

CSRF Briefing Paper, April 2018

## Findings around cash-based programmes and conflict

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### Key findings

Cash-based programmes are changing the way aid works in South Sudan. Conditional and unconditional cash transfers, grants, vouchers and work schemes are reworking shelter, food security and livelihoods, and development programmes – and they are also changing the social, economic and security contexts in which these programmes operate.

Cash-based programming may interact with South Sudan's conflicts, by channelling resources into the war economy, or burdening markets with demand which they cannot meet, or even by putting beneficiaries at risk of predatory violence. Cash-based aid also may impact traditional kinship and social safety networks. This study looks at how these interactions between cash-based programmes and conflict in the following areas.

### Exchange rates, commodity prices and the macro-economy

The differential between official and parallel exchange rates is large, and conflict actors in official positions can profit from this differential, potentially investing profits in the conflict. Cash-based programmes aim to situate spending in country, and they change foreign currency at official rates, so that **any expansion of cash-based programmes also increases the funds moving through the traders and transporters that have to directly engage with the war economy to implement delivery of assistance to beneficiaries.** Cash-based programmes also aim to replace relief food with food commodities. For the past five years, the period when cash-based programmes took off in South Sudan, global commodity prices have been declining. But cash-based programmes run the risk of exposing South Sudan households more directly to food price volatility in local markets, rather than leaving international aid agencies to manage that volatility through their systems of procurement and targeting.

### Financial services and trade: Cash-based programming and the checkpoint economy

**The widespread checkpoint economy has become the main arena for interaction between the humanitarian system and conflict.** Official and unofficial armed actors tax and expropriate goods and cash travelling on South Sudan's roads and rivers. As an example, in February 2018, the UN Mission in South Sudan said that 66 checkpoints had been counted on the 1,028-kilometre road from Juba to Bentiu.<sup>1</sup>

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<sup>1</sup> This paper is based on a review of literature on humanitarian assistance and cash-based programmes in South Sudan, and about 65 individual and group interviews conducted with humanitarian organisations, cash-based programme beneficiaries, financial service providers, traders, local officials and others. Interviews were conducted in February and March 2018 in Juba and in Lakes State and Unity State, two locations on the White Nile trade corridor (one of two main trade corridors).

Humanitarian agencies largely outsource these risks and costs to transport companies. Relief grain and other forms of in-kind assistance are delivered through the checkpoint economy – but unexpectedly, cash-based programmes may also have to deal with checkpoint constraints. Some new financial service providers deliver goods across the country, generating profits in South Sudanese pounds in local markets. Instead of physically transporting those profits to the capital, they contract local traders to pay them out in cash-based programmes, reimbursing them in Juba with dollars from humanitarian agencies financing the cash-based programmes. **Financial service providers have developed an infrastructure that brings together the interests of humanitarian agencies, traders and beneficiaries, and this infrastructure is likely to grow in importance.**

**Trade is also growing in importance: most South Sudanese families now depend on markets for most of their food – even though cash often eludes them.** This contradiction structures South Sudan’s social crisis and expands the scope of the market. Trade finances checkpoints and trade systems are caught up in the conflict. For example, on the White Nile trade corridor, many Dinka traders supply Nuer areas associated with the opposition, because Dinka traders can manage checkpoints more easily. But such **ethnicised trade systems may create incentives for alliances between transporters and checkpoint personnel.**

### Changing patterns of risk: Cash-based and in-kind programming

In-kind assistance probably amounts to at least ten times the value of cash-based programmes in South Sudan. Most of the funds supporting the delivery of in-kind assistance are spent outside South Sudan – on air operations, grain supplies, or on international salaries and services. That means that most of the funds are not converted into local currency, and powerful arbitrageurs are not able to use them to make profits from exchange-rate differentials.

In contrast, **cash-based programmes transfer significant amounts into local currency.** For example, DFID’s Girls Education South Sudan (GESS) project delivers about 4 million GBP in cash per year, exchanged at or near official rates. The EU’s IMPACT teacher salary programme delivers about 13 million euro a year, also exchanged at or near official rates. WFP delivered cash and vouchers valued at 24 million USD a year in 2017. **These sums in aggregate make up 1.5 percent of GDP (using the IMF’s conservative GDP estimates)<sup>2</sup> and perhaps 5-10 percent of government expenditure.<sup>ii</sup>** If they increase significantly, they may begin to have a macro-economic impact.

Both cash-based programmes and in-kind programmes interact with the war economy, configured around exchange rate policies and checkpoints, but they interact in different ways. Cash-based programmes may already be large enough to figure visibly as part of the country’s gross domestic product. **Cash-based programmes are implemented in local currencies and directly engage with local markets. Any expansion is expected to impact the market economy, increasing opportunities for the markets to expand and strengthen, creating winners and losers.**

### Cash-based programmes and local systems of production and exchange

Cash-based programmes that support household food security and livelihoods also interact with local systems of production and exchange, which are being transformed by displacement and the rapid spread

<sup>2</sup> GDP figures from IMF data available at <http://www.imf.org/external/pubs/ft/weo/2017/02/weodata/weoselser.aspx?c=733&t=1>, accessed on 12 Mar 2018; humanitarian funding figures from OCHA data available at <https://fts.unocha.org/appeals/538/summary>, accessed on 13 Mar 2018; peacekeeping figures from UNMISS data available at <https://peacekeeping.un.org/en/mission/unmiss>, accessed on 13 Mar 2018.

of market relations. In contrast to the 1980s and 1990s, when markets in South Sudan were viewed as places of (northern) exploitation, markets are now portrayed in neutral terms simply as ‘functioning’ or ‘failing.’ However, trade and markets are sometimes still dominated by certain groups, who may capture some of the most significant benefits accruing from cash-based programming.

Markets are changing kinship structures, around which many traditional forms of production and exchange are based. People uprooted from kin and land are not always able to produce goods and services which allow them to function in a market economy, and they need to improvise new coping strategies. This can increase their vulnerability to conflict and economic shocks.

Some of these strategies for interfacing with the new cash and market economies may be socially damaging and some will have implications for gender roles and inter-ethnic relations. At the same time, traditional systems of exchange, agriculture and livestock economies all used kinship structures to function, and market systems are now being drawn into the contradictions of a conflict-affected society, with complex short and long term impacts.

Cash-based programmes are part of a long historical process which is moving people from economic systems structured around kinship to systems structured around the market. This process brings new opportunities, including for displaced households to be involved in income generating activities including trade. But as economic and political circumstances require people to buy food, rather than to grow it, many people adopt negative strategies, such as looting and extortion, to get the money which they now need to eat. **Cash-based programmes may not be able to effectively mitigate all the risks attendant on the shift from kinship to markets, but they need to be alert to potentially harmful pressures on household food production and predatory trade practices, as cash-based programmes become more widespread.**

## Recommendations

### Additional research supporting better and deeper learning

- Cash-based programmes require an astute reading of food security, economic and other data. Donors should consider commissioning political economy analysis from South Sudanese researchers that can better support cash-based programmes.
- Cash-based programmes affect gender and generational politics, but more sensitive understandings of social change are needed. A South Sudanese-led research programme would help to promote positive gender and generational politics through programming.
- Donors and humanitarian agencies need a better understanding of the checkpoint economy, and should ensure a modality is in place for accurate reporting and assessment of its impact on cash-based (and in kind) programmes.

### Supporting more effective programming

- Increases in cash-based programming should be incremental and matched with robust mechanisms for monitoring and learning.

- Monitoring & Evaluation (M&E) should include indicators or approaches to measure social impacts; this would benefit from support from an anthropologist or social scientist.
- Explicit or implicit assumptions regarding programme impacts on increased local production, trade flows, inflation, contributions to local livelihood strategies and/or increased beneficiary vulnerability to market pricing fluctuations need to be investigated.
- Lessons learned and best practices, at both a strategic and implementation level, should be captured and shared.
- Cash-based programmes should be more flexible in defining beneficiaries, including more openness for recipients to transfer their entitlements to those they indicate.
- Cash-based programme practitioners should take into account the generational and gender differences in targeting.
- Implementers should seek to collectively bargain for better exchange rates from financial service providers.
- Cash-based programmes should be alert to tensions between traders who are in competition over inclusion in cash-based programme contracts.
- Cash-based programmes should interact with interlocutors and gatekeepers carefully.
- Humanitarians should receive induction training on local concepts of vulnerability and social systems.
- Cash-based programmes should be designed with longer term horizons to enable more learning and course correction, and should have incentives or processes built in for collaborating and sharing information.

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<sup>i</sup> 'Report of the Secretary-General on South Sudan (covering the period from 15 November 2017 to 16 February 2018), New York: United Nations Security Council, S/2018/163 (28 Feb 2018) para 28

<sup>ii</sup> Different estimates for government expenditure and for GDP are available from <http://www.imf.org/external/pubs/ft/weo/2017/02/weodata/weoselser.aspx?c=733&t=1>, accessed on 12 Mar 2018; 'Release of South Sudan Gross Domestic Product (GDP) Estimates for 2016,' Juba: National Bureau of Statistics press release (13 Sep 2017); 'Approved Budget Tables Fiscal Year 2017/18,' Juba: Ministry of Finance and Planning (Sep 2017)