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Key points

- One key challenge in post-conflict countries is meeting objectives that contribute both to poverty reduction and the peace process
- Cash transfers can address the immediate needs of poor households but there is little evidence about their long-term impact on poverty in post-conflict countries
- The dissemination of emerging evidence on best practice in the delivery of cash transfers in conflict-affected countries should be encouraged

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Cash transfers in post-conflict contexts

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Providing cash transfers to poor households to alleviate poverty has been popular in many middle-income countries, and is an emerging programme approach for a number of low-income countries. As their popularity grows among donors and governments, much is being learnt about the politics that drive cash transfers, as well as important design and implementation issues (Slater and Farrington, 2009, and McCord, 2009). The evidence informing cash transfer design has to date been drawn largely from stable and peaceful countries. There has been little discussion however about the role of cash transfers in post-conflict or fragile contexts. Are design and implementation issues the same in post-conflict states as in low-income countries? Or are there fundamental differences in the role of cash transfers in helping to reduce poverty and vulnerability amongst the poor in these contexts?

This Project Briefing draws on emerging evidence on the experience of cash transfers in fragile and post-conflict states. It highlights specific examples from two case studies on cash transfers in Sierra Leone and Nepal, countries recovering from ten year civil conflicts. It focuses on three aspects of cash transfers in post-conflict contexts: the lessons of existing cash transfer experiences; how much cash transfers contribute to poverty reduction; and the role of cash transfer programming in the context of new state development and social cohesion in a fragile peace process. The case studies were part of a three-year study on cash transfers by ODI, funded by the Swiss Agency for Development Cooperation

Challenges in post-conflict contexts

Around 80% of the 20 poorest countries have been affected by conflict over the last 15 years. Peace in these countries is often fragile: countries emerging from war face a 44% chance of relapsing within five years (World Bank, 2007).

Most poor and conflict-affected countries are characterised by weak institutions, low institutional capacity and damaged infrastructure as a result of conflict. Conflict often exacerbates poverty - even with rapid progress on economic recovery, it can take a generation or more just to return to pre-war living standards. The transition between relief and development is, therefore, vital. However, an immediate spike in official and humanitarian aid to post-conflict countries is often followed by a rapid decline - usually about five years after the conflict ends - as international attention wanes. For example, in Sierra Leone, aid was just $21 per capita at the end of the civil war in 1999, shooting up nearly fivefold by 2001 to $97 per capita, and declining again to $58 per capita in 2003 (World Bank, 2007).

Post-conflict countries need well-planned and predictable assistance to promote sustainable economic growth and poverty reduction, support for institutions to provide essential services, and policies and programmes that support the peace process and prevent the country slipping back into conflict.

Social protection in post-conflict countries

Social protection is recognised increasingly as an essential basic service for the poor in fragile and conflict-affected countries alongside health, education and water (Harvey and Holmes, 2007). Until recently, cash transfers have not been a common choice in post-conflict programming, and in-kind transfers, such as food-aid, agricultural inputs and basic necessities have dominated. This has been, in part, been due to concerns about the feasibility of delivering cash, including concerns over creating inflation in weak markets, difficulties in

Box 1: Experience of cash transfers in conflict-affected countries

In Somalia, Oxfam, Horn Relief and ACF have had success in implementing both cash grant and cash for work projects in northern and southern areas. Cash for these projects was delivered to beneficiaries using remittance or money transfer companies to minimise security risks. Beneficiaries were found to spend the money on basic consumption needs (food and water), on debt repayments and, if cash transfers were generous enough or timed after harvests, on livestock. No inflation was reported as a result of these programmes partly because markets were competitive and traders stocked additional goods in anticipation of cash injections (Ali et al, 2005).

In response to drought and conflict, huge volumes of food aid were delivered in Afghanistan during 2001–2002. Large-scale food aid programming continued into 2002–2003, but there was a shift towards cash for work rather than food for work. In part, this seems to have been prompted by a study arguing for greater use of cash-based responses, and in part by government calls for a shift towards cash as part of a longer-term social protection strategy (Lautze, 2002; Transitional Islamic State of Afghanistan, 2003). The National Rural Access Programme, a major government programme, has provided a widespread cash for work safety net, funded jointly by several donors. Cash has been used mainly for food and debt repayment, helping to revitalise crucial credit markets. As in Somalia, money transfer companies have been used as an innovative way of delivering cash to insecure areas, particularly in southern Afghanistan (Hofmann, 2005; Lockhart, 2006).

In the 1990s, the government of Mozambique implemented a successful social transfer programme, GAPVU (Cash Payments to War- Displaced Urban Destitute Households Programme), targeted at those disabled or displaced by the country's civil war, to reduce destitution in urban centres. GAPVU provided small cash transfers to more than 70,000 households by 1995. The programme was, however, suspended in 1997 because of fraud and corruption as it was put under increasing strain by pressures for more rapid expansion. It was reported to have worked well in the first five years in reaching the target population and providing important support to households in need – contributing to food security and household income, promoting trading activities and supporting home gardens - despite low state capacity and limited fiscal resources. GAPVU illustrates the capacity of a post-conflict state to implement a social transfer programme successfully, but its subsequent failure emphasises the need for sufficient resources, administrative systems and monitoring and evaluation in the scale up of such programmes (Samson et al, 2006).

Source: Harvey and Holmes (2007).

targeting, and the appropriateness of cash as a social protection instrument. Research carried out in Sierra Leone in 2007, five years after the end of the civil war, showed that donors and the government were concerned about whether markets would function well enough for programme objectives to be achieved if cash, rather than in-kind transfers, were given; that limited government institutional capacity would be a key barrier to effective delivery; and that cash would be more prone to corruption. Another key concern in Sierra Leone was that cash, in particular, would create expectations of long-term support among beneficiaries and create dependency.

In Nepal, where cash transfers have been provided to the elderly, disabled and widowed since the mid-1990s, and delivered even during the conflict, views about their appropriateness are different. The arguments for an expansion of cash transfer programmes include: cash can boost economic growth in the local economy; recipients of cash will be empowered by giving them choice over expenditure; and cash is more cost-effective than in-kind transfers. These arguments however, are based largely on assumptions about the impact of cash transfers in peaceful middle or low income countries' – most notably in Latin America, Africa and south Asia. While Nepal has almost 15 years of experience in implementing cash transfers, there has been no rigorous evaluation of the programme. There is some evidence on the impact of cash transfer programming in fragile and conflict-affected countries (Box 1), but these experiences have, to a large extent, been marginalised from the broader cash transfer debate at national and international levels. Specific issues relating to cash transfer programming in conflict-affected countries however, need to be acknowledged and shared between countries in order to improve the design and implementation of such programming in difficult contexts.

How far can cash transfers help post-conflict countries reduce poverty?

Proponents of cash transfers cite their potential to contribute to local economic growth and poverty reduction. Evidence from peaceful low- and middle-income countries suggests that, if well-designed and linked to complementary services and programmes, poverty reduction and local multiplier effects can be achieved (Slater, 2009). A number of fundamental pre-conditions need to be in place for this to occur at scale, including considerations of the value of the transfer, institutional capacity to ensure predictable and timely delivery, and adequate coverage of the poor. These are more difficult to meet in post-conflict contexts with low institutional capacity, limited complementary basic services, unpredictable and fluctuating levels of aid (e.g. the decline of humanitarian aid) and competing demands for scarce national resources.

Cash transfers in Nepal and Sierra Leone

Remarkably, Nepal's poverty rate actually declined during the ten year civil conflict, largely due to a substantial increase in remittances. However, inequality increased (the Gini index for Nepal increased from 34.2 percent to 41.4 percent). Recent data suggests that only 25% of the total population living in poverty receive any form of social assistance (UNICEF, 2009), and although the Government of Nepal has recently prioritised scaling up the coverage and the value of transfer under the social security scheme (a package which consists of a pension, widows allowance, marginalised family allowance and disability allowance), the value of cash transfers are low, contributing around 15% of household basic needs expenditure and cash transfer programmes are rarely linked to other programmes and services (education subsidy and maternal health subsidies are the exception). Implementation constraints resulting from funding bottlenecks and low institutional capacity further dilute the low value of the transfer and reduce actual coverage. Whilst the conflict has largely subsided, in some areas insurgency and armed conflict continue to be a problem for effectively delivering cash transfers, and since 2002 there have been no elections of local government officials who are responsible for delivering cash transfers through the Village Development Committees. The combination of these factors suggests that the impact on poverty reduction is likely to be limited (Holmes and Upadya, 2009).

In comparison to Nepal, in Sierra Leone – a country with little prior experience of cash transfer programming – the government's approach to cash transfers has been extremely cautious. The Social Safety Net (SSN) pilot was launched in 2007, targeted to the elderly and most vulnerable with no other means of support. Around L$200,000 (approximately $62) is transferred every six months to 16,000 households, using community targeting methods through SSN committees (Holmes and Jackson, 2007). Other small-scale cash transfer schemes in Sierra Leone include a cash-for-work programme implemented by the Ministry of Youth and Sports for unemployed youth, ex-combatants and former refugees in the capital city, Freetown. Participants are paid approximately $2 a day. The programme has been criticised for being short-term and lacking a vision for long-term sustainability as it has limited linkages to longer term skills or employment structures (Holmes and Jackson, 2007). While there may be some impact on the depth of poverty for the recipients of the cash transfer and public works programme, the small value of the transfer, low coverage and limited linkages to longer-term initiatives suggests that there will be no significant reduction in the poverty headcount or sustainable route out of poverty. Current donor programmes in Sierra Leone run into tens of millions of dollars but national spending on social protection was budgeted at only $2.8 million, or $0.56 per capita, in 2007, suggesting that the scaling up of cash transfers in Sierra Leone will be almost entirely dependent on donors at least in the short term.

Cash transfers and the transition from relief to development

Social protection programming in post-conflict contexts tends to have an important social dimension that may be less explicit in peaceful countries. The redistributive nature of social protection can reduce the likelihood of conflict (Shepherd et al, 2004) – an important function, given the number of peace processes that fail. Cash transfers can be appropriate, largely because of their visible and tangible nature in transferring resources from the government to the poor. The end of a conflict can create a new impetus for policy around cash transfers (Hickey, 2008), and in a country where the state-citizen compact has collapsed, social protection – and cash transfers – can support the rebuilding of state-citizen relationships and state legitimacy more generally.

In both Nepal and Sierra Leone, one of the agendas underlying social protection interventions has been to promote social cohesion and contribute to the peace process, through for example, implementing cash transfers through decentralised government structures, and by adopting specific targeting choices to support previously excluded groups. Other ways in which cash transfers could support building the state-citizen compact include linking up with complementary services, for example, promoting civil documentation and supporting access to legal services.

The fundamental implementation challenges faced by post-conflict countries, however, raise questions about trust in the delivery of services and the government's ability to provide for its citizens. In Nepal for example the implementing body of the Village Development Committees have not yet started functioning effectively after the conflict (given the lack of local elections). Nevertheless, there is a common consensus among donors and international agencies that it is appropriate and desirable to use existing government structures to run pilot or proposed cash transfer programmes. While in the medium to long run government structures should be used to support the ownership and potential transfer of programmes to the government (Harvey and Holmes, 2007), there is a concern that in the short term this will increase the load on already overburdened staff at this level, resulting in implementation and delivery errors. The recent increase in budget for the expansion of the social security scheme in Nepal did not include any additional provision for implementation or capacity strengthening (Holmes and Upadhya, 2009).

Targeting issues are also critical in post-conflict contexts, especially where the conflict has its roots in social divisions. Targeting can create social tensions even in peaceful countries (Slater and Farrington, 2009) and community division emerges when there are many poor people in the community but only some receive benefits. Ellis (2008) describes this as a major risk when attempts to target the very poorest households result in the exclusion of those who are only marginally less poor.

In Sierra Leone targeting public works programmes to specific groups (e.g. mainly young men, ex-combatants) has been used in an attempt to diffuse social tensions, and in Nepal, the government has focused on extending the cash transfer programme to excluded minority groups. Focusing on specific social groups in this way however, may mean that other poor households are excluded. In post conflict contexts the implications of such divisions could be detrimental to the peace process, creating tension between the objective of social protection for poverty reduction, and the underlying objectives of supporting the peace process.

Conclusion

Implementing cash transfers in post-conflict countries presents both challenges and opportunities. Some are similar to those in peaceful low-income countries, such as institutional capacity challenges, scarce national resources and limited coverage of basic services and other programmes. However, while poverty reduction is the overarching goal in both conflict and peaceful countries, cash transfers in conflict-affected countries may have two further explicit objectives: to diffuse potential future tension and conflict by channelling resources to specific target groups and to create or reinforce state legitimacy and the state-citizen compact.

The dual objective of poverty reduction and supporting the peace process and social cohesion is not easy to manage, as the scarcity of resources often results in targeting priority social groups. This can create community divisions and tensions. Learning from other countries – both peaceful and conflict-affected – could promote more innovative and appropriate programme design and implementation, including the use of existing forms of money transfer mechanisms (such as remittance organisations) and promoting the use of complementary services, such as legal support and access to civil documentation.

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Project Information:

This briefing is one of a series of six produced as an output from a three year ODI research study on cash transfers and their role in social protection. The study explores issues of interest to donors and governments, comparing cash with other forms of transfer, identifying where cash transfers are appropriate, examining how contextual, design and implementation factors affect their impact, and how they may best be targeted and sequenced with other initiatives, and also reviewing affordability and the political economy of cash transfer provision. This project is funded by the Swiss Agency for Development and Cooperation (SDC).

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