

HPG research proposal

Cash

Background and Rationale

The theoretical and practical case for a greater emphasis on cash based responses to acute food insecurity in emergencies has been made before. For example, HPN Network Paper 35 (2001) argued that, ‘there appears to be a strong case for cash-based responses to food emergencies where the supply and market conditions are appropriate.’

However, since then the willingness of the humanitarian system to consider cash based responses has remained limited and food aid remains the overwhelmingly dominant form of response. Iraq and Southern Africa are two recent examples where huge volumes of food aid have been provided for direct distribution in situations where it is at least possible to argue that there were functioning markets.

This project will attempt to address some of the unanswered questions posed at the end of the Network Paper:

- Under what circumstances will traders respond to an increase in demand?
- What level of purchasing power is necessary, and at what distance from supply to ensure an inflow of food or other items?
- How do prices behave following an injection of cash?
- At what level of cash inflow does inflation become inevitable?
- How do beneficiaries spend cash, and how do these patterns change in different situations?
- How can investment in livelihoods be encouraged, while at the same time allowing beneficiaries the flexibility to satisfy their consumption needs?

The Project

The project aim to build on the theoretical framework set out in HPN Network Paper 35. It will update the paper by conducting a desk review of lessons learned from

recent uses of cash based responses in Afghanistan, Ethiopia and Southern Africa. It will work closely with ongoing work being carried out at the Feinstein International Famine Centre at Tufts University through the Alchemy Project on micro-finance and income generation.

It will also conduct a detailed case study of a cash based response in a recent emergency (Afghanistan and Ethiopia are both possibilities). The project will also consider existing institutional and organisational barriers to the more widespread adoption of cash based responses. Given the strong arguments in favour of greater consideration of cash based responses, why have agencies remained so reluctant to use them?

The intention is that this project will form the first phase of a larger piece of work that will be developed in 2005/06 focused on further case studies. It will also aim to work with an international NGO to include an action research component from the start of a cash based response to an emergency.

Communications Strategy

An HPG report and briefing paper will be produced. The case study will be published on the website as a background paper and a CD Rom bringing together all of the research products will be produced. The primary audience for this study will be operational humanitarian agencies involved in responding to food and livelihood insecurity and interesting in the possibility of developing cash based responses. A workshop will be held in the case study country to present initial findings and the report will be launched at a meeting in the UK.