantified by using 'Sphere' standards, which in turn are based on standards set by the World Health Organisation, specifying a minimal requirement of 2100 kilo calories per person per day. Given that most survivors of a disaster on the scale of the tsunami initially rely solely on relief food, a food ration providing at least this daily nutritional intake is necessary in order to avoid malnutrition.

The selection of the type of food needed must be based on an assessment of local food-consumption habits and customs, and on physiological requirements for a balanced diet. This is why the World Food Program (WFP) has rightly specified a food-basket, which includes rice and vegetable oil, complemented in terms of proteins by either fish or pulses, depending on the local customs in the particular countries. Rice, the main staple food in South East Asia, represents around 80 per cent of the required tonnage of post-tsunami food aid.

The third question is more problematic, because the duration of supply depends on how soon people's access to food, whether through local markets and increases in purchasing power; or their own production, can be restored. Overall, the restoration of livelihoods, including income-generating activities or food production, will take a considerable period of time, given the destruction of fishing equipment and facilities and the damage done to crops.

The fourth question depends on local and regional food availability. WFP started food distributions for an initial period of three - six months in January, but these decisions were made with little analysis of local food availability or accessibility. Available information suggests that sufficient food is either available in country, or in the region. Both Sri Lanka and Indonesia are in the middle of excellent harvests. However, in both countries, WFP reports making only small purchases of local food, or planning such purchases post harvest. Even though Sri Lanka produces a majority of its own food needs, and Indonesia exports food, the bulk of the food aid (rice and wheat) is still currently being imported from the USA, Europe and elsewhere.

In response to the WFP appeal, the US responded with 30,000 metric tonnes of food aid 'in kind,' despite the fact that there is largely enough food available in the region.

Once food aid has been dispatched from the US, or elsewhere, to affected countries, or has arrived in port, it is difficult to stop its distribution, even when the food is no longer relevant or appropriate.

Impact of late food aid

US emergency food shipments have a 4-5 month lead time before reaching the country of destination. The negative impacts of late food aid are twofold. First, people who need food aid become more food insecure, because they do not receive this in the right quantities at the right time. This means that food insecure people may have to adopt negative coping strategies such as going into debt, selling assets, or cutting down on their food intake. In some food crises, people have used strategies that not only damage their future livelihoods, but also their dignity, for example by trading sex for food.

Second, the late arrival of food aid may impact on producers and on the local economy, as the arrival of food aid may coincide with the harvest period. Food aid may depress local food prices, and consequently reduce the incomes of farmers and farm workers. If WFP implements its plan to distribute food to the affected populations for the next three-six months, such distributions may also suppress local demand for food, an effect that may be compounded by the present lack of cash. This would have a negative impact on the restoration of local trade and business. Besides farming activities, intermediary jobs in trade and transport could be affected by limited business, low food prices, and reduced incomes.

Cash: two vital questions

Oxfam's experience shows that cash can be an appropriate alternative to food aid. The appropriateness depends on two questions:

1. Is sufficient food available locally to meet the needs?
2. Are markets functioning?

Indonesia will again be self-sufficient in rice in 2005, and has large stocks left over from 2004; and Sri Lanka although not totally self sufficient in rice has received a very good harvest in March, which will meet a large proportion of the needs, with the deficit being met through normal trade imports.

The tsunami damaged coastal crops, but in both Sri Lanka and Indonesia a majority of the production was unaffected by the disaster. The February / March harvest constitutes the main agricultural season, which usually represents two-thirds of annual production. Traditionally, rice prices decrease at this time of the year, to a point that can jeopardise farmers' profits and workers' incomes. The fact that both the Sri Lankan and Indonesian governments had to ban rice imports in 2004 clearly illustrates the threat posed by low cereal prices to farmers' livelihoods, and the necessity to support their prices and incomes. The Indonesian and Sri Lankan governments have recently extended the ban to cover imports in 2005, although WFP have exemption in Indonesia.

Access to food through markets can be quickly restored in many of the affected areas - possibly in a matter of weeks. In Sri Lanka, the disaster mainly affected the coast, without major damage to inland transport and market infrastructures. It is therefore expected that food trade can be rapidly reactivated in most places. Market infrastructures have been more seriously affected in Aceh (Sumatra, Indonesia), but new markets and businesses have been rapidly established in a number of places. Trade will, however, depend upon sustainable demand, and people who have lost

everything - including their sources of income - may soon very well see food available on markets but find it impossible to afford.

The case for cash transfers

Oxfam's experience with cash transfer programming over the last 4 years has lead us to believe that there is a strong case for cash based interventions in certain contexts. Our experience has been mainly cash for work, but also voucher based transfers, in response to floods, conflict and drought. Countries where Oxfam has recently implemented cash programmes include: Kenya, Uganda, Somaliland, Haiti, Bangladesh, Afghanistan, Pakistan, Philippines, and Oxfam is currently implementing cash programmes in Indonesia and Sri Lanka.

Direct cash transfers allow people to buy food and other items for their immediate needs and to prioritise their own needs and expenditures. After the trauma caused by the disaster, cash transfers will help restore the dignity of the survivors. It will increase their sense of control over their own lives, rather than maintaining their status as 'assisted beneficiaries' of relief agencies or government-organised welfare services. Cash for work activities include training and skills transfer as well as public works activities, which feed into longer term programming to protect and strengthen livelihoods.

Evaluations of Oxfam cash for work programmes show that common fears surrounding cash transfers, such as increased risk of insecurity, gambling, purchase of illicit items or domestic violence, are all unfounded. Beneficiaries of cash for work programmes used the cash earned primarily for food purchase, with other expenditure on repayment of loans, school books/fees/uniforms, clothes, livestock and agricultural inputs. Oxfam cash transfer programmes aim for a 50% female participation, which has resulted in increased purchasing power and influence by women during the programme.

Oxfam argues that cash transfers are faster, more cost-effective, and provide more culturally appropriate foods than most food distributions. US\$ 92 million - nearly half of the WFP's tsunami-relief budget of US\$ 210 million - has been allocated to pay for the logistics involved in transporting and storing the food.

Cash transfers should always be carried out with full community participation and community-based targeting in order to ensure that local structures and systems are not undermined. The implementation of such programmes must also be closely monitored to allow any necessary adjustment.

Table 1: Different forms of cash transfer

Cash grants	Money is provided to targeted households, with no conditions attached. Targeting is based on pre-defined criteria (e.g. degree of displacement, loss of livelihood, age).
Cash for work	People are paid in cash for their participation in public or community works programmes. The programme targets the most vulnerable households within the community.
Vouchers	Vouchers are given to targeted households, enabling them to obtain certain pre-defined commodities in a special shop or depot. Cash is then transferred to the shop or its suppliers.

Conclusion

In all parts of Indonesia and Sri Lanka where market and transport infrastructures can be rapidly reactivated, and access to food can be restored, it is crucial to shift as soon as possible from distributing food to providing various forms of cash transfer. This is in line with Sphere food-security standards, which emphasise that where food is available (and affordable), improving people's purchasing power may be more appropriate than providing food aid in-kind.

There should be no further imports of rice, because the inevitable delays in purchasing and delivery would result in competition with the local rice trade at harvest time. Both Sri Lanka and Indonesia received good harvests, so prices are likely to decrease significantly from April. Indonesia has sufficient rice available locally, and if Sri Lanka remains in need of limited rice imports, they will not be required before the second agricultural season (*yala*, harvested in August/September). If any food is still to be purchased and distributed, it should be sourced, from within the affected countries, or neighbouring countries, where there is sufficient food available. Both countries are exporters of vegetable oil, and Sumatra is a very significant source of palm oil.

The United States, the biggest food aid donor in many disasters, provides most food aid in in-kind, exported from the USA. The US has pledged 30,000 Mt of food aid despite sufficient food being available locally. If any supplies of relief food for the affected region have to be purchased, they could be bought in Thailand and India, which alone have the capacity to export more than 10 million tons of cereals in 2005. Both these countries were affected by the tsunami, so such purchases would support their economy and recovery.

Oxfam would like to see a reduction in inappropriate or late food aid from the US or Europe and for the funding from this activity to be redirected into sufficient timely analysis and interventions appropriate to the context.

Oxfam is not arguing that there is no place for food aid. Food aid is needed to save lives in situations where people suffer a food crisis, and food is not available either through production or markets. But we believe that late or unnecessary food aid can further exacerbate food insecurity, and if this is delivered when food is available locally, it can have a detrimental effect on markets and recovery of household food security. If food is locally available and markets are functioning, our experience shows that cash transfers can meet food needs and aid recovery more effectively than inappropriate food aid.

As many agencies are doing cash based programming for the first time as part of the Tsunami response (I)NGO's and donors should set a time frame to review their policies and practice in light of the learning coming from the field in order to ensure a reduction in inappropriate food aid and, where appropriate, an increase in cash based programming. Oxfam will be releasing guidelines for cash based programming in the coming months in order to share learning and assist good practice at the field level.