



# **THE COST OF LIVING:**

**COVID-19 HUMANITARIAN  
CASH TRANSFERS TO PREVENT  
HUNGER AND HARDSHIP**

## **Acknowledgements**

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**Front cover:** Mariam is a refugee, community educator and women's rights advocate in Lebanon. *E. El Beam/IRC*

# Executive Summary

The World is likely experiencing the worst economic downturn since the Great Depression with advanced and developing countries suffering severe economic impacts and devastating consequences. **Contractions in economic activity in response to COVID-19 will have a disproportionate impact on hunger in countries affected by fragility, conflict and displacement.** This report finds that even in a best-case scenario outlook for economic recovery, contractions in Gross Domestic Product (GDP) will stagnate the already limited progress made towards the global Sustainable Development Goal of Zero Hunger. **We estimate 54 million additional people in developing countries will be hungry in 2020 as a result of economic downturn.** This includes millions already on the brink, pushing them deeper into hardship and brutally halting their hope of recovery from conflict and crisis.

Even with an optimistic economic outlook of a recovery in 2021, **we estimate that the COVID-19 shock to the economy could effectively suspend progress towards Zero Hunger by 3 years.** These represent critical early years, particularly for child development, when a shortage of food can have devastating, lifelong effects on development and potential. This will have ramifications across the Sustainable Development Goals.

As things stand, the chances of reversing this grim trajectory are slim. **We find people are already out of work, skipping meals, suffering food shortages and facing high food prices. Women and girls, already suffering a spike in violence, are overrepresented in the hardest hit sectors of the labour force.** With few remaining options they are in increased danger of exploitation, child labour or early and forced marriage.

Countries already enduring protracted conflict and crisis, with limited health and welfare systems, will struggle to find the much-needed resources and capacity to respond. **And countries hosting high numbers of refugees, with an expanded need, have fewer COVID-19 social safety nets: only four out of 10<sup>i</sup> high refugee hosting countries currently have labour market measures in place and refugees are at particular risk of exclusion from government programmes.**

Global action to limit the impact of COVID-19 on global poverty is failing the most marginalised in fragile contexts who are in danger of falling through the weak national social safety nets.



Above: A mother rocks her sick child in a camp in Badghis' Muqur district, Afghanistan. S.Glinski IIRC

**The International Rescue Committee (IRC) is calling for an urgent boost in humanitarian cash transfers. We estimate that US\$1.7 billion in additional funding is required in 2020 to prevent more people going hungry in countries affected by fragility, conflict and displacement – US\$760 million of this is required to respond in high refugee hosting developing countries alone.**

These estimates complement other calculations of the cost of responding to the COVID-19 crisis, including the estimate made by the United Nations Office for the Coordination of Humanitarian Affairs, by quantifying the urgent need for humanitarian cash. **We estimate the number of additional people at risk of hunger because of economic downturn and calculate the cost of providing a 6 month cash transfer covering the basic cost of living to those at risk in countries affected by fragility, conflict and displacement. It represents the priority ‘humanitarian cash boost’ required immediately to prevent a spike in hunger in 2020.**

We cannot afford to delay or depend on fragile countries with limited resource and capacity to respond. Nor can we expect developing countries already shouldering the disproportionate responsibility of hosting refugees to be resourced and equipped to meet the drastically expanded need.

**Without this short-term humanitarian boost we will pay the long-term price of hunger and poverty, with a domino effect across all of the Sustainable Development Goals.** The expectation that fragile and conflict affected governments will be equipped to expand welfare as has happened in wealthier countries is unrealistic. Countries battling conflict and displacement require immediate assistance with support from humanitarian frontline responders.

**Humanitarian cash transfers are a proven, cost efficient tool, delivered directly to people in need to make their own choices.** IRC research shows that cash transfers can support health costs – vital now to protecting people from the pandemic – and reduce risks of spiralling debts and negative coping.

**This analysis illustrates the scale of immediate need and the urgent need for action.** Humanitarian organisations on the frontline, with extensive experience of delivering humanitarian cash, stand ready to fill humanitarian gaps in government responses.

This report outlines the vital economic measures the IRC is already taking to safely distribute humanitarian cash and adapt programming to fuel markets people rely on for food and livelihoods. It highlights the essential work underway to help those suffering the triple threat of COVID-19, hunger and poverty to safely adapt their livelihoods to a new economy and way of working, building resilience in the face of an uncertain future.

**There is a narrow window for collective action. In the short term, it is imperative that humanitarian actors are resourced and mobilised to meet the immediate expanded need. In the longer term, reforms are needed to unlock economic opportunities for the most marginalised who will require long term, flexible support to adapt and rebuild their lives as part of more inclusive, resilient and sustainable economies.**

## Recommendations

- **Mobilise \$1.7 billion in 2020 to limit the threat of hunger in countries affected by fragility, conflict and displacement. There is a vital role for bilateral donors, the private sector, international financial institutions and G20 countries in particular to play in both mobilising this additional, immediate funding and resourcing long term, economic recovery.**
- **Make sure humanitarian cash transfers and public services reach the most marginalised humanitarian and displaced populations and respond to their needs and preferences.**
- **Reach those at risk of exclusion with humanitarian cash and other essential services by improving coordination and collaboration between national governments, front line humanitarian responders, multilaterals, NGOs and the private sector to rapidly respond.**
- **Rebuild more resilient, sustainable and inclusive economies with independent, climate resilient seed and food systems.**

# 1. COVID-19 economic shocks and hunger in fragile and conflict affected countries

**The COVID-19 global lockdown has triggered a contraction in economic activity in the majority of countries. The International Monetary Fund's (IMF) April 2020 economic forecast<sup>ii</sup> predicts global growth will fall to -3 percent in 2020, a downgrade of 6.3 percentage points from January 2020 making '...the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis.'<sup>iii</sup>**

This is a best-case scenario forecast. In the event of a persistent pandemic with the need for longer containment and worsening economic conditions it is estimated that global GDP would fall even further: an additional 3 percent in 2020 if the pandemic is more protracted this year, while, if the pandemic continues into 2021, it may fall next year by an additional

8 percent compared to the IMF's baseline scenario.<sup>iv</sup> Estimated impacts vary and some commentators consider the IMF forecasts optimistic. The Centre for Global Development suggests a more severe economic crisis in developing countries and warns against underestimating the support needed by those countries.<sup>v</sup>

Evidence shows that economic shocks have devastating and lasting effects in developing countries and combine with conflict and climate shocks to drive poverty and hunger.<sup>vi</sup> **What is more, the impact of economic shocks is harsher for fragile and conflict affected economies, with a more pronounced relationship between changes in hunger and GDP per capita (see Annex 1 methodology).<sup>vii</sup>**



Above: Man siphoning grains in Kandihar village, Badghis province of Afghanistan. *S.Glinski/IRC*

## 2. COVID-19, conflict and displacement: Impacts on hunger and poverty

**Countries already beset by crisis, conflict and political instability won't always have the financial resource, systems or infrastructure to withstand the threat of economic crisis and mitigate the devastating effects of containment on peoples' income and livelihoods. Pre-existing food security challenges for fragile economies will ultimately be compounded by the pandemic. Climate change triggered floods and droughts, the desert locust swarm in East African countries,<sup>viii</sup> and conflict and displacement all combine with the consequences of the virus and the lockdown to drive the most vulnerable deeper into hunger and poverty. Those already on the brink, struggling to survive conflict or rebuild their lives following displacement, must now contend with economic collapse.**

**The options are limited. Household debts will mount and families will be forced to go without. Any land, livestock or assets essential for income such as motorbikes or sewing machines will have to be sold. Children will have to work instead of go to school and women and girls, already facing mounting rates of gender-based violence, may be forced into dangerous, exploitative work, commercial sexual exploitation or early marriage.**

**Food access and availability will be compromised by COVID-19 and families will skip meals as a way of coping as assistance and incomes decrease. The grave implications are discussed below.**

### **Food access, availability and price spikes**

Access and availability of food and non-food items are interdependent challenges in fragile and conflict contexts. As businesses and informal markets close or reduce activity, significant elements of supply chains – agricultural value chains in particular – will be affected. Many farmers may miss the planting seasons, either due to failure to access the required inputs in time or shortages of labour due to travel restrictions and illness. In South Sudan, over 11,000 farmers supported by the IRC have had to suspend farming activities. Meanwhile market closures across Africa – including in Burkina Faso, Rwanda, Senegal, South Africa, and Zimbabwe – have cut off vital food sources for communities, and sales outlets for farmers.<sup>ix</sup>

Food prices are already skyrocketing with the IRC reporting in April that the cost of basic goods in Colombia has increased by 140 percent, rice in Sierra Leone by 32 percent, basic food items in Yemen by 24 percent and consumer prices in Venezuela by 80 percent.<sup>x</sup> Imported food prices will also be affected by the crisis. Asian countries heavily impacted by the COVID-19 are likely to withhold rice for domestic consumption, causing the price of rice imports that the West Africa region depends on to rise.<sup>xi</sup>

Developing country food exports and the livelihoods depending on them will also suffer. Recent estimates suggest that a 1 percent reduction in global economic growth triggered by a trade shock could have the potential to cause a decline in developing country agri-food exports of almost 25 percent with the impacts on poverty concentrated in Southern African countries.<sup>xii</sup>

The IRC is already learning of the severe food insecurity refugees and people displaced and affected by the humanitarian situation are experiencing: in Pakistan 60 percent of 252 households surveyed reported food shortages and in Lebanon, 100 percent of older people surveyed mentioned lack of food as their most important concern with 77 percent of refugees reporting reducing food consumption as a key coping strategy.



**Above:** Babona received cash assistance from the IRC which she used to buy cooking supplies and food. Afghanistan. *K.Ryan/IRC*



**Above:** A member of the IRC-supported community-based organization Tupendane (which translates to “Let’s Love Ourselves”) cultivates the land, Democratic Republic of Congo. *K.Ryan/IRC*

### Conflict, displacement and humanitarian assistance

Conflict has been shown to interact with economic and climate shocks to drive food crises.<sup>xiii</sup> For example, more than five years of conflict and humanitarian crisis in Yemen has destroyed Yemen’s infrastructure, derailed its already-fragile economy, and upended its agricultural capacity. Since the war began, Yemen’s economy has shrunk by 50 percent, while displacement and conflict, including attacks on the means of food production and distribution, has made it impossible for millions of people to produce food or earn the money they need to buy the limited food available.<sup>xiv</sup> Today, 80 per cent of Yemen’s population – 24 million people – rely on humanitarian assistance and 16 million are food insecure.<sup>xv</sup> Women and girls in particular are at risk of adopting dangerous coping strategies in the face of hunger and poverty, with rising rates of early and forced marriage and other forms of gender-based violence.<sup>xvi</sup>

Disruptions to humanitarian food and cash assistance already felt in other contexts have been amplified by COVID-19. Food shortages are being reported in Bangladesh, where 70 percent of refugees reported they are unable to buy food<sup>xvii</sup> and distributions have been late or absent. A recent rapid protection needs assessment in Northwest Syria found that lacking documentation was an additional barrier to movement and humanitarian assistance with 71 percent of households surveyed reporting to have at least one family member without key civil status documentation. Discrimination and excessive restrictions on movement also limit displaced populations’ access to markets to purchase food.

### Informal employment hit hardest

Lockdowns to limit the spread of the virus can have immediate and devastating effects on the survival of people who depend on a daily wage. These informal workers, who make up the bulk of the workforce in fragile and conflict affected countries, rarely have the savings or financial safety nets to survive without an income. The ILO estimates that one month of crisis will lead to a decline in informal economy earnings of 60 percent globally, with an 81 percent decline in earnings in Africa and Latin America.<sup>xviii</sup> Few informal workers can afford such a financial hit: as a refugee tea stall owner in Bangladesh put it: *“It was the main income source for my living expenses and we are now facing problems to maintain our daily life -- to bear the daily expenses of food and other necessary things.”*

Manufacturing, retail, and food services, often part of the informal sector, are predicted to be hit hardest by the lockdown.<sup>xix</sup> Small businesses and micro-enterprises operating in these sectors will rarely have access to government stimulus support or credit schemes. Whereas larger, formal businesses have means of accessing exemptions to lockdowns or capital, enhancing their ability to absorb risk.<sup>xx</sup> The most economically marginalised are overrepresented in these hardest hit sectors, with the share of women working in them almost twice as high as that of men in low income countries<sup>xxi</sup> and significantly more refugees employed in these sectors than host and global populations.<sup>xxii</sup>

## Remittances in decline

In the absence of income from work, people will rely on other sources of financial assistance; however, global economic slow-down will have a domino effect on remittances, a key source of income in developing countries. Remittances, which represent 14 percent of GDP in fragile countries across the Middle East and North Africa region, 9.5 percent in South Sudan, 12.4 percent in Yemen, and 20.7 percent in El Salvador, are expected to tumble by 20 percent as global incomes fall.<sup>xxiii</sup> These act as a lifeline to households in fragile economies, financing access the healthcare, education and vital services.

## Exclusion from social protection programmes

Many governments have taken steps to introduce or expand social protection<sup>xxiv</sup> to limit hardship in the face of lockdown and, according to the Grand Bargain group working on linking humanitarian cash and social protection, almost all countries where humanitarian responses to COVID-19 are being planned have existing or emerging national cash transfer schemes.<sup>xxv</sup> However fragile and conflict affected economies do not always have the capacity, infrastructure or resources to deliver cash transfers at scale or to newly impoverished populations. What is more vulnerable populations may not have a necessary bank account, access to the internet or be registered to receive benefits and are therefore at risk of exclusion. In particular displaced populations and refugees operating outside the formal economy are being excluded from these protections by practical and legislative barriers (see Box 1).



**Above:** Hussein and his family have been displaced multiple times in north-west Syria, making it hard to generate an income to cover basic needs. Hussein has received an IRC cash grant. *A.Hammam/IRC*

## Box 1: COVID-19 social protection response in high refugee hosting countries

The World Bank's live updates of countries' COVID-19 social protection programmes find few specific provisions for refugees globally. This trend is reflected in the COVID-19 social protection programmes introduced in high refugee hosting countries.<sup>xxvi</sup> While the findings show that the top 10 refugee hosting countries are all providing (or planning to provide) some form of social protection in response to the pandemic, refugees are not specifically identified as targets of these interventions and a number of the measures are already limited by geographic area or to workers in a particular sector. Cash and in-kind transfers are the most common measures available in high refugee hosting countries. Only 4 out of the 10 have implemented labour market measures such as labour market regulations, wage subsidies or reduced work-time.<sup>xxvii</sup>

Indeed, IRC's experience has shown us that refugees and asylum seekers are often excluded from social protection measures due to their status, and the advent of COVID-19 has yet to significantly change this. In Ethiopia, the Productive Safety Net Programme applies only to citizens and in Uganda the social protection programme covers only nationals in selected districts.

In instances like these, humanitarian organisations are filling the gaps. This is the case in Jordan, where many refugees are not eligible for the social protection programmes that support workers who have lost their income and instead are relying on external assistance from humanitarian organisations.<sup>xxviii</sup> In Pakistan, the "Ehsaas Emergency Cash Programme" is either conditional on already being registered to receive a benefit or being identified through a national socioeconomic database. The government of Pakistan is working with UNHCR to roll out an emergency cash assistance programme to vulnerable refugee families affected by COVID-19.

Humanitarian organisations are uniting as part of the Grand Bargain process and the Collaborative Cash Delivery Network<sup>xxix</sup> to identify opportunities for complementary humanitarian cash transfer programmes that fill humanitarian gaps in social protection systems based on needs. They are experienced at delivering humanitarian cash to the most vulnerable whose lives are devastated by conflict and crisis and partner with local communities and the private sector to deliver services and assistance. They can exploit pre-existing relationship with private sector mobile networks robust enough to deliver cash at scale and manage activities remotely using digital registration and monitoring applications – more important now than ever in light of lockdown social distancing measures.<sup>xxx</sup>

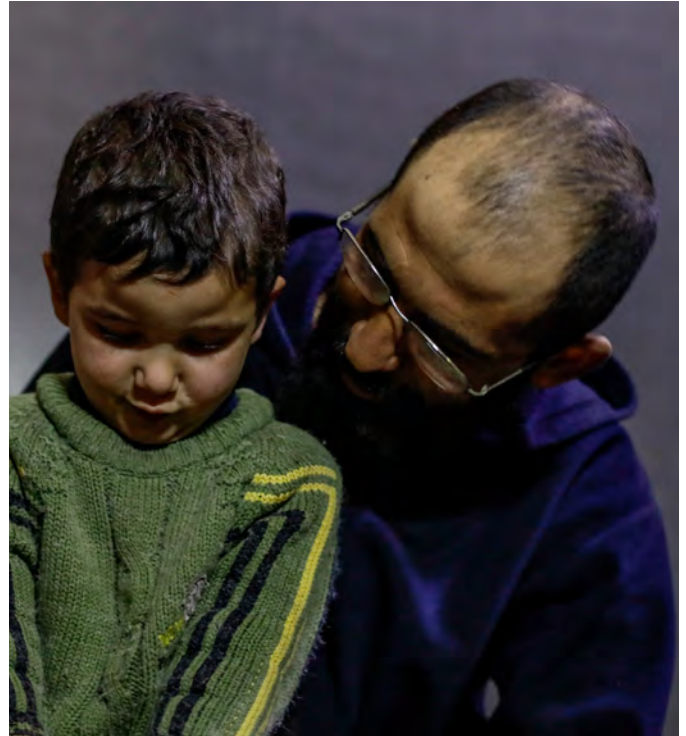


# 3. COVID-19 and Humanitarian cash transfers

The decimated livelihoods, food access challenges and price spikes and compromised humanitarian access described above are all forcing crisis affected populations to make impossible choices and compromise basic necessities. What is more, there is a danger that national responses will not meet the needs of all the newly impoverished and may exclude displaced and refugee populations. Humanitarian cash transfers are a proven effective means of improving food security and supporting basic needs (see Box 2). Having cash would mean people affected by the COVID-19 crisis would not be forced to sell their few assets, or fall further into debt. Designed well, they will help people survive and get back on their feet and overcome the exclusion of women and marginalised populations.

## Box 2: Humanitarian cash transfers: an essential and cost-efficient tool in the COVID-19 response and an effective way to meet basic needs<sup>xxxi</sup>

- Cash can be **more efficient** in terms of reduced administration costs, meaning **more aid goes directly to the people who need it** – vital now need is expanding and budgets are stretched.
- Cash is spent in local markets, in turn **supporting those markets and the people who benefit from them** and multiplying the impact when markets need support.
- Cash transfers can reduce poverty and vulnerability by giving people the **choice over how they rebuild their lives**, offering them dignity in the face of this crisis.
- People often prefer to receive cash rather than goods. **They can spend it on what they and their families need most such as food, clothing and transport.**<sup>xxxii</sup> **This is a more efficient allocation of resources.**
- Designed well, cash has the potential to **improve women's use and control of resources and assets** particularly important given the disproportionate impact on women informal workers' incomes.<sup>xxxiii</sup>



**Above:** Sami\* and his younger son Nabeel\*. Sami cannot work due to injury and has received an IRC cash grant in north-west Syria. *A.Hammam/IRC*

## Humanitarian cash to meet additional health needs

Food insecurity and reduced income are not the only sources of debt. Before COVID-19 hit, out-of-pocket direct and indirect health costs were already pushing displaced families beyond their means. Humanitarian cash is essential to protect people from neglecting essential healthcare during a global pandemic or compromising other essential basic needs to meet healthcare costs.

Sustainable Development Goal number 3 aims to ensure healthy lives and promote well-being for all at all ages. A target within this goal (3.8) is universal health coverage (UHC), quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. An indicator used to measure progress towards UHC (3.8.2) is the proportion of the population with large household expenditure on health as a share of total household expenditure or income with “large household expenditure on health” defined as greater than 10 percent. **IRC research shows that displaced people are more likely to be spending a share of their income on health costs that will affect their ability to meet other essential basic needs. Humanitarian cash assistance is shown to reduce healthcare related debts (See Box 3).**

### Box 3: Humanitarian cash preventing spiralling healthcare debts

IRC research finds that the cost of healthcare can represent a substantial proportion of displaced families' income or contribute to spiralling debts – even when the services were meant to be free. Spending on healthcare can be anywhere between 33 – 107 percent of reported income, forcing families to make tough choices between basic essentials and healthcare or go deeper into debt.<sup>xxxiv</sup>

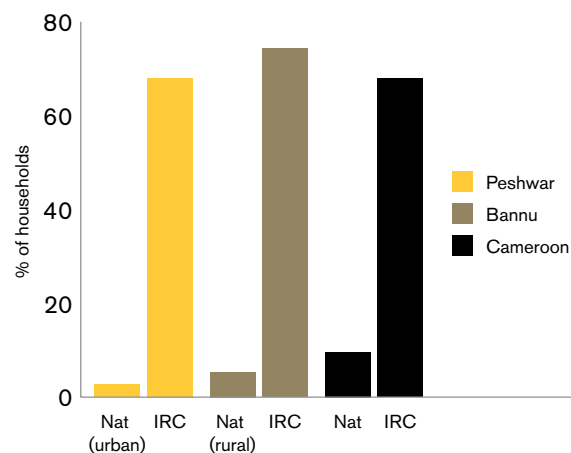
IRC research shows that people affected by the humanitarian situation in the Pakistan districts of Bannu and Peshawar and Logone-et- Chari, Kousseri in the north of Cameroon struggle to meet their health costs. As one woman put it, 'I took a loan out for my daughter's treatment and to bear my household expenses because the money my husband earned was not sufficient to fulfil all the requirements'. In fact, IRC found that households in all three locations incurred debt to cover health expenditure.

Health costs representing a significant share of household income or expenditure can devastate families and leave them unable to cover the cost of other essential basic needs. Between 68-74 percent of households surveyed reported spending more than 10 percent of their total income on health over a six month period – spending at this level is described as catastrophic, putting families' ability to survive at risk.

In both contexts displaced populations are more likely to experience proportionately high levels of health spending relative to their incomes than vulnerable national populations.

Using data on shared characteristics in other countries such as Gross Domestic Product (GDP) per capita, International Health Regulations (IHR) core capacity index, national catastrophic health expenditure, and out-of-pocket expenditure we would expect **Cote d'Ivoire, Bangladesh, Kenya, Zimbabwe, and Myanmar** to experience similar rates of catastrophic spending among vulnerable populations.

**Figure 2: Comparison of national populations to humanitarian populations with a large share of household spending on health**



Caption: Nat = percentage of national population who experienced catastrophic health expenditure. IRC = percentage of IRC cash assistance recipients who experienced catastrophic health expenditure. Catastrophic expenditure is defined as out-of-pocket health spending that is 10 percent or more of total income.

Cash transfers used by families to meet a variety of needs were used to ease the pressures of debts arising from health costs, with cash use increasing and loan use to meet health costs decreasing during the cash assistance period.

IRC research shows that it is vital, now more than ever, to assess the out-of-pocket costs associated with healthcare access for displaced populations, particularly when a desired programme goal is to provide free services. The research also points to the need to include health cost in the Minimum Expenditure Basket calculated to determine cash transfer value in humanitarian settings. This wouldn't be a substitute for availability of high-quality services, but would rather serve to supplement household income to meet health needs.

# 4. Estimating the Cost of Living: the Humanitarian cash boost required in 2020

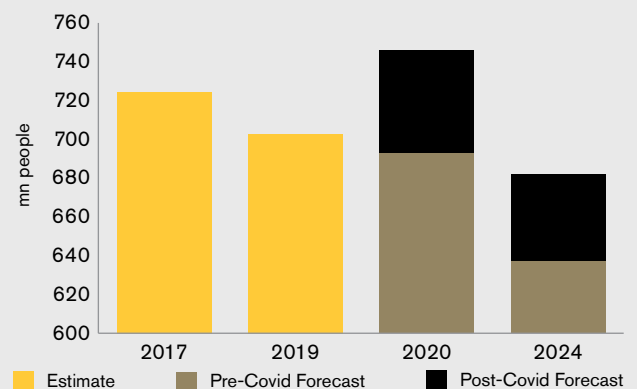
The challenges described above point to the need for an urgent response with an immediate role for humanitarian cash transfers. The COVID-19 triggered economic downturn is already impacting on people's ability to survive and withstand the crisis. It is vital we build on observations and lessons learned from past economic shocks to prioritise humanitarian cash in the global response.

As discussed above, the drivers of food insecurity are complex and factors including climate shocks, conflict, food price rises and natural disaster will intersect with economic shocks in each country to increase and prolong high levels of hunger. Nevertheless, we can look at the historic relationship between hunger and economic growth. We apply the methodology used in *The State of Food Security and Nutrition in the World 2019*<sup>xxxv</sup> to assess the relationship between changes in prevalence of undernourishment (PoU) – or hunger – and economic growth between 2011 and 2017. We use the findings to calculate an illustrative, conservative estimate of the impact of the COVID-19 triggered economic shock on hunger using updated World Economic Outlook forecasts (see Annex 1 for a detailed methodology).

As shown in Figure 3, we estimate that there will be an *additional 54 million* hungry people in developing countries, compared to the level we would have anticipated based on the IMF's pre and post COVID-19 growth forecasts and previous trends. The IRC estimates that in the optimistic event of the economy recovering as expected in 2021 there will be a decline in hunger from the peak in 2020, but numbers hungry will still be more than 45 million higher in 2024 than they would have been in the absence of the current crisis – significantly slowing progress towards the global Sustainable Development Goal of Zero Hunger by 2030. As already discussed, this is a conservative forecast at best, particularly for developing countries. An IMF reforecast of GDP growth is due which is likely to show a sharper decline.

Even with an optimistic economic outlook of a recovery in 2021, **we estimate that the COVID-19 shock to the economy could effectively suspend progress towards Zero Hunger by 3 years.** These represent critical early years, particularly for child development, when a shortage of food can have devastating, lifelong effects on development and potential. This will have ramifications across the Sustainable Development Goals. Immediate action is required to stimulate fragile economies and help households withstand the devastating impact.

**Figure 3: Estimates of additional hungry people in developing countries**

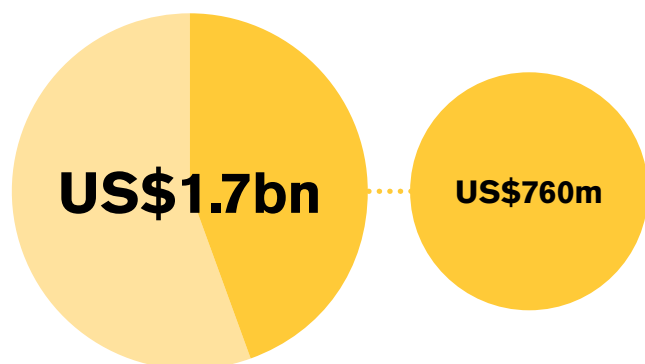


Notes: Estimated hunger as defined by Prevalence of Undernourishment (PoU) using pre and post COVID-19 WEO forecasts.

Using up to date information collected by the IRC on the local cost of basic needs required to survive (the Minimum Expenditure Basket), we can calculate the total cost of providing a 6 month cash transfer covering the basic cost of living to the estimated additional people at risk of hunger in countries affected by fragility, conflict and displacement (See Table 1).

This would represent the 'humanitarian cash boost' required to meet immediate, additional needs based on the 2020 economic forecasts and trends in the data measuring the relationship between hunger and economic growth. It does not factor in assistance that is already being provided or quantify the costs of distributing the cash. Rather it is an attempt to quantify the cash boost required to prevent hunger and hardship. These estimates complement other calculations of the cost of responding to the COVID-19 crisis, including the estimate made by the United Nations Office for the Coordination of Humanitarian Affairs, by attempting to quantify the urgent need for humanitarian cash.

As discussed, fragile and conflict affected countries face particular challenges to meeting food and basic needs and we have pointed to the risk of economic exclusion for displaced and refugee populations. It is therefore helpful to quantify the costs of meeting needs specifically for fragile and conflict affected countries as well as high refugee hosting countries alone (see Table 1).



**US\$ 1.7 billion: cost of humanitarian cash transfers for the additional people hungry in fragile and conflict affected countries and developing countries hosting the highest numbers of refugees.**

**US\$ 760 million: cost of humanitarian cash transfers for the additional people hungry in high refugee hosting developing countries.**

**Table 1: Countries affected by fragility, conflict and displacement**

Source: World Bank and UNHCR

High-intensity conflict	Medium-intensity conflict	High institutional and social fragility	Highest refugee hosting developing countries
Afghanistan Central African Republic Libya Somalia South Sudan Syrian Arab Rep. Yemen, Rep.	Burkina Faso Burundi Cameroon Congo, Dem. Rep. Iraq Mali Niger Nigeria Sudan	Chad Congo, Rep. Eritrea Gambia, The Guinea-Bissau Haiti Kosovo Lebanon Liberia Myanmar Papua New Guinea Venezuela, RB Zimbabwe West Bank and Gaza (territory)	Turkey Pakistan Uganda Sudan Islamic Rep. of Iran Lebanon Bangladesh Ethiopia Jordan
		<b>Small states</b>	
		Comoros Kiribati Marshall Islands Micronesia, Fed. Sts. Solomon Islands Timor-Leste Tuvalu	

These amounts represent the cost of meeting additional unmet need. However, we know humanitarian cash financing was already insufficient to meet needs – even before COVID-19 hit. The Cash Learning Partnership 2018 State of the World's Cash report already reported that the gap between humanitarian needs and available funding had increased to over 40 percent<sup>xxxvi</sup>.

Although global volumes of humanitarian cash and voucher assistance grew by 10 percent from 2017 to 2018, to a total of US\$4.7 billion, this was largely driven by an increase in cash and voucher assistance programming by UN agencies, while volumes distributed by NGOs and the International Red Cross and Red Crescent Movement (RCRC) remained at a similar level.<sup>xxxvii</sup> Most implementing agencies, including NGOs, national and local organisations, have seen little or no increase in the multi-year funding they receive.<sup>xxxviii</sup> Putting in place effective pass-through mechanisms that allow UN agencies to cascade the funding they receive to frontline responders is key to unlocking the full potential of multi-year flexible funding. Until that happens, the benefits of quality humanitarian funding will be limited.<sup>xxxix</sup>

**Funding worth an additional US\$ 1.7 billion would bring the total volume of global cash transfers to US\$6.4 billion – or 22 percent of 2018 overall international humanitarian assistance. This proportion of humanitarian cash is much more in line with the ambition and commitments made by humanitarian organisations and donors to deliver humanitarian assistance via cash.** For example the Department for International Development (DFID) aims to more than double its use of cash in crises to 32 percent by 2025 from 14 percent of humanitarian cash and vouchers in 2015-16<sup>xl</sup> and the European Commission's Civil Protection and Humanitarian Aid Operations (ECHO) committed to spending 35 percent via cash in 2017.<sup>xli</sup>

**Humanitarian cash transfers are a reliable intervention to reduce poverty and improve food security. What is more they can be used by people to safely meet lockdown measures, meet essential health costs during the pandemic preventing spiralling debts or negative coping. Given the extraordinary circumstances and potential scale of unmet need, it is more important now than ever to achieve these ambitions of humanitarian cash scale globally.**

# 5. IRC programmes to prevent hunger and hardship

**In the face of escalating hunger and the rapid impact of poverty as a result of economic shocks, the IRC is responding by distributing emergency cash assistance and maintaining markets, livelihoods and essential financial services. Cash transfers, delivered directly to clients in need, will boost purchasing power and offer vulnerable households choice and the opportunity to identify the balance of basic needs required in these unprecedented circumstances. Adapted economic programmes will mitigate the long-term risks, building resilience and assisting the hardest hit and most vulnerable to rebuild their lives.**

## Immediate actions

### Safe distribution of cash assistance

The IRC is taking immediate life-saving action to support households suffering the economic impact of COVID-19 and mitigate long term economic risks. Cash assistance is being safely distributed digitally, where possible, using mobile money or pre-paid debit cards. This support will help the most vulnerable cover their basic, essential needs – food, health care and other essentials – withstand rapid inflation and avoid negative coping such as eating less, selling productive assets and pulling children out of school.

### Maintaining and monitoring markets

Markets and supply chains are being closely monitored to assess the availability, quality, and price of key commodities and modify the quantity and delivery of cash assistance accordingly. The IRC will aim to unblock any market barriers identified through market interventions that ensure producers and processors maintain productivity and supply and markets remain functional and accessible to displaced and vulnerable populations. For example, in the Democratic Republic of Congo on the border of Burundi and Rwanda where IRC operates, cross-border trading has halted due to COVID-19, making it difficult for small-scale traders to obtain supplies. Economic activity has therefore been directed to the informal markets. Women vendors operating there have stepped in to supply essential food items that they can grow quickly like tomatoes, and sell food and essential items like soap and hygiene products in small shops. As a last resort, if IRC cannot address market blockages, in-kind food assistance will be provided.

### Filling humanitarian gaps in social protection and meeting unmet needs

The IRC and other humanitarian organisations stand ready to align with, adapt and expand government-led social protection schemes to reach more of those in need, including displaced and refugee populations as well as newly vulnerable groups and those harder to reach. Where government programmes do not have the capacity to support all of the most vulnerable, or where people are excluded from national systems, we have the experience and expertise to systematically assess and fill critical humanitarian gaps to deliver life-saving humanitarian cash assistance.<sup>xiii</sup>

## Medium to long term actions

### Improving food security and resilience to future shocks

The IRC is supporting local food production and ensuring households meet their immediate food needs. We are simultaneously building long term resilience to less predictable shocks caused by COVID-19 as well as climate-change, natural disaster and conflict. Vital food security relevant information, such as market prices and agriculture extension service information are being shared digitally to aid rural communities dependent on agriculture. There is digital literacy support available for very remote and excluded groups so they can access this information.

In anticipation of food price volatility, the IRC is improving means of food storage while food is available and reducing waste in order to stretch supplies. This is combined with support for the diversification of food and cash crops to ensure food availability at the household and local level, decrease food import dependency and ensure a diversification of income sources to lower risks to further economic and natural shocks (such as those induced by climate-change or pests such as locusts). There will be an increased focus on local food system strengthening, from quality input provision and production to facilitating safe and faster marketing at local, national and regional level. For example, the IRC has provided large cash grants to women in Sierra Leone participating in Village Saving and Loans Associations to purchase agricultural inputs for group subsistence farming.

### Adapting livelihoods opportunities and financial services

The IRC is supporting businesses owned by and employing vulnerable and displaced people by providing recovery grants to retain employees and training on business adaptation. This includes dedicated support to women owned businesses facing particular challenges of increased unpaid care of family members as well as gender discriminatory social norms. Training is continuing where possible through e-learning programmes. In Iraq, the IRC overcame barriers to online business training for women via Zoom by providing cash stipends to purchase internet data and loaning tablets to women without a smartphone. The IRC is facilitating networking and information sharing with new and emerging

business and employment opportunities to help rebuild livelihoods (see Box 3).

Financial services are essential to quick recovery, improved liquidity and market functioning. The IRC is a signatory to the Roadmap for the financial inclusion of Forcibly Displaced Persons<sup>xliii</sup>, along with donors and other international organisations. This includes recommendations to leverage digital financial services in humanitarian contexts to support refugees. Both national safety nets but also humanitarian cash assistance can be deployed faster when refugees have access to their own bank or mobile money accounts.

The IRC is working with financial service providers to adapt and improve access, particularly for women and displaced populations and equipping vulnerable populations with access requirements. The IRC supports 800 women in the South Kivu region of the DRC through Village Savings and Loan Associations (VSLAs). These groups have been essential for women in this period to mobilise and secure funds to invest in the new business opportunities presented by COVID-19. With the help of IRC staff, they receiving much needed capital to finance their businesses, as well as links to market actors and essential fair pricing and market information.

#### Box 4: Women supporting the COVID-19 frontline response

The economic impact of COVID-19 on women is expected to be significant, with a disproportionate number of women working on the frontlines as healthcare workers and in the informal sector with poor protections and benefits. The IRC is working to maintain economic support to women to safely mitigate the negative economic impact.

Globally, trade and markets have been affected, in many cases contributing to a localization of trade and supply chains. With a surge in demand for personal protective equipment (PPE) like facemasks, many people, particularly women with prior tailoring skills, have shifted to facemask production.

In Thailand, IRC staff trained 78 refugees, a majority of whom are women, to make cloth facemasks and face shields. In Northwest Syria, the IRC has started a cash for product scheme for PPEs, providing income to internally displaced people, 65 percent of whom are women. Women in the Democratic Republic of Congo with prior tailoring experience have also shifted to produce cloth facemasks to meet government requirements.

By adapting programming to meet the specific economic needs and market opportunities, IRC is working to mitigate the negative socioeconomic impacts on women.

## 6. Conclusion

**Experience and past evidence shows that there is a dangerous threat of escalating hunger associated with economic downturn. This report estimates the cost of humanitarian cash transfers to prevent additional people going hungry in 2020 because of the COVID-19 triggered economic downturn.**

Humanitarian cash transfers are essential to helping people buy food and other essential needs, including much needed healthcare. They are proven to be cost efficient and have been prioritised by a range of donors. What is more they are a key instrument to fuel markets and the wider economy, helping rebuild livelihoods hit by the COVID-19 economic shock.

National measures to expand social protection to mitigate the negative economic impacts of COVID-19 are vital. However, this report highlights challenges for fragile and conflict affected countries and the risk of exclusion of humanitarian and displaced or refugee populations. Humanitarian organisations therefore play an essential role in plugging gaps

in social protection and extending life-saving cash assistance to the most vulnerable people at risk of exclusion.

**The IRC estimates that a humanitarian cash boost of \$1.7 billion is required in 2020 to limit the threat of hunger in countries affected by fragility, conflict and displacement.**

The economic downturn will have lasting consequences, stagnating the limited progress towards eliminating hunger and driving more people already suffering crisis and conflict deeper into poverty.

There is a narrow window for collective action. In the short term, it is imperative that humanitarian actors are resourced and mobilised to meet the immediate expanded need. In the longer term, reforms are needed to unlock economic opportunities for the most marginalised who will require long term, flexible support to adapt and rebuild their lives as part of more inclusive, resilient and sustainable economies.

# Recommendations

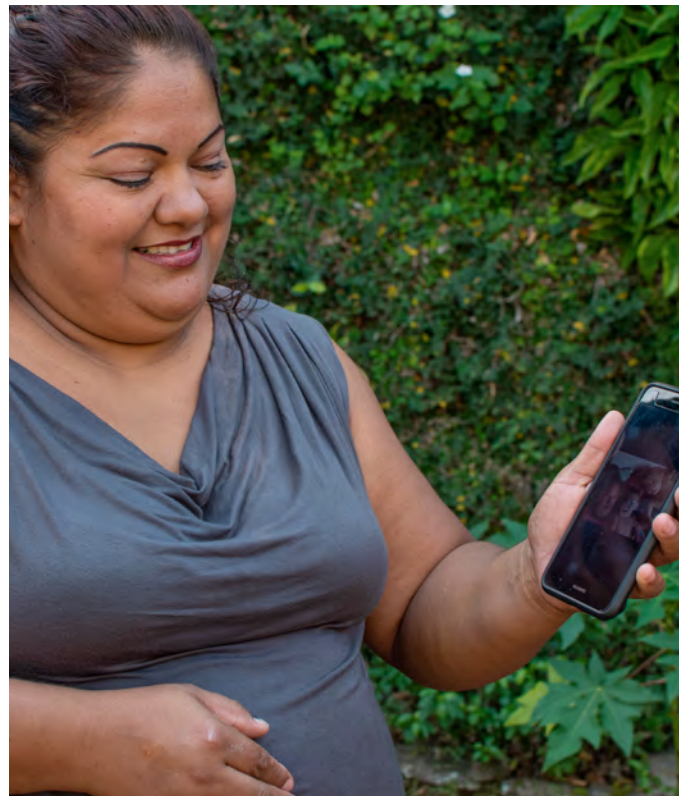
## Funding

**Mobilise \$1.7 billion in 2020 to limit the threat of hunger in countries affected by fragility, conflict and displacement. There is a vital role for bilateral donors, the private sector, international financial institutions and G20 countries in particular to play in both mobilising this additional, immediate funding and resourcing long term, economic recovery.**

- Bilateral donors must mobilise rapid, additional funding that prioritises humanitarian cash transfers to meet the expanded need. This is in line with the Grand Bargain commitments to increase the use of cash programming as well as individual donor targets.
- Without delay, ensure front line responders have sufficient multi-year, predictable and flexible funding for immediate, lifesaving humanitarian response and long term economic recovery needs.
- Accelerate deployment of World Bank COVID-19 financing and ensure it is used urgently to support countries affected by fragility, conflict and displacement.
- In the immediate term, the World Bank should consider creating COVID-19 response programs that are complementary to those financed by the Global Concessional Financing Facility and IDA Window for Hosts and Refugees. In particular they should support the long term expansion of social protection programmes in fragile and conflict affected settings.
- The G20 should extend debt relief beyond the initial moratorium to create space in low income countries' national budgets to support immediate and long term economic recovery. The G20 COVID-19 Action Plan developed by finance ministers must consider the additional long term resourcing needs of countries affected by fragility, conflict and displacement.
- The private sector should form partnerships with humanitarian organisations to resource and advocate in support of economic inclusion of the most marginalised humanitarian and displaced populations.

## **Make sure humanitarian cash transfers and public services reach the most marginalised humanitarian and displaced populations and respond to their needs and preferences**

- Design cash programs informed by recipients' preferences by seeking and acting on their feedback on appropriate modality, delivery mechanism, timing, and location.
- Leverage the existing capacity and expertise of humanitarian organisations to urgently deliver humanitarian cash transfers including through the Collaborative Cash Delivery network.
- National governments must develop inclusive COVID-19 national response plans, extend free national healthcare to all and expand more inclusive social protection programmes.
- Public services must be resourced and adapted to support women bearing the disproportionate burden of additional unpaid care and livelihoods disrupted by COVID-19.



**Above:** A Salvadoran woman at an IRC partner organisation – Ormina – in San Salvador. She received cash support from the IRC and has started a small business. *J. Wanless/IRC*

**Reach those at risk of exclusion with humanitarian cash and other essential services by improving coordination and collaboration between national governments, front line humanitarian responders, multilaterals, NGOs and the private sector to rapidly respond.**

- Frontline humanitarian responders – including UN agencies – must be resourced and deployed to reach vulnerable, humanitarian populations at risk of exclusion – including to those outside of government controlled areas – with urgent humanitarian cash transfers and other essential services.
- Ensure that programming is complementing and filling gaps rather than duplicating on-going efforts by working through cash working groups and sharing data on national social protection systems.
- Design joint programs to include other humanitarian organizations, government, development actors, and the private sector.



**Above:** IRC supported this man's family with multipurpose cash to improve the family access to nutritious food. Yemen. *H.Ahmed/IRC*

**Rebuild more resilient, sustainable and inclusive economies with independent, climate resilient seed and food systems.**

- Review and revise discriminatory laws and policies imposing barriers to formal, decent work – particularly for women, displaced and refugee populations.
- Make large scale investments in local seed and food systems to improve diversification, production and post-harvest management and reduce dependence on imports - especially food and input imports.
- Increase funding for locust prevention and response to decrease crop loss
- Support people working in the informal sector hit hardest by the economic shock of COVID-19.
- Expand inclusive and affordable financial and digital services – particularly for women, displaced and refugee populations – by reviewing regulatory and identification, credit and asset requirements and removing regulatory barriers to mobile money ownership, internet access and bank accounts.
- Make financial and remittance services 'essential services' exempt to lockdown restrictions. Expand digital financial infrastructure and payment systems including in remote and hard to reach areas.
- Developing countries, and those affected by fragility, conflict and displacement in particular, will require long term support from donors, multilaterals and international financial institutions to rebuild more inclusive economies.



# Annex 1 Methodology

## Estimates of additional number of hungry people in developing countries and the cost of responding using humanitarian cash transfers

This analysis draws from the methodology used in [The State of Food Security and Nutrition in the World 2019](#) (Annex 4) to assess the relationship between changes in prevalence of undernourishment (PoU) and economic growth between 2011 and 2017 and explore whether increases in PoU are statistically associated with economic slowdowns and downturns.

No attempt was made in that or this analysis to model the complex mechanism and the diverse pathways by which economic growth and hunger are linked. Instead, the analysis focuses on a reduced form of this complex system and attempts to assess the correlation between hunger and economic performance – i.e. fast rates of growth, slowdowns and downturns.

The change in the PoU in percentage points between 2011 and 2017 (using the 3-year averages data) was regressed on the change in log real GDP per capita (measured in 2011 international USD, taken from the IMF WEO database) between 2011 and 2017. A sample of 111 developing countries which had data for both variables was used for the calculations. This regression yielded a constant (alpha) term of 1.5 and a slope (beta) term of -16.1; both coefficients are statistically significant. The regression coefficients were then applied to WEO estimates and forecasts of GDP growth up to 2024 for the full set of developing countries with PoU data for 2017 and WEO growth forecasts in order to estimate the change in the PoU attributable to economic growth over various time periods (for periods of less than seven years the constant term from the regression was reduced proportionately).

Estimates of numbers of hungry people were arrived at by applying the estimated PoUs to population forecasts, also taken from the WEO database, and then summed across all countries. Comparing resultant estimates for the IMF's October 2019 and April 2020 forecasts allows for an estimate of the impact of COVID-19 on hunger via the economic growth channel, assuming that for most countries by far the biggest driver of the economic growth downgrade over the intervening period was the COVID-19 crisis. Note that the IMF's April 2020 forecasts were in a stripped-back form and included only two years of data (2020 and 2021); growth for 2022-2024 was therefore assumed to revert back to the October 2019 forecasts.

### Minimum expenditure basket estimates

The most recently reported Minimum Expenditure Basket (MEB) figure has been used to define a monthly cash transfer for the developing countries where the IRC works. The transfer value for each country was calculated based on the

percentage of the MEB that the local Cash Working Group or other relevant actors recommends to cover, which is typically based on a gap analysis of which items within an MEB a household can meet through their own income and savings.

For the remaining countries in the sample an estimate was used, derived by regressing the MEB on 2019 real GDP per capita in international USD terms for those 21 countries and using the fitted relationship (since MEB is positively correlated with per-capita GDP).

This is converted into US dollars using exchange rates from IMF finance statistics and multiplied by 6 months to reflect the duration of the cash transfer programme. Depending on the impact of the economic shock in each context, shorter or longer programmes may be required, but for this exercise we used a reasonable but conservative estimate of the duration of the transfer. This figure was multiplied by the number of additional people hungry in each country to calculate the total amount required to meet the additional need using humanitarian cash transfers.

### Relationship between change in GDP per capita and Prevalence of Undernourishment in fragile and non-fragile situations

The same 2011-17 data were used to measure the relationship between economic growth and PoU and the relationship is shown to be more pronounced for fragile and conflict affected situations than non fragile countries.<sup>xiii</sup>

### Catastrophic health expenditure

See Khan, S., & Clingain, C. (2020) Cash for health in humanitarian settings: Household health needs, spending, and the burden of health care costs. New York: International Rescue Committee. Retrieved from: <https://airbel.rescue.org/studies/generating-evidence-for-the-use-of-cash-relief-for-health-outcomes/> for methodology on Pakistan and Cameroon findings showing catastrophic health expenditure is higher for vulnerable, displaced populations than national populations.

Based on a k-nearest neighbors search using k = 5 neighbors using characteristics such as Gross Domestic Product (GDP) per capita, International Health Regulations (IHR) core capacity index, national catastrophic health expenditure, and out-of-pocket expenditure, for Cote d'Ivoire, Bangladesh, Kenya, Zimbabwe, and Myanmar similar rates of catastrophic spending among vulnerable populations. The nearest neighbor search was limited to countries where the IRC is currently operating.

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