

INTRODUCTION

This Guidance Note provides DFID staff with an overview of key components of cash transfer programming (CTP) in emergencies, including operational conditions required to assess its feasibility & effectiveness.



Department
for International
Development



There is a significant and growing body of experience demonstrating that cash-based interventions can act as an alternative or complement to in-kind assistance, although they still make up only a fraction of overall humanitarian assistance. Cash transfers are not a sector in their own right but a tool that can be used – when appropriate – to meet different objectives, including improved health and nutrition outcomes, as well as support to livelihoods¹. It has the potential to be cheaper, aid local recovery and help limit commodity-led responses, which can distort local economies. Humanitarian agencies are increasingly incorporating cash transfers within their disaster response tool-box to deliver multi-sector objectives, and respond to *different types of emergencies including: seasonal disasters, protracted crises, rapid-onset disasters and slow-onset chronic disasters*.

Cash transfers have the potential to give disaster affected communities greater flexibility and choice. CTP can promote, among other things, people's dignity by transferring choice to them, as well as support local markets. Risks should be weighed up also comparing those of in-kind aid.

OPERATIONAL CONDITIONS NEEDED FOR CASH TRANSFER PROGRAMMING

Factors to be considered when deciding on use of CTP include:

- ▼ Intervention objective clearly identified and can be feasibly met using CTP;
- ▼ Needs can be met though the market with readily available commodities or services at the required quality, quantity and frequency for the given project duration;
- ▼ Cash is used in the operational context and beneficiaries are open to receiving CTP;
- ▼ Access to functioning, competitive and integrated markets or options to support market recovery are present;
- ▼ Agreement on targeting and safe receipt of resources, including analysis of local gender dynamics;
- ▼ Assessment and selection of cash delivery mechanisms (mobile operatives, financial institutions) against clear criteria including: security, cost and scale up capacity;
- ▼ Position of National and local Governments;
- ▼ Security risks of cash are compared to other approaches and it is determined that risks to beneficiaries, agencies and any third parties can be managed;
- ▼ Humanitarian Agency (and implementation partner) has sufficient organisational capacity & systems to deliver project – to involve logistics, finance and legal advice as needed;
- ▼ Inclusion of CTP within the coordination system (e.g. IASC cluster system and/or Government-led coordination mechanisms) - including knowledge of aggregate input/impact;
- ▼ Accountability, monitoring and evaluation systems in place to demonstrate continued appropriateness of the cash intervention and implementation methods used.

HELPFUL INFORMATION SOURCES

- ✓ DG ECHO Funding Guidelines, 'The use of cash and vouchers in Humanitarian Crises' [\[Link Here\]](#)
- ✓ Guidelines and research at CaLP <http://www.cashlearning.org>
- ✓ Good Practice Review – CTP in emergencies [\[Link Here\]](#)
- ✓ Emergency Market Mapping & Analysis Tool <http://emma-toolkit.org/>

¹ Good Practice Review: Cash Transfer Programming in Emergencies, ODI, 2011.

DFID'S POSITION ON CASH TRANSFER PROGRAMMING

In 2011 the UK Government's response to the Humanitarian Emergency Response Review (HERR) committed DFID to "use innovative techniques and technologies more routinely in humanitarian response (for instance cash transfers)".

DFID's position is that *all* modalities of assistance be reviewed and compared to determine the most appropriate response. We do not advocate that cash should always or only be used. *Where only in-kind approaches are proposed, a clear rationale should be given as to why CTP approaches have been excluded.* The combination of in-kind with CTP can enable greater flexibility in meeting needs, particularly in the immediate aftermath of a disaster. Evidence has shown that implementation of cash at scale works best when there have been active efforts to include cash in wider preparedness planning. Countries at risk of crises should actively consider whether and how they can support scale up of CTP in response to shocks – including building on existing in-country systems. Some knowledge gaps do exist in understanding how best we use cash in emergencies. DFID is supporting targeted pieces of research² to help close these gaps.

Unconditional support is preferable during an emergency response (conditionality typically increases once targeted recovery activities get underway). *Where conditions apply, these should be linked to key humanitarian outcomes* - such as an intervention to treat acute malnutrition, for example. Cash transfers, delivered within social protection programmes can help mitigate the need for recurring emergency relief interventions in certain contexts. There will continue to be a need to respond to short-term acute needs, so understanding how agencies plan, coordinate and carry out assessment to achieve this is important.

CASH AND VOUCHER TERMINOLOGY

CTP is: The provision of money or vouchers to individuals or households, either as emergency relief to address basic needs or as recovery support to protect/re-establish economic productive activities. CTP can be used as part of preparedness, an emergency response or recovery.

The terms "cash" and "vouchers" can be used to apply to a wide range of instruments or modalities which are used to transfer cash based assistance. In the context of humanitarian assistance the terms are used to refer to the provision of cash or vouchers given to individuals, household or community recipients - not to governments or other state actors. ***CTP covers all modalities of cash-based assistance, including vouchers.*** This excludes remittances and microfinance in humanitarian interventions (although microfinance and money transfer institutions may be used for the actual delivery of cash). '*Cash-based interventions*' is also a commonly used term. Once the modality is identified, levels of *conditionality* can be placed on the transfer, depending on the objective of the assistance and the operating environment.

Unconditional cash transfers: Given to beneficiaries or households without the recipient having to do anything in return. They can be provided to meet immediate needs and / or build assets to protect themselves and increase resilience against future shocks and stresses.

Conditional cash transfers: Where beneficiaries are required to fulfil a specific obligation or activity (such as attending school, building shelter, attending nutrition centres) to receive the transfer. Cash for Work (CfW) is an example of a conditional transfer.

Commodity vouchers: These are exchanged for a fixed quantity and quality of specified goods or services at shops or markets participating in the scheme. Commodity vouchers are similar to in-kind aid except that in this case – assistance is accessed at local markets through traders.

Combination (cash/commodity) vouchers: These combine the characteristics of cash and commodity vouchers.

Conditionality therefore refers to what beneficiaries are required to do to receive the transfer, and not to any conditions on how they subsequently use it.

² This includes research on the expected nutritional outcomes, the expansion of social safety protection mechanisms and guidance on data protection for e-payments.

DELIVERY MECHANISMS

Different mechanisms can be used to facilitate the physical transfer of cash or commodities, with different frequencies or levels of conditionality. If tranche payments are required - i.e. payments against monitoring of outputs - then it is important to factor this into the capability of the selected system.

Evidence on CTP suggests that ways can be found to deliver and distribute cash safely and securely, even in conflict environments. It's important to identify where risks are more likely to occur and how to minimise these – such as choosing an indirect method of delivery. Standard transfer mechanisms include:

- ▼ Manual distribution of cash;
- ▼ Direct distribution of vouchers, to be redeemed against identified commodities or of a certain value (conditional);
- ▼ Third party transfers – using banks, post offices, remittance companies;
- ▼ E-payment systems (pre-paid debit cards, smart cards, mobile money transfers and electronic vouchers, etc)³.

Clear beneficiary communications on project objectives, the frequency and duration of payments is essential⁴.

A range of humanitarian agencies have been strengthening organisational preparedness to facilitate CTP by adapting their internal business procedures and systems. Evaluations have demonstrated this is more effective when supported in coordination with their logistics and finance departments.

Ideally the most viable delivery mechanisms, for a given context, would have been identified through preparedness work. If a new mechanism is being proposed during a response, it's key to determine if it could be set-up quickly enough. The following evidence is already available on the use of delivery mechanisms:

- ✓ Electronic payments (e-payment) systems have been globally recognized as having the potential to provide more efficient and reliable delivery of

cash payments direct to recipients;

- ✓ Mechanisms that channel resources via third parties enable a layer of risk control, checks and balances as well as a hard audit trail;
- ✓ Due diligence systems should be built into all methods of delivery (from cash handling to proof of receipt).

All delivery mechanisms can be relevant. Final choice should be made based on an assessment of what is appropriate to the context.

The cash value must be sufficient to meet identified needs. Any review will need to be open to a possible adjustment in the value in the case of unpredicted price movements. Flexibility in *modality choice* should therefore be built into programme design to enable the system to adapt or even change modalities should the operational context change significantly, rendering a once appropriate modality later inappropriate.

IMPORTANCE OF MARKET ASSESSMENT

Rapid needs assessments, which include a preliminary market review, are required in the first instance to determine if CTP is an appropriate option to deliver humanitarian assistance [[link](#)]. Where possible, coordinated analysis of needs, markets, financial institutions and mobile network operatives should be encouraged. This is to enable more efficient resource use and consistency in response approaches, but also as an *understanding of the combined potential demand to be placed on markets* (particularly if specific commodities are required).

Market assessments should increase the effectiveness and efficiency of programme responses, and should be used to limit the risk of programmes doing harm.

Market assessments can lead to an improved response analysis.

Failure to adequately consider findings could lead to the following potential harmful impacts:

- ▼ A significant, uncharacteristic change in the prices of certain essential goods;
- ▼ Significant fall in the demand for the goods of local market traders;
- ▼ Distortions in markets which undermine the

³ DFID is funding the development of guidance on data protection with e-payments is available via CALP.

⁴ A number of humanitarian agency evaluations document learning on beneficiary communications. CALP has produced a Guide [[Link](#)].

future viability of local livelihoods, jobs or businesses⁵.

Information requirements need to be proportionate for the given context in a rapidly changing environment. The complexity of the market assessment should be adapted to the phase of the emergency, the scale of the project and the practicalities of the situation.

The most common programme related decisions determined by a market assessment are:

- ▼ Whether the market could respond and meet projected needs if cash were to be provided - including the demand from non-targeted households;
- ▼ Whether labour-based interventions would be feasible (i.e. seasonal work, cash for work). Gender analysis is required to ensure the viability of this and appropriateness and utility of the work itself;
- ▼ Whether goods should be procured locally or regionally – quantity and quality dependant;
- ▼ Whether indirect market interventions are needed to support essential market systems;
- ▼ Whether market conditions are favourable for the support and rehabilitation of livelihood interventions.

The relative scale of a potential intervention is one of the key indicators to look at when determining the risk of having a negative impact on the market – with particular attention paid to the aggregate cash value being inserted through the response (existing/ non disaster affected or targeted population, private sector, humanitarian agencies, Government).

Rigorous assessment questions are particularly needed when an intervention is expected to increase the total demand for the relevant goods by more than 25% in urban areas and 10% in more remote and rural area.

The threshold is higher in urban environments because markets are more likely to be well integrated and competitive⁶.

MONITORING AND EVALUATION

This is an essential component of the programme as monitoring activities will principally review the beneficiary safe access, receipt and use of the assistance. Monitoring should also help inform approaches around exit planning.

Monitoring should test assumptions and review the impact cash activities are having, provide data against which revisions are made, promote scaling up as required, change to the frequency of transfers or modality selection. Activities should include a range of beneficiary, market and third party consultation. To gain a more in-depth understanding, multi-year seasonal analysis of prices is required to fully understand commodity price behaviour.

Information on outcome reporting remains limited. Efforts to try and gain further information on secondary impacts (dignity, local economic recovery) should be encouraged, including incorporation of this into impact evaluations.

Overall, monitoring should provide answers to the following questions:

- ▼ Have intended beneficiaries received full cash transfer at agreed intervals;
- ▼ How the money was spent by the household (assessing the impact of the support as opposed to a detailed inventory of spends). This can be challenging as cash is more fungible;
- ▼ What changes, if any, have occurred that may have affected the appropriateness of the chosen response modality, ie, commodity quality, security issues, violence against women and girls, child labour, malnutrition rates;
- ▼ Positive secondary impacts, such as market economic recovery;
- ▼ Feedback on preferred options of cash, in-kind or a combination by recipients;
- ▼ Effectiveness of conditionality (placed on cash) and if adaptation needed.

Programmes are encouraged to invest in rigorous monitoring and evaluation to help inform the evidence base on what works best in a given context. Evaluations can then also be shared with bodies, such as CaLP and ALNAP.

⁵ Market distortions may include hoarding of products or enabling one market actor to capture most of the benefits of an intervention, including cartels.

⁶ Minimum Requirements for Market Analysis in Emergencies, CaLP, 2013.

AVAILABLE SECTOR GUIDANCE

CTP is not the domain of a specific sector. The use of CTP to meet objectives from more than one sector is increasingly common and encouraged, so long as the programming principles are adhered to. Cash grants can meet food, shelter, and WASH objectives for example.

This challenges how agencies currently decide to deliver assistance and coordinate amongst themselves. The cash transfer value should be determined to meet household's given needs following an assessment, which will require a more flexible approach by humanitarian agencies.

Cash transfer programmes can provide flexibility to increase access to basic services. Negotiating this can be difficult – as public services (water, sanitation systems, health services and education) are provided through private actors, often delivering in poor or informal areas. Determining viability of service provision requires detailed analysis in understanding the relationship between the State (and related departments) and any involved private sector parties. A consistent finding from evaluations of emergency cash transfer programmes is that some cash is spent on accessing services⁷.

Greater evidence exists of the use of cash transfers in slow-onset and chronic environments, when more time is available to plan interventions and link CTP to complementary access to services.

Food Security and Nutrition

Cash transfers have most commonly been used to address food insecurity and nutrition in emergencies, often as an alternative to food aid. There is a lack of evidence on the impact of emergency cash based programming on nutritional outcomes, especially in contexts of prevailing chronic and/or acute malnutrition. We know that recent analysis has shown that there are very positive indications that transfers

improve dietary intake, but too little evidence exists to determine how cash improves care practices and the health environment⁸. Strong nutritional causal analysis should underpin all cash programmes that seek to influence nutrition.

Livelihoods

CTP may have more meaningful impacts on livelihoods than protecting immediate consumption, because the greater flexibility cash provides means that it can be used for productive investments. There is some evidence of this, but it depends on the amount of cash provided, and identification of the wider constraints people face⁹.

Shelter

There is a growing body of analysis on shelter and cash-based interventions. Cash grants have been used to enable beneficiaries to pay rent or to help in rebuilding or repairing shelters. An amount for provision of technical support to ensure appropriate building practice should be factored into the transfer, and a nominal amount for transport costs. Analysis of how the emergency situation has affected skilled labour and rental markets is also required.

WASH

CTP is a fairly new approach in the WASH sector. The majority of existing experience is in short term cash for work activities for public health infrastructure rehabilitation and cleaning.

Recently piloted projects include the use of vouchers to improve access to water (in various settings including refugee camps), fuel subsidies for bore holes, and vouchers for hygiene kits. Programme evaluation has shown the importance of ensuring a process is in place for monitoring quality/safety of WASH assets created.

⁷ Good Practice Review, Cash Transfer Programming in Emergencies, Harvey and Bailey, June 2011, ODI

⁸ 'The impact of cash transfers on nutrition in emergency and transitional contexts: A review of evidence', Bailey and Hedlund, January 2012

⁹ Good Practice Review, Cash Transfer Programming in Emergencies, Harvey and Bailey, June 2011, ODI

