

**Shelter Cluster Support Statement on Use of Cash Grants for
Transitional Shelter Programming
December 4, 2009**

Shelter Cluster Coordination, on behalf of the agencies currently operating shelter programs in response to the recent earthquakes in West Sumatra, herewith endorse the following statement on the use of Cash Grants in transitional shelter recovery programs for consideration to the ERF Grant Advisory Board in order to support agencies' pending applications for HERF funding:

Currently, several aid agencies operating in West Sumatra supported by various donors are already implementing transitional shelter programs using cash grants in supporting adequately functioning markets and local economy. (Please refer to annexed table summarizing currently ongoing and planned cash transfer programs.) Best practices applied include providing technical assistance that helps channeling spending of cash grants in line with standards for safe and durable construction, close on-site monitoring to ensure correct use of cash grants, encouragement of the use of salvaged materials and mobilization of community solidarity toward vulnerable groups.

Listed below is a series of justifications of why and how cash grants are an appropriate and necessary aid mechanism in response to the recent West Sumatra Earthquakes.

Cash Grants allow the families to attain whatever they specifically need to address their transitional shelter needs.

Agency assessments show that each household has different level of salvage materials as well as financial and material resources at hand and different needs in the process of building their transitional shelter. For example, some households have quite a bit of timber they can reuse to build their transitional shelter, but do not have enough roofing material. Others have most of the materials but need help from skilled labor. Some need tools, others do not. Some need cement for floors others do not as they are building on the existing floor of their destroyed house. Cash Grants allow the family to attain whatever they specifically need to build their t-shelter.

Cash Grants speed up construction process.

Research has shown that owner driven construction is faster than agency or government - aided construction. Cash grants help speed up that process with the flexibility it affords to beneficiary households (ALNAP Responding to Earthquake 2008 – Learning from Earthquake Relief and Recovery Operations).

Cash Grants support local markets.

The Cash Grant Approach supports local markets better than aid agencies buying materials from one or two supplier, most likely in Medan or Java. Local markets appear to be adequately stocked with tools and other construction materials. The distribution of cash grants is also less costly and faster than material distributions, as it avoids procurement and transport expenditures. In addition, the danger of giving a prescribed material package is that

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people will monetize the assets to get what they need in the end. Monetization usually decreases the value of the assistance package.

Systems to verify spending are readily available.

There are various systems to ensure accountability to donors and ensure money is spent on building /improving transitional shelters. Examples include, agencies working with community committees on targeting and monitoring progress of individual HHs, agencies conducting household surveys to report how much they spend in total to build their t-shelter on materials and skilled labor. In addition agencies plan to conduct sample verification and checks on improvement of t-shelters constructed prior to intervention in line with parameters and guidelines on transitional shelter agreed within the cluster.

Earlier cash grants programming has proven to be successful in Indonesia.

Past experience of agencies such as PMI (Indonesian Red Cross) providing cash assistance for t-shelters following the 2006 Yogyakarta earthquake clearly shows that the Cash Approach works in Indonesia. Among thousands of beneficiaries, PMI reports only three cases of corruption.

Cash Grant Approach is locally accepted.

Agencies have been discussing the approach with local government representatives and obtained approval from the Heads of Sub-district as well as village and sub village leadership. To date all local leaders have welcomed the approach.

Indonesia has functional and reliable banking and post office networks.

Banks and post offices are available in the area in sufficient numbers and within reasonable distance to beneficiaries' homes, reducing security concerns in distribution of cash.

Cash Grants protect the dignity of beneficiaries.

Under the prevailing conditions in West Sumatra offering cash is a more dignified and empowering way of providing assistance compared to material distribution. In line with the Sphere Project, it recognizes disaster affected households as having the capacity to actively participate and take charge of their recovery.

Conclusion

Based on the arguments listed above and considering the ERF grant guidelines, the Shelter Cluster is of the opinion that cash grants are an aid mechanism that provides flexible and efficient help for people to restore basic, dignified living conditions in timely manner. Cash grants therefore are in line with the overall ERF aim of supporting rapid response to re-establish basic living conditions following emergencies. The Shelter Cluster fully supports the use of cash based approaches in the ongoing transitional shelter response programming in West Sumatra. Furthermore, the Shelter Cluster Coordination Team advocates that the approval of proposals submitted for ERF funding should not be rejected for including cash grants as a means of support in agencies' programming.

**Annex: Current Transitional Shelter Programs with Cash Grants
Approach in West Sumatra**

Agency	Key Program Elements	Target Beneficiary #	Cash Grant Amount	Justification for the amount	Cash Distribution Mechanism	Monitoring Mechanism
CRS	Cash Grants and TA	8,000 HH	2 million IDR	Complement salvage materials, to purchase materials and labor	Post Office – mobile units In two tranches	Monitor Safe Adequate and Durable standards Compare grant to the overall t-shelter cost
CHF	In kind kits (timber, tarps, cement etc), incentive payment, TA	5,000 HH	100,000 IDR (incentive payment) 130 USD to 140 USD in total	Compensate for labor and resources Labor costs, 60-70K per day Government assistance amount	Direct distribution	Monitoring against criteria Registration/ID proof
OXFAM	HH and community Cash grants,	6,375 HH	1,5 million to HH 500,000 for host families 500,000 per HH for comm. grants = 2 million per HH 1 million for host 20,000 per HH for transport	Buy shelter materials and other priority needs, transport Survey indicates 1,3 m used for shelter	Direct distribution Paid daily basis for community work HH grant at once The community grant in two tranches	HH verification, post distribution monitoring and impact analysis
STC	Cash grants, TA with BC	600 HH (proposed)	275 USD	Used for just Building materials	Direct distribution groups of 10 HH to group bank account	Monitoring construction progress

					(similar to GoI system) In two tranches	
MC	Vouchers, TA with BC	5,000 HH	700,000 IDR	Building materials, HH goods	Through shelter material fairs	Onsite monitoring
PCI	Cash grants, TA,	200 HH	1,5 - 2,5 m IDR	Building materials Past experience	Direct distribution to groups of 10 HH, accompany to the market	Onsite monitoring
PMI	Cash grants, TA with PMI volunteers	10,000 HH	3,2 m IDR	Building materials and toolkits, transport	Transfer to bank accounts groups of 10-20 HH 2-3 tranches based on construction progress	Daily onsite monitoring Weekly finance and monitoring report for each group
RI	Cash grants, TA (construction consultation)	300 HH (proposed)	2 m IDR	Mitigate against erosion of livelihoods To be used to purchase an approved list of materials only	Direct distribution by community self recovery groups	Weekly onsite monitoring Tracking of livelihoods indicators and construction progress
World Relief	Cash grants, TA, promotion of recycled materials	300 HH	320 USD			
ISLAND AID	Cash grants, toolkits, family packs	10 HH	1 m IDR	For HH with difficulties to deliver materials to	Direct distribution	Onsite monitoring