



FOOD SECURITY  
CLUSTER

KEY  
AID  
CONSULTING

*gFSC research on the use of  
cash transfers in contexts of  
acute food insecurity*

*Launch webinar  
January 19<sup>th</sup>, 2023*



# AGENDA

## ***1 hour and 30minutes***

1. Welcome and Introduction
2. The GFSC CMWG - who are we?
3. Research objectives, methodology, key findings
4. Syria case study
5. Recommendations
6. Q&A
7. Close

# 1. Welcome and introduction



## 2. The Cash and Market Working Group

1. Part of the **global Food Security Cluster**
2. **Co-chair** by Corrie (CRS) and Aftab (Plan International)
3. **Objective:** to facilitate and support the mainstreaming of Cash and Voucher Assistance (CVA) and other Market Based Approaches in the food security sector in close coordination with other clusters and cash and market working groups.
4. **Activities**
  1. Aim to share good practices and lesson learned
  2. Provide adhoc technical support when need (ex. Discussion on Hawala, change of modality, cash intervention during liquidity crisis)

# 3. Poll

# Objectives and scope of the research

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**Objective:** to gather evidence and lessons learned on the use of cash for food security outcomes in contexts of acute food insecurity.

Acute food insecurity: regions classified IPC/CH Phase 3-5 or CARI level moderate or severe, over the last two years (2020-2022)

## **Specific objectives:**

- show how **response analysis** is made and what are the **decision-making factors** for the use of cash transfers (why or why not cash)
- gather evidence on its **effectiveness**, its **timeliness**, **cost-efficiency** and impact on local economy, look at adjustments to transfer value
- Programme design: cash plus, mixed modalities, anticipatory action

# Objectives and scope of the research

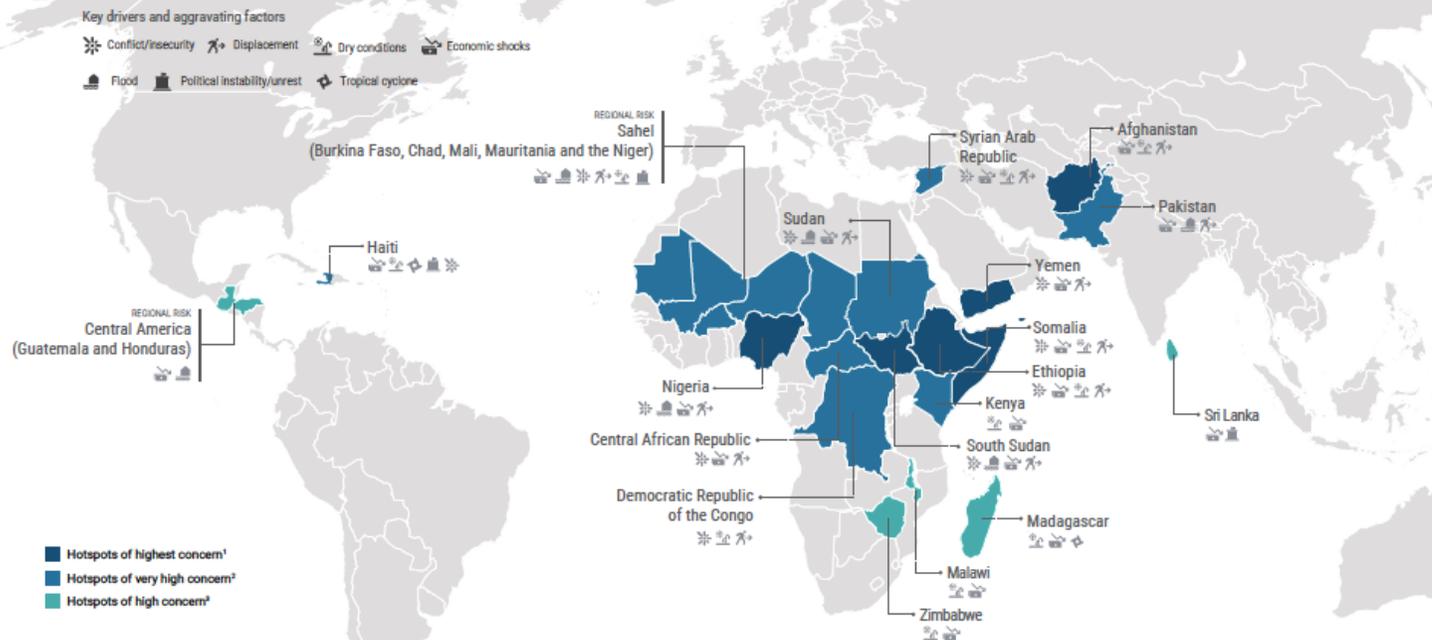
- meant to be used by humanitarian organisations, FSC/Ss and donors to inform the design of future food security programmes and uptake of cash
- **aims to generate findings that can be applied globally**

# Geographic scope

HUNGER HOTSPOTS | FAO-WFP EARLY WARNINGS ON ACUTE FOOD INSECURITY

OCTOBER 2022 TO JANUARY 2023 OUTLOOK

## Early warning hunger hotspots October 2022 to January 2023



<sup>1</sup> This category includes hotspots already with populations in Catastrophe (IPC/CH Phase 5), as well as hotspots at risk of deterioration towards catastrophic conditions. At risk are those hotspots where an extremely vulnerable population in Emergency (IPC/CH Phase 4) is facing severe aggravating factors – especially access constraints – that indicate a further deterioration and possible occurrence of Catastrophic conditions in the outlook period. Per definition, this category also includes hotspots with Famine or Risk of Famine.

<sup>2</sup> These are hotspots with sizeable populations – over 500 000 people – estimated or projected to be in Emergency (IPC/CH Phase 4) levels of acute food insecurity or identified as severely food insecure as per WFP's Consolidated Approach for Reporting Indicators of Food Security (CARI) or remote CARI (rCARI) methodology; or hotspots with more than 10 percent of the analysed population in Emergency (IPC/CH Phase 4) or severely food insecure, and at least 50 percent of the population analysed. In the included countries, life-threatening conditions are expected to further intensify in the outlook period.

<sup>3</sup> Other countries, in which acute food insecurity is likely to deteriorate further during the outlook period, and which were identified as hunger hotspots.

Source of data: FAO and WFP: 2022. Hunger Hotspots analysis (October 2022 to January 2023). Source of map: United Nations. 2020. Map of the World. Cited 20 September 2022. [www.un.org/geospatial/content/map-world](http://www.un.org/geospatial/content/map-world)

The boundaries and names shown and the designations used on these map(s) in this information product do not imply the expression of any opinion whatsoever on the part of FAO and WFP concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers and boundaries. Dashed lines on maps represent approximate border lines for which there may not yet be full agreement. Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties. Final boundary between the Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

➤ Nigeria, Somalia and Syria

Choice criteria:

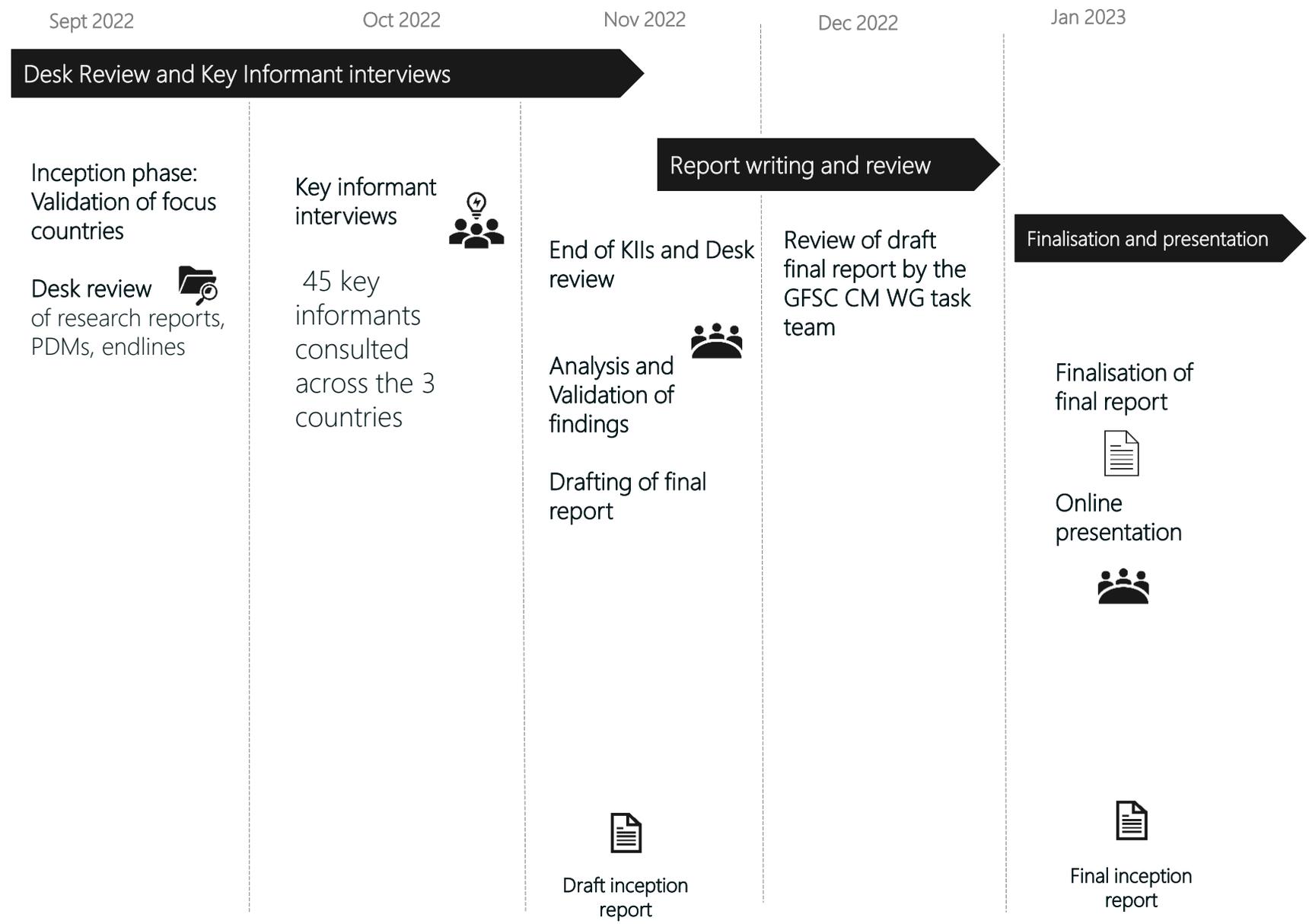
- countries where cash transfers have been used over the last two years (2020-2022) as part of a food security response
- IPC/CH Phase 3-5 or CARI levels 3 to 4 reported or projected over the same period
- willingness and availability of the FSC to participate (Ethiopia changed for Somalia)

# Limitations

- Not a systematic review of the effectiveness of cash in meeting food security needs compared with other modalities (different methodology): illustrations of the extent to which cash has been successful in meeting food security needs. No overarching conclusions are drawn on the effectiveness of cash in achieving food security outcomes compared with other modalities.
- It was outside the scope of the research to disaggregate findings by gender. Moreover, the methodology of the research was such that the research team had to rely on data already available from PDMs, which often do not disaggregate food security indicators data by gender.

# Methods and timeline

# Methods and Timeline



# Key Findings

# Response analysis and cash feasibility

- COVID – 19 pandemic has been an enabler for the use of cash (through expansion of SP programmes and more exposure to cash). However, not changing the way actors make decisions
- Gvt supportiveness: the use of cash is officially approved by the governments of Nigeria, Somalia and Syria, albeit with several restrictions and barriers that deter some actors from using cash at scale: governments' restrictions or reluctance regarding the use of cash transfers in contexts of non-state armed groups presence: issue for recipients' data protection (governments requests for lists)
- Donors' supportiveness: earmarked funds and/or preferences are still influencing choice of modality

# Response analysis and cash feasibility

- **In Nigeria:** two mobile money operators licensed by Central Bank, but EFCC's restrictions for anti-money laundering and anti-terrorism reasons, slowed down progress (downward trend btw cash and vouchers btw 2020-2022 from 20% to 6%), donors very supportive and jointly advocating for cash (Cash Common Donor Approach Nigeria Action Plan),
- **In Somalia:** government is very supportive of cash, now well-established in the whole country, except in some isolated cases, donors very supportive unless earmarked funds
- **In Syria HCT:** government gave the green light for cash in 2020, but donors are not pushing for any specific modality (due to complexity of situation and lack of common analysis)
- **NWS and NES:** local authorities and donors supportive of cash, with exceptions in camps (pull factor, ISIS fighters).

# Response analysis and cash feasibility

## Why or why not cash?

### ENABLERS

- Markets largely functional in all 3 contexts: no concerns about food availability
- Large awareness of the added-value of cash (effectiveness, dignity, choice)
- Support from the CWGs and FSC/S (transfer value change/advocacy)
- Organisational culture conducive for the use of cash at scale for food security objectives and basic needs
- Donors policies who explicitly favour cash
- Increased availability of robust and regular market data
- Available and functional FSPs

### INHIBITORS

- Funding earmarked to other modalities or due diligence to donors
- Perceptions around the possible misuse of cash and diversion
- Perceptions of risks and technical complexity around use of cash
- Intended objective (vouchers still widespread, seem as best to meet FS objective)
- Lack of coherence among donors, lack of common position
- Fear of inflation impacting participants
- Lack of FSPs functionality or lack of coverage

# Decision-making factors

## Enabling environment for cash

- **In Nigeria: increased FSPs capacity and licensed MMO**, better penetration of bank branches and FSPs in remote areas of BAY states
- **In Somalia, cash through mobile money allowed to cover hard-to-reach areas: unanimous. Resilient and functional markets (after 5th failed rainy season). In-kind not seen as justified for many.**
- **In Syria, use of cash still challenged by numerous issues: sanctions impacting infrastructure and bank transfers, currency depreciation, political situation, camps situation, pressure from local authorities. But enabling environment for cash in NW and NE. In HCT, money transfer mechanisms exist**

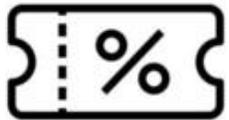
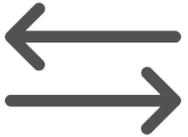
# Contextual changes

- Cash actors have shown a lot of agility to adjust to contextual changes, in particular **robust mechanisms to adjust to price inflation**
- In NW Syria: Advocacy done by the CWG to accept delivery in USD (to safeguard against the depreciation of the Syrian pound vs USD). Participants exchange in Turkish lira: now well accepted
- In NE: budgeted higher (120USD for an agreed MPC of 100USD) for buffer (now in use)
- In Somalia, despite price inflation, no actor doing cash at scale ever asked to switch to another modality (donor)

# Adjusting transfer value



- In the 3 contexts, Cash and FS actors follow and trust CWGs and FSC/S' recommendations: enables adjustments followed by donors. Robust and recognized mechanisms for adjusting to inflation in a foreseeable manner: some challenges with the operationalisation of these changes but not an inhibitor for cash use



- Perception of some actors that vouchers can better cope with inflation (possibility to fix prices)

# Programme design

- Overall enthusiasm around Cash + and recommendations for cash + vouchers to keep the best out of the two modalities
- In this context of acute food insecurity, when resources are limited, Cash + has not been widely used >MPCA as the default emergency response modality, especially for IDPs, as a way of meeting all basic needs

# Use of cash transfers as percentage of total food assistance (obj 1)

**-Nigeria BAY states (as of sept 22): 59% in CVA, of which 6% in cash (94% vouchers) meaning only 3.5% of food security assistance in cash**

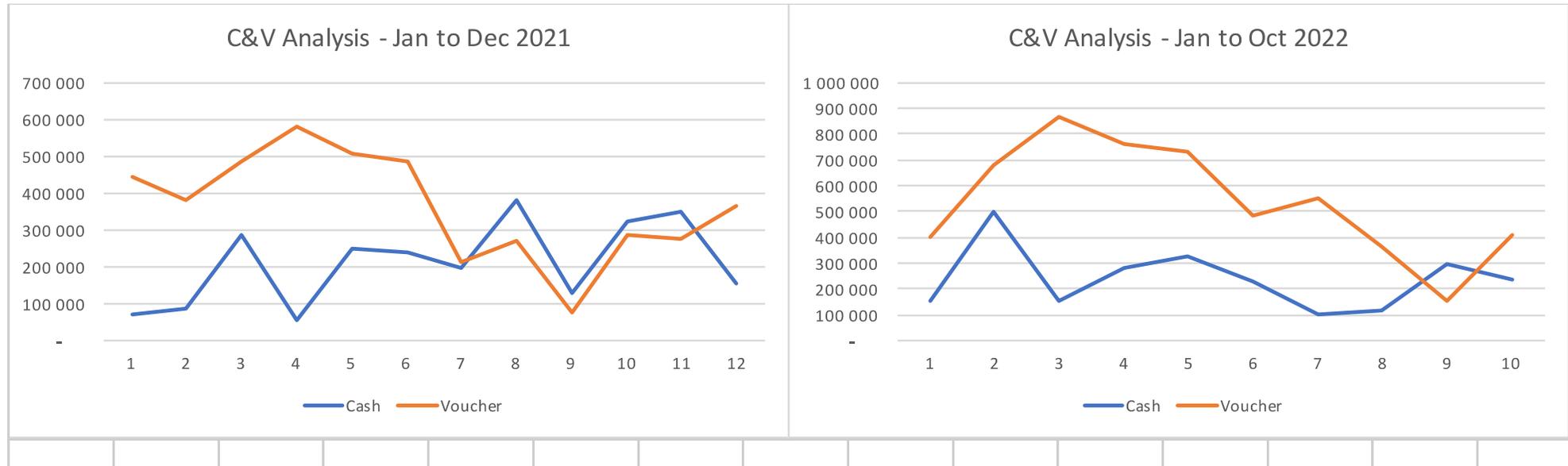
**-Somalia (as of Aug-Nov 22): 80-90% CVA of which 60% cash (40% vouchers)**

**-Syria (as Nov 22): 7% cash for WoS average (voucher average is 14%)  
56% in NES**

**State of the World Cash report (2020) reported 17,9% of humanitarian assistance delivered through CVA in 2019**

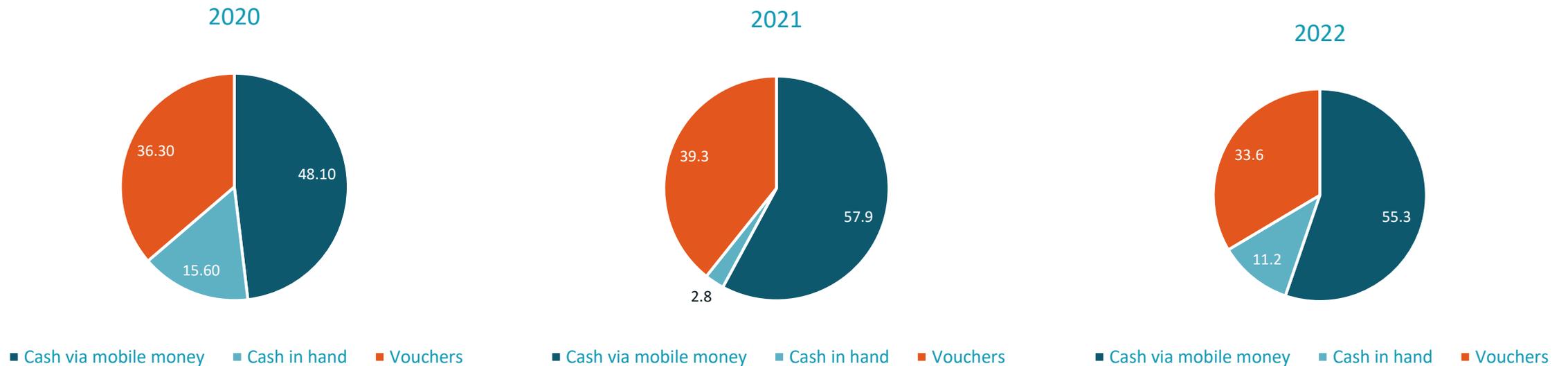


# CVA trends in Syria in 2021-2022



Trends in the use of cash and vouchers in 2021-2022 in Syria (months of the year/ number of people assisted) .

# CVA trends in Somalia in 2020-2022



Trends in the use of cash (by delivery mechanism) and vouchers in 2020-2022 in Somalia

# Effectiveness of cash transfers in contexts of acute food insecurity

# Overall trends

- Overall improvements in food security documented by higher rates of recipients with acceptable Food Consumption Scores, decreased reduced Coping Strategy Index and improved Household Hunger Scale scores across the 3 contexts (from PDMs and endlines of food MEB and MPCAs)
- However, several PDMs showed a non-regular progress, due to seasonal factors and the severity of the food insecurity situation, in particular in Somalia
- Use of cash for food needs between 30% to 96% depending on location and the transfer value, the proportion being smaller for MPCAs . Average of MPCA used for food btw 55 and 60%

In Nigeria, a PDM for a 6-months MPCA showed a drop in the rCSI from 8.1 at baseline to 2.9 in the latest PDM.

In Somalia, there are two examples of MPCA reporting an improved rCSI between baseline and endline: one from 15.3 to 12.5 and the other from 13.5 to 10.3.

**Two recent PDM (2022) for MPCA in Somalia reported:**  
100% of respondents interviewed never had any difficulties in accessing the market even as they live in settlements away from main towns (different regions)

- **Timeliness:**

- Cash is doing well in terms of timeliness as contracts with FSPs are most of the time already in place and transfers take place almost immediately.
- Capacity to deliver in short periods of time with no need of long procurement processes.
- Somalia → timely response reflected in the rapid response to the 2017 famine alert
- Syria → cash is more rapid than in-kind, but vouchers remain the fastest modality.

*« From our experience and based on the existing setups for operations cash is 3 times faster than in-kind.»*  
KI in Somalia

*“The system is properly established and well prepared, so cash is timely in Syria and happens on time: everything else is late. Cash is doing well compared to other things.”*  
KI in Syria

# Effect of cash on local markets:

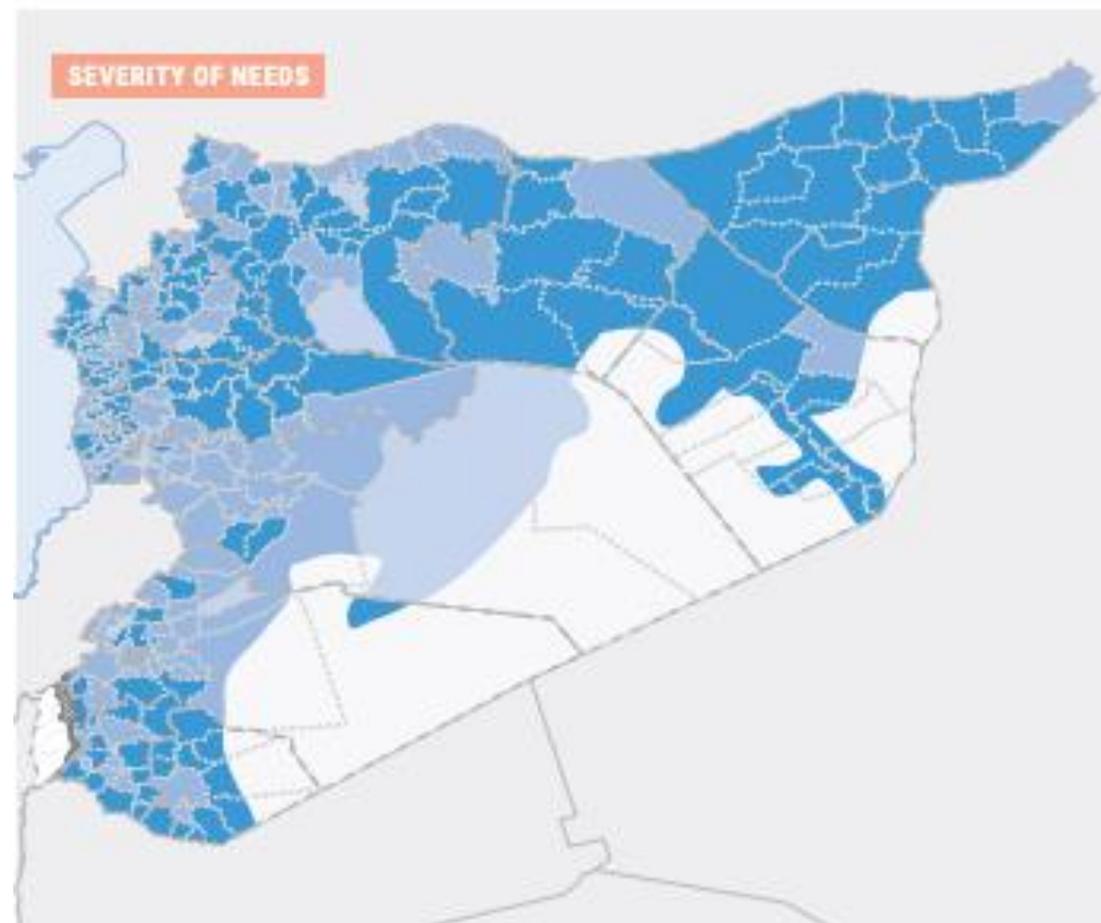
- Cash was deemed an appropriate modality in the three contexts.
- Somalia → most of the PDMs reviewed point to an increase in prices, because vendors knew of the cash assistance circulating (15% - 20% of respondents).
  - **Effect of cash on local markets:**
- Nigeria and Syria → the effect of cash assistance is difficult to isolate in a context of inflation and currency depreciation.
- A long time between programme design and delivery further decreases purchase power

# Insights from the FSC in Syria

- Challenges with adjustments to transfer value and the role of the FSL cluster

- Role of FSL cluster for the scale up of cash in country

- Donors positioning on cash



# Recommendations

## Evidence and impact

- **Monitoring and evaluation reports** to be more disseminated to increase awareness of the food security outcomes of cash transfers in contexts of acute food insecurity, and to provide evidence of best practices. In-country FSC/Ss and CWGs should lead on or support the compilation and dissemination of this evidence and best practice.
- **There should be systematic monitoring of the food security impact of cash for food MEB and MPCA using the recommended indicators (FCS, rCSI, HHS and the HDDS)**, and this should be reinforced in 2023 given the severity of the food crisis in the three contexts
- **CWGs and FSC/Cs** should continue playing an important role in supporting food security actors in the use of cash transfers and adjustment of cash transfer value, especially in contexts of significant inflation .

## Response analysis

- **The rationale for maintaining in-kind food aid in the countries and/or areas covered should be revisited** , particularly in Somalia (but also in Syria), where most actors and the literature demonstrated its lack of relevance due to the food markets' functionality and resilience. FSC/S leads should take a prominent role in continuously asking the question, "Why not (more) cash?"
- Similarly, **all humanitarian food security actors should now be in a position to scale up the use of cash in the countries and/or areas covered**, as this appears to be the most relevant and appropriate modality of assistance for food security outcomes in these contexts. The challenges described, if important, can be overcome.

## Food availability and markets

- **Market monitoring and analysis should continue, and should cover all areas** reached by humanitarian actors, to enable **timely and relevant transfer-value adjustments and to enable market systems to be strengthened** whenever possible to sustain a conducive environment for cash.
- **Monitoring and analysis of markets** should be put **into perspective with the positive effects of cash transfers on demand and the possibility of in-kind food aid to undermine market functionality**

## The role of FSC/Ss

➤ **FSC/S leads are both implementers and coordinators.** As implementers, they should act as **role models and catalysts** when it comes to the use of cash for food security outcomes in contexts where it is deemed relevant and appropriate.

### ➤ **Advocacy**

There should be as much advocacy as possible for governments to ease the restrictions and approval processes for cash transfers in specific areas.

## Specific recommendations for donors

- **Donors** should always request a **strong response analysis** documenting the rationale for the choice of modality, including its relevance and appropriateness. As far as possible, donors should provide full flexibility of funding, while encouraging the use of cash when it is deemed the most relevant and appropriate (in line with the Grand Bargain commitments to ask the “Why not cash?” question).

Q&A

**THANK YOU!**