

Considering the needs of tomorrow alongside those of today: Cash & Covid-19

NRC Position paper on cash based interventions to Covid-19 in East Africa

The scale and impact of Covid-19 in this region will require a comprehensive and coordinated response that addresses immediate needs, but also considers systemic problems and develops resilience for future crises.

While the full impact of Covid-19 on the countries of East Africa is still unknown, the negative effects on societies and economies is already being felt. Most governments in the region have acted fast and proactively to limit the spread of the virus, and the numbers of confirmed cases remains relatively low compared to many other regions of the world. Donors and aid agencies have re-focused funding and programmes, and modified their ways of working so as to plan, prevent and mitigate the impact of the virus.

All these initiatives are valuable and will save lives. Yet given the pre-existing levels of poverty, and the multiple and overlapping humanitarian crises in the region, addressing the impact of Covid-19 surpasses the traditional role of humanitarian agencies. It will require interventions that address systemic problems alongside meeting day-to-day basic needs, while also strengthening the resilience and preparedness of vulnerable communities.

Cash assistance to vulnerable households, especially the displaced and marginalized, is needed now to stop households from slipping into further poverty. This assistance should be provided in a manner that strengthens and reinforces systems and processes behind disaster preparedness and economic recovery and resilience. To enable communities to overcome the immediate impact of the virus as well as continue on a path out of poverty, and build some resilience for the next crisis, a comprehensive Covid-19 response is needed.

A response is needed that does not repeat the mistakes and undo the gains made from the last decades of humanitarian and development programmes in the region. To do this we need to protect, strengthen and reinvigorate systems and economies. The needs of the estimated 13.9¹ million displaced people living in precarious “virus-friendly” conditions, or the 22.5² million people who are severely food insecure in East Africa and the Horn will not be met by the current Covid-19 response. For this

¹ UNHCR Planning figures for people of concern 2020 for East Africa, the Horn and Great Lakes regions.

² UN OCHA Greater Horn of Africa Region: Humanitarian Snapshot (April 2020)

reason, we need to consider the needs of the future alongside those of the present.

Building a comprehensive Covid-19 response

Cash assistance as part of a market based programme approach should be central to the Covid-19 response. Cash enables individuals, households and businesses to buy what they need, when they need it, to invest in businesses and pay off debts. Access to capital and loans to reinvigorate micro and small businesses is vital, as livelihoods provide a gateway to meeting household needs and employment creation. In turn, this stimulates markets, increasing the availability of goods and services to the whole population, including those who don't get the cash assistance. Unlike traditional distributions, the benefits are multiple and multi-dimensional, benefiting the people, public and private sectors.

Providing cash alone however is not enough. The humanitarian sector must not forget the lessons learned from previous crises: where we repeatedly called for the need for integrated multi-sector responses that pull together immediate, medium and long term needs for more impactful programming. With that in mind, the current crisis necessitates that we maximise our difference at the individual, household, community and system level – including the governance needed to enable this. Cash should therefore be provided in a more complementary manner, using approaches that use, build and support existing systems; strengthening and preparing them for future crisis, and enabling resilience to develop within those systems. For example, the provision of cash assistance alongside financial inclusion enables resilience to economic shocks and the economic empowerment of women.

Added to which, social protection systems have the potential to reach large numbers of people. Applying 'shock responsive mechanisms', where practical steps are put in place to reduce the impact of a crisis – but the longer-term

trajectories of resilience are protected – accentuates the impact. In East Africa, we are seeing this approach slowly gain momentum. However, the inclusion of refugees, IDPs and un-registered vulnerable populations in these systems continues to be a challenge – as does the provision of sufficient assistance in quantity and frequency. Added to which, the scale of the need – and budgetary constraints – means the amount of assistance that will be provided will fall short of what is needed.

We run the risk therefore of not using the Covid-19 response as an opportunity to address systemic problems facing vulnerable households, and to build in preparedness measures for future disasters. Yet if the Covid-19 response in East Africa is to grasp this opportunity, it will require greater cooperation between development and humanitarian actors. Governments will also have to take up their responsibilities as stewards and overseers. Political will is ultimately the key to enabling a coordinated, efficient and effective response.

Priorities

The response to Covid-19, and its longer term impact, will require a comprehensive response – one that pulls together the expertise of humanitarian and development sectors, together with donors and the private and public sectors.

Humanitarian and development actors should:

- Design and provide cash assistance responses to address immediate needs of vulnerable households. These responses should also be part of a wider suite of market strengthening actions, including business support services, financial support to businesses (such as "credit with education"

models³) and the promotion and inclusion into digital payments technologies to enable their recovery, growth and resilience.

- Align and complement humanitarian safety nets with Government social protection responses. Where possible utilise, support and strengthen the use of Government to Person ecosystems (that can enable faster payments), including customer experience and feedback and accountability mechanisms.

Governments should:

- Support timely expansion of social protection mechanisms to include refugees, IDPs and other currently excluded vulnerable groups. Where gaps exist, enable and encourage humanitarian safety nets in close coordination with Government systems, especially regarding targeting criteria, cash amounts and frequencies provided.
- Adapt and scale up existing bilateral and multilateral aid arrangements and commitments to ensure refugees and displaced people are included in national Covid-19 response and recovery plans. This will require the temporary relaxation of Know Your Customer requirements for refugees and the regulations related to access to work permits. Ensure critical supply chains are functioning in their lockdown policies, to help keep markets functioning and prices of basic need commodities within reach of the poor and vulnerable households affected by Covid-19.
- Create a more enabling business environment to facilitate the recovery of informal and small businesses affected by Covid-19. Fast track the infrastructure, policies and incentives behind cash liquidity,

remittance flows⁴ and financial inclusion (ideally digital financial inclusion), especially that of displaced people, women in marginalised and rural areas. In doing so, leverage the role of the private and financial sectors in finding innovative, enduring solutions.

- Address liquidity problems associated with non-performance loans within inclusive-finance institutions, lowering loan interest rates or activating repayment holidays. Considerations should be made for the Village Savings & Loan Associations and other informal savings and loans groups that refugees and poor marginalised populations tend to rely on.

Donors should:

- Support creative and impactful cash programming at scale, including business support services, and financial support to micro and small businesses.
- Fund multi-year programming that enables actors to meet immediate and long term needs and address structural, systemic problems.
- Support government initiatives such as social and employment protection systems and strengthen internal leadership and coordination required to enable their timely and effective implementation.

³ Credit with education combines credit and savings services with non-formal adult education that addresses adult education needs from health and nutrition to savings strategies and diversifying entrepreneurial activities

⁴ By instructing a reduction in transfer payment rates by money transfer operators