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Cash Transfers in Contexts of Acute Food Insecurity: A Learning Brief

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Key Findings



Cash transfers can effectively improve food security outcomes in contexts of acute food insecurity.



Although infrastructure/markets could support cash transfers, government and donor restrictions or preferences, as well as fear of misuse, inhibit its scale up



Cash was not used as an anticipatory action across all three countries due to limited funding

Cash as a tool in the U.S. government's toolkit to combat acute food insecurity

With less than 8 years to 2030, the outlook for achieving Zero Hunger looks grim. The UN released its latest appeal for humanitarian relief, a [record-setting \\$51.5 billion USD](#) an increases of 25 percent compared to early 2022. [Increasingly converging crises](#) – such as conflict, economic downturn, climate change-driven weather extremes and rising prices – are driving humanitarian needs to extremes. Nearly [349 million people](#) across 79 countries are facing acute food insecurity outcomes (IPC 3+), with 49 million people in 49 countries at risk of starvation (IPC 4+). Further, humanitarian needs are [outpacing available funding](#).

To combat extreme food insecurity outcomes, the U.S. government (USG) provides food assistance primarily through [two methods](#) – U.S. in-kind food aid or market-based assistance. In-kind food aid involves purchasing and shipping U.S. agricultural commodities to countries in need, while market-based approaches could involve providing cash transfers, vouchers, or locally

or regionally procured food to people in need. The USG's use of market-based approaches has grown; however, the USG remains [one of the few major donors that still provides large quantities of in-kind food aid](#). Both methods have their advantages – for example, U.S. in-kind aid is appropriate when a country is experiencing grave food shortages or has limited infrastructure to set up cash transfers. However, U.S. in-kind aid is generally more [expensive](#) than CVA and could [potentially disrupt international and local markets](#).

What is the current state of cash transfer programming in emergencies?

The [2016 Grand Bargain](#) encouraged increasing the use and coordination of cash transfers in humanitarian assistance. Several signatories to the Grand Bargain have made commitments to support this workstream, yet progress globally has recently stalled. If cash and voucher assistance (CVA) were the default approach (where feasible and appropriate), [37 to 42 percent of all international humanitarian assistance would be CVA](#). However, as of 2021, around [19 percent of humanitarian assistance is CVA](#). While use of CVA in emergencies has increased, it is not meeting its full potential, especially given that CVA can [effectively improve food security outcomes](#), households [overwhelmingly prefer CVA](#) over in-kind, and it supports the local economy, among other benefits (Figure 1). Therefore, there is room to explore the underutilized potential of cash transfers and reinforce evidence of the use of cash transfers for food security outcomes in contexts of acute food insecurity.¹

FIGURE 1. WHY PROVIDE CASH TRANSFERS?

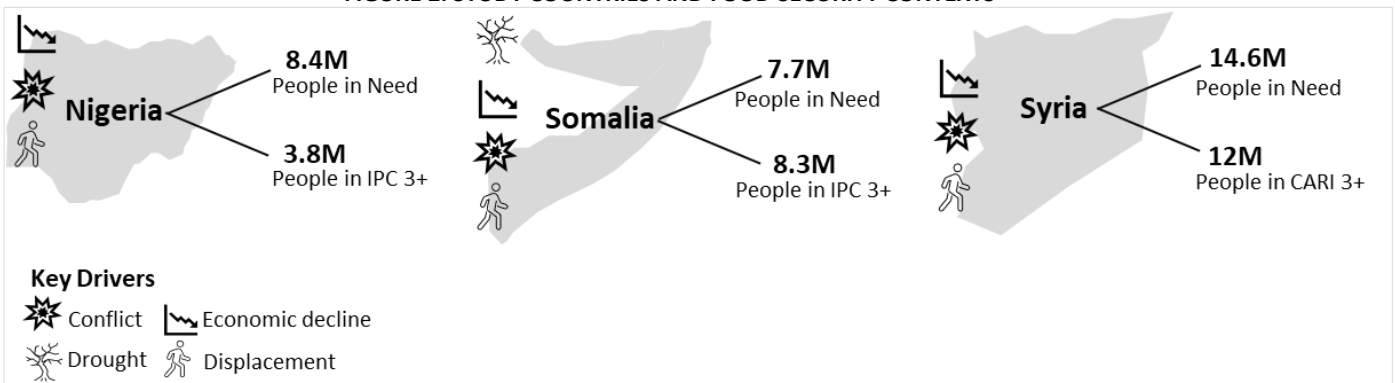
- Supports local economy
- Provides autonomy and dignity to participants
- Can be used to meet various emergency needs (livelihoods, shelter, water, food, etc.)
- Scalable and efficient

Considering this, the [Global Food Security Cluster Cash and Market Working Group](#) commissioned operational research to gather evidence and lessons learned towards using cash² for food security outcomes in contexts of acute food insecurity between 2020 and 2022. **The research explores [the use of cash transfers to meet food security outcomes in contexts of acute food security in Nigeria, Somalia and Syria](#), but aims to generate findings relevant globally.** This learning brief summarizes those findings and provides policy recommendation to the USG.

Country Context

From 2020 to 2022, food security responses in Somalia, Niger and Syria used cash extensively (Somalia) or occasionally (Nigeria and Syria). Acute food security interventions in the countries of study were triggered either by conflict (Nigeria and Syria) and/or extreme weather (Somalia). During the period of study, Nigeria and Somalia have had IPC/CH Phase 3 to 5 food security outcomes reported or projected, and Syria has had CARI level 4 (severe food insecurity) reported in all governorates.

FIGURE 2. STUDY COUNTRIES AND FOOD SECURITY CONTEXTS



Research Findings

Cash helps improve food security outcomes. This research reinforces a robust body of evidence that suggests cash can meet basic needs and is an efficient approach [“both in terms of delivery and the beneficial impacts on local economies.”](#) However, some sources noted inconsistent progress in improving food security outcomes because of seasonal factors (e.g., dry seasons or pre-harvest seasons) and the severity of the food insecurity situation, particularly in Somalia. Further, **despite the severity**

¹ Contexts of acute food insecurity, meaning Integrated Food Security Phase Classification (IPC) 3 or higher, or WFP’s Consolidated Approach for Reporting Indicators of Food Security (CARI) moderate or severe (3 or 4).

² This research did not cover the use of value or commodity vouchers for food security objectives.

of the crises in the three countries, secured and well-running cash infrastructure and strong capacity by implementing organizations allowed cash transfers to be delivered on time.

The research also investigated the decision-making process behind the choice of cash over in-kind assistance and identified enablers that encourage the use of cash and inhibitors that hinder its uptake:

Enablers	Inhibitors
<ul style="list-style-type: none"> • Markets largely functional across the three contexts • High awareness of the value-add of cash (effectiveness, dignity it provides by allowing freedom of choice) • Support from various actors to enhance the quality of programming, harmonize approaches and advocate for the use of cash • Organizational culture conducive to the use of cash at scale for food security objectives and basic needs • Donor policies that explicitly promote the use of cash in line with Grand Bargain commitments • Market price and functionality data available allowing rapid adjustments to transfer value • Functional financial service providers available in target areas 	<ul style="list-style-type: none"> • Donor requirements or preferences for in-kind aid and vouchers • Perceptions by implementers, donors or governments that cash transfers are prone to misuse or diversion • Perception that cash is riskier and more technical than vouchers or in-kind aid • Restrictive national or international regulations or policies that inhibit scale up of cash • Concern of inflation impacting participants • Lack of functional or available financial service providers in targeted areas • Lack of common response analysis between donors and implementers

“Cash plus,” a type of programming in which [cash is combined with different modalities or activities](#) was also examined. Cash plus has increasingly become used given the recognition that cash alone may fall short of meeting all needs. **The study noted greater opportunity to use cash plus approaches, especially for improving food security and nutrition outcomes; however, limited funding prevents its implementation.** The cash plus approach was used by one actor in Somalia, where cash transfers were complemented by nutrition education; water, sanitation and hygiene services; child protection; and increasing access to health services. The actor reported this model successfully integrated and streamlined service provision, while also improving food security outcomes in the short term.

Finally, [anticipatory action](#), also known as early action, involves carrying out pre-agreed upon actions to be implemented once forecasts reach an agreed upon threshold. During this study, **there was no evidence found on the use of cash as an anticipatory action across the three countries assessed.** Reasons behind this include the local context being a protracted crisis (e.g., Nigeria and Syria) or a lack of funding (Somalia). However, some respondents shared examples of resilience programming that could help recipients mitigate the impacts of future shocks. For example, one actor in Syria used a mix of cash and in-kind to protect livelihoods and prevent food insecurity, which could be seen as anticipatory action.

Recommendations

Despite increasing use of and evidence around cash transfers for acute food insecurity outcomes, various technical and institutional barriers have limited its scale up. The research summarized aims to further provide findings that are relevant globally. As such, to further scale up and enhance the use of cash transfers in contexts of acute food insecurity:

U.S. Congress should:



Increase flexibility within Food for Peace Title II development programming to allow implementers to use the most appropriate approach for the context – whether that be U.S.-sourced agricultural commodities or market-based assistance – to save lives, protect livelihoods and strengthen communities’ resilience to rapid onset and protracted crises. Despite all host country governments’ openness to cash, as well as neutral modality decision making tools available by USAID, mandates for implementing Title II restrict flexibility to use the most appropriate method for the context, particularly in development settings. Per a [recent CALP report](#), “the single biggest volume of [international food assistance] with such restrictions is food aid from ‘Title II’ of the US Farm Bill.”



Increase the level of flexible funding to meet increasing humanitarian and development needs, including for IDA and Food for Peace Title II.

USAID should:



Apply a neutral position on modality decision-making and provide full flexibility of funding, while requiring strong response analyses to further encourage the use of cash when most relevant and appropriate (e.g., markets are functional, financial service providers are functional and available and food availability is not an issue), upholding the USG' commitments to the Grand Bargain.



Increase investments to strengthen local capacity for cash transfers (e.g., [cash readiness](#)) and the **scale up of cash transfer delivery**, building on existing infrastructure and not creating redundant systems, with realistic transition plans included to help transfer donor-led safety net programs towards locally owned and led social safety net programs.



Strengthen integration of social safety net programs and early warning information and/or systems to enhance anticipatory action, protecting livelihoods and food and nutrition security in anticipation of or after crises strike.



Invest in and publicly disseminate evaluations and learning around various emergency assistance modalities (e.g., in-kind, CVA, etc.) and their impact, given there are [few studies that assess the cost-benefit](#) of humanitarian assistance programs.



Increase investments in cash plus or other complementary programming, such as graduation approaches, to [enhance the impact of cash transfers](#) and help create [sustainable pathways](#) out of extreme poverty.



Require implementers to provide complementary activities intended to improve nutrition outcomes as part of cash transfer programming, where feasible. Nutrition is [integral to food security](#), and [cash alone may be insufficient to improve nutrition outcomes](#) for some of the most vulnerable populations (e.g., children under 5 and pregnant and lactating women). Approaches could include combining cash with social and behavior change interventions, conditional cash transfers to incentivize uptake of preventive health services, and [others](#).

The Administration should:



Advocate for debt cancellation. Debt cancellation should be granted so that low and middle income countries can address immediate food and resource needs of their populations with appropriate social safety net responses linked to cash transfers.