

APPENDIX G: CASH SUPPORT

Since 1984, the Bank has funded over \$850 million in cash assistance (cash transfer, cash for work, and similar programs) in the context of 11 projects, 5 of which are ongoing. Approximately 94 percent of these funds have been lent since

the Turkey EERL was appraised in 1999. In projects that have closed and been rated, four out of six were satisfactory. Projects that were rated unsatisfactory accounted for less than one percent of the funds allocated.

Table G.1: Projects with Cash Transfer Elements

Country	Project (plus appraisal date)	Cash transfer element	Amount for cash transfer component	Rating
1. Chile	Public Housing Sector Project (1984) (P006608)	Housing subsidies and tangible goods following an earthquake. The Bank reallocated US\$5.0 million of the Loan to finance 4,000 grant certificates under the ASP program for homeless owners. Within six months of the earthquake, MINVU had replaced 3,200 houses, granted subsidies for 3,600, and assisted 37,000 other households with temporary shelter, repairs and materials	\$5.0 million	Closed, no rating found
2. China	North China Earthquake Reconstruction Project (1991) (P003621)	Credit provided to village beneficiaries in-kind (as construction supplies), and in-cash (as reimbursement for construction goods). ^a After the first EQ, the reinforcement of EQ-resistant measures for the new housing produced a significant result: none of these housing units fell or had any cracks on the walls when an EQ with a magnitude of 5.8 occurred in Yangyuan on March 26, 1991 ^b	\$30 million	Highly satisfactory

(Table continues on the following page.)

Table G.1: Projects with Cash Transfer Elements (continued)

Country	Project (plus appraisal date)	Cash transfer element	Amount for cash transfer component	Rating
3. Burkina Faso	Food Security and Nutrition Project (P000303) (1991)	Cash for work program Did not lead to permanent income increases at the household level, nor was adequate training for infrastructure maintenance provided. Implementation problems because arrangements were left until after project start-up. ^c	\$4.9 million	Component was unsatisfactory
4. Poland	Housing (P008590) (1992)	Cash assistance to small and medium-size enterprises affected by flooding that occurred during lifetime of project. ^d First 40% a grant, rest a loan.	\$13 million for SMEs ^e	Satisfactory
5. Turkey	Emergency Earthquake Recovery Project (P068394) (1999 10/27)	Cash transfer to earthquake victims in the form of rent support, death compensation, and business compensation.	\$252.53 million	Satisfactory
6. Colombia	Earthquake Recovery Project (P065263) (2000)	Housing subsidies (Funds went toward housing or rent compensation) ^f	\$233 million (ICR) US\$100 million (at appraisal) Bank Project funds would be used only to partially finance the direct subsidy program for owners. Other resources were identified to finance the subsidized loan component and the renter subsidy programs.	Highly satisfactory
7. Papua New Guinea	Emergency El Niño Drought (2003) (P055462)	Cash for work ^g (For road maintenance, and vehicular bridge repairs.) The contracting of these works demonstrated that communities can be mobilized to receive payment for works to be undertaken by local government bodies in rural areas, thereby providing the opportunity to introduce cash into economies in disaster situations and reducing dependence on government and donor handouts. Monitoring procedures not adopted and the intended enhanced role of NGOs and church groups in community organization and monitoring was not developed.	Original: \$2.50 million; actual: \$.04 million	Unsatisfactory
TOTAL CLOSED			\$538.47 million	

Table G.1: Projects with Cash Transfer Elements (continued)

Country	Project (plus appraisal date)	Cash transfer element	Amount for cash transfer component	Rating
8. Maldives	Post-Tsunami Recovery and Reconstruction (P094193) (2005)	Cash support for those with damaged houses and for those especially vulnerable for 10 months post disaster ^b Also sub-grants to small businesses	\$5.6 million from the IDA Grant for cash support \$3 million for the sub-grants (not an IDA grant)	Ongoing
9. Sri Lanka	Tsunami Recovery (2005)	Cash transfer	\$36.5 million	Ongoing
10 Indonesia	Indonesia Community Recovery Through the Kecamatan Development Project (P097535) (2005)	Block grants to tsunami-affected kecamatans	\$49.9 million	Ongoing
11 Pakistan	Earthquake Recovery (2005)	Cash transfer Total ongoing TOTAL	\$220 million \$312 million \$850.47 million	Awaiting approval

a. CHINA: "Considering the emergency nature of the project, special procurement and disbursement arrangements were made to support swift project implementation. Under the special procurement arrangements, the credit was provided to village beneficiaries in two forms: (a) in kind-as basic materials (timber, steel, cement and glass) procured in bulk; and (b) in cash-as reimbursement for expenditures on other materials and labor obtained locally. ...because of the large number of individual and public beneficiaries in each village, a consolidated village contract (between the village and the county) based on the agreed village plans was devised to facilitate documentation for disbursement. Disbursements against the village contract were further simplified by a schedule of payments." (PCR) "Each village plan for the affected villages was prepared by the village and by the direct beneficiaries of the credit. Participation promoted an energized commitment at the local level. Although the local PMOs were disbanded, the lessons learned from this experience remained with the reconstruction management staff after they moved to other organizations. 2.2. Comments received from the borrower (see Annex D) underline the importance of the local management system. "Strict supervision and efficient operation are the keys to project success. During the implementation of the project, we established a good institutional system. The Project Units were set at the levels of county, town and village, contracts were signed, duties and deadlines were specified. The county government established the Project Office with special units dealing with finance, purchasing, project management, and quality control. Following the standards of the World Bank and local conditions, these groups effectively managed the project and obtained superior outcomes. After the first earthquake, the reinforcement of earthquake-resistant measures for the new housing produced a significant result: none of these housing units fell or had any cracks on the walls when an earthquake with a magnitude of 5.8 Richter scale occurred in Yangyuan on March 26, 1991" (ICR).

b. The highly participatory modality used to implement the project, based on local management and decentralized decision making, proved to be very successful. Each village plan for the affected villages was prepared by the village and by the direct beneficiaries of the credit. Participation promoted an energized commitment at the local level.

c. BURKINA FASO: "This component corresponded only partially with the project's objective of strengthening food security at the household level through income diversification. It did not lead to permanent income increases at the household level, nor was adequate training for infrastructure maintenance provided. Implementation arrangements were properly assessed during project preparation, but the formulation of adequate operational procedures for its implementation were left until after project start-up (in particular, procedures to ensure that contractors would have an incentive to use local unskilled labor rather than skilled labor from urban centers), which posed problems during implementation" (ICR).

d. POLAND: "Although the number of SME beneficiaries turned out to be substantially less than initially projected, the project achieved its principal goal of providing a significant level of assistance to SMEs, and did help to restore production and economic growth in the flood affected area. However, the impact of the program was not as great as initially anticipated, in part because of the delay in start-up. By the time funds from the program started to flow, almost one year after the flood, some enterprises had already ceased operations. The first grant under the program was approved at the beginning of July 1998. As of end June 1999, when the final applications for assistance were submitted, a total of 586 enterprises had received government grants totaling PLN 46.9 million (about US\$13.0 million)—bringing total commitments to about 80 percent of the US\$16 million allocated from the housing loan for the SME assistance operation. Overall, substantial assistance was provided under the program and the outcome of the project was positive. The program mobilized PLN 126 million (about US\$32.6 million) in commercial bank resources and disbursed PLN 46.6 million (about US\$12.3 million) in grant form (slightly less than the total committed as some of the approved grants were not fully disbursed by the loan closing date). About PLN 22 million (\$5.5 million) was provided from the beneficiaries own funds. Of the total assistance, 85 percent was provided to enterprises employing 50 people or less, for amounts of less than \$100,000 equivalent. Only 10 grants were made for more than this amount. In terms of numbers, about 350 of the total number of grants were for less than PLN 35,000 each (about \$10,000)" (ICR).

e. "Commercial banks participating in the program were allowed to charge interest on the SME loans up to the level of the prevailing Lombard Rate (the rate at which commercial banks can obtain financing from the National Bank of Poland (NBP)), if they are short of funds. At the time the program started, this rate was around 27–28 percent, compared to the normal market rate for lending to businesses of around 22 percent. As flood recovery assistance at such a high rate would not have been very helpful or accepted, the initial proposal was for an interest rate subsidy, but following discussions with the Bank, and to avoid any risk of distorting the banking and financial markets, it was agreed to finance up to 40 percent of the SME loan as a grant, with the grant funded from the budget, including financing from the Housing Loan. For grants up to PLN 35,000, the beneficiary was expected to receive the full 40

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Table G.1: Projects with Cash Transfer Elements (continued)

percent of the commercial bank loan as a grant. Commercial banks would have approval authority for grants of up to this amount. For grants larger than PLN 35,000, the percentage was determined by PARR, based on need, and submitted to the Minister for Flood...” (ICR).

f. COLOMBIA: “The majority of residents of the affected zone fall in the lowest three income strata. Two subsidies offered to owners: a one-time subsidy to qualified beneficiaries for use exclusively for the repair, reconstruction or acquisition of a new unit which must, among other things, comply with the updated building code; or subsidized \$60,000 credit for rebuilding (very low uptake on this option). Direct subsidy assistance for owners was in the form of a grant to cover actual losses suffered up to a maximum of COP 8 million (approximately US\$4,000) per family. If the beneficiary lives or lived in a vulnerable zone, apart from the COP 8 million, there is an additional payment of COP 4 million (US\$2,000) to acquire the lot which has to be vacated, thus assisting the owner to purchase a lot in a less vulnerable site. Families who lost the units they rented are entitled to subsidy assistance amounting to COP 5.9 million (US\$2,950) toward the acquisition of their own home” (PAD).

g. The rural works subprojects in Simbu covered road maintenance and vehicular bridge repairs. Most were completed or well advanced when loan funding ceased. The contracting of these works did demonstrate that communities can be mobilized to receive payment for works to be undertaken by local government bodies in rural areas, thereby providing the opportunity to introduce cash into economies in disaster situations and reducing dependence on government and donor hand-outs. Unfortunately, the lack of adoption of the recommended procedural forms did not allow monitoring of aspects concerning the organization systems for work, the participation of women, youth, and so on in the schemes, preferred method of payments, and legitimacy of distribution of payments. More comprehensive information would have been useful for future programs. Records at project completion were even inadequate to indicate the number of person-days employed in each subproject. The Bank found that the initial proposals for the self-help social infrastructure (schools and health posts) did not meet the project guidelines for local participation (labor contributed without remuneration) and advised that these should be revised to be in accordance with the project concept. None of these subprojects eventuated. This meant that this innovative part of the project was not developed, although the concept of self-help was adopted in the water supply schemes in Simbu. The intended enhanced role of NGOs and church groups in community organization and monitoring was not developed” (ICR).

h. MALDIVES: “Component 1: Restoration of livelihoods consists of (a) safety net cash transfers to the affected population for their subsistence needs, and (b) a program to restore lost or damaged assets of affected enterprises. Sub-Component a: Safety net cash grants to households affected by the tsunami (US\$5.6 million from the IDA grant). The government has begun providing one-time cash grants to families seriously affected by the tsunami under this program. This program is ongoing and an amount of Rf. 30 million has been disbursed to the affected population with an estimate of additional Rf. 20 million to be disbursed shortly. Government has started distributing Rf. 1,500 (US\$117) per capita to families whose houses were completely destroyed; Rf.1,000 per capita to families whose houses were partially damaged; and Rf.500 per capita to families whose houses are intact but the household items swept away. This amount is intended to help affected families cover immediate expenses on food and household essentials. The government is also preparing a follow-up safety net program targeting the poorest and most vulnerable among the affected population; this new program would provide a small monthly cash payment for a limited period of 10 months to poor and heavily affected families. The purpose of limiting the period and narrowly defining the target groups is to avoid developing a dependency syndrome” (PAD).

Table G.2: Cash Compensation in Resettlement, Not Directly Emergency-Related

1. Colombia	Irrigation Rehabilitation II (P006793) (1986)	Not an emergency.	Completed, but not direct cash transfer	Closed
2. Brazil	Northeast Irrigation I (P006453) (1990)	Not an emergency.	Completed, but not direct cash transfer	Closed
2. Madagascar	Antananarivo Plain Development Project (1990) (P001512)	Compensation for resettlement.^a Not an emergency.	Completed, but not direct cash transfer	Moderately unsatisfactory
3. Brazil	Minas Gerais Water Quality and Pollution Control Project (P006540) (1992)	2/3 of the 2,855 families moved by the project from a flood basin opted for cash compensation in lieu of relocation.^b	\$22 million ^c	Satisfactory
4. Bangladesh	Jamuna Bridge Project (P009509) (1994)	Cash compensation for land lost due to bridge construction. Not an emergency. ^d	Completed, but not direct cash transfer	Closed
5. Vietnam	Coastal wetlands protection and management development (P042568) (1999 10/26)	Cash compensation for resettlement and for annual crops/fish/produce lost, and for affected businesses ^e compensation in cash for affected assets (10 percent implemented to date), (Typhoon Linda hit after the resettlement plan had been issued, delaying the whole process.)		Ongoing
6. Moldova	SAC (P061496) (1999) ^f	Drought followed by ice storm. Structural Adjustment Credit. No cash support to beneficiaries.	Completed, but not direct cash transfer	Closed

a. MADAGASCAR: "Involuntary Resettlement. While the project has improved the living conditions of many poor households in the Antananarivo Plain, many households subject to resettlement are in worse conditions than before. The original plan to give each family a resettlement plot in addition to compensation was changed to one of reduced compensation, temporary shelter and an option to buy a plot in three designated areas far from most employment opportunities. In 1998, only 3 of the 2,341 households displaced were living in the 3 designated resettlement sites. Most households used their compensation to settle nearer their original homes and many suffered a deterioration in tenure status and housing quality. More than 60 percent of former owners and tenants in a survey on resettled households were not satisfied with resettlement. The resettlement process did not provide assistance with the move, support at the resettlement site or assistance with improving living standards as would now be required (appraisal was one year before OD 4.30 on involuntary resettlement was issued)." (ICR)

b. BRAZIL: "An assessment of the group that received cash compensation demonstrated a high percentage of satisfaction with the new living conditions. The results related to plot area and type of use indicated a substantial improvement. Cash compensation enabled a family to select a bigger plot (180–230m²) situated in a planned urban area served by basic infrastructure. The assessment also indicated that a significant group moved to more distant neighborhoods" (ICR).

c. The compensation was provided by the state government as part of the overall project.

d. BANGLADESH: "In Bangladesh, the level of poverty is high; the population density is high; and the availability of replacement land is low. During the project preparations it was therefore agreed that providing replacement land to all displaced persons would not be a viable option. Instead, the project would ensure that people were given sufficient cash compensation to enable them to replace their lost land through private purchases, or make other investments. The project was to facilitate this process. Additionally, support was to be given to those suffering a reduction in incomes, to ensure that they were adequately rehabilitated and assisted in finding new or alternative livelihood opportunities. It was recognized that this constituted a risk, in that poor people are frequently unable to make productive use of a large cash grant, and that the money might be spent on consumption rather than on replacement land, homestead, or investment in income opportunities. The project therefore has the responsibility to assist people in making the best use of the compensation money provided" (ICR).

e. VIETNAM: "All legal PAP are entitled to the following allowances: (i) Transport. Boat and/or truck transport will be put at the disposal of all relocating PAP so as to transport household effects, salvaged and new building materials to the new resettlement site. Transport will be provided in kind and is budgeted at US\$77 per household; (ii) Subsistence. Each PAP will receive food support equal to US\$30 per month for 6 months; (iii) Training. One member for each PAP will be entitled to a vocational training course to enhance household production or facilitate employment search. The allocation for this purpose is US\$100 per PAP to be paid directly to the training institution; (iv) Business allowance. Affected businesses will receive cash compensation for lost revenues equal to six month of average income to be defined by PAP and VPC Chairman or a fixed allowance for lost business of US\$100; and (v) Relocation

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Table G.2: Cash Compensation in Resettlement, Not Directly Emergency-Related (continued)

Incentive. All PAP relocating in accordance with the schedule as proposed by the Project Management Board will receive a bonus of US\$77. (h) Illegal PAPs will receive a US\$30 transport allowance to move salvaged materials and to transport their goods to their relocation site" (PAD).

f. One more project was considered for cash assistance, but no mention could be found in the text of either the ICR or the PPAR: Tanzania, Cashew and Coconut Treecrops Project (P002779) (1989); Credit program (vi) strengthening credit facilities in the southern cashewnut production areas in the form of a pilot credit scheme managed by the Cooperative and Rural Development Bank (CRDB); in kind credit for inputs has been given in the past, but this has carried with it the problem of creating a monopoly over seasonal inputs and investment items, hindering the development of local industries. In this example, critical inputs and equipment for cashew production that were not available in the local market, such as sulphur dust and blowers, were funded instead. \$2.2 million; Credit program component was unsatisfactory.

In Turkey the Bank supported a \$252.53 million cash transfer ERL, which helped the government respond expeditiously to the Marmara earthquake emergency by providing up-front cash assistance to earthquake victims for accommodation assistance (75 percent of total benefits); repair assistance (13.4 percent); death and disability benefits (10 percent); and death benefit, survivor, and disability pensions (1.5 percent). Affected business owners received a lump sum payment.

Providing immediate *cash* assistance for victims meant that they could purchase their own supplies, shelter, and the like, rather than receive items in kind that might not have been appropriate. Such assistance also represented a tangible sign of the government's efforts to help the victims. Implementation was possible largely because the distribution infrastructure already existed and was functioning relatively well. The primary distribution agency was already set up to make such payments and they had a network of over 900 offices to enable distribution.¹

A beneficiary assessment performed for the

Turkey cash transfer project (the Emergency Earthquake Recovery Project [L4581-TR]) reports that 85 percent of the people receiving the allowance for rent support believe that it is necessary. Beneficiaries say that this support "saves them from total devastation and it helps to relieve a situation which would otherwise be more painful" (Akkayan, Kirimli, and Polat 2000). One beneficiary said of humanitarian aid, "It should be cash support instead of goods. Everybody would try to deal with his problems in a proper way. And there would be no queues or quarrels" (Akkayan, Kirimli, and Polat 2000).

In Gujarat, India, earthquake victims' need for cash assistance became apparent to the Bank in an indirect way following the 2001 earthquake. Families were using the first installment of house construction funding to purchase food and other necessities to survive, rather than using it toward the construction. As a result, when it was time to issue the second installment, many of the families did not have the first phase of the house to show in order to receive the second installment.