

ASIA BRIEF

CASH FOR HERDERS – A MODERN EMERGENCY RESPONSE IN MONGOLIA PARTNERSHIP RESULTS



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SDC SWISS AGENCY FOR DEVELOPMENT AND COOPERATION – EAST ASIA DIVISION

EDITORIAL

The Asia Briefing Paper Series aims to inform the development practitioners and the (Swiss) public about new innovations, results and impacts of Swiss development cooperation in Asia. It shall particularly highlight past and present efforts to achieve aid effectiveness through partnerships between Swiss agencies and local partners.

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Beneficiary receiving cash at local bank counter

IMPACT OF THE CASH FOR HERDER APPROACH

Two consecutive dzuds¹ hit Mongolia between 1999 and 2001, and caused mass death of 11 million livestock and leaving 63'000 herders without livestock. This seriously undermined the welfare and food security of afflicted herding communities. Switzerland provided emergency relief to the worst affected aimags (provinces) of western Mongolia starting in 2001.

To overcome constraints of sparsely populated Mongolia, SDC applied the 'Cash Transfer' approach. A one-time cash assistance of CHF 180-200 was distributed to 7,600 herder families, representing 30% of the severely affected herders in the target areas, between 2002 and 2006.

'Cash for Herders' proved to be highly efficient and effective as cash assistance reaching beneficiaries shortly after the initiation of the project, and directly deposited on the beneficiaries' personal bank accounts. Overall, 90% of the CHF 2.2 million project funds went to the beneficiaries; only 10% was spent on administration, implementation and monitoring.

With the 'Cash Transfer' approach, the relief provider entrust beneficiaries the choice on

defining their most pressing needs and the decision on how to meet this need. It is empowering the individuals to continue to take responsibility for their future.

Evaluations of the four cash projects show that in the average recipients used 70% of their grant money to buy livestock for restocking purposes, and the remaining 30% for purchasing food, clothing, medicine, and to repay debts. The one-time cash assistance was also used to diversify family income by starting small businesses instead of continuing herding.

In Mongolia the 'Cash for Herders' projects had a significant advantage over in-kind commodity distributions, as they delivered the cash to vulnerable families within a local economic structure. Cash recipients spent more than 90% of their money within a month locally boosting the local economy.

An international workshop on 'Cash Transfers' was organized in Mongolia in 2007 in order to learn from the experience of social cash transfers and further strengthen cash transfer schemes in Mongolia.

¹ Dzud - A Mongolian climatic phenomenon - drought in summer followed by heavy snow in winter cause serious losses of livestock

THE LAND OF THE ROAMING HERDS

Mongolia has practised extensive livestock production under a nomadic management system since ancient times. The traditional five species of livestock are: horses, camels, cattle, sheep and goats. The Mongolian breeds are well adapted to the harsh climatic conditions with temperature ranging from -40 to +40°C. All year round millions of animals are freely grazing on the vast pastures.

Animals are the backbone of the rural economy. At present, more than 40 millions head of livestock are herded by 365'000 herders. About 90% of agricultural GDP and 30% of export revenue is produced by the livestock sector. The average meat consumption is almost 70 kg per person per year, of which about 40% is tasty mutton, from sheep freely roaming the steppes. The meat consumption in Switzerland is about 60 kg per person per year; with a little more than 40% being pork.

Mongolian herders are vulnerable to the moods of nature; sudden temperature drops, devastating blizzards, droughts and heavy snow storms are feared. A century-old prayer says: "Let all beings who live on the lands be without illness, epidemic, dzuds, quarrels, and attacks." Calamities caused by severe weather conditions are referred to as 'dzuds'.

SWISS MONGOLIAN PARTNERSHIP

Between 1999 and 2001, the first time in decades, Mongolia has been struck by two consecutive dzuds, seriously undermining the welfare and food security of the herding communities through mass death and debilitation of livestock. As a cumulative result 11 million livestock died, leaving 63'000 herders without livestock.

The UN General Secretary, Kofi Annan stated on his visit to Mongolia in September 2001:



Herder tending his sheep

"Your country has been struck by two consecutive dzuds, which have had devastating effects on people and livestock. I have urged the international community to respond generously to the appeal launched by the United Nations Office for the Coordination of Humanitarian Assistance... As the people of Mongolia continue to recover from these natural disasters, rest assured that the United Nations will be by your side."

Switzerland responded to the UN appeal in 2001 and providing emergency relief to herders in the worst affected aimags in western Mongolia.



Herder family in Uvs

HERDER FAMILIES IN MONGOLIA

An average herder family in Mongolia is composed of five family members and has 155 animals: 69 goats, 66 sheep, 10 cattle, 9 horses and 1 camel. Their income from these animals is an estimated CHF 22 per person per month, about half coming from the sale of cashmere wool. Additional income from pensions, social allowance and sale of natural resources is estimated at CHF 8 per person per month, bringing the total income to about CHF 30 per person per month. The poverty line in Mongolia is set at CHF 27 per person per month, which means that these families just barely manage to cover their basic needs like food, fuel, schooling of children, medical care and veterinary services. The number of herder households peaked in 1999/2000 reaching 190,000, comprising of 420,000 people, which is 45% of the economic active population.

Although herders are partially self-sufficient in meat and milk products, they are highly vulnerable to climatic variations that affect water sources and pasture vegetation, forcing them to move long distances. Because of their limited cash-flow, accidents, school fees or transportation costs can only be met by going into debt. The fact that more than 57% of Mongolia's herders own less than 100 animals (2006) shows that they are forced to seek additional income in the informal sector.

CASH TRANSFER APPROACH

Based on positive experiences in Eastern Europe and after some emergency fodder and animal drug distributions, SDC decided to apply the 'Cash Transfer' approach to respond to the situation in Mongolia. The first 'Cash for Herder' Project was implemented in 2002 and was followed by four successive phases. It provided dzud relief through one-time cash assistance to 7,600 herder families between 2002 and 2006 or 30% of the severely affected herders of the target areas. The contribution to each family was CHF 180-220, equalling an average herder family income of two to three months.

'Cash for Herders' proved to be a highly efficient and effective tool in the Mongolian emergency situation. Cash assistance reached beneficiaries within three months after the initiation of the project, delivered without losses to the beneficiaries' personal bank account. Overall, 90% of the CHF 2.2 million project funds went directly to the beneficiaries; only 10% was spent on administration, implementation and monitoring.

Cash transfer projects not only provide money, they empower the beneficiaries to visualize their future, make appropriate choices the next steps and take concrete actions enabled by the cash received on their bank account. Monitoring results also showed that in most cases the decision on what to do with the money was taken by the family members together. This is a significant progress over traditional relief approaches where the international aid agency decides on a commodity to distribute, does the procurement and often the distribution alone or with local partners.

The 'Cash Transfer' approach takes into consideration that the beneficiaries in many emergency situations are literate, well educated, responsible people with access to information and markets. The relief provider entrusts beneficiaries the choice on defining their most pressing needs and the decision on how to meet this need. It is empowering the individual to continue to take responsibility for his or her decisions, and is forcing them to keep thinking about the future.



Flooding of Sarnen OW (Source: Luftwaffe).

COPING WITH NATURAL DISASTERS IN SWITZERLAND

Swiss farmers and communities strongly hit by natural catastrophes have been provided with cash too. Continuous and heavy rains leading to severe floods left many Swiss farmers without homes and livelihoods in August 2005. The extent of the flood damage was estimated to CHF 1 billion.

However, the difference with Mongolian herders is that the majority of Swiss farmers are insured against property and income loss based on natural disasters. Swiss farmers could turn to their insurance companies in regard to private losses (houses, barns, workshops) and to their community administrations in regard to public losses (destroyed roads and bridges, or damaged river beds). The Swiss insurance support was conducive to a quick post disaster recovery. Nevertheless, not all the damages were covered by private and public insurance schemes.

In the aftermath of the floods, Swiss Solidarity collected and provided about CHF 50 million for reconstruction activities. In a common action with the Swiss Red Cross and Caritas Switzerland funds were targeted to reach the hardship cases among communities and individual farmers. Funds were distributed first to families severely hit by the floods, secondly to non-profit oriented associations, i.e. farmers cooperations, thirdly to small family businesses constituting the sole family income, and finally to communities (Gemeinden) unable to raise uncovered left over costs.

In the first weeks after the catastrophe, immediate aid was distributed to the farmers in order to ensure their immediate financial security. Then, during the first months, interim aid (Überbrückungshilfe) was provided allowing families to pay for increased everyday expenses due to the exceptional life circumstances not covered by their insurances, i.e. renting an apartment during the reconstruction of the family house, or paying for often longer travel to the workplace due to temporary displacement.

Finally a subsidiary help was provided, which is used when insurances and other public benefits, i.e. natural hazard pools, have been exhausted. It is therefore often provided one or two years after the catastrophe.

IMPACT OF THE PARTNERSHIP

Evaluations of the four cash projects showed that recipients in the average used at least 70% of their grant money to buy livestock mainly for restocking purposes. The remaining 30% were spent on purchasing food, clothing, medicine, to repay debts and some even started businesses. The fact that **cash was used for strategic, long-term needs** refutes criticism that ‘poor herders are not able to make well-informed and wise decisions with the cash grant’.

The one-time cash assistance was also **used to diversify their family income** by starting small businesses instead of continuing herding. A trained carpenter from Zavkhan had lost his job at a vocational school. So he started herding, as many others did at the time of transition from a centrally planned economy to a free market one. Having lost more than 80% of his animals during the dzud he decided to start a carpentry business. His main constraint was the lack of working capital and good carpentry tools. As grant recipient of the ‘Cash for Herders’ project he and his wife decided to use the money to purchase some electric tools and a small generator. Within one year the productivity of his carpenter shop increased so much that his income from furniture making provided him with a new existence.

Initially many government officials and other external partners were sceptical towards the cash approach. “How can you make sure that the beneficiaries will not misuse the money to buy vodka?” was a concern frequently raised. The project took these concerns seriously and engaged in admonishing people to consider their responsibilities with this ‘golden’ opportunity. Monitoring results showed that **very little misuse** had happened and store owners confirmed this. “When people receive flour, many come here to exchange it for vodka. But the same people seem to become more responsible when they have cash in their hands.”



Rural Bank: Cash beneficiaries in Sharga soum, Gobi-Altai

The National Emergency Management Agency, the State organization responsible for emergency aid in Mongolia, confirmed this trend: “In the past we received a lot of complaints from people about not having received the commodities, or from those who wanted more because they had large families or other reasons. However, we had never a person that received cash come to us to complain. It seems that they feel that they have given this unique opportunity to take their future into their own hands, that they had either made a wise or unwise decision, and that there is no-one else to blame for it than themselves.”

When the Ministry of Social Welfare and Labour in 2005 started the children support programme, the experience gained in direct cash transfers was an important consideration for its design. Initial plans were to distribute in-kind items to families with children. However, the positive experience in the cash for herder projects and the availability of a functioning banking sector in rural areas led to the adoption of a **social cash programme** – providing families with children a regular cash allowance.



A blacksmith bought equipment by his grant

ECONOMIC IMPACT OF CASH TRANSFER

The 'Cash for Herders' projects have a significant advantage over in-kind commodity distributions, as they **deliver the cash** to vulnerable families **within local economic structure**. Cash recipients spent more than 90% of their money within a month locally. Therefore, neighbours, local businesses profited indirectly from the cash infusion into the region. It is estimated that the money was turned over two to three times locally, until it left for the capital Ulaanbaatar or one of the neighbouring countries. The fact that the local economy profited from the Cash projects rejects criticism that *'relief is only targeting the poor, who have no means to every move out of poverty, but it does not help those that still have some assets or small businesses in need of assistance.'* As 70% of the beneficiaries purchased animals, those herders that still had animals to sell – maybe because they were better prepared or worked harder to help the animals survive – profited too from the emergency relief. This is an important aspect as many herders that worked very hard and at high costs to save their herds were discouraged to see that most relief schemes profited only those herders that lost most or all animals.

The economic benefits of the Cash for Herder projects for the affected regions were significant and boosted the local economy. In the hard-hit soums (administrative units with 2-3000 inhabitants) the cash infusion represented more than half of the local government's annual budget. For example, the 2003 budget of the second 'Cash for Herders' Project in the Zavkhan Aimag was CHF 800,000, which was equal to 60% of the government expenditures of that aimag, or 4% of the Aimag's domestic product.



A herder sells yak wool at a local trade fair



Women sell animal hides at the local market

An even more dramatic effect could be witnessed in Gobi-Altai, where the first Cash for Herder project was implemented in 2002. SDC decided to do a post-evaluation of this project in 2006 as the government reported that the overall aimag poverty rate had fallen from 46% to 29% within three years, where as the overall poverty in the western region remained high at an average of 51%. Even the National Statistical Office attributed this significant decrease in Gobi-Altai to the work of SDC. Although that explanation falls short of the reality, it nevertheless shows that the Cash for Herder projects made a significant impact to the local economy. The evaluation revealed that 80% of the beneficiaries had enough livestock again for subsidiary living. More than 90% of the families interviewed had stored some winter feed. However, the survey also revealed that there was no increased cooperation to prepare for a new disaster. The positive development at the individual family level still leaves the herders as a group very vulnerable as any future 'dzud' could annihilate considerable numbers of livestock. A holistic approach of conditional social cash transfers addressing issues of education, management of pasture, animals and water, strengthening disaster resilience and community preparation needs further discussion and support.

LEARNING FROM CASH TRANSFERS



KEY FACTORS FOR A SUCCESSFUL IMPLEMENTATION

Ø Community Participation

In every administrative unit (soum, aimag) a local cash committee was established with participants from the government, civil society, and beneficiaries.

Ø Availability of Statistical Data

The local governments had accurate statistics on all herders and their animals as well as the losses.

Ø Private Sector Participation

The Agriculture Bank through its extensive branch system assisted the herders for free to open bank accounts. Bank transfers are safe for the project personal (no carrying around of money) and resilient against corruption and misuse.

Ø Committed Partners

The National Emergency Management Agency (NEMA), national NGOs and SDC jointly implemented the projects. NEMA's responsibility was to coordinate aid to herders and the cash projects were highly welcomed as they were perceived as efficient, well targeted and easy to monitor. Committed NGOs were interested in engaging in the implementation.

Ø High Effectiveness of Investment

Low overhead (implementation costs by local implementation of less than 10%) and good targeting bring 90% of the funds to the beneficiaries. As most of the money is spent locally, the local businesses and the national economy profit.

Ø Functioning Market

Markets existed and were able to respond to additional demands from the additional purchasing power. Many herders obtained animals from other herders, thus the demand for goods was spread out and did not lead to a market collapse.

Ø Professional management

SDC's long-standing experience in Cash transfer programming enabled lean and fast assessment and implementation procedures.

The Swiss Agency for Development and Cooperation gained a good reputation among the herders and the government through this innovative approach to poverty reduction. To capitalize on the initial Cash for Herder projects the lessons learnt and experiences were integrated into the SDC Cash Transfer Information Network (see www.sdc-cashprojects.ch). The SDC cash project implementation manual, also available on the website, combined with on the job training and strategic support from SDC provided the basis for Mongolian nationals to implement the last two of the four cash projects themselves. This further reduced the implementation costs to less than 10% of the total project budget for these 'Cash for Herder' projects.

In 2007 SDC, together with the Ministry of Social Welfare, the National Emergency Management Agency, the Red Cross and the World Bank, organized an international workshop on Cash transfers in Mongolia. The aim was to learn from the experience of social cash transfers in Mongolia and other places and further strengthen cash transfer schemes in Mongolia. The results of this workshop are published on the above mentioned website. The next step in developing emergency cash transfers for herders in Mongolia is to further develop the World Bank's initiative on an index—based livestock insurance model that will cover all herders and is backed by commercial insurance companies and the government.

Discussions to use social cash approaches for victims of human trafficking have started within the framework of the Combating Human Trafficking Project, funded by SDC and implemented by the Human Security and Policy Study Centre in Mongolia.



SWISS MONGOLIAN RELATIONS

Forty years after the establishment of diplomatic relations Switzerland opened its Swiss Coordination Office in 2004 in Ulaanbaatar. From 1921 to 1990 Mongolia was strongly dependent on the Soviet Union and the COMECON. A peaceful democratic revolution in 1990 Mongolia embarked on a reform path strongly influenced by neo-liberalism, which re-shaped all spheres of political, economic and social life. Due to the early adoption of adjustment policies, market-based reforms and a successful transition to a democratic political system, Mongolia was initially one of the most rapid reformers among transition countries.

The transition was also inspired by the legacy of Chinggis Khan. The man of the last Millennium who once ruled the biggest ever empire from India to Europe inspired this transition from a supplier of raw materials to the Soviet Union to a global actor, carefully maintaining good relations with its two neighbours, Russia and China, but also cultivating relations with its 'third neighbour'. This term stands for all other countries that Mongolia has friendly political and economic relations with.

Despite the relative successful transition, high income poverty of 32% remains. The Government of Mongolia has adopted a pro-poor growth and poverty reduction strategy. It has adopted the Mongolian Development Goals, adding Good Governance and Human Rights to the usual MDGs. These goals have been incorporated into National Development Strategy (2008).

Switzerland partners with Mongolia in its efforts to reach these goals as stated in its National Development Strategy. After the initial focus on supporting the 'dzud' victims through humanitarian aid programs in Western Mongolia the Swiss Cooperation Strategy 2007-2012 aims to contribute to improved and securer livelihoods of herders and ex-herders in rural areas focusing on improving the sustainable use and rehabilitation of natural resources as well as supporting ecologically-oriented social and economic development.



Green Gold – Pasture rehabilitation in Bayan-Ulgii



Sustainable Artisanal Mining Project – supporting artisanal miners



Mongolian Potato Programme – Harvest in 2008

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Further reading: www.sdc.mn