

CASH FEASIBILITY ASSESSMENT 2020

North-West Syria



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International Organization for Migration
The UN Migration Agency - Syria Cross-Border Mission
Gaziantep Office
Güvenevler, 29115. Cd. No:1, 27560 Şehitkamil, Gaziantep, Turkey
Tel: + 90 342 220 45 80
E-mail: iomturkey@iom.int
Website: www.iomturkey.net

Report content and design by Camille Strauss-Kahn

Layout by Burak Cerci

Cover Image: Use of an e-voucher card in a clothing shop in Azaz - courtesy of Syria Relief & IOM.

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EXECUTIVE SUMMARY

This executive summary provides a summary of the main findings and recommendations of the study. A more comprehensive set of recommendations and findings is included at the beginning and end of each section of the document. An extended review by topic of the recommendations and findings is also provided in Conclusion.

MAIN FINDINGS

[CONTEXT] With no recognized authorities, no formal financial infrastructures, and no pre-existing social protection systems as well as with all the logistical complications associated with remote management, NWS presents a complex set of operational constraints and challenges for cash-based programming.

Yet, cash and voucher assistance may need to be scaled-up more rapidly and sooner than anticipated, given the level of needs as well as the uncertainty about the future of the cross-border humanitarian response and the recent evolutions of the situation in NWS in general.

[NEEDS] The needs of populations affected by the conflict in NWS are not only extensive, they are fundamentally multisectoral, with high variation across locations, across households and over time.

Cash-based programming, and in particular unrestricted cash assistance, provides the appropriate flexibility and adaptability to meet such diverse needs, especially for IDP populations that have high levels of mobility. The impact of cash and to a lesser extent voucher programs is also likely to be higher than in-kind, insofar as there are fewer concerns about the sale of assistance.

[APPROPRIATENESS] Prior experience and current behaviors of affected populations all speak to the appropriateness for them to receive unrestricted cash assistance. Cash assistance is by far the modality preferred by the recipients as it respects their dignity and increases their autonomy.

There are ways in which cultural norms can both foster and hinder the inclusiveness of cash and voucher programs. Various targeting and coverage strategies for cash-based programming as well as the use of mixed modalities and the combination of various types of cash-based assistance can help address the differential needs of most vulnerable subgroups in recipient communities.

[MARKETS] Local markets in NWS have been exceptionally functional, accessible, responsive and resilient throughout the crisis and they are expected to remain so in the foreseeable future.

With the local economy remaining generally cash-deprived, the only concerns about cash-based programming with regard to markets include the limited foreign currency liquidity in NWS that can already be noted with some denominations in USD as well as the possibility in the future of growing tensions with non-beneficiaries due to external factors of inflation.

[PRACTICES] The vast majority of assistance in NWS is still distributed in kind. Yet, over the past few years, all sorts of cash and voucher programs have been successfully implemented both in opposition-held areas and in Turkish-administered areas.

All the organizations with experience in cash-based programming in NWS recommend the implementation of cash assistance, with as little restrictions to the transfers as possible.

Organizations with experience of digital tools for cash and voucher programs, in particular e-vouchers and e-tokens for money-tracking, are unanimous on the positive impact that technology has on the efficiency and effectiveness of their interventions.

[FUNDING] In line with their commitments to the Grand Bargain agenda, the major donors for NWS are willing to fund more cash and vouchers programs. Most of them are also in favor of increasingly programming unrestricted cash transfers.



Yet, all donors also agree that in a context like NWS aid organizations need to have already developed strong, robust monitoring systems and demonstrated their capacity for cash-based programming prior to engaging in full-scale cash-based interventions.

[CAPACITY] Overall, there is a large capacity of humanitarian organizations to increase the volumes of their cash-based programming through both the scale-up and the diversification of their cash and voucher programs in the medium and long-term. Special attention should be given to the technical capacity-building of support functions such as M&E, procurement and finance.

The main challenge for the scale-up of the cash response will be the rapid pace at which it is likely to happen and the short time horizon to prepare for it. Additional challenges include high volatility in individual organization's cash capacity due to staff turnover as well as the need for cash coordination structures to effectively improve and grow at the same pace.

[SERVICES & INFRASTRUCTURES] The distinction between international financial services (how the money flows into Syria) and delivery mechanisms (how beneficiaries redeem the assistance they are entitled to) is important in NWS. The same actors – hawala agents – can be used for either or both purposes.

In terms of financial service providers (FSP), there are only two options available both currently and in the foreseeable future: hawala networks and Turkish PTT services. Both are currently widely used for all humanitarian interventions – in kind as well as in cash and vouchers –, and both have some capacity to absorb a gradual shift from in-kind towards cash programming. Yet, there are apprehensions about working with either FSP exclusively. Beyond specific misgivings about the workings of hawala networks, the main concern in the use of either type of financial service providers is the lack of competition.

The use of hawala networks as FSPs is often perceived as an exposure to risks of aid diversion by terrorist groups, although the real risks can arguably largely be mitigated. By contrast, the use of individual hawala agents as delivery mechanisms in cash distributions presents no such risk: it is in fact a mitigation mechanism for security risks related to money transport and an identified best practice.

[SYSTEMS & PARTNERSHIPS] Overall, cash-based programming in NWS is already held to higher standards than in-kind assistance in terms of implementation and monitoring systems. There are in practice fewer issues with cash and voucher assistance than with in-kind assistance in both internal checks and beneficiary feedback. However, this finding could to some extent be called into question by an arguably detrimental reporting culture.

Requirements for independent oversight in remote management have resulted in the systematic use of segregation of duties and double-control procedures for cash and voucher programs' implementation. In practice, this means that the success of cash programming also depends critically and ultimately on effective partnerships between organizations with implementation capacity and organizations with oversight capacity.

Where systems are already in place, cash-based programming is the easiest modality to scale-up dramatically – arguably much more easily than in-kind programming. There are also important economies at scale and increasing returns on investments in cash systems over time.

[RISKS & RISK MANAGEMENT] Cash is not inherently riskier than other modalities. But risk perception is a major inhibitor to cash-based programming in NWS. In particular, cash assistance continues to be disproportionately perceived as more subject to reputational risks than in-kind distributions.

In practice, residual risks of diversion in cash and voucher assistance are arguably lower than for in-kind assistance, due to the closer scrutiny and higher implementation standards placed on cash-based programming by agencies and donors. Similarly, residual financial and fiduciary risks are not currently significantly higher than if more formal banking systems existed. Finally, there are also no significant concerns about cash-based programming having distortive effects on local markets.

MAIN RECOMMENDATIONS

To Aid Agencies

Recommendation 1: Aid agencies should increase the part of their response that is provided in cash and in vouchers. Wherever possible, they should favor the distribution of cash over vouchers. They should also consider additional programming for subgroups of affected population with special needs with top-ups in vouchers or in kind.



Recommendation 2: Aid agencies should consider the following as best practices for cash and voucher assistance: the use of USD in cash distributions, the use of multipurpose cash for IDPs in emergency settings, the use of conditional cash programs in combination with direct distributions in regular programming, the use of one-off transfers for assets replenishment for new arrivals, the use of repeated interventions to cover basic monthly needs for older displacements and host communities, the use of mixed modalities for most vulnerable households, the use of supply-side interventions in-kind in combination with cash and voucher distributions wherever there are risks of shortages when large arrivals are expected, and in general the use of smaller, more regular transfers or disbursement in tranches wherever appropriate.

Recommendation 3: Aid agencies should strive to coordinate their cash response with each other by all means, including agreeing among CWG members on standards of intervention revised on a regular basis and make all efforts to abide by these standards.

Recommendation 4: Aid agencies should increasingly move towards electronic systems for money-tracking and delivery methods. In particular, the use of e-vouchers and e-tokens in cash-based distributions should be regarded as best practices. Compared to their paper counterparts, they facilitate and increase compliance with monitoring requirements throughout cash and voucher programs. Aid agencies should also consider the systematic digitization of beneficiary data and explore the possibility of using e-wallets.

Recommendation 5: Aid agencies should increase their capacity for cash-based programming both by scaling-up their current cash and voucher programs and by diversifying their programming through the use of pilots. This will keep strengthening the systems they have built and help them benefit from economies of scale while remaining flexible in their programming and developing their capacity to respond to various situations.

Recommendation 6: Aid agencies should favor the use of cash technical advisors to build their internal capacity for cash and voucher assistance transversely across programs and give special attention to the needs for capacity-building of their support staff.

Recommendation 7: Aid agencies should establish framework agreements with as wide a range of local partners as possible in order to increase competition and avoid conferring excessive market power to a single actor, as well as to increase preparedness and response capacity on cash-based interventions.

Recommendation 8: International and local aid agencies should favor partnerships that are inclusive, equitable and foster mutual respect and collaborative behaviors. In particular, they should consider multi-year, two-way partnerships that favor investments in staff and systems capacity and facilitate high-quality monitoring and implementation in cash and voucher programs.

To Donors

Recommendation 1: Donors should provide collective, clear, coordinated messages in support of cash-based interventions in NWS and in particular of unrestricted cash distributions, in reaffirmation of their global commitment to the Grand Bargain agenda.

Recommendation 2: Donors should facilitate various types of cash programming with more flexible grants, including multi-modality, multisectoral, multi-year and / or multi-donors funding facilities.

Recommendation 3: Donors should engage in a frank dialogue with aid agencies seeking guidance on the content, scope, and application of counter-terrorism measures.

Recommendation 4: Donors should pool the costs and efforts related to due diligence requirements on financial service providers by funding a small task force that would gather, consolidate and share available information on local actors with whom aid agencies could adequately conduct financial transactions in the field.

Recommendation 5: Donors should support the development of inter-operable, competitive systems and encourage aid agencies to coordinate on the use of similar technologies and data formats rather than push for the adoption of a single, integrated, common platform.

Recommendation 6: Donors should encourage a strong, collective, structured and documented approach to risk analysis and risk management.

Recommendation 7: Donors should ensure that the CWG is adequately financed and staffed, including a capacity for data management as well as a functional budget for trainings and workshops, so that coordinators can better focus on providing specific strategic and technical coordination services.



To Clusters

Recommendation 1: Cluster coordinators should develop guidance for their members on appropriate sectoral cash activities, including technical guidelines for each type of cash-based interventions recommended in order to help standardize approaches on grant size, transfer frequency and duration.

To the CWG

Recommendation 1: Provided that adequate financing is available, CWG coordination should prioritize specific services to CWG members, in particular the provision of technical trainings and practical workshops. They should consider in particular organizing a workshop on the design and set-up of cash pilots for organizations that are not CWG members and are looking to build new systems; providing technical training materials or online tools specifically designed for support staff and for field staff; and, organizing a workshop for program managers on the use of market tools.

Recommendation 2: CWG coordination should continue to support clusters with technical guidance, including with the organizing of a workshop for cluster coordinators to brainstorm on appropriate sectoral cash activities, share knowledge and lessons learned from other contexts, and develop sectoral standards as well as coordinated targeting and coverage strategies for their cash-based interventions.

Recommendation 3: CWG coordination should maintain its efforts to increase harmonization and coordination in cash and voucher practices, including by proposing a pre-established schedule to revise and update existing standards as well as by organizing discussions among CWG members on coordinated coverage and targeting strategies by type of areas of intervention for emergency MPCs.

Recommendations 4: CWG coordination should facilitate a clear and transparent two-way conversation between each donor and the CWG, including in particular implementing NGOs, in the form of a series of workshops that would help clarify and make common knowledge donors' funding strategies and requirements as well as come up collectively with practical standards about what due diligence should look like and how to best present risk analysis and monitoring systems in proposals.

Recommendation 5: CWG coordination should keep facilitating the efforts to build a collective risk analysis framework between donors and aid agencies, including the dissemination of a public document in which all stakeholders agree on the distinction between perceived and real risks and a measured assessment of residual risks in cash programming in NWS.

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TERMINOLOGY

Throughout the document, we use the expressions “cash-based” and “cash and vouchers” interchangeably to designate all monetary assistance practices. While this document doesn’t provide a specific glossary, see *Practices for definitions of the most commonly-used terms in cash and voucher assistance*. See also *Services for a specific distinction between financial services, delivery mechanisms and delivery methods that is particularly relevant to the context of NWS*. For all other technical terms, please refer to [CaLP Glossary of Terminology for Cash and Voucher Assistance \(2019\)](#).

Here are the acronyms most commonly used throughout the document:

AAP	Accountability to affected populations	MSNA	Multi-Sector Needs Assessment
CaLP	Cash and Learning Partnership	MPC	Multipurpose cash grant
CCCM	Camp Coordination and Camp Management	NES	Northeast Syria
CfW	Cash-for-Work	NFI	Non-Food Items
CTS	Commodity-tracking system	NGO	Non-Government Organization
CP	Child protection	NWS	Northwest Syria
CWG	Cash Working Group	OCHA	Office for the Coordination of Humanitarian Affairs
ERL	Early-Recovery and Livelihoods	PDM	Post-distribution monitoring
FSA	Food Security and Agriculture	3RP	Regional Refugee and Resilience Plan
FSP	Financial service provider	SGBV	Sexual and gender-based violence
GoS	Government of Syria	(S)MEB	(Survival) Minimum Expenditure Basket
GoT	Government of Turkey	SOP	Standard Operating Procedures
HH	Household	SYP	Syrian pound
HHH	Head-of-household	UN	United Nations
HNAP	Humanitarian Needs Assessment Program	UNDP	United Nations Development Program
HNO	Humanitarian Needs Overview	UNICEF	United Nations Children’s Fund
IASC	Inter-Agency Standing Committee	UNHCR	United Nations High Commissioner for Refugees
IDP	Internally Displaced Persons	USD	American dollar
IOM	International Organization for Migration	WASH	Water, Sanitation and Hygiene
KI	Key informant	WFP	World Food Program
M&E	Monitoring and evaluation	WoS	Whole of Syria
MENA	Middle East North Africa		



INTRODUCTION

With the crisis in its ninth year, Syria remains the largest humanitarian response in the world in terms of funding. The scale, severity and complexity of the humanitarian situation is considerable. An estimated 7 million people remain internally displaced and extensive levels of need persist for people across Syria. Over 11 million people are in need of various forms of humanitarian assistance across Syria as of the end of 2019 (OCHA, 2020).

While there has been a reduction in violence in many parts of the country over 2019, the situation has vastly deteriorated in northwest Syria since December 2019 and people are currently living through some of the worst crisis since the war began. Almost 1 million people have been displaced in the past three months due to intense conflict in freezing weather (OCHA, February 2020). The new sparks in hostilities impact heavily on civilians who have already endured multiple displacements, and years of violence and economic downturn. Almost 3 out of the 4 million people in north-west Syria are in urgent need of humanitarian assistance, including food, shelter, water and sanitation, health and winterization assistance (OCHA, January 2020).

The vast majority of humanitarian assistance in northwest Syria is provided in-kind. Cash-based assistance programs have been widely used to support Syrian refugees in neighboring countries, as well as to support Palestinian refugees within Syria, but they have until now not been used at scale within opposition-controlled areas. However, there has been an uptake of cash and vouchers interventions in cross-border operations to northwest Syria since 2014, and conditional and unconditional cash-transfers as well as voucher programs have become increasingly common over the past couple of years.

The growing use of cash-based assistance in northwest Syria is part of a global trend. There has been widespread support for cash and voucher assistance since the Grand Bargain agreement and a recognition that it can make the humanitarian sector more efficient and people-centered. Globally, debates have shifted from whether cash is appropriate to how agencies can adequately and systematically scale-up, maximize and coordinate cash transfers. Humanitarian agencies around the world are exploring the feasibility of scaling up all sorts of cash assistance because of its flexibility (people can decide for themselves what they need most and what to spend it on), efficiency (both in terms of cost and time to implementation, and with economies of scale and over time as well as multiplier effects on the local economy), and its ability to restore a sense of control and respect the dignity of affected populations.

The context in northwest Syria presents both a lot of enabling conditions and a lot of challenges for cash and voucher programs. In a former upper middle-income country with a largely cash-based economy and markets that are still functioning and responsive, the appropriateness of cash and vouchers to meet the needs of populations and their acceptability is high. Cash may have the added benefit of extending the coverage of aid agencies into hard-to-reach areas. Yet, until recently, NWS was considered a typical example of context that was not conducive to cash programming (IOM, 2019). A remote management humanitarian operation in an environment with high levels of displacement and a volatile political situation on a shrinking territory represents a logistical challenge for the provision of aid in all modalities. The limited availability of formal financial service providers, the absence of recognized authorities, and the lack of pre-existing social safety nets render the implementation of cash and voucher programs even more complicated.

Yet, the largest inhibitor to the development of cash and voucher assistance in northwest Syria are not the operational constraints but the perception of risks associated with cash assistance, especially among donors and senior management of international organizations. In general, there is agreement that the risks of cash programming are not inherently higher than for in-kind aid, albeit different and specific to some extent. But in northwest Syria, the risks of diversion of cash assistance by terrorist groups and the related reputational concerns have resulted in the imposition of additional requirements for monitoring and overall higher standards for cash delivery systems than for any other modality of assistance.



The objective of this cash feasibility assessment for northwest Syria is to provide evidence-based, structured analysis of the various dimensions that make cash and vouchers interventions feasible. The primary audience for this document are all the organizations either currently involved in cash-based programming in the area or considering doing so. The recommendations involve operational considerations to support programmatic decisions as well as strategic considerations to support advocacy.

The research design for this study is based on an approach to cash feasibility developed by ICRC (2017). Feasibility is broken down into ten different dimensions, so as to get as comprehensive a picture as possible. More specifically, this assessment will review **(1)** the context and the conduciveness of the regulatory, political and operational environment to cash-based interventions; **(2)** the needs of affected populations and the appropriateness of cash-based interventions to meet them; **(3)** the cultural appropriateness of cash and voucher assistance in northwest Syria and the existing norms and behaviors that could foster or hinder its successful and inclusive implementation; **(4)** the functioning of local markets and their capacity to absorb cash injections and meet with increased demand; **(5)** the best practices from cash and voucher programs that have already been implemented in the area; **(6)** the funding environment for cash-based programming in northwest Syria and the extent to which donors' strategies are conducive to a scale-up of the cash-based response; **(7)** the capacity of the humanitarian community to implement cash-based interventions and its potential to scale-up; **(8)** the existing infrastructures and services that can be used for cash and voucher programming and in particular the available financial service providers and delivery mechanisms; **(9)** the logistical systems and the partnerships with local organizations that support cash and voucher programs' operations; finally, **(10)** the risks – perceived and real – associated with cash and voucher programming in northwest Syria and the risk management measures that help mitigate them.

The methodology for this study combines the desk review of existing documentation, the extensive use of a variety of key informants, the analysis and cross-validation of secondary data as well as relevant comparisons with similar contexts. The views presented in this document result from a collaborative work involving a large number of stakeholders of the cross-border response to northwest Syria. In articulating the various perspectives and opinions expressed in interviews, the objective was to identify the major enablers and inhibitors to cash-based programming in the current context. Building on lessons learned both in the northwest and in other contexts, the study identifies best practices, challenges and constraints to the implementation of cash-based interventions in northwest Syria and formulates subsequent recommendations to facilitate the scale-up of the cash-based response. Throughout the assessment, the findings attempt at emphasizing the correct and appropriate points of comparison in contrasting modalities (cash-based versus in-kind assistance), types of programming (cash versus voucher programs) as well as the nature of concerns that are associated with each of them (real risks versus perceived risks).

Some of the greatest challenges in conducting this study were its short timeframe, the variety of actors and perspectives to consider, and the limited amount of consolidated quantitative data available. Excellent, representative data is generally available on populations (HNAP) and on markets (REACH). Beyond that, most of the estimates provided in this document specifically on cash-based programs in the northwest and their outcomes comes from limited, indicative data provided on a case-by-case basis by various NGOs. Another major challenge stems from the sheer variety of actors involved in cash and voucher programming in remote management. Donors, implementing partners, oversight agencies, and coordination structures each have specific strategic objectives and operational constraints. Beyond the mere plurality of opinions expressed, it was a difficult task to reflect appropriately the different levels of complexity in order to adequately identify the space for cash-based programming.

As for the timeframe, the short turnaround for the assessment (less than 2 months) sets inherent limitations to what could be elaborated upon. Specific topics are identified throughout the document that would require more in-depth background analysis and specific follow-up studies. Yet the timing of this study also arguably represents an opportunity. At a time of high uncertainty about the future of humanitarian cross-border operations in the area, and with the situation on the ground shifting rapidly, all stakeholders tend to agree that upcoming changes in operational constraints might warrant a scale-up of the cash-based response both sooner and more rapidly than anticipated.



CONTEXT

The first step of cash feasibility is to understand whether the political, regulatory and operational environment is conducive to cash-based interventions. This includes characteristics of the areas of operation and of affected population. For this context analysis to remain relevant, expected evolutions in the current situation are also considered.

KEY MESSAGES

- Remote management makes all modalities more complex to monitor and more costly to implement. But comparatively, it increases the feasibility and appropriateness of cash over in-kind: cash is not subject to the same logistical barriers as in-kind assistance and can usually continue during peaks of disruption and displacement.
- Compared to other conflict contexts, NWS presents a complex set of constraints and challenges for cash-based programming, with no recognized authorities, no formal financial infrastructures, and no pre-existing social protection systems.
- Opposition-held areas and Turkish-administered areas are two very different areas of operation that present different sets of constraints and opportunities for cash and voucher programming.
- Cash-based programming in NWS may need to be scaled-up more rapidly and sooner than anticipated, especially given the high level of uncertainty about the future of the cross-border humanitarian response and the future of NWS in general.
- With proper systems and maintaining high-quality standards, remote cash-based programming has the potential to fill gaps of assistance and take over some of the programming covered until now in-kind. But preparedness planning for increased cash-based response in NWS needs to be nimble, diversified and flexible, so as to anticipate and respond to as many situation and scenarios as possible.
- Complex patterns of population movements can be observed in terms of primary and secondary displacements, hard-to-reach and crowded areas, in-camp and out-of-camp displacements. Situation analysis about expected changes in population in areas of operation over time of implementation helps with identifying the most appropriate cash-based response.

Since this document is meant for people who are already aware of the general Syrian context, this section only emphasizes the elements of context that are relevant to the feasibility of cash and voucher programming.

Current situation

While this study focuses on NWS, it is useful to provide a quick overview of the legal context for cross-border operations before diving into the main determinants of local conflict dynamics.

Whole of Syria Response

As a result of the conflict, the government of Syria (GoS)

only controls part of the territory, while other parts are controlled by various groups and actors. In 2014, UN Security Council Resolution 2139 and 2165 has authorized access for humanitarian aid in Syria through cross-border operations from two crossing points in Turkey. The resolution was subsequently renewed in 2016, with the crossings already in use as well as two additional crossings with Turkey (Bab al-Salam, Bab al-Hawa), one with Iraq (Al-Yarubiyah), and one with Jordan (Al-Ramtha).

The humanitarian response in Syria since 2014 has thus been complex with assistance delivered from multiple hubs (inside Syria as well as from Turkey, Lebanon, Jordan and Iraq) and coordinated under the Whole of Syria (WoS)



approach. Until now, access to NWS has only been possible cross-border and not cross-line from Damascus.

Concretely, the response to NWS is a remote operation that is coordinated from the Gaziantep hub, with limited points of access and movement of personnel. This means that humanitarian organizations delivering assistance in NWS are largely relying for implementation on partnerships with local NGOs and on the support of other local actors. Most NGOs responding in NWS are operating from TK, some are in Jordan, few in Iraq. In-kind shipments enter NWS at border crossings either through humanitarian corridors or increasingly through commercial routes. In turn, this means that the Turkish government has some degree of oversight over the in-kind and financial assistance that transits on its territory.

In January 2020, the UN resolution was hardly renewed and the Security Council only re-authorized two of the four existing border crossings (Bab al-Salam and Bab al-Hawa in Turkey) for a period of six months (instead of 12), while dropping re-authorization for use of crossings in al-Ramtha (Jordan) and Al Yarubiyah (Iraq). Most actors interpret this as casting a veil of uncertainty on the future of UN agencies' presence in NWS and legal capacity to continue to operate cross-border from Turkey.

Conflict dynamics in NWS

Obviously, there are two determinants of conflict dynamics in NWS that are relevant to all assistance and especially to cash feasibility, namely who controls various parts of the territory and what are the main characteristics of affected populations.

In terms of territory, NWS is composed of the parts of two governorates of Syria, Idleb and Aleppo, that are not under GoS control. In practice, various armed groups with terrorist affiliations like HTS have control over Idleb and small part of Aleppo – aka opposition-held areas – while TK armed troops as well as disaster management agency (AFAD) are posted throughout most the northern part of Aleppo since 2017 which means that the area is effectively under control of TK authorities - aka TK observed areas. This means in either case that either no strong, or no legitimate leadership of government-like actor. A resurgence in fighting has been observed in NWS since December 2019, concluding with a cease-fire on March 5th, 2020.

Main constraints and challenges

Remote programming

The main characteristic of the current setup for the response in NWS is remote programming. Obviously, it affects both cash and other modalities, and the conse-

quences for cash and voucher programming more specifically are explored throughout this document.

Within the territory of NWS live more than 4M people, of which almost 3M are currently in Idleb governorate on a territory that used to be roughly 5.000km² until November 2019 and has shrunk by early March 2020 to less than 3.000km². About 1.5M people are in Aleppo governorate spread over a territory that used to be roughly 6.000km² and is now about 5.000km². This population affected by the conflict in NWS are mostly civilians, as shown by the proportion of 75%-80% of women and children, while active opposition fighters to GoS and various armed groups are estimated to be about 30.000 individuals. Compared to other conflict context, political dynamics are relatively simple, with no pro-government groups within population and fighting mostly on front lines with GoS-controlled



Opposition-held areas and Turkish-observed areas in NWS as of Mar. 2020.

areas.

The Syrian conflict has been ongoing for 9 years and the situation can legitimately be called a protracted crisis. Yet, there are regularly flare-ups in the hostilities between GoS and its opposition, which affect NWS with massive waves of population displacements. The humanitarian response in NWS has thus been typically composed both of emergency interventions to meet the urgent needs of newly displaced households and of more regular programming in areas and at times that were more stable typically to cover the needs of the most vulnerable households among IDPs and host communities alike. Generally speaking, the violence and fighting have caused extensive destruction of infrastructures, massive displacements, and high socio-economic vulnerabilities within the affected population.

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With cash and vouchers as with in-kind, the risks linked to program implementation are heightened when handled remotely. However, in emergencies with significant access challenges for humanitarian actors, the use of cash-based



programming has great potential to help provide life-saving support to the most vulnerable people, insofar as cash transfers may not require a heavy and consistent staff presence, are not subject to the same logistical barriers as in-kind assistance, and can often continue during peaks of disruption and displacement.

For cash-based programming in NWS, the specific challenges presented by remote management for humanitarian agencies are mainly related to logistics, monitoring and risk sharing or transfer with a variety of local actors. The usual international operators of humanitarian aid have to rely on other organizations for information, access to populations, as well as assistance delivery. In turn, this implies a necessary adaptation of cash and voucher programs in the assessment of needs and markets, response options, organizational capacity and available delivery mechanisms as well as protection and gender concerns. In particular, the risk analysis at least should be redone completely.

Population Displacement

The ways in which population displacements in NWS affect the feasibility of cash-based programming are also discussed throughout this document. There are two main aspects: the type of vulnerabilities these displacements create and the high mobility of beneficiary population. As such, it is critical to understand some of the main characteristics of these displacements.

Currently, about 2.5M of Syrians are displaced within NWS and most of them have been displaced multiple times. More precisely, an estimated 3 in 5 households in Idlib and 1 in 2 households in Aleppo are IDPs (HNAP, January 2020). With virtually every household in NWS displaced at least once since the beginning of the conflict, and each of these households displaced on average 3 times, IDPs are the main category of affected populations that receive humanitarian assistance (estimated from various NGOs data in 2019). Displacement patterns of people in Syria have frequently been of a temporary nature, with people leaving either in anticipation of or in response to ongoing or intermittent hostilities. With each flare-up in fighting at the frontline with GoS-controlled areas in southern Idlib, there are waves of new displacements towards the north. Most recently, due to the escalation of hostilities since December 2019, there are almost 1M newly displaced on a territory that is rapidly shrinking (OCHA, February 2020).

Primary and secondary displacements

Based on the patterns observed over the past few years, many key informants notice that displacement in NWS is typically sequential. First, there is a short displacement both in distance and in duration, following a decision that happens on short notice. Most of these primary displacements occur within the governorate of origin, typically within Idlib since most of the recent fighting has happened there. Many had to flee their homes within the space of

hours without any belongings. Populations then tend to try and stay close to their home as long as possible, often trying to find refuge with relatives or connections, with the intention to go back as soon as possible despite a lot of uncertainty.

Then, eventually, part of this displaced population moves for a secondary displacement to further areas that are perceived as either more secure or more appealing. This is typically the case of population reaching various areas of Aleppo governorate, like Al-Bab, Azaz or, until recently, Atareb. For these IDPs, there still a lot of uncertainty about the future, but a large proportion intends to stay and settle there. Both primary and secondary displacement patterns can happen multiple times.

Although which areas are departure areas, first or secondary arrivals tend to change with the location of fighting and even conflate as the size of the territory shrinks, the same patterns can still be roughly observed in most recent displacements.

Hard-to-reach and crowded areas

At each point in time in this displacement crisis, there have been hard-to-reach locations that typically correspond to more rural, areas, close to the frontline or besieged areas as well as crowded areas, often closer to the border, safer and with more humanitarian access. Throughout the rest of the document, we will see how this distinction is relevant for cash-based programming. Currently, the population density in crowded areas by the Turkish border such as Dana subdistrict can be estimated at over 4.000 pp per km² (compared to 3.500 pp per km² in November 2019) and there are over 20 NGOs operating in the area. By contrast, in subdistricts at the frontline like Saraqab or Sarmin, of the 200.000 population estimated in November 2019, there is probably less than 80.000 left by February 2020. With an estimated average population density of barely 190 pp per km², there are also fewer humanitarian actors that have access to these areas and are in a position to assist the households that have elected to stay closeby despite the intensification of the fighting.

In-camp and out-of-camp displacements

Another characteristic of more recent displacements is that they are increasingly urban displacements. The majority of those displaced from southern Idlib in 2019 moved to either urban centres such as Idlib city or Ariha or to areas that already had significant IDP populations such as Dana, Maaret Tamsrin and Atareb (OCHA, 2020). Since January 2020, large part of population from Ariha, Idlib city and Atareb have in turn moved toward already crowded urban areas near the Turkish border. Historically, in NWS, displacement tends to be an individual decision, with few households migrating together rather than entire villages. In turn, this tends to also increase the disruption of social networks in areas of arrivals.



With about 60% of the population in northwest Syria currently displaced, IDPs choose to stay both in camps (less than 30%) and out-of-camps (over 70%) (HNAP, 2020). More than 300 camps and informal sites have existed for the past 2 years. With each new wave of arrivals, existing camps tend to increase in size rather than new sites being created. Yet a large part of the displaced population elects to stay with host communities, especially in more rural areas. Except for a few specific elements discussed in the next section, it seems that there is no significant differ-

ence in the main demographics of populations displaced in camps and out-of-camps. By now, most of the older camps are described by key information a bit like villages of their own, some of them being even bigger by now that the host community next to it. In the rest of the document, we explore how the difference between IDPs in camps and out-of-camps affects their mobility, needs and the appropriateness of various types of cash and voucher programming.

‘Most-similar’ contexts?

All too often, cash-based programming is designed based on assumptions rather than evidence. With cash assistance still being somewhat new for many organizations, it can be very useful to look at lessons learned from other contexts. While learning from development contexts in which cash and voucher assistance is much more common can be helpful, the relevance of such findings to humanitarian action is often untested. To make relevant and appropriate comparisons, you want similar operational constraints (remote management, banking system), situational analysis (conflict with armed groups and terrorists), and society (economic backgrounds, norms.). This proves very challenging for NWS in the sense that it is quite a unique combination of factors. Still, albeit to various extents, parallels can be drawn from several experience in the MENA region and elsewhere.

In the rest of Syria, there are intuitively a lot of commonalities, especially with **Northeast Syria** since the area is also in conflict with GoS and there are somewhat comparable lack of financial infrastructures, and territory controlled by terrorist groups. But, like Darfur and South Sudan, these are also different population groups, with different political dynamics and topographical constraints. While this is not currently directly relevant to cash-based programming in NWS and bearing in mind that it is outside of the scope of this assessment to consider the feasibility of cash-based programming cross-line, **from GoS-held areas** we can learn about the government’s appetite for cash and voucher programming. While Damascus used to be against cash-based programming in general – and unrestricted cash in particular – they are currently showing signs of willingness to scale-up considerably the cash response in government-controlled areas – especially since liquidity crisis. While this is not currently directly relevant to cash-based programming in NWS and bearing in mind that it is outside of the scope of this assessment to consider the feasibility of cash and voucher programming cross-line.

In Yemen, Iraq, Afghanistan, Libya, Yemen is arguably with NES the most relevant point of comparison for NWS. Yet the context in Yemen is still vastly different with regard to crucial aspects of cash-based programming, in particular the historic presence of, and familiarity with, large-scale cash transfers as well as the existence of a banking system and financial services to support it. From Yemen, we can learn that few humanitarian agencies were implementing cash transfers prior to the escalation of the conflict in March 2015, but its use has grown dramatically since then (CaLP, 2018). This speaks to the fact that, where systems are already in place, cash is arguably the easiest modality to scale-up dramatically – much more easily than in-kind programming.

In Turkey, Jordan and Lebanon, the 3RP response to Syrian refugees provides example of large-scale cash transfers to the same beneficiary population as NWS, to the extent that IDPs and refugees remain roughly similar populations. Yet, there are obvious differences: operation in stable context with no security issue, with functioning states and infrastructures, as well as a leading agency (UNHCR) that already had collected and consolidated a database with beneficiaries’ information. From these examples, we can learn that part of the success of common facility for registered refugees not living in camps comes from the fact that Syrian refugees have tendency to adapt fast to technological solutions like use of biometrics while having high familiarity and satisfaction with receiving unrestricted cash – much more than in most Africa countries in which similar systems were experimented, for example. This speaks to appropriateness of cash to meet the needs of affected population from middle-income country and with overall high-levels of education.

In other conflict and complex emergencies context in SSA like Mali, Somalia, etc – comparable in terms of lack of banking structures, sometimes similar concerns about terrorism and yet not only continued to use cash despite an increase in perceived security risks and risks of misappropriation but successfully scaled-up. But social norms and society pre-conflict in general are vastly different from NWS, so considerations about cultural appropriateness do not apply and many comparisons can in fact be misleading.

Political authority

An important characteristic of the operational context in NWS is also the lack of legitimate government actors for humanitarian organizations to interface with, both in opposition-held and in Turkish-administered areas. Part of

the assessment of cash feasibility has to do with observing whether the policies and regulations supported by local governments enable or inhibit the use of cash and voucher assistance for humanitarian needs. Existing, successfully scaled-up cash schemes have often benefited from having



strong government ownership and leadership of these processes, whether at the national or subnational level.

In other context, CTP also often attempts to align with existing government social and financial inclusion initiatives, if only to get quick access to a potential project participant list and a functioning money transfer service. However, this is not an option in the context of NWS since there are also no pre-existing national social protection systems to build upon. In other words, there is no pre-existing administrative records to work with, not a single, local entity with the capacity or legitimacy to collect, store and centralize data about affected populations.

Working with Turkish authorities

Turkish authorities are an important stakeholder in the cash-based response to northwest Syria in at least two ways. First, most of the humanitarian organizations are responding cross-border from Turkey and as such are directly subject to Turkish regulations. Second, the Turkish-administered areas in Aleppo effectively depend on the administrative authority of three different municipalities: Hatay for Afrin, Kilis for Al-Bab and Azaz and Gaziantep for Jarablus. Each province has different governing authorities with distinct regulations and decision-making processes, which makes it difficult to implement the same activities across the Turkish-administered areas

One can note that the Government of Turkey (GoT) is very well-versed into to cash and voucher programming, since Turkey has currently highly-developed cash transfers and social safety net programs as well as the largest cash-based refugee response in the world. That said, they have also shown since the beginning of the cross-border response that they are very wary of controlling the transshipments that go through the crossings and in particular the financial flows cross-border. From each organization working on the cross-border response, they require registration as well as the holding of all finances on a Turkish bank account. Like all countries, they impose regulations on the amount of currency that can be flown out of the country as well as taxes on the export of commercial goods, except for UN agencies. Yet, successive changes in these legislation over time as well as the complexity of getting proper authorizations from Turkish authorities have raised concerns for the continuation of humanitarian activities in NWS.

In practice, for the past few years, this has meant that some international NGOs – including some with major implementing capacity in the northwest - can't operate from Turkey and have elected to run programs in opposition-held areas from Amman instead. Operating from Turkey without proper legal status and registration would carry huge administrative and operational constraints. Most recently, with large arrivals of IDPs from Idlib to Aleppo and even more expected in the next few months, Turkish authorities have shown signs of rapprochement towards the humanitarian community, with the registration of 23

NGOs in early 2020 ; in the same time, several NGOs in Amman are considering the possibility of re-opening programs in Aleppo.

The various challenges and opportunities related to working in Turkish-administered areas and with the Turkish Emergency and Disaster Management Authority (AFAD) will be discussed in more details in the rest of the document.

Uncertainty

At the time of writing, there is high uncertainty about the future of northwest Syria and the cross-border operation, which is very likely to impact the appropriateness and the feasibility of a cash-based response.

Despite the quickly-evolving context on the ground, most key informants still agree on a few things: they expect massive population displacements in NWS – with up to 1M new IDPs, some of which are already on the move – ; more generally, they expect dramatic changes to the territory, the humanitarian access and the general political situation in NWS within the next year or two. Beyond these predictions, uncertainty prevails about both the timing of said changes, the renewal of the cross-border resolution and future UN presence, as well as patterns in population movements.

Overall, while opinions vary on the continued feasibility of in-kind assistance, there is a broad agreement within the international community that the push for more cash-based interventions and the scale-up of the cash response in NWS might have to happen sooner and faster than expected.

Future of the UN resolution

If the UN resolution operations is not renewed, it could mean that UN agencies – or at least most of them – have to stop their cross-border operations. While it doesn't impact directly the capacity of international and local NGOs registered with Turkey to continue their work, it has a massive indirect impact in terms of reconfiguration of the humanitarian response, with consequences for cash-based programming in terms of funding and organizational capacity.

In particular, several key informants think that it could prompt a shift from in-kind towards more cash-based assistance much sooner and much more rapidly than anticipated. First, since WFP is an important in-kind implementer, there might be gaps to fill for food assistance. Second, CTP is seen in general as the easiest modality to scale up, especially in context of escalating conflict and limited access.



Situation analysis in shifting operational contexts

In cash and voucher programming for NWS, a lot of care should be given to the analysis of the context and its evolution. While this document makes no projection because it is not within the scope of this study and because it would require a crystal ball at this stage, there are constant elements of situation analysis in NWS over the past few years that can still provide concrete elements of programming for cash and vouchers. Proper situation analysis can help reduce and optimize the set of tools and types of programs that are feasible and appropriate under various sets of circumstances.

Based on past experience in the region and on key concerns for the coming years regarding new massive displacements, returns, and the needs of host communities who share resources with the displaced, three types of situations should be distinguished at the time of designing a cash and voucher program.

Situation 1: *if the population is expected to remain stable in the areas of intervention* – then most of the cash-based tools are available, including vouchers, repeated programming, and cash-for-work. It also means that there is time to understand more-in-depth community vulnerabilities, assess markets, contract vendors, etc. In such situations, it is important to consider covering the needs of vulnerable households both within the IDPs and within the host communities with cash-based interventions.

Situation 2: *if a large number of new arrivals is expected over the time of implementation* – whether the expected arrivals are IDPs or returnees, for cash and voucher assistance this means paying extra attention to the capacity of markets to absorb the increased demand. Most cash-based tools are still available – but different type of programming may be appropriate for the population who is already there and for new arrivals. Some cash tools are particularly appropriate to prepare and increase the level of integration of new populations, for example cash-for-work to increase the capacity of community infrastructures or cash-for-shelter activities to incentivize locals to host IDPs (see *Practices* for a more detailed discussion of the conditions under which these interventions may be appropriate). By contrast, one-off emergency programming is more appropriate for new arrivals, while anticipating from the start the transition into regular programming in the area if it exists. Typically, such situation is likely to concern Aleppo in the near future, either due to large arrivals of IDPs from Idlib or with returns of refugees from Turkey or from IDPs from other parts of Syria.

Situation 3: *if a large number people on the move or in transit is expected in areas of intervention* – this is typically the case of most populations in northern Idlib right now. Emergency assistance, and in particular one-off transfers with large coverage are more appropriate. Special attention should be given to high mobility of populations, MPC should be favored wherever possible. In such situation, there is no time to set up voucher schemes. They also wouldn't be adapted since populations need to stay in location for at least the duration of the redemption period. While in-kind is feasible, it is less appropriate than cash-based assistance since it is heavier to transport.

RECOMMENDATIONS

Recommendation 1: Aid agencies should systematically include basic situation analysis in the design of cash and voucher programs. In particular, it should describe the main characteristics of areas of intervention (opposition-held areas or Turkish-administered areas, hard-to-reach or crowded areas, areas of primary or secondary displacement) and of the population they expect to serve (in camps or out-of-camps, more or less mobile populations) in order to determine what range of cash-based interventions could be feasible and appropriate.



NEEDS

The feasibility of cash-based programming is also about understanding the needs of affected populations and whether these are best met with in-kind, in cash or in vouchers. It is important to consider the diversity of needs within affected populations and identify relevant needs profiles, so that cash-based interventions can be adapted accordingly.

KEY MESSAGES

- **The main characteristics of needs in NWS is that they are multisectoral, with high variation across locations, within locations and over time. Sectoral approaches to distributions of assistance tend to result in unmet needs.**
- **Cash is more adapted than in-kind or vouchers to meet most needs in NWS. The impact and the value-for-money of cash assistance are also higher. In-kind assistance and vouchers tend to be sold or exchanged by some beneficiaries. The loss of value due to reselling seems to be high for in-kind and medium for vouchers.**
- **There are different profiles of beneficiaries in terms of needs and usage for cash. Depending on whether beneficiaries are mobile or stable, new arrivals or older displacements and host communities, in camp or out-of-camps, expenditure patterns are not the same.**
- **Most vulnerable subgroups of population, and in particular populations with special health needs, have systematically different usage of cash and they are more likely to have unmet, urgent basic needs.**

Of the 4M million people that live in northwest Syria, almost 3M are considered to be currently in need of humanitarian assistance and among them over 2M are considered in acute need (OCHA, 2020). The population has been made vulnerable by nine years of crisis, violence, economic downturn and multiple displacements. While the response is still predominantly in-kind food, many key informants have pointed that the crisis in NWS is not a food security emergency – with less than 30% of the total population citing food as a top priority need (HNAP, 2020) and only 1.7M people were food-insecure in NWS in 2019 (HNO, 2019) – but rather that the challenge is addressing more general socio-economic vulnerabilities.

In 2016, Global Communities found that among the households that received aid in-kind in NWS, almost all of them reported some unmet needs (99.5%). More specifically, the study report that 9 out of 10 beneficiaries had unmet food needs after receiving assistance, 2 out of 3 had unmet non-food items needs, 1 in 5 for health needs and 1 in 10 for water and sanitation. These striking numbers were explained by the severity of needs, that are not fully met by the assistance provided, as well as by the modality or

type of assistance received that did not allow beneficiary households to cover all their needs.

Multisectoral needs

One of the most striking characteristics of needs of affected populations in NWS is that they are very multisectoral. They are spread over several humanitarian sectors – with households in need of both food, NFIs, health assistance, etc. At the same time, they also transcend traditional IASC sectors – with needs of paying for rent, transportation, debts, communications, electricity, etc. This makes cash-based interventions particularly relevant, and in particular unrestricted cash assistance. Cash assistance is fungible and thus has the potential to meet not only several or many of the population's needs, but all of their needs for goods and services. While all needs can be met in cash under the right circumstances, in-kind assistance can never meet all needs.



Level of needs and severity of needs

It is important to distinguish between considerations about the level of needs and the severity of needs when assessing the needs of affected populations in NWS. The distinction relates to an important debate about the breadth and depth of assistance, that feeds into targeting decisions, funding strategies as well as programmatic considerations for cash-based activities.

The level of needs is related to the breadth of programming and the coverage of humanitarian assistance, as it is measured by the proportion of affected population in a given area that are not able to meet all their needs on their own. The severity of needs is related to the depth of programming and the targeting strategy in terms of populations as well as transfer size, frequency and duration. It is indicated by the average magnitude of the needs that are unmet within a beneficiary population. Cash windfalls provides some flexibility in adjusting the relative depth and breadth of programming in a way that in-kind aid cannot.

In NWS, overall, there is a consensus that both the level of needs and the severity of needs are high – with variation by location and within locations. In other words, there is both a lot of vulnerable people in each location, and within each location there are some households or some populations that are extremely vulnerable. This distinction is particularly relevant to different options of cash-based programming in hard-to-reach areas and crowded areas.

The multisectoral nature of needs in NWS also makes the value-for-money of cash assistance much higher than that of both in-kind and voucher modalities. Many studies comparing cash and in-kind transfers across the world provide substantial evidence that the relative effectiveness of cash and in-kind assistance in meeting needs as well as in improving indicators and objectives is similar on average for comparable values of final transfers (WVB, 2016). In the context of NWS, there is a large variation between the intended value of transfers in-kind and in vouchers and their effective final value. In-kind aid is often resold – at a loss of value – in order for households to have access to cash and meet their multi-sectoral and out-of-sector needs. Similar dynamics reduce the value-for-money of voucher assistance, albeit to a lesser extent. Concurrent estimations by various key informants regarding the use of winter assistance in the latest emergency response suggest that the loss of value after reselling for an initial windfall in-kind can be up to 60% and up to 40% for an initial windfall in vouchers. In other words, some beneficiaries have been willing to sell a 120\$-worth voucher to get 70\$ in cash instead.

Food and NFI

The main needs of the most recently displaced individuals, both in camps and out-of-camps, still fall under the traditional humanitarian sectors. In assessments, the priority needs cited by affected populations are generally food (cited by 8 or 9 out of 10 respondents), non-food items, and shelter (both cited by 1 in 2 respondents on average). This is also consistent with PDM findings from various NGOs, which show that households receiving cash spend on average 45% of the assistance on food, 20% on shelter or rent, and 30% on various basic NFIs.

As such, one could typically consider providing for these priority needs in-kind. Yet, there are reasons to think that even for these sectoral needs, cash is more appropriate than in-kind. A significant part of the in-kind assistance received by beneficiaries is sold back and can be seen on local markets. This happens both because beneficiaries need to cover their other needs and because they are not

satisfied with the in-kind assistance provided. Within every location, there are a significant proportion of households that are not entirely satisfied with the quantity or quality of some items provided in the food baskets, and decide to either not use them, exchange them or sell them. This is not imputable to any single item in particular, so it is not about better adapting the contents of the kits to the tastes of the population. It is rather a testament to the variety of tastes and usage among beneficiary households, who are historically used to some diversity in their diet, especially since they can typically find a wide variety of products on their well-provisioned markets.

Similar observations can be made with PDMs for NFI kits. In general, the standardized content of in-kind kits doesn't fit exactly the needs of any singular household appropriately, even though each item can be satisfactory and good on average. As a consequence, a lot of items are eventually sold on markets, albeit at a loss of value. The needs of vulnerable households for monthly consumables are also much more varied than the basic NFIs that are provided in kits. Cash or vouchers are thus better adapted to meet the variety of other essential needs of beneficiaries such as hygiene and cleaning items, baby items, etc. especially since the exact composition of these needs also varies a lot with household composition.

Shelter needs

Shelter needs is the third major need that beneficiary cite in priority; it is also in magnitude what takes a large part of their monthly available income (up to 50% in some instances). However, what falls under the need for shelter is more complex because it encompasses both temporary shelter like tents that can be provided in-kind and needs for rent that can only be met in cash or vouchers. Currently, almost half of those newly displaced are living with host families and in rented houses while 33% are living in camps or individual tents. This means that there are significant differences in the needs for shelter in general and the appropriate modality to meet these needs across location.

Whenever there is a peak in displacement, shelter needs also increase exponentially. This is especially salient with



the most recent waves of displacement, as the available territory is shrinking and the population density in safer areas is increasing drastically. Traditional SNFI response with tents tends to fall short in the most crowded areas and this increases the saliency of cash as an alternative approach.

Other sectoral needs

After shelter needs, the other priority needs are water and sanitation, healthcare and education needs. As expected, there is variation between camps – where water and sanitation services are provided in-kind – and out-of-camps populations in terms of water needs. WASH is one of the sectors for which affected populations usually prefer provision in-kind. Yet in 2016 Global Communities noted that this is much less the case in Aleppo and Idlib than in other locations in Syria, with 40 and 60% of people respectively preferring cash to in-kind. This has to do with the fact that people pay for water-trucking and that they need cash for that – this is especially the case in Idlib where water infrastructures were more damaged by the fighting.

Regarding health and education needs, only a small part of these can be met with private goods and most of the activities are about service provision. However, there is a high level of health needs within the affected population – both chronic illnesses and related to conflict – with expectedly a high variability in the severity of these needs across households. This means for example that the monthly expenses on drugs and medicine also vary a lot by households.

Other non-sectoral needs and need for cash

As mentioned with rent, there are some essential needs of vulnerable affected populations that cannot be covered by classic sectoral and in-kind approaches. The saliency of these needs is *de facto* important enough for beneficiaries to sell the assistance provided in-kind, sometimes at great loss of value, in order to be able to cover them. Looking at information on expenditures in PDMs, these needs can be identified as communication, electricity, transportation as well as debt repayment.

In needs assessment, these needs are expressed more generally by the population as needs for cash (cited on average by 1 out of 4 of respondents among top three priority needs) or needs for jobs and livelihoods (cited by 1 in 3 respondents). There are cultural barriers in NWS related to asking for cash directly, and it seems that asking for jobs or livelihoods is largely an indirect way to indicate a need for liquidity. When categories for cash or livelihoods are not included in questionnaires, respondent use the category “Other” to specifically indicate cash as one of their top priority needs (when asked to specify the use of “Other”, cash is mentioned from 85% 100% of the time). When put together, the various ways of expressing these needs for money amount to one of the top three priority needs for most of the beneficiary population, and often times rank above food needs, NFI needs or shelter needs.

Likelihood and magnitude of cash usage

A good way to get information about population needs is to look at their monthly expenditures and revenues. There might be systematic differences in the way assistance and other revenues are used. But for most vulnerable populations they can be adequately proxied by their usage of multipurpose cash grants. More specifically, there are two types of information that one can get by looking at expenditure patterns that can vary over time and across households.

The likelihood of expenditure on a certain type of usage is about the proportion of the population that chooses to spend part of a windfall on a specific category of expense. Variation in likelihood of expenditure speak to how different households have different needs altogether. For example, on average every household choose to spend some of their monthly available income on food but only 2 out of 3 household spend money on water.

The magnitude of expenditure is the amount of money or percentage of income spent on a specific type of usage. Variation in magnitude speak to how households have various way to prioritize some needs over others. For example, the amount that displaced households in NWS spend on food can vary from 10% of 85% of a 120\$ MPC – with an average of 40% or 48\$ which roughly corresponds to the share of food in SMEB on which MPC value is based. By contrast, for the households who spend money on water, the range for water expenses is much smaller.

Variation in needs

The other major characteristics of needs in NWS is that there is large variation across locations, within communities as well as over time.

Needs variation over time

Seasonal needs

Needs and incomes vary over time. In particular, in NWS,

the winter weather is adding another layer of urgency to the situation of affected populations, with flooding frequently affecting camps and informal settlements, many families seeking shelter in unfinished buildings, and little livelihoods opportunities. With average temperatures around 0-5°C, there are additional needs during the winter season for heating and winter NFIs such as warm clothing, blankets, etc. Both heating needs and winter NFIs needs can be met either in-kind or with cash and vouchers. Many interviewees have noted that with clothing even more than with



NFIs in general, it is harder to provide assistance appropriately in-kind. Vouchers are also noted to have a more limited impact than unrestricted cash, insofar as people often prefer to buy used clothing at a lesser price among the many second-hand options that exist on markets rather than new clothing. This is particularly true when winter times are compounded with an acute displacement crisis, in which case beneficiaries tend to prioritize their other needs compared to buying new clothing. Overall, while concerns are sometimes raised about the quality of the goods bought with cash, cash and vouchers seems in general more responsive to seasonal variation in needs than in-kind.

Emergency needs

At the time of displacement, IDP populations tend to express basic survival needs such as food, basic NFIs and shelter. The longer-term needs of newly displaced and host communities across all sectors emerge more clearly over time beyond the emergency assistance, such as health services for chronic illnesses and maternal care or additional education assistance for tens of thousands of newly displaced children who could not attend school sometimes for several years.

Needs variation by locations

Aleppo and Idleb

As mentioned, over the past few years, patterns in out-of-

camp displacement could be observed to some extent by governorate, with a large proportion of primary displacements in Idleb and more secondary displacements in Aleppo. Expectedly, IDPs in Idleb and in Aleppo tend to show different needs profiles in assessments. In areas of primary displacement, basic needs are more salient, since populations have typically left their home without bringing anything. This means that in addition to the disruption in their usual income and expenditures caused by displacement, they have forsaken even their most basic capital and are in need for replacement assets such as the items included in NFI kits. By contrast, populations tend to plan secondary displacements and travel with more basic items (such as clothing, blankets, etc). Their needs are then more related to the disruption related to displacement and the need to cover SMEB expenses for them and their families. These observations are also backed with data on average expenditures and behaviors from PDMs: IDPs in Idleb are significantly more likely to spend some of their income on water and to have debts while IDPs in Aleppo are more likely to spend on rent.

In the most recent waves of displacement, while the overall levels of needs are immense, such needs profile can still be identified to some extent between more rural Idleb and new arrivals in northern Idleb compared to population already in northern Idleb and populations moving to Aleppo.

Recent displacement and ‘old’ displacement

The distinction between recent displacement and ‘old’ displacement, with an arbitrary cut-off set at 6 months, has been widely used as a way to target most vulnerable IDPs categories within a region in which virtually everybody is displaced. The differentiation within each location between new arrivals and older IDPs in terms of severity of needs and levels of vulnerability is warranted. Yet, the distinction between displacement patterns and needs profiles by geographical location also highlights the fact that those recently displaced are not the same everywhere and don’t necessarily have the same needs, which in turn means considering different type of cash-based programming.

To some extent, the distinction between new and older displacement in areas of primary displacement corresponds to the distinction between primary and secondary displacement needs profiles. Recent arrivals in Idleb are often in need of assets replacement while ‘older’ IDPs have had these needs covered on arrival and are more in need of monthly SMEB coverage. By contrast, in Aleppo, recently displaced households often present secondary displacement profiles with assets needs somewhat covered and urgent needs of regular monthly expenses while household that have been displaced for a longer time are often looking to meet their longer-term needs in addition to their monthly expenses. Overall, as discussed below, in terms of needs and expenses, older IDPs tend to be more similar to host populations than to new IDPs.

In camps and out-of-camps

As expected, the structure of needs in camps and out-of-camps is different: food is still a top priority and the largest expense category in both settings, but IDP population in camps don’t need to spend their available income on rent or water since shelter and WASH services are generally provided in-kind. However, interestingly, cash remains a top priority need expressed by population in camps.

The expression of needs for cash in camps can be explained by two things. First, it is a testament to the importance for

beneficiary populations to cover their out-of-sector needs. Second, it speaks to the differences between the population that elects to go to camps compared to the IDP population that prefers to stay with host communities and to the highest severity of needs of people in camps. There is for example a higher proportion within camp population of female with specific needs, and in general of groups of population with multiple factors of vulnerability, possibly because camp settings provide more assurances of safety and assistance and as such are more appealing to extremely vulnerable groups.



Needs variation within locations

Interestingly, in available PDM data, there is generally a lot more variation in magnitude and likelihood of different usage of cash within communities than across locations. While all beneficiaries spend some of their allocation on food, only 2 in 3 beneficiaries use part of their allocation to procure NFIs, fuel or water; 2 in 5 beneficiaries use their allocation on debt repayment, health or housing expenses; 1 in 5 beneficiaries uses some of the allocation to cover transport costs or for savings.

Yet, most strikingly, there is in all locations a wide range and large variance in the amount spent on any given category across households. For example, beneficiaries can actually spend from 10% to 85% of their income on food (with an

average of 40% which roughly corresponds to the share of food in the SMEB). Similarly, among the households who spend on NFIs, the average spending is roughly a third of the available income, but the range actually goes from households who spend about 10% on NFIs to households who spend almost two-thirds of their income on NFIs. By contrast, households who need to pay for water only use on average only about 8\$ which is about 5% of their available income, and at most 20\$ (roughly 15%). These estimations have been triangulated using PDMs from several NGOs, yet this is just indicative data garnered from a few specific locations. The point estimates may not be representative of a broader population, yet the difference in range is still significant and meaningful.

Geographical and Household targeting

The multisectoral nature of needs in NWS as well as the high variation in these needs by location with across households raises the question of the appropriate methods of targeting cash-based assistance. The first level of targeting – geographical targeting – relies on information provided by each of the clusters the districts and sub-districts with highest severity and level of needs per sector. Once the areas of intervention have been identified, the second level of targeting – household targeting – most often relies of a series of status-based criteria for eligibility. These eligibility criteria are often defined by donor requirements and are as such common to many organizations; they include typically recently displaced households, female-headed households, child-headed households, households with several members with disabilities, households with high dependency ratios, etc. Finally, depending on a given organization's capacity and willingness to assist all eligible households in a given location, there are various strategies of coverage based on eligibility.

In terms of cash-programming, the current process of targeting raises several questions. First, the cluster-based method for selecting areas of intervention is not necessarily adapted to cash-based interventions, since it would possibly fail to identify as priorities areas with average levels and severity of needs *in all sectors*. Second, the variation in coverage strategies feeds into considerations about the appropriate breadth and depth of cash-based interventions.

More generally, there is a question of whether eligibility criteria should be different for sectoral, in-kind approaches and for cash and vouchers. Yet currently the same proxies are used for sector-specific vulnerability assessments and economic vulnerability in general (typically negative coping strategies index such as the LCSl) and the widespread use of FCS as a measure of food insecurity is still relevant to unrestricted cash grants distribution since food consumption remains on of primary usage of cash. So as long as the eligibility categories are well-defined and effectively related to vulnerabilities, there should be no issues with using them for cash-based programming.

IDPs and Host communities

Newly arrived IDPs tend to have specific needs for assets that most of older IDPs and members of host communities do not have. They usually have forsaken a lot of their larger physical assets that they couldn't carry with them, and when they arrive in a new location they need to replenish basic NFIs such as mattresses, mats, blankets, etc. They also need an immediate shelter solution, at least temporarily. Typically, populations that have been settled in a location for a longer period of time tend instead to focus their expenditures on monthly, basic needs for consumables such as those represented in the SMEB as well as on rent. Compared to other new arrivals, more settled populations also express more needs for predictable income, jobs and livelihoods opportunities. In other words, their needs are also best met with unrestricted cash than with other modalities. But different types of cash-based programming might be appropriate (including repeated, monthly safety-nets distributions or conditional cash programming).

In addition to influencing the type of programming, these differences could also affect appropriate targeting and coverage strategies.

Population with special needs

When looking at both needs assessment and expenditure patterns, it also becomes clear that within each community, there are some specific subgroups of vulnerable population with special needs that stand out in their needs and use of cash. Typically, pregnant or lactating women will spend a significant part of their income on baby items and on healthcare. Similarly, people with chronic diseases and people with disabilities will have more health-related needs. This could also be the case for other categories like children or elderly populations, although it is more difficult to infer from the data that is currently available.

For example, people with chronic diseases or disabilities are both more likely to spend their income on healthcare and medicine and are likely to spend larger amounts than other



households. In turn, this means that they have less available income left to cover their other basic, urgent needs. Such populations are also more likely to sell assistance or their other assets to cover for their essential needs.

In terms of cash-based programming this means to things: first, cash compared to in-kind has the potential to have a greater impact for most vulnerable populations in allowing them to better meet their specific needs and protecting

them from the loss of value incurred in reselling other forms of assistance. Second, different types of cash-based intervention, or a combination thereof, should be considered to meet the special needs of the most vulnerable among beneficiary populations. Cash-based intervention for specific vulnerable groups and protection-related needs are discussed in more details in the following sections, in particular *Appropriateness* and *Practices*.

Should large household size be a category of special needs?

Based on available data and observations by key informants, larger households face significantly higher severity of needs compared to regular households. There are several reasons for household size to be a compounding factor of vulnerability in displacement situations. First, assistance, including cash-based assistance, is usually not indexed on household size. It may thus be appropriate in meeting the needs of households of average size, but falls short for larger households. Second, large household size often goes hand-in-hand with increased dependency ratio (with higher ratios of children, elderly and disabled household members). In other words, having more people in a household often means having more mouth to feed rather than having more opportunities for income. Third, displacement in itself can be an exponential burden on larger households, especially in terms of needs for cash, since they have to pay for transportation costs – and possible taxes at checkpoints – for each family member, which means that these households often use all their savings and contract additional debts with friends and family to ensure their mobility.

Overall, these observations do not push for having tranches of cash and voucher assistance indexed on household size like food aid, since that would in turn increase the risk that special vulnerabilities of smaller households are overlooked. But it rather opens the discussion of whether it would be appropriate in the context of NWS recognize “large households” – defined for example as households of 7+ members - as a vulnerability category on its own, which could warrant specific programming.

Main constraints and challenges

Assessing needs with expenditures

Cash-based assistance requires rigorous, credible, multi-sectoral and joint assessment of needs and markets such that appropriate recommendations on response and modality options can be made. If needs assessment are sectoral, there is a risk of undermining the validity of the response analysis. It becomes apparent in this study that the true extent to which affected populations have multi-sectoral needs in NWS appears most clearly when looking at expenditure patterns available in PDM following unrestricted cash distributions. By contrast, looking only at top priority needs as expressed in needs assessments tend to obscure the variability and diversity of needs in the affected population. This has arguably partly contributed to the mis-labelling of the situation in NWS as a food emergency rather than a crisis with broader socio-economic vulnerabilities.

Mobility

One important challenge in NWS that arises especially in the emergency response and is relevant to the appropriateness of cash assistance is the high level of mobility of IDP populations. As mentioned, a lot of IDPs, especially those in situation of primary displacement, do not have the intention of staying more than a few weeks in their current location. In some locations, up to 75% of the IDP

population can be expected to stay for the duration of the program. In others more than 20% of population intends to leave within a month while over 50% are still uncertain about their intentions. This means that it is important in emergency situations to consider providing assistance that is flexible, easy to carry and that can be used anywhere, in other words unrestricted cash assistance.

By contrast with cash, food kits and NFI kits are heavy (about 20kg for food kit for one month for 2 pers.) which makes it difficult for recipients to travel with them and increases the likelihood of loss of assets in subsequent displacement and the need of further asset replacement in future locations. Vouchers on the other hand have a similar tendency to either force IDPs to stay in their current location or incur a loss of value in subsequent displacement since they can only be redeemed locally. Extra-vulnerable households with multiple vulnerabilities, such as children-headed households with no or limited livelihood opportunities, continue to remain the most undecided about their intentions for the future. These are thus the most likely to be disadvantaged by assistance provided in-kind or in vouchers rather than in cash.



RECOMMENDATIONS

Recommendation 1: Aid agencies should increase the part of their response that is provided in cash and vouchers compared to the response provided in-kind. This will help better meet the highly diverse and multisectoral needs of affected populations. This will also help with avoiding a loss of value due to beneficiaries reselling assistance to access cash and meet their other needs.

Recommendation 2: Aid agencies should favor the distribution of cash over vouchers wherever possible. If vouchers are used as a second-best option, they should entail as little restrictions as possible.

Recommendation 3: Aid agencies should consider additional programming for subgroups of population with special needs. This applies in particular to vulnerable groups with special health needs like households with disabilities or chronic illnesses, and pregnant and lactating women.

Recommendation 4: CWG coordination should compile available data on expenditure patterns from PDMs of CWG members (regarding both the likelihood and magnitude of cash usage) to ensure that the variability and diversity of needs in the affected population are well-understood.



APPROPRIATENESS

In any humanitarian intervention, it is essential to think about the ways in which the assistance provided and received will interact with pre-existing usage, norms and behaviors within recipient societies. Cultural appropriateness is particularly important for cash feasibility, insofar as studies have emphasized the potential of cash to exacerbate both positive and negative social dynamics. Beneficiaries' preferences also matter to ensure acceptability of cash-based programming and to increase its impact by fostering the empowerment and dignity of its recipients.

KEY MESSAGES

- Cash is generally preferred by affected population to both in-kind and vouchers because it is perceived as respecting their dignity and significantly increasing their autonomy.
- Affected populations in NWS were on average middle-income, well-educated, mostly urban households prior to the conflict. Cash assistance still largely speaks to their usage, experience and behaviors.
- Affected populations in NWS are very familiar with cash-based economic exchanges. With predominantly informal financial processes, hawala agents are an important element of social fabric and economic activity. Both beneficiaries and vendors interact with them on a daily basis.
- There are significant differences in terms of access to cash between urban and rural settings.
- Cash assistance tends to raise protection concerns for most vulnerable subgroups of population. The ways in which social norms and in particular gendered norms in NWS play out in cash-based interventions is complex and requires attention.
- Strong egalitarian norms also affect whether cash delivery is participatory and inclusive.

In assessing the cultural appropriateness of cash and how cash-based interventions will be perceived by beneficiary populations, it is not uncommon for international humanitarian actors to make assumptions derived from prior experience in different contexts. Yet, Syrian populations in NWS are somewhat different from beneficiary populations in a lot of other protracted conflicts, in Sub-Saharan Africa for example. On average, they differ both in their famil-

ilarity with cash-based economic exchanges, their general level of education their socio-economic background, and in terms of the social norms that regulate relationships between different population subgroups. In other words, it is important to take into account not only how the conflict has affected the fabric of society but also how Syrians used to live before the war.

Socio-economic profile of affected population

If we consider only the current socio-economic situation in NWS, the levels and severity of needs are similar if not higher than in most conflict situation. However, by contrast with other protracted conflicts, the population in NWS has a strikingly different socio-economic background, with 80% of the population in Idlib and Aleppo that was urban or semi-urban before the conflict and many beneficiaries that used to have the living conditions of typical middle-income, well-educated households (WVB, 2017). In other words, a little over 9 years ago, the population that today stands to benefit from international humanitarian assistance was used to a relatively high degree of financial autonomy, paying taxes, and enjoying relatively good levels of infrastructure and social services, in a country with functional formal and informal financial systems, etc. While most of these are long gone, they arguably still speak to expectations and habits within adult affected populations.

As a point of comparison, average development and economic indicators of Syria in 2006 are largely comparable with those of Portugal when it entered the EU (World Development Indicators, WVB Data 2020). This statistical observation should however



be nuanced by the fact that there were high disparities between governorates and between urban and rural areas. Still, this means for example that despite large inequalities of access there were functioning education and health systems. In 2011, primary and secondary school enrolment in Syria were 91% and 75% respectively, and the country was lauded in the region for remarkable progress in achieving gender parity. Literacy rates hovered around 97 percent for young men (15-24), and 95 percent for young women (UNESCO, 2016).

These observations are relevant to the ways the humanitarian community think about their beneficiaries and what's feasible in terms of cash-based programming, but also about relationships with local actors such as vendors, traders and suppliers as well as the Syrian staff that now works in the humanitarian sector both in the field and in the surrounding regional hubs.

Preferences

Cash over vouchers

In terms of modality, affected populations consistently express a strong and consistent preference for voucher or cash assistance over in-kind. In PDM results from various NGOs, cash assistance is preferred by the greatest number of households (95% on average).

Between unrestricted cash and vouchers, there is also a strong preference in both Aleppo and Idleb for unrestricted cash, with some caveats regarding fuel or some other specific items that are sometimes not easily available or expensive in the local markets (REACH, 2019). In 2016, vouchers used to be the least appealing modality to beneficiaries, in particular because of concerns about vendors raising prices for items purchased with vouchers (GC, 2016). However, the experience of beneficiaries with vouchers was relatively limited at the time, and since then shop monitoring has shown that manipulation of prices can be successfully and effectively prevented. By now, vouchers are relatively well-accepted by beneficiaries and as much as they provide some flexibility about what items can be provided, they are generally preferred to in-kind assistance. In other words, within voucher programs, there is a large preference for value vouchers (to be used in shops for a specific amount) as opposed to commodity vouchers (to be used in shops for specific items).

In terms of delivery mechanism for voucher assistance, there was a preference in 2016 for paper vouchers over electronic vouchers (GC, 2016). But at the time most communities had not yet been exposed to electronic vouchers. Yet, where e-vouchers were piloted since, there were no difficulties or resistance from the population and the technological uptake was actually somewhat faster than in other contexts.

The preference for cash and vouchers is observed in all sectors with the large majority of the population preferring cash-based assistance to in-kind. There are especially high rates of preferences for cash regarding NFIs (95%-100%). The sectors in which preferences for in-kind assistance were most often reported are WASH (about 1 in 4 respondents prefers in-kind), fuel (1 in 5), and food (1 in 10). Typically, for food assistance, cash or vouchers are preferred because in-kind food baskets may not provide

the type, quantity or quality of items desired (Doocy et al., 2016).

Cash in USD

There is also a strong preference among beneficiaries for receiving assistance in USD because of the declining value of the Syrian pound. In fact, when inflation is high, there is an increase in the proportion of people preferring in-kind assistance if cash assistance were to be provided in local currency.

Finally, in 2016, Global Communities noted that 1 in 4 people in Idleb and 2 in 5 in Aleppo were favorable to the idea of receiving cash-outs through a local store/vendor rather than through a hawala agents (whereas this was only acceptable to 1 in 10 in other areas).

Why is cash preferred by beneficiaries?

Dignity and Autonomy

The primary reason cited by beneficiaries for preferring cash over in-kind assistance in available surveys and focus groups data is that it is more dignified and allows for more autonomy and agency in decision-making, which is felt as empowering. As noted, most adult Syrians are used to having been financially autonomous for most of their life, and as such cash assistance is restoring a sense of normalcy closer to their situation prior to the conflict. Also, there are important norms in Islamic culture that specifically preclude from begging for money while others precisely require cash exchanges, such that low cash liquidity tends to impede a lot of critical social interactions. As such providing cash assistance is also a way to largely improve social ties and community resilience.

Fungibility

Obviously, another major reason for the high desirability of cash is its fungibility: it can be used to meet any and all needs. Yet, this is at the same time a source of concerns for some. At the individual level, the *de facto* limit to the amount of in-kind goods that anyone might desire or use is seen as a natural hinder on diversion attempts by non-beneficiaries. By contrast, the high fungibility of cash increases the likelihood of less vulnerable community members trying to be included in targeting (which effectively dilutes the effectiveness of intervention) or even attempt at stealing the cash windfalls post-distribution (which create obvious do no harm concerns). Global Communities noted in 2016 that



while individual preferences of potential beneficiaries might favor cash assistance, community preferences might lean more towards in-kind assistance because it is more easily shared and less likely to cause tensions among community members.

Responsiveness and Sustainability

Cash has two other advantages both in terms of ease of programming and appropriateness to beneficiaries: it can more easily meet changes in beneficiary needs over time, and it has the ability to address both short-term needs and medium to long-term needs.

Beneficiary needs profiles tend to change over time or under specific circumstances and cash-based assistance, in particular unrestricted cash, is especially adept at continuing to meet beneficiaries most urgent needs. This is true for example for repeated cash and voucher schemes that allow to move from emergency programming to regular programming more seamlessly: the use of the assistance by beneficiaries may reflect the change in their preoccupations and needs but the assistance itself and its delivery mechanism don't necessarily have to change.

Beneficiaries needs can also change abruptly, for example if there is a flare-up in the crisis, in which case cash-based programs already in place can also more easily adapt to the new situation than in-kind distributions. This has been the case for example with the most recent winter response in which cash and vouchers schemes for fuel and clothing were largely planned to respond to anticipated winter needs. Yet, the winter season happened to overlap with an emergency response and large new displacements of population. With unrestricted cash, beneficiaries could easily switch their expenditures towards the basic essential items that they most needed while there was a greater loss of value with vouchers – especially for winter clothing which beneficiaries would rather buy second-hand and cheaper so that they could use the rest of their available income to meet other, newly urgent needs. .

Norms and Usage

Since the conflict massively disrupted the formal financial services, cash liquidity has largely gone down, but informal financial channels like hawalas are still very functional and

very much used on a daily basis by populations in the NWS, including both potential beneficiaries and vendors.

Cash access

The WB notes that before 2011 only 20% of the general population in Syria used formal banking. Yet, a significant part of the urban and semi-urban population of NWS had bank accounts prior to the conflict, especially in commercial Aleppo city. Yet, the limited access and low trust in the system contributed at the time already to a largely cash-based economy where salaries were received in cash through hawalas rather than on bank accounts (WVB, 2014). Today, in areas that are not under GoS control, the access to and the functioning of basic banking and payments services remains extremely limited. Opposition-held areas have none of the formal banking services they previously enjoyed and the economy in these areas appears to have reverted to being almost entirely cash-based. More generally, the non-bank financial sector was also hit hard by the conflict, but many enterprises and traders continue to operate in NWS, largely through hawala networks (WVB, 2017).

In Turkish-administered areas, Turkish PTT have opened a few branches providing banking services, but the number and type of people having private bank accounts appears to remain largely limited, and formal financial exchanges seem mostly commercial and restricted to larger businesses. Only a small proportion of funds are now received by bank transfers and most of the financial exchanges are made through hawala agents, and to a lesser extent through family connections (NRC, 2015).

In practice, key informants confirm that funds are regularly collected by individuals (vendors and traders on a daily or weekly basis or private individuals receiving remittances from family members) at a hawala's office, most of which are situated in urban centers. In rare cases, the pick-up area can be in a third location agreed by both the hawala agent and recipient, but hawala agents would only consider doing so for larger exchanges. According to NRC, most recipients reported that they felt comfortable travelling up to 6km to receive funds, and that this also applied to women, the elderly, and minors under sixteen. Common marketplaces are also an important locus for cash access since it is the location where most currency exchange happens.

Who are the hawalas?

Hawala agents are historically an important part of the social fabric of most middle-eastern societies. Their role in maintaining economic activity in times where most institutions are otherwise disrupted is critical. In NWS, hawalas currently play a vital role in facilitating all inbound and domestic money flows in opposition-held areas.

An hawala agent is an individual businessman or a business entity who brokers money transfers. In other words, their business is moving money from one location to another (and incurring the related risks), and as such they are used by vendors daily, by all traders and other businesses as well as by populations and the diaspora for remittances.

Hawala services or informal money transfers have existed long before the conflict. Hawala agents will also likely be an essential actor during the phase of early recovery and post-conflict reconstruction. For centuries, traders have widely used hawala agents to transfer value between distant locations, while avoiding the inconvenience and risk of transporting money physically.



Like in all industry, there are some individual hawala agents that may be doing questionable trades, and just like banks some specific hawala agents probably have some questionable customers. Those should be avoided, but that doesn't mean that it is the trade of money in and by itself that is a problem.

Hawala agents can offer the service to carry physically money over short distances. Alternatively, for long distance transfers, hawala agents operate through networks. They make exchanges with other agents with whom they have previous work experience and have built a trust relationship. In practice, the network is used as a debt and accounting system that allows them to make money available in one location without physically moving money from another location. From the user end, this is in practice most-similar to wired transfers in a banking system. However, it is an informal value transfer system (IVTS) in the sense that the money transfer is not under authority of a central bank, and as such happens outside of the international banking system as well.

Yet this doesn't mean that hawala agents operate entirely independently from legislations and formal financial institutions. As any legal business, an hawala agent typically has to be registered and they also have their own bank accounts (which are under international financial regulations and KYC control). In fact, in Yemen for example, all banks have relations with hawalas. Aside from these official, registered hawalas, there are many unregistered, individual money agents that provide similar services albeit at a smaller scale. These unregistered hawala agents are used by the population on a daily basis for currency exchange, but they are never used by humanitarian organizations.

Remittances

In 2015, a survey conducted by the NRC in southern and central Syria revealed that one of the ways in which affected population had access to cash was through remittances sent by family members either from inside Syria or from abroad. Remittances are an important complementary source of income for many vulnerable households in NWS as well, but it is only the main source of income for about 2% of households (HNAP, 2019). The magnitude and frequency of remittances has also tended to diminish as the conflict becomes protracted. As all other money exchanges in opposition-held areas, most of the remittances are delivered to their beneficiaries through hawala agents and their networks.

Cash usage

As mentioned, a lot of basic, essential needs of affected populations such as water-trucking require some cash liquidity. Cash is also used especially for clothing in the many second-hand shops that exists on markets, which are often more popular with the population than shops selling new clothes. There are also in Syrian society some specific cultural needs that require cash, which that are often not thought of by the humanitarian community as essential needs yet have special importance to beneficiary populations. These usages also speak to the appropriateness of cash-based assistance, and especially unrestricted cash, insofar as access to cash allows even vulnerable households to perform important basic social functions such as settling debts or performing obligatory charity.

Debt-making and debt-repayment

An important way in which IDPs cope with their inability to meet their needs in time of crisis is by making debts. According to HNAP (2019), debts represent the main source of income of about 2 in 5 households from the host community and 1 in 2 IDP households in Idlib. In Aleppo, the proportion is closer to 1 in 5 households with no significant differences between hosts and IDPs.

The fact that IDPs in particular have debts to repay is not surprising: there are a lot of costs associated with displacement itself including transport and taxation at checkpoints that have to be met in cash. Typically, it is not uncommon for a displaced household to have used all their savings as well as have asked friends and family for loans in order to be able to move from their original location. As such, paying back this money that was borrowed is usually considered as an important and honorable thing to do.

IDP households typically contract debts with friends and family (about 60%), and to a lesser extent with vendors (10%) or with hawalas (10%). In NES, REACH notes that contracting debts with vendors and money traders is a strategy that is more widely available to host communities with whom they have long-established and strong ties, while IDPs are usually seen as less reliable because of their high mobility. However, some key informants have suggested that the capacity of IDPs to contract debt with local actors tends to increase with the provision of repeated, cash-based assistance, as it is seen by those conceding the loans as a form of insurance in the capacity of the borrower to uphold their commitment. Findings from Cash-for-Work programs in NWS also show that regular, predictable revenues also tend to limit the amount of new debt that is contracted.

Debt-making is reported in surveys as a negative coping strategy with a low level of severity. It is typically the coping strategy most-widely used by the population (often more than 80% of IDPs in any given location have debts). But as much as debt-making speaks to the inability of households to meet their needs on their own, debt repayment should be seen as an important measure to build their resilience. Debt-repayment is in fact a widespread usage consistently reported after the distribution of unrestricted cash grants, with on average 2 out of 5 beneficiaries using about a fifth of their windfall for such reimbursement.

Borrowing and lending are important matters in Islamic culture. Borrowing is expressly considered as last resort and repaying debt is a really important pillar of faith. Part



of the increased dignity that comes from providing affected populations with access to cash is that it allows them to settle their debts. Repaying debts has two important social functions: it increases social status and psychological welfare, and it is also an important enabler in the ability to make future debts and coping with future disruption in revenues.

Zakat

Another important part of the Islamic culture which speaks to the ways in which cash-based intervention have the potential to restore social standing and dignity of beneficiary households is the payment of Zakat. Zakat (obligatory charity) is known as the third corner stone of Islam after prayer and creed. In other words, it is culturally extremely important to be able to give something to someone who needs it.

There is a social responsibility for those who are able to do so, and especially those who have benefited of zakat in their own time of need, to search for deprived people and help them through charity in order to relieve them from their misery. Zakat is in fact fairly strictly regulated: there is an obligation for all individuals who have wealth

over the silver nisab (that represents currently a little over 300\$) to give a minimum of 2.5% of that wealth in zakat (which would represent about 3\$ from a 120\$ cash grant). Of course, such use charity from humanitarian assistance can be seen as a form of sharing that amounts to inclusion error or misuse of funds, yet really it probably has more to do with helping reduce exclusion error, building resilience and reinforcing social ties.

By contrast, another related cultural aspect related to charity and that is relevant to cash assistance is that begging for money is very much frowned upon in Islam. The scriptures put great emphasis on making effort and earning one's own living rather than simply receiving it from others. There are specifically only three instances in which begging is admissible: the repayment of debt, destitution due to a catastrophe, and severe poverty (which is to be attested by three individuals). The conflict and resulting displacements is definitely considered as one of these catastrophe that warrants accepting assistance directly. Yet, this cultural element probably explains to some extent the large proportion of respondents in needs assessment asking for livelihoods rather than for cash directly.

Mobile phones in NWS

With regards to cash-based programming and specifically the various options available for delivery mechanisms, one important normative and behavioral aspect to take into consideration is the penetration and use of smartphones. In many conflict contexts with high access constraints, mobile phones can be used to various extents throughout the cash and vouchers program cycle from beneficiary verification entitlement, to money-tracking, to assistance delivery, to post-distribution and monitoring and complain handling. Because they are owned by the population itself and that they are already familiar with their use, mobile phones can be very acceptable and great technological focal point on which humanitarian organizations can build integrated electronic systems to facilitate cash-based interventions.

In NWS, there is a large penetration of smartphones among both vendors and beneficiary populations. According to several sources, IDP families would typically have at least one smartphone, and women would either own one or have access to one. It is also the last asset people tend to sell because it is their main way to get news, particularly on hostilities. REACH also reports that WhatsApp and other mobile based platforms are in fact the preferred way to receive information about humanitarian assistance for 2 in 3 households in the population, and PDMs confirm similar trends in the use of CRM. The phone coverage however is more uneven: there are two operators in the region one related to GoS and the other to Turkey, with people using different SIM cards depending on where they are and variable fees applying depending on the distance to the Turkish border. That said, most phone-based electronic solutions for cash-based programming are designed to also work offline. More of a constraint for cash-based programming at scale is the intermittent availability of electricity in certain parts of Idlib, although this is also a risk that could be mitigated with proper use of back-up portable batteries. In general, while it is not without challenges, the use of smartphones as a tool for cash and voucher programming is feasible, with a large availability, appropriateness and ownership of the technology within beneficiary populations. See *Services & Infrastructures* for a discussion of the feasibility of mobile payments.

Participation and Inclusiveness

Another important aspect to consider regarding the appropriateness of cash and voucher interventions is the levels of participation and inclusiveness within recipient societies. Studies show that cash-based interventions have the potential to exacerbate pre-existing inequalities and protection issues as much as they have the potential to help reduce them when properly taken into consideration. In practice, protection, age, disability and gender consider-

ations need to be made at all stages of the cash or voucher project cycle. This in turn supposes some understanding of the underlying norms and behaviors in Syrian society. Yet, another layer of complexity about getting an accurate picture of relevant norms in NWS for current cash-based programming is that it has to take into account both norms existing prior to conflict and how these norms have largely shifted since – which to some extent can be partially inferred from refugee contexts.

The idea that certain response options could inhibit



certain groups from participating might be obvious in some cases such as labor-intensive CfW that is unsuitable for labor-constrained households, but in most cases, such as understanding how gender roles play into cash-based programming, the dynamics are more subtle. For example, while cash-based interventions can be used to empower women and provide them with greater financial autonomy, care may be needed not to reinforce societal constructs that marginalize or discriminate against women or men, or cause harm by inadvertently destabilizing or community household dynamics or wider social cohesion.

Disabilities

There is evidence that some of the categories of most-vulnerable households not only have special needs but also different support systems than the rest of the population. This is typically the case of households that have members with disabilities. It is not only their needs and use of care for medicine and healthcare that is different. It is also that their access to cash and sources of incomes are different.

This speaks also more generally to the appropriateness and acceptability of the status-based vulnerability categories that are used by most organizations to target assistance. The idea that households with special needs have to be supported in priority or more than other vulnerable affected population is not just acceptable to the local population. It corresponds to some extent to their own practices.

That said, it is also important to recognize the diversity of needs and situation within each of these status-based vulnerability categories. This applies to female-headed households as discussed below. It also applies to disabilities. Key informants specialized in protection have insisted from physical to mental disabilities, there is a wide array of situations that have to be considered separately. There are conditions that affect mobility, and as a result limit the ability to work for example, while others do not. The overall needs for psycho-social support (PSS) and how trauma due to conflict affects populations is also still vastly underestimated and PTSD is not much taken into account as a source of vulnerability in programming.

The targeting of cash and voucher assistance to households where members have disabilities also raises questions related to the appropriate ways to engage and include persons with disabilities in programming. Having a family member with disabilities increases the likelihood of a household being eligible to cash and voucher assistance. However, in the same time, the household members who actually receive the assistance are often able-bodied family members.

Gender roles

In the design of cash-based interventions, particular attention and interest is generally given to the ways in which assistance could be used to foster positive gendered social

dynamics. Yet, the traditional gender roles in NWS are a bit different than most other contexts in which cash and voucher programs have developed in significant ways. Interestingly, while Syrian society has undoubtedly a patriarchal structure, social hierarchies are expressed in ways that are substantially different from patriarchal systems in most Sub-Saharan African countries for example.

Lokot (2018) notes that the dominant gender narratives among international workers responding to Syrian refugees in Jordan, Lebanon and Turkey, and their subsequent interventions, are sometimes based on simplistic understandings of the 'traditional' Syrian household and power dynamics. This lack of understanding also applies to some extent to the response in NWS. In addition, gender norms in NWS seem to have shifted both in ways that raise increasing concerns for the protection of women and girls (with the increase in the practice of early marriage for example) and at the same time towards more autonomy, participation and empowerment of women (with the increase in participation in the workforce for example).

Household dynamics

There is particularly little background information available on intra-household gender dynamics in NWS, and international humanitarian workers tend to rely mostly on assumptions derived from other contexts. Assumptions about the impact of cash transfers on gender dynamics are often contradictory: some believe that there is an empowering effect in providing cash directly to females within households and that they also display a more altruistic use of resources although this has not been yet supported by evidence; others believe that cash transfers to women can substantially increase the risk of GBV, on which evidence is also mixed at best.

More detailed information on decision-making processes within households (Who participates in discussion? Who has the final say? Who goes to the market to buy goods?) would help with understanding whether cash assistance should target women specifically. There is clearly a gendered division of roles within the household in NWS, with women typically in charge of the household chores (cooking, cleaning, raising kids). Yet, the limited evidence that is available also suggests that decisions about how to use cash and vouchers in the household are usually taken collectively and involve more generally all the adults in the household; the final decision seems to stay with the head-of-household, whether male or female.

Lokot (2018) notes that by sometimes using reducing gendered narrative, humanitarian organizations are often unable to understand the complex ways in which women negotiate power throughout their lives, which in turn can be translated inappropriately into interventions that assume by design that women are always weak and always vulnerable.



How vulnerable are female-headed households?

As mentioned, female-headed households are one of the categories of eligibility for humanitarian assistance. While it is true that these households are generally recognized by the wider as more vulnerable and that it is largely accepted that should be assisted in priority, the perception of vulnerability of female-headed households within the humanitarian community is often somewhat erroneous.

According to the narratives of many organizations, large numbers of households are said now, for the first time, to be headed by women. As noted by Lokot (2018), this narrative fails to recognize, however, that historically, for many Syrian households before the conflict, obtaining seasonal work in Gulf states was an important way of sustaining economic stability. While displacement disrupts households in general, all displaced Syrian women are not suddenly seeing seismic shifts in their household duties and roles due to displacement.

There is certainly a difference between caring for the family alone for defined periods compared to indefinitely in some cases, and there are challenges associated with fulfilling these roles in an unfamiliar setting or dealing with the death of a husband. While this warrants for female-headed households to be included within the lists of vulnerable households, there is large agreement among key informants that the severity of needs of these households is probably on average lower than that of other types of vulnerable households (child-headed households, households with special needs) and that there is as well a large variance within that category in terms of the level of needs.

For example, in a targeting training exercise done by a local NGO, 80% of the field staff agreed that between a host family with a disabled household member and an elderly head-of-household and a displaced female-headed household with household members able to work (in other words, when comparing two cases with 2 factors of vulnerability according to standard eligibility criteria), the former should be prioritized over the latter.

Education and Participation in workforce

There was substantial variation between urban and rural settings as well as socio-economic backgrounds in terms of levels of education and labor of women prior to the conflict. Regarding education, women in NWS were generally educated with high literacy rate in women above 25. By contrast, for younger females, displacement and conflict have often impacted their ability to go to school in the past 9 years to a larger extent than young men.

While Syrian women are often under high labor burdens in the form of unpaid household work, female participation in the Syrian labor market has historically remained low (HNAP, 2019). Yet, here again there is substantial variation with for example many women working in the health sector prior to the conflict, not only nurse but as qualified and specialized doctors. The conflict has contributed to increase participation and integration of women in the workforce, although this is not unrelated with additional sources of vulnerabilities, for example as female head-of-household increasingly have to provide for their families. Regarding labor, there are also still some type of activities that are considered more suitable for women than others. In particular, work activities in public areas are less acceptable, which explains for example the vastly lower proportion of women doing small commerce on markets than in most African countries. By contrast, to some extent, working in the fields is acceptable as well as activities that require socialization of women only among themselves.

Violence against women

Interestingly, some of the conservative social norms that existed in Syrian society pre-conflict and resulted in limited, sustained presence of women in public spaces have probably tended to protect women from sexual violence

– at least outside of household. Arguably, there were probably lower levels of violence against women outside of the household in Syrian society than in other contexts, although this is hard to measure since the same norms would also yield large levels of under-reporting of such occurrences. Yet, to some extent, there is also indicative evidence that the likelihood of incidents of sexual violence outside of the household has also probably significantly increased since the beginning of the conflict with multiple displacements and weakening of social ties in destination communities. Regarding the incidence of violence between spouses, there is very little information available that would help with the design of appropriate cash transfer programs.

Similarly, before the conflict the early marriage of young girls was not a particularly common practice in NWS, with less than 8% of cases estimated in 2006 (UN Voices, 2019). By contrast, the proportion in 2016 is estimated to be up to 40%, mainly because displaced families cannot afford the financial burden of raising their daughters anymore.

Mobility

Whether women can move freely is another important question regarding the appropriateness of cash-based programming, insofar as the impact of most cash transfers depends on the assumption that women recipient can use cash or voucher windfall and go to the market by themselves. Yet, once again, with the limited amount of information available, the picture in NWS is more complex than anticipated.

Some studies note that in hard-to-reach areas closer to the frontlines or during spikes in the conflict when the levels of recruitment or taxation by armed groups are higher, men can be in more danger than women when traveling outside of the households. Women are then more likely to



be the ones doing long-distance displacement like going to the market or to the nearest city to the hawala agent. On the other end, many key informants also mentioned that it is not as easy for women to spend extended periods of time in public places than for men. While answers to the question of whether women can access markets are consistently yes, in fact many households prefer for a male member to go and undertake shopping duties.

In general, these observations about gendered norms speak to potential of cash-based interventions to have both a positive and a negative impact on women at the same time and to the importance of well-informed gender considerations in the design of appropriate cash-based programming. They also point to ways to target women in cash-based programming without necessarily targeting

cash assistance at women within recipient households. For example, cash programs could consider targeting women on the supply-side with specific CfW or cash-for-training projects tailored on gender-neutral, yet acceptable activities for women, like IT services for examples that would allow women to work from home. They also point to the appropriateness of specific, well-designed cash-based interventions in fostering positive impacts for female recipients, reducing the use of negative coping strategy and possibly preventing GBV. In particular, Similarly, it speaks to the appropriateness of conditional cash programs that aim at developing safe socialization spaces for women, or of cash for out-of-school children programs that focus specifically on barriers to education for girls.

Understanding age dynamics within households

Similar levels of detailed information are required to properly understand the role of age in NWS and how different age groups among affected populations might face different social and economic barriers to participation in cash transfer programs. This applies both to understanding the role of the elderly within households, and to paying specific attention to a generation of youth that is about to enter job market and yet has mostly known an unstructured society and lesser levels of education than their parents.

Lokot (2018) notes that cash-based interventions tend to overlook important age relationships within household dynamics, and in particular that the role of sons in the household should be taken into account during intervention design. The study notes that experiences of Syrian refugees in Jordan demonstrate how (both before and during displacement) the role of a young man is critical to understanding power in Arab families. Much more than their parents and the older generation, Syrian women adult respondents talked about how their teenage sons are asserting power over their sisters, urging them to dress more conservatively and to be wholly responsible for household chores that were previously shared with male siblings. There is also evidence from FGD inside Syria that it is often brothers that make decisions about when sisters stop attending school and/or are involved in their marriage negotiations. In some cases, brothers are also involved in resolving disputes between a sister and her husband. And Lokot also notes that parents may privately disagree with the decisions of their sons but do not stop them. In other words, in each of these examples, the son seems to have the role in the household that many internationals may usually assume is held by the older male patriarch.

Lokot (2018) also notes that limiting analysis to male-female dynamics may also neglect power struggles between older and younger women. Syrian refugee women spoke of relationships with their mothers-in-law in often very negative terms, including accounts of verbal and physical abuse. Some described their husbands as being passive in the face of the often overt actions of these mothers-in-law, explaining that these men respected and loved their mothers and did not want to cause problems.

Main constraints and challenges

Vulnerability and eligibility criteria

Aid organizations currently mostly use status-based categories in assessing the vulnerability of various subgroups in the affected population. There is a push globally to move away from status-based criteria towards needs-based criteria because in a lot of context status is a bad proxy for severity of needs and structural vulnerabilities. Yet this may not be relevant to the categories used to identify vulnerable groups in the specific case of NWS. Most commonly, vulnerability criteria in NWS include recent IDPs, female-headed households, child-headed households, households with members with disabilities, households with a high number of dependents, etc. These various categories seem in fact relatively well correlated with actual sources

of vulnerabilities – even though most key informants also emphasize the large variability in vulnerability within each category. In other words, these categories are arguably good proxies of structural vulnerabilities and severity of needs within affected populations: these households are overall less resilient and in more need of humanitarian assistance across the board than other affected populations. In general, it is always good to anchor best targeting practices in a more systematic background study of sources of socio-economic vulnerabilities in a given context and at various points in time. But with regard to cash-based programming in NWS, there seems to be no need for now to move away from the existing system towards more complex and time-consuming methods of determining eligibility such as VAM.



There is a general consensus that household-level targeting in which eligibility is based on the status-based criteria described above has proven to be easy to communicate, well-understood, easy to apply and highly acceptable to affected populations in NWS. There is overall little debate with non-beneficiaries that these selected, vulnerable categories should be assisted in priority or more than other households. However, once eligibility is determined, the coverage strategies of humanitarian NGOs can vary: some organizations will provide blanket coverage of eligible households while others will further refine their household-level targeting. Typically, restrictive targeting would then involve the use of vulnerability scales to rank eligible households by severity of needs, and assistance would be provided only to the most vulnerable among eligible households. However, many key informants have noted that the use of such scores and scales makes selection criteria less transparent to recipient communities, which in turn tends to create more problems and tensions with eligible households that end up not being selected. Several key informants have emphasized that there exists good, reliable local knowledge both among field staff and among Syrian humanitarian workers in Turkey that would help with coming-up with a consistent and more appropriate system to measure vulnerabilities and compound factors within each status category wherever broad coverage is not possible because of large levels of need and lack of resources.

Some key informants have expressed concerns that beneficiary populations may attempt to manipulate eligibility categories. In general, in other contexts, there has been some evidence that status-based eligibility categories tend to create more inclusion error than needs-based categories. But some would argue that in the context of NWS, it is in fact the contrary. In NWS, there are indications that attempts at defining eligibility based on situational needs rather than structural needs have proven to be more complicated, less acceptable and potentially less relevant than the use of adequate status-based categories. For example, several key informants mentioned the case of an NGO that attempted to identify as eligible populations within a given community the households that lacked a specific asset for a targeted distribution in-kind (in this example, a stove). Yet it turned out that affected populations would then try to manipulate verification surveys, arguably much more than they would have otherwise with status-based criteria. In other words, to the question “Do you have a stove?” or “Do you need a stove?”, everybody tended to answer “yes”, whether they actually possessed that specific asset or not. Beyond this specific example, there is general agreement among key informants that, especially given the high levels and severity of needs overall, attempting to define eligibility to cash and voucher assistance based on situational, circumstantial, material needs would be both very difficult and inappropriate.

Targeting beneficiaries

In NWS the programmatic decision about the choice of modality is not completely independent from the targeting and coverage strategy that is used. Targeting a restricted set of beneficiaries within recipient communities is more complicated for cash assistance than for other modalities. As mentioned, non-beneficiaries acknowledge that targeted households are overall on average more vulnerable than others and should be assisted more or in priority and this applies to all modalities. But since cash is inherently of value to and desired by everyone, targeting cash assistance restrictively tends to become a more contentious issue than targeting in-kind or vouchers. In other words, the very notion of targeting conflicts with existing strong egalitarian norms towards universal coverage at the community level. And this is more salient for cash assistance than for other modalities because of the desirability and fungibility of cash.

Part of these tensions are effectively mitigated with the higher quality of communication, transparency and accountability to affected population embedded in cash-based programming in general. Another part also has to do with donors and implementing organizations strategies regarding the trade-off between depth and breadth in their programming: cash assistance tends to have higher coverage than other modalities, especially in hard-to-reach areas. Alternatively, some organizations adopt very clear yet more restrictive eligibility criteria (such as targeting only IDPs in displacement crisis, or sometimes even more specifically IDPs that live in fragile shelters). This allows them to still provide blanket eligibility coverage while spreading their limited resources over more extended geographical areas. With the help of donors, especially in the case of cash-based programming, targeting practices should be harmonized so as to avoid cases where neighboring communities served by different organizations with the same cash-based modality are targeted along different criteria or with different approaches to coverage, as this could create additional tensions.

The use of mixed-modalities seems another relevant way in which to think about better meeting differential needs with cash and voucher assistance. Actually, a complete reverse on the current use of top-ups would be relevant, especially in meeting the needs of most vulnerable subgroups within beneficiary populations. Currently, mixed modalities are still very much underused. There are few programs that provide small top-ups in cash on top of assistance otherwise mostly provided in-kind. But our findings suggest that in fact it would be much more appropriate to meet beneficiaries' needs mostly with unrestricted cash, while providing a top-up in-kind or in voucher to the most vulnerable among eligible households. Since it is not in cash, the top-up can more easily be targeted restrictively towards households with highest severity of needs using the usual status-based categories. As a result, mixed-modality approaches can



help with more appropriate and accurate needs-based targeting of assistance.

For example, mixed modalities would be appropriate for winterization programs. Unrestricted cash could be provided for Winter NFI needs and / or cash or a commodity voucher could be provided for fuel to all eligible IDP households. An additional top-up stove in-kind or in voucher could then be targeted only at households with special needs, female and child-headed households, and larger households with many dependents since these categories have been identified as having a higher severity of needs than other households in general (see *Needs*). In NWS, this type of restrictive targeting to specific categories is easier to implement and more acceptable than a “needs-based” top-up. These are the lessons learned by organizations that have tried as mentioned above to provide specific assets only to households that did not have them. They have found that all households would then claim to be in need of these assets. The idea with additional top-ups to most vulnerable households only is to provide a complement of assistance based not on circumstantial needs (whether someone has a stove or not) but rather

on a more structural understanding of needs (whether a category of population has more severe needs and is less resilient overall than the rest of the population). In this approach, it doesn't matter whether the top-up actually corresponds to a household direct lack of asset or not. In the latter case, the additional assistance can be used as a financial asset than can be sold and help as such avoid more detrimental negative coping strategies such as the sale of more essential material assets of the household. As such, the top-up approach adequately ensures that the intervention will have an even greater impact for the most vulnerable households. The suggestion of having additional top-ups in kind or in vouchers also builds on the observation that restrictive targeting is much more acceptable for other modalities than cash. Extra assistance to the most vulnerable households in cash would more likely to create tensions and less acceptable than equivalent assistance in-kind or in vouchers. In other words, for example, it would arguably be more complicated and possibly problematic to provide a blanket coverage with fuel in-kind to all eligible households and an additional cash top-up only to the most vulnerable households.

Cash & Kids – Child protection for children on the move

There is approximately 4% of child-headed households (CHH) within affected populations inside northwest Syria. While these households are particularly vulnerable, assisting them requires specific procedures. This is especially the case with cash-based programming, as it is not considered appropriate to give cash directly to children.

While there is a broader discussion about how to handle such cases and more specific recommendations to be made by the Child Protection (CP) sub-cluster on the subject, some basic best practices are laid out here. In terms of basic procedures, distinctions should be made between CP actors and non-CP actors, unaccompanied and separated children and CHH with a caregiver, as well as between emergency and regular programming.

CP actors and non-CP actors - Without specific child protection training, field staff cannot properly identify the cases and the related protection risks (child labor, risk of recruitment, etc) and could possibly end up doing more harm than good by providing cash or voucher assistance directly to CHH. As such, non-CP actors should systematically refer cases to CP actors.

Emergency and regular programming – In emergency settings, and especially with the high mobility of IDP populations in NWS, when a CHH case is identified among new IDPs, and if there are no CP-actors with access to the area of operation, basic services can be provided under some conditions. The case should then be referred to the CP cluster. In regular programming or repeated programming, identified CHH cases should be referred to child protection *before* any assistance is provided. In general, organizations with emergency programs should consider systematically having on site *at least one member of their field staff trained to child protection*.

Children with caregivers and unaccompanied or separated children - Most of the time, CHH in NWS are not unaccompanied or separated children, but rather children who have a caregiver (often a more or less distant family member with whom they are travelling or staying). In camps, most unaccompanied and separated children are put in the care of the camp management structure. The first step when encountering a case of CHH is thus to *try and identify the caregiver*. Basic services – including cash and voucher assistance - can be provided to children with caregivers, in which case *the assistance is provided to the caregiver and not directly to the child*. The case is then referred to child protection services. For unaccompanied and separated children for which a caregiver cannot be identified, the recommendation is to refer the case immediately to a CP actor and to the CP cluster without providing cash-based assistance. The Child Protection cluster has the possibility of providing Individual Protection Assistance (IPA) in such cases when other services don't exist.

It is important to note, however, that while child-headed households is a child protection concern, it is not the only child vulnerability that needs to be addressed when considering a cash-based response in NWS. For example, child labor and children associated with armed groups (CAAFAG) are also important considerations to be taken into account. More generally, the Child Protection cluster recognizes that this crisis, and especially the most recent massive waves of displacement, is a protection crisis. Considering in particular the high costs of transports, especially for large families, they recommend unconditional, unrestricted cash assistance to IDPs households in general as a way to protect children within IDP families from further harm. (See discussions about cash-for-protection in *Practices*).



Gender & protection mainstreaming

Cash-based programming often raises greater protection concerns than in-kind assistance. In the same time, cash and voucher assistance has been shown to present great opportunities to meet protection needs (ERC, 2015). Most organizations involved in cash-based programming in NWS are well aware of the importance of gender and protection considerations in the design and implementation of their activities. Yet they often have less operational understanding of how to concretely do so. Many interviews have demonstrated that program managers try to intentionally anticipate the differential impact of their projects for women, girls, boys and men in the design of their programs and recognize the diversity within these groups. This is facilitated by the fact that gender and protection mainstreaming have become a required section for most proposals. Assessments and PDMs, at both ends of the program cycle, typically include questions related to gender and protection concerns. But while this information is collected somewhat appropriately, it is rarely effectively integrated into programming, except for organizations that have specialized in gender-sensitive approaches or protection monitoring. Monitoring protection issues, including

the risk of gender-based violence, should be the norm in all programs involving cash-based assistance. Protection monitoring activities such as service mapping and proper, formal referral processes could also be mainstreamed among organizations providing cash-based assistance.

Developing gender and protection mainstreaming guidelines is considered to be the responsibility of each cluster individually. In practice, there are so far not many resources available regarding gender and protection best practices for cash and voucher programs in NWS. Such guidance would be particularly important for implementing partners in cash-based programming, since cash has the potential to exacerbate both beneficial and harmful dynamics within recipient populations. There is in particular little studies available about intra-household dynamics, about gender roles within the supply chain, as well as about levels and severity of vulnerabilities by type of disability. On the other hand, there is a lot of untapped knowledge, especially among field staff and Syrian staff of various organizations. Workshops, trainings and sharing of lessons learned could easily help turn some of this information into meaningful programming.

RECOMMENDATIONS

Recommendation 1: Aid agencies should favor broad coverage for unrestricted cash distributions. Typically, multipurpose cash should be provided to all eligible households wherever possible.

Recommendation 2: Aid agencies should address the differential needs of most vulnerable populations with mixed modalities and through the use of top-up in kind or in vouchers.

Recommendation 2.1: Aid agencies can use more restricted targeting with vouchers and in-kind. Top-ups in-kind or ideally in vouchers (to benefit from additional multiplier effects on markets) can be provided only to the most vulnerable households among beneficiaries. Typically, top-ups could include hygiene kits, dignity kits, RTEs, stoves or other NFIs.

Recommendation 3: All international stakeholders should commit to a better understanding of cultural norms, social behaviors and community dynamics in NWS. Donors should finance additional background studies. International aid workers should consider better, more systematic use of the rich, local knowledge available from field staff and Syrian colleagues. Available local knowledge should be formalized through trainings and short papers made available both within and across organizations.

Recommendation 3.1: There is a need for a more comprehensive, historicized gender analysis to help inform best practice in terms of involvement of women in cash-based interventions. In particular, power dynamics within households should be analyzed in more complex ways and may offer new opportunities for engaging with strategic actors like sons or mothers-in-law.

Recommendation 3.2: There is also a need to better understand the variety of cash usage including why and how people make debts and with whom. This would allow aid agencies to garner the full potential of cash-based interventions in building the resilience of affected populations and in fostering stronger social ties between IDPs and host communities.

Recommendation 4: Donors should push for service mapping to become part of the standard AAP procedures for cash-based programming, especially since this represents no significant additional cost or logistics for aid agencies.



MARKETS

Functioning and responsive markets are an essential element in the feasibility of cash-based assistance. There are three critical times during a cash or voucher program cycle at which specific market information should be gathered, analyzed and used appropriately. In the design phase, market assessments help determine whether cash-based modalities could be an appropriate modality in general areas of operation. At the beginning of the implementation phase, marketplace analysis narrows down in a specific area of intervention which modality of assistance is actually most appropriate for the response. Finally, until the end of implementation, market monitoring ensures that the intervention does not have unintended adverse effects.

KEY MESSAGES

- **Markets have been functional and accessible from nearly all communities in NWS over the past few years. They are expected to remain so in the foreseeable future, with 70% of commodities imported from Turkey and little concerns about the continued use of commercial routes.**
- **The economy in NWS remains very much cash-deprived and there are few concerns about cash-based interventions generating inflation. Similarly, there are fewer concerns about shortages or other distortions in local markets in NWS than in other contexts.**
- **High rates of inflation should be monitored closely as they could generate growing tensions with non-beneficiaries. Similarly, the risk of vendors taking advantage of the currency situation should also be given close attention.**
- **Providing assistance in USD is the best practice to guarantee the purchasing power of beneficiaries. There are no major concerns about external factors of inflation impacting the feasibility of cash-based interventions in NWS. Exchanges on markets are made in SYP, yet nominal prices are indexed on either USD or TL, and vendors guarantee their capital in foreign currency as well.**
- **The main challenge to cash assistance is also related to the distribution of multipurpose cash in USD. There is limited availability of some denominations in USD in NWS. There are some subsequent concerns about available liquidity in USD on local markets if cash assistance was to be scaled up.**

While humanitarian actors have in general a good understanding of the importance of assessing markets, there are some confusions about which information should be collected, at which point of the cash or voucher program cycle, and using which collection methods, as well as to how this information should be analyzed and used in programming.

In addition to key informant interviews, the insights provided in this section about the functioning of markets in NWS are based on a comprehensive analysis of available, monthly market data provided by REACH over the past three years. Specific attention was also given in this study to the evolution of market conditions from early

December 2019 to the end of February 2020 in relation to the flare-up of fighting in NWS and the massive population displacement that resulted.

Generally speaking, available information on markets in NWS over the past few years, including in the past few months, has been very positive and highly conducive to cash-based interventions. Except on frontlines, markets across NWS are robust, resilient and responsive and have remained accessible from almost all locations and to all population groups. Even with the fragile state of the Syrian economy and the rapid inflation of the SYP in the past few months, there are more reasons to be concerned about the functioning of markets in GoS-held areas than in NWS.



To the best of our knowledge based on information available in early March 2020, the recent massive displacements have not significantly challenged these conclusions, nor should the perspective of possible further displacements in the coming months.

Market assessment

At the time of proposal writing, while a general strategy is outlined for geographical targeting, specific areas of interventions are not yet selected and considerations about the functioning of markets necessarily remain broad. Market assessment basically have to convey three pieces of information: whether markets are open, accessible and used by the population; whether markets are adequately provisioned for the foreseeable future; and whether economic exchanges, and in particular currency, are adequate. As such, program managers can rely solely on secondary data either from past experience with similar programming or from other organizations.

There is excellent, reliable information on markets and multi-sectoral market prices in NWS available from governorate level down to community level and published on a monthly basis by REACH in the form of market assessment datasets. In each of these datasets, there is also a synthetic presentation of SMEB prices and inflation trends. This information is sufficient in and by itself to understand the broad functioning of markets in the region and all organizations should rely on it for their evaluation of market capabilities when designing market-based interventions.

In a market assessment, the critical questions that should be answered are:

Market functioning and access

- Are markets open on most days? Are most shops open during working hours? Are there as many customers and vendors on markets as usual?
- Can all groups of people get to and use market? Who can't or doesn't usually use the market and why? How does it differ by gender, age, political or religious affiliation?
- Whom in the household goes to the market? How do they actually go to the market? How long do they have to travel to get to the market and are there any difficulties along the way? How often do people go to the market and how do people carry goods back to their home? Is the market serving customers from several different communities?

Market prices and saturation

- What are the currencies exchanged in the markets? In what currency are the prices? In what currency are commodities exchanged? In what currency do retail vendors pay wholesalers for their stock?
- What are the three top critical markets that should be monitored over program implementation? What

are their current average prices in areas of operation? How volatile have these price been since the beginning of the conflict?

Market availability and supply chains

- What are the main supply routes and where are their main wholesale suppliers for these commodities? Are there many wholesalers or are traders in a given marketplace using the same supply chain? Can traders get supplies from outside the local area? What restrictions and risks are there?

In other protracted conflicts, especially where there are high security and access concerns, it is not uncommon to deal with markets that are barely open and that haven't been functioning properly for years. In such contexts, there is usually a high proportion of highly food insecure households with low diet diversity within the affected populations. This is not the case in NWS: populations have been able to keep using markets and keep enjoying a relatively high diversity in their consumption choices, and markets have proved overall incredibly resilient.

At the height of the fighting, less than 1 in 10 communities report temporary loss of access to markets due to security reasons (REACH, January 2020). These are as expected mostly rural communities close to frontlines. Beyond that, the only limitation to market access that has been consistently emphasized during key informants interviews was the fact that affected populations sometimes travel long distance (up to 30km) to access markets, which is incidentally costly and can be dangerous. They either do so willingly to access larger, specialized markets, further away from their community in order to have better prices on specific type of commodities. This is the case for example for bulk food in Azano and Mastumeh or for fuel in Maasaran. REACH data also suggests that most markets are in fact serving several surrounding communities, which also means that 1 in 3 communities does not have their own market and that populations have to travel to a neighboring community to access a market. Altogether, these observations do not significantly impair the appropriateness of market-based interventions. But they suggest that transport costs should be taken into account at the time of intervention design.

In terms of currency, the Syrian Pound (SYP) remains the main trading currency in NWS despite American dollars (USD) being the major currency for savings. In general, there is no doubt that in recent years Syria's war economy has become increasingly dollarized, and that the use of the SYP has decreased in the northwest. In Idlib, many nominal prices are indexed on USD, while in Aleppo prices are more often indexed on TL. But commodities continue to be exchanged in SYP at the daily exchange rate. The indexation of nominal prices on foreign currency simply helps vendors to guarantee real prices against excessive inflation. Finally, several key informants confirm that vendors also



guarantee the value of their capital in USD, by exchanging the revenue from their sales in SYP into dollars through hawalas on a weekly or sometimes daily basis. Overall, all information points to the fact any programming leading to cash injection into the local economy could be absorbed by local markets without posing any threat to their functioning.

In terms of supply chain, roughly 70% of commodities on markets in NWS are coming for Turkey and there are virtually no concerns about these commercial routes being unlikely to stay open. One key informant noted that since the territory that is currently shrinking in southern Idleb is agricultural, if the situation were to remain as is for an entire season, that might affect the availability of locally sources agricultural products on local markets and possibly drive prices of food commodities up. But in general, shortages of food and non-food items on markets were not a major concern for most key informants, with the exception of some temporary fuel shortages during the winter in the most crowded areas of northern Idleb.

Key informants have also confirmed that several levels of quality for each item are often available on markets. Second-hand markets for NFIs are also particularly common, especially for clothing. This is especially true for larger markets and in areas closer to the Turkish border and in Turkish-administered areas. While there are no general concerns about availability of basic items on markets in harder-to-reach areas, key informants generally report less diversity. In practice, according to a key informant, beneficiaries tend to complain more about the quality of the items provided in-kind in food kits or NFI kits than about not finding articles suitable to their needs and preferences on local markets.

In general, it would be interesting to complement market assessments with more detailed information on the supply chain for critical markets as well as on roles between smaller and larger vendors in the marketplace and the profit margins of various trades, especially insofar as voucher programs tend to create a bias toward larger vendors, with more capacity and that are more likely to have bank accounts.

Marketplace analysis

At the very beginning of implementation, once the areas targeted for intervention have been selected, there is a need for marketplace analysis in order to decide on a case by case basis on the most appropriate modality for the response (and to select vendors for voucher schemes if relevant). The analysis of a specific marketplace will provide more information on the capacity of vendors to meet the needs of the populations as well as the risks that vendors could abuse beneficiaries by colluding and inflate their prices artificially or by selling low quality commodities. Marketplace analysis is undertaken by program managers through a combination of primary sources, including mostly

key informants such as vendors and customers as well as direct observation.

In emergency situations, these seven questions should be prioritized to inform a quick-start intervention:

Market functioning: Are shops still open most days? Has this changed due to the crisis?

Market access: Can all beneficiaries in the surrounding area reasonably get to and use the market?

Market prices: Are the prices of the three critical commodities higher than before the crisis?

Market competition: Are each of the three critical commodities supplied by enough different vendors?

Market availability: Do vendors still have the three critical commodities in stock at the end of the day?

Market responsiveness: Would vendors be able to increase their stocks to meet additional demand?

Market quality: Are there variation in the available quality of the three critical commodities?

If there is no significant differences in the days and hours of opening of most shops before and after the crisis, then the local market is functioning and a cash-based interventions can be considered. Market access should be measured in distance and costs. It is not just about security and whether beneficiaries can physically access the market. In NWS, transportation to and from the marketplace and associated costs can be a hindrance to market access for up to 1 in 3 households, especially in Idleb. Usually, NGOs consider that having beneficiaries within 3km of the market is acceptable.

Local market prices for the three critical commodities identified can be compared to average prices in the governorate, district or sub-district using REACH most recent monthly data in order to check that the specific marketplace considered doesn't already have particularly high prices compared to other marketplaces in surrounding communities. A percentage difference in prices of less than 10% is generally acceptable.

Market availability is not limited to whether goods and services are available at the marketplace at the beginning of the day. Direct observation of the marketplace at the end of the day can provide good information as to whether stocks are appropriately dimensioned: if they are depleted too early, it might point to risks of future shortages. In voucher programs, vouchers usually have a redeemable period. This can be used to estimate the number of additional customers per shop per day the program would yield on average. In turn this number can be compared to the current volume of clientele of shops on the market.

Market responsiveness is critical to assess since cash-based intervention will typically increase demand by providing more people with adequate purchasing power. Thus, it is not enough for vendors to be able to meet the current



demand, they have to be able to increase their stocks (which means both having appropriate suppliers and having enough capital to pay for the increase in stocks). Several informants have noted that Syrian markets in the north-west are highly responsive to changes in market demand. For example, while tents were originally not sold in a local market near Azaz, after unrestricted cash had been distributed to IDPs who happened to have high needs for shelter solution, field staff started to observe vendors proposing tents to their customers.

Market quality is an important determinant of the appropriateness of cash over vouchers. It is in fact harder to monitor the quality of items bought by beneficiaries with unrestricted cash than with commodities or value vouchers. While questions about item quality in PDMs have not raised any particular issue so far, a few respondents have noted that this has been a concern particularly relevant for fuel interventions. Sampling small amounts of the three critical commodities from vendors at the time of marketplace analysis and having procurement vet them could be a good and virtually costless way to assess at least as a baseline the quality of items that beneficiaries will be able to access.

Market competition can be most easily proxied by the number of vendors that sell each of the three critical commodities. It is important to have enough vendors for each commodity for two reasons: it is harder for them to collude between them and artificially raise prices, and it speaks to market responsiveness and reasonable expectations about their ability to meet increased market demand. While there is no definite answer to question of how many vendors is enough vendors, the minimum number of vendors should mostly be correlated to (expected) population size. Most organizations consider as a rule of thumb that with at least 4 or 5 different vendors per item in small to medium communities it becomes hard enough to coordinate. In larger urban areas like Ariha, the minimum

number should probably be closer to 10-15 vendors per commodity.

Market monitoring

After cash-based interventions, aid organizations should keep monitoring prices and behaviors on local markets for about a month (which usually corresponds to the timing for the last PDM survey). The idea is to check that the intervention has not created distortion on local markets for both beneficiaries and non-beneficiaries, either by pushing prices up or by providing vendors with too much market power.

Price Monitoring

The price of the three critical commodities should be monitored post-intervention. Normal inflation could drive prices up in general. So, prices on local markets should be compared once again to prices in neighboring markets in the same districts or sub-districts using REACH data. Observed differences in price can mean to things: the intervention is creating inflation or vendors are artificially manipulating prices. Several key informants expressed concerns that vouchers are highly susceptible to supply and price manipulation (although they rarely provided experience or evidence of this).

Vendors Monitoring

The behavior of vendors towards their customers should also be part of post-intervention monitoring. Cash-based interventions, and in particular voucher programs can tend to increase the market power of certain vendors (that are often already the larger and most powerful vendors on the marketplace). It is important, especially in repeated voucher schemes, to try and update regularly the set of vendors that are contracted for the program. The more vendors are contracted in a marketplace, the more competition between them and the less distortions the intervention is likely to create.

Market interventions, supply-side & multiplier effects

Cash and voucher transfers have positive multiplier effects on local economies: beyond meeting urgent needs, they have secondary impacts on livelihoods opportunities and job creation. In-kind distributions are directly consumed by beneficiaries. By contrast, the monetary assistance provided through cash-based interventions will eventually be also used by vendors, by their suppliers, etc and will indirectly also benefit each of them and their families.

Where adequate market supply is expected to be a problem, several economic studies suggest actually that providing cash to customers and in-kind commodities to vendors to maintain economic activity is ultimately more beneficial than simply providing the in-kind commodities directly to the customers (even though it can seem more costly at first) (Devereux 2006, Bailey 2015, Doocy 2017).

This applies to humanitarian cash-based interventions as well. If there are concerns about the availability of commodities on local markets (either because supply chains are cut or because the increase expected in demand is too large for vendors to increase their stocks), it is worth considering supporting the supply-side in kind rather than reverting to in-kind assistance to beneficiaries. In practice, this means distributing cash and vouchers to beneficiaries while providing stocks in kind for vendors. This is especially relevant since commodities imported by NGOs are most of the time tax free. This model has proved successful in other contexts through NFI fairs. It stimulates the economy as well as increases the number of beneficiaries by including also vendors and their dependents. As a result, the value-for-money of supply-side interventions is arguably higher than in-kind distributions.



In NWS, a relevant market for such supply-side interventions is fuel for heating. It is the only market that has sometimes been noted to have provisioning issues. In addition, the question of quality is important for fuel and supplying the commodity in-kind on markets would be a way to monitor that.

Another way to consider supply-side interventions with important stimulating effects on local economies is to systematically remember when designing a cash-based interventions that beneficiaries are also producers. Typically, this is the type of reasoning behind a lot of cash and livelihoods interventions. But it requires a strong analysis of markets, livelihoods, and coping strategies.

Main constraints and challenges

Inflation

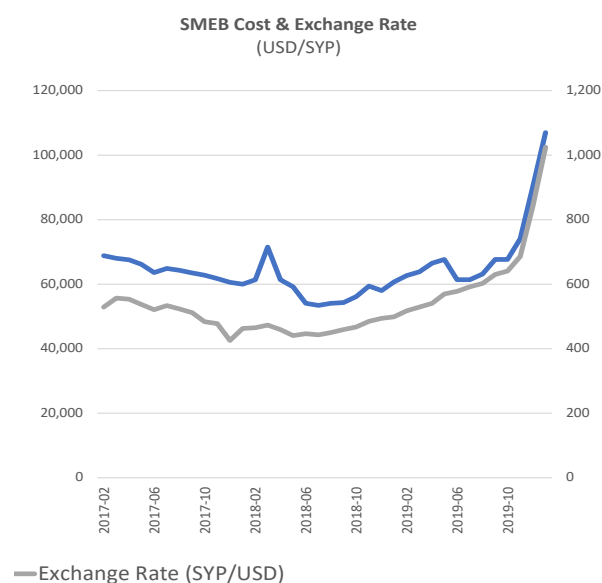
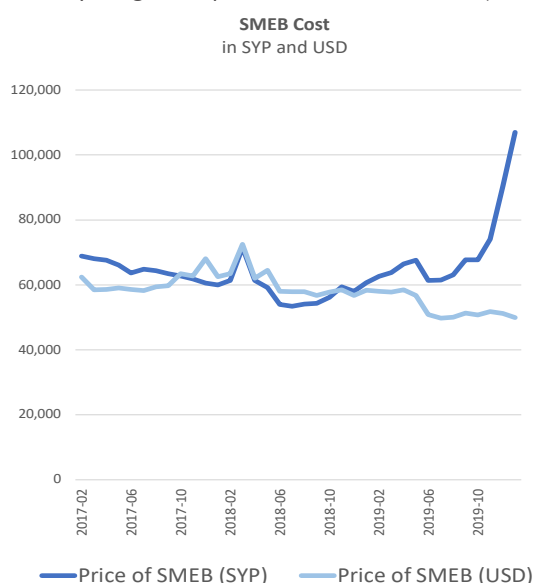
As discussed, it is unlikely that cash-based interventions would cause inflation, given that the economy is largely cash-deprived. However, there are external factors of inflation that affect local markets in NWS. Increasing prices of food, water, and fuel and general inflationary trends on local markets have been raised as major concerns by many key informants. The monitoring of exchange rates between SYP and USD as well as SMEB prices confirms that the prices of most commodities have increased steadily over the last few years, with an average inflation rate of 2-3% monthly. In the past few months however inflation rates have accelerated dramatically (with almost 200% inflation between December 2019 and February 2020). Several informants have suggested that there is related evidence that the central bank of Syria is actually printing currency to cover their own lack of reserves and liquidity. The depreciation of the Syrian pound has been so strong since the summer that the SMEB price in USD has actually gone down from 120\$ last summer to 104\$ in January 2020. While most observers expect these trends to stabilize eventually, the risk of hyperinflation should be monitored carefully. Both hyperinflation and currency devaluation can have devastating effects on market availability and on populations' purchasing power.

Yet, external inflation factors in NWS are not likely to severely impact the feasibility of cash and voucher assistance. They might require however some adjustments to

ensure that the adverse effects of inflation on non-beneficiary populations are mitigated. Cash assistance is provided to beneficiaries in USD, so inflation does not actually affect their purchasing power of beneficiaries as much as it affects non-beneficiaries. Since local market prices are indexed on USD or TL, there are less disconnections between real prices and nominal prices, which allows for local inflationary trends to be naturally regulated. Similarly, the risks of massive shortages on NWS markets are limited since most of the commodities are imported from Turkey. Vendors also guarantee the value of their capital by exchanging it into USD on a regular basis. Typically, in addition to host populations in general, rapid inflation is more of a concern for the livelihoods of smaller vendors, like vendors of fresh vegetables that are typically not contracted in voucher programs.

Available denominations in USD

Low liquidity in foreign currency and lack of availability of specific USD denominations (physical shortage of banknotes) are the concerns most often raised by key informants regarding the feasibility of cash assistance in NWS. Bills of 1\$, 5\$, and 10\$ have been difficult to come by in large quantities for over a year. In the most recent displacement crisis, bills of 20\$ have started to be hard to find as well. There a little influx of physical USD into NWS. As such not only is the available quantity fixed, but the banknotes are also getting damaged which could influence



Source: REACH Monthly Market Monitoring



their value-in-exchange and usability. To the best of our knowledge, transactions of hawala agents are probably the essential way in which the market for currencies in NWS is balanced out over time. Hawala agents are using cash couriers cross-border to settle some of their accounts, eventually bringing in physical USD currency into NWS. Since demand for foreign currency is high, there are all reasons to think that the currency market will eventually adjust. However, such adjustments are slow and may not follow the rhythm at which cash-based programming is scaling up.

This shortage in available currency has already affected the ability of aid agencies to fix a standard size for MPC transfers indexed on the SMEB value. CWG members had settled until December 2019 on a standard of 120\$ for cash grants because it could be more easily provided with 20\$ bills. During the latest displacement crisis, in a few instances, liquidity was so limited that hawala agents have been physically unable to complete a few cash distributions as planned because of the lack of available currency. More

frequently, albeit still rarely, hawala agents distribute the larger part of a multipurpose cash transfer in large USD denominations and the smaller remainder in SYP at the daily exchange rate and under the monitoring of implementing partners. In emergency situations in particular, when beneficiaries are very mobile, this is an acceptable solution rather than delaying the distribution of assistance for a few days. A standard about the acceptable ratio USD/SYP could be discussed among CWG members. Liquidity and availability of smaller denominations is likely to become more and more of a problem with a rapid scale-up of cash assistance.

By contrast, the relatively fixed or slowly increasing stock of USD denominations available in NWS also limits the risk of price gouging by vendors for dollars, insofar as cash-based programming in NWS does not actually increase the dollar supply quickly and significantly in local markets. As such, the use of USD should not significantly impact inflation in and by itself.

RECOMMENDATIONS

Recommendation 1: Aid agencies should distribute both cash and voucher assistance in USD to beneficiaries as much as possible. They should monitor closely possible tensions with non-beneficiaries that may arise with continued inflation.

Recommendation 1.1: Aid agencies should at minimum guarantee the value of transfers in USD. Whenever the availability of USD denominations is too limited to allow for a complete distribution in USD, a small proportion of the transfer can be distributed in SYP at the daily exchange rate on the day of distribution. In such cases, the decision should be clearly and transparently explained to beneficiaries and reported to the CWG coordination.

Recommendation 1.2: CWG coordination should help aid agencies come up with an acceptable standard for the ratio of a transfer that is acceptable to distribute in SYP in case USD denominations are not available. The proportion of the transfer provided in SYP should remain small so as to ensure that there is no depreciation of the overall value of the transfer between the time of distribution and the time of use.

Recommendations 2: Aid agencies and donors should consider more systematically supply-side interventions, especially wherever markets are not functioning optimally.

Recommendation 2.1: Aid agencies should pay special attention to the capacity of vendors to increase their stocks and to the competitiveness of the market where large arrivals are expected over the implementation period.

Recommendation 2.2: Donors should favor supply-side interventions as they increase the positive impact of the interventions on the local economy and the indirect value-for-money of assistance by building on the multiplier effect of market-based interventions. Supply-side interventions can be appropriate either as a complement in-kind to cash and voucher programs when there are risks of shortages. They can also be used as standalone conditional cash programming.

Recommendation 3: Aid agencies should more systematically use REACH data for their market assessment during project design and proposal writing as well as throughout the implementation cycle as a point of comparison for price monitoring in a specific marketplace.

Recommendation 4: Donors should finance a background study looking at the supply chain for traders and vendors in order for the humanitarian community to gain a better understanding of roles and power dynamics between larger and smaller vendors in marketplace. This would in particular be helpful in estimating the distorting effects of voucher schemes, since they tend to select larger vendors even though smaller vendors' livelihoods are more at risk in fragile economies.

Recommendations 5: CWG coordination should offer a specific workshop to program managers on the use of market assessments, marketplace analysis and market monitoring, including a practical discussion on how to concretely use market information in response analysis.



PRACTICES

Another good way to understand what is feasible or not in NWS is to look at what has already been done. This section reviews cash and voucher programming currently ongoing either in NWS or in most-similar contexts in the region. It highlights the best practices that have been identified and lays out the main lessons learned.

KEY MESSAGES

- **The vast majority of assistance in NWS is still distributed in-kind. Yet, over the past few years, there has been more and more cash and voucher assistance. The volumes of restricted and unrestricted cash assistance are currently roughly equivalent, but there is a trend in favor more cash and less voucher schemes.**
- **A wide diversity of cash-based interventions have been implemented in NWS since 2014, both in opposition-held areas and in Turkish-administered areas. All sorts of cash-based programs and practices have been successfully used, including various combinations of restricted and unrestricted assistance, conditional and unconditional assistance, one-off and repeated assistance.**
- **For organizations with experience in cash and voucher assistance in NWS, the question is not anymore whether cash is appropriate, but rather which specific cash-based interventions should be used for each specific situation. In general, all these organizations recommend the implementation of as much unrestricted and unconditional cash activities as possible.**
- **Cash-based interventions are most commonly used in food security, shelter and NFIs, and livelihoods as well as in multipurpose approaches. Cash-based interventions are also used for new arrivals in camps, though this is relatively recent and still limited. For education, nutrition, health, WASH, and protection, the uptake of cash and vouchers is still low, despite evidence from other contexts that these could also be appropriate.**
- **Organizations that have experience with digital tools, in particular e-vouchers and e-tokens for money-tracking, are unanimous on the positive impact that technology has had on the efficiency and effectiveness of their interventions.**

The vocabulary used to describe cash and voucher practices is specific and technical. Yet, in NWS, it can be difficult to figure out who is doing what exactly. These technical terms are not always used appropriately to describe the many different types of cash-based interventions that exist. Cash-based interventions can be restricted (vouchers) and unrestricted (cash). Cash (and vouchers!) can be conditional or unconditional, sectoral or multisectoral, one-off or repeated, part of emergency or regular programming. Beyond type and purpose, the size, frequency, and duration of the transfer also matters. Finally, cash and vouchers can also be used together or in combination with in-kind in mixed interventions or as top-ups. Among all the different possible interventions and usage for cash and voucher assistance, it is useful to have some guidance on which specific

intervention will be most appropriate in a given situation or for a given population in NWS.

The major limitation in this review of practices for NWS is the lack of available, consolidated data. Given the large pool of key informants and the methodology for triangulating information that were used in this study, the description of existing practices is most likely comprehensive. However, it is difficult to provide orders of magnitude in terms of size of programs or proportion of total beneficiaries for each identified practice with a high level of confidence. The quantitative evidence provided here is only meant to be indicative and suggestive.



(Unrestricted) Cash and (restricted) Vouchers

Restriction, or lack thereof, for monetary assistance has to do with *the use of the assistance by the beneficiaries*: can they use it for whatever they want (unrestricted) or do they have to use it either in certain places or for certain things (restricted)? Restricted monetary assistance is *always* a voucher. Unrestricted monetary assistance is *always* cash. There can be various levels of restriction in a voucher, but there is no such thing as an unrestricted voucher. Similarly, technically, despite attempts at orienting the usage of assistance by beneficiaries towards specific sectors, there is no such thing as restricted cash.

Commodity vouchers and value vouchers

All vouchers are necessarily restricted: they can only be used and redeemed in a limited number of pre-determined locations, typically the vendors that were contracted by the aid agency. Because they require the selection of shops, the contracting of vendors and the listing of authorized items, voucher programs require more preparation and more time to phase in than cash distributions.

There are two types of vouchers: *commodity vouchers* that can be redeemed for a certain quantity of specific

commodities like a fuel voucher that entitle to 120L of fuel; and *value vouchers* that can be redeemed for a certain value of specific commodities like a 120\$ NFIs vouchers. A value voucher can be very restricted or not very restricted depending on whether the commodities that can be retrieved in a shop are only specific, pre-determined items or any available items. For example, vouchers with as little restrictions as possible would allow to buy anything in a given shop, yet they would still by design only be usable in specific stores. Similarly, multi-purpose vouchers are typically less restricted than sectoral vouchers insofar as they can be used to buy several different things such as food, NFIs, etc. But still they can only be used in specific stores, and usually they don't allow beneficiaries to buy just anything from these stores.

In Iraq and Yemen, there are successful examples of interventions with value vouchers that can be redeemed at hawala offices. Hawala agents are then selected, contracted and monitored in the same way that vendors would be. In NWS, to the best of our knowledge, this has not been experimented, in part because registered hawala agents with whom humanitarian organizations are susceptible to work usually only have offices in urban centers which vastly reduces the reach and thus the appropriateness of this type of intervention.

Vouchers and Tokens

In NWS, there is a lot of confusion about what qualifies as a voucher or not.

Some implementing partners use a QR code printed either on paper or an electronic support during multi-purpose cash distributions in order to facilitate money-tracking. These should be referred to as tokens or e-tokens, respectively. Using tokens, and especially e-tokens for money-tracking is one of the best practices identified in NWS for multipurpose cash distributions.

These tokens or e-tokens are in all aspects similar to the paper vouchers or e-vouchers that the same organizations use in voucher schemes. Yet, they are by no means vouchers since they are exchangeable for cash in hand. As such their usage is not restricted.

This distinction between tokens and vouchers in NWS is an important one in order not to confuse the type of programming (restricted / unrestricted) with the method of delivery (token or voucher support versus direct delivery) of the assistance. See *Services* for a discussion of delivery mechanisms and methods.

Cash-out and top-up systems

Cash and vouchers can also be used as part of a blended, mixed-modality response. In NWS, both cash and vouchers have been used as top-up to a response otherwise delivered mostly in-kind. In the most recent winter response, there have also been attempts at reversing this typical approach by having the bulk of the intervention in cash and a top-up in-kind or in vouchers. Typically, all eligible beneficiaries would receive multipurpose cash to buy fuel, and some of them would additionally receive a voucher for a stove or a stove in-kind.

Wherever markets are functioning, the combination of cash assistance with top-ups in voucher or in kind seems very promising and it should be explored further in the context of NWS. A top-up in voucher is advisable and preferable if markets are functioning and populations are

stable. Top-ups in kind are more feasible in emergency situations. If recipient households are in transit or on the move, both top-ups in kind and in vouchers are somewhat less adapted. In regular programming and repeated interventions, a mixed approach combining cash and vouchers can also be an appropriate trade-off in terms of flexibility of the modality and ease of monitoring. Several organizations are already experimenting with this by proposing 60\$ in cash along with 70\$ in vouchers, and the results are very promising.

Some implementing partners are also looking into the feasibility of integrating cash-outs to voucher programs in NWS. In other words, one of the commodities that the voucher allows the beneficiary to buy is a small amount of cash. The main limitation of any voucher scheme, other than the time it takes to set up and close, is that they can't be used to



cover all of the beneficiaries' urgent needs. While vouchers provide some flexibility and choice compared to in-kind, beneficiaries in NWS have repeatedly shown that they ultimately need to access cash to meet some of their other needs. Either the vouchers themselves or some proportion of the commodities bought with them are often resold in exchange for cash. Lessons learned from similar contexts also show that programs that empower participants to access cash at time of their choice report higher satisfaction rates both among participants and program managers. This has even been observed for participants in programs that required additional training to use an unfamiliar technology.

In several other contexts, there has been successful programming with value vouchers of which a small, pre-determined amount can be redeemable in cash (IOM, 2019). Typically, the equivalent of 5\$ to 10\$ from a 120\$ voucher could be redeemed in cash in SYP while the rest would have to be redeemed for commodities. The exchange can be performed by vendors themselves, in which case the small size of the cash-outs helps with ensuring that they have the liquidity in stock. To increase liquidity and cash-out points, the exchange could also possibly be done with registered hawala agents that would be contracted and monitored by the aid organizations on similar terms to vendors. This set-up has been shown to increase the appropriateness of voucher programs by a lot and the satisfaction of the beneficiary population. Cash-outs also benefit other vendors on the marketplace, for example fresh vegetables and fruit vendors which are usually smaller vendors that beneficiaries can't otherwise access in voucher schemes. In 2016, Global Communities notes that the idea of cash-outs with vendors is actually favored by populations and that the usage seems to already exist in Syrian society. So, while vendors may need a little convincing and specific assurance about reimbursement delays, with proper incentives cash-outs should be feasible in NWS. As discussed in *Markets*, smaller denominations in USD have become increasingly difficult to come by in NWS. The cash-out would thus more appropriately be redeemable in SYP either at the daily exchange rate or at a pre-determined exchange rate fixed by the implementing partner.

Multipurpose & Sectoral Assistance

This section reviews the unconditional cash and voucher assistance provided in NWS either across multiple sectors or for specific sectoral purposes.

Multi-Purpose Assistance (MPC/MPV)

Some donors sometimes try to influence beneficiaries towards specific types of usage for their cash assistance, albeit with various degrees of success. Ultimately, cash is by nature multipurpose assistance; this is in practice one of its main advantages over vouchers and in-kind assistance and one of the reasons it is so appropriate in NWS.

By contrast, vouchers can be either multipurpose or meant for sectoral use. Most commonly, vouchers in NWS are sectoral: they are intended either specifically for food, or for NFIs, or for specialized types of usage such as shelter or fuel. Yet, there are also increasingly attempts at programming multipurpose vouchers (MPV) in relatively stable areas. This was the case in Atareb until recently. Often times, the programming of MPV is a second best when MPC is considered either not technically feasible, is not acceptable to donors, or cannot be monitored appropriately. MPV are definitely an improvement over sectoral vouchers in terms of flexibility. But they suffer from the restrictedness and logistical heaviness of all voucher schemes. Like other voucher programs, they are also only feasible in relatively stable areas and for non-emergency programming since they take some time to phase-in. Most aid organizations confirmed that whenever they have the choice they would prefer MPC over MPV.

Cash for food

The idea of cash-for-food is not entirely unreasonable. While the usage of the assistance exclusively on food items cannot be guaranteed, there is a high probability that a small cash grant will be mostly spent on food since food is the first category of expenditure for most beneficiaries. One large donor in particular is constrained by its global strategy to funding food security interventions exclusively, as part of the Food for Peace approach. This constraint applies *de facto* to its funding to NWS, whether it is a food emergency or not. Most implementing partners participating in Food for Peace in NWS respond in-kind, and to a lesser extent in vouchers. Most recently, the donor has shown additional flexibility and responsiveness in consenting to fund also cash-for-food interventions, in the form of a monthly 60\$ cash grant (which corresponds to 70% of the food SMEB).

The proportion of the food security response implemented in cash and vouchers is increasing but remains small. In 2015, the most widespread cash and voucher assistance in NWS was in food security, but the use of cash and vouchers in general was still very limited (GC, 2016). There were four to five times as many voucher programs (in 56 sub-districts) than cash transfers (in 12 districts) implemented by FSA partners. Voucher programs were mostly medium-sized programs (from 31,400 to 175,300 beneficiaries), repeated on a monthly basis. Cash was used for one-off or up to 3-month assistance and for smaller pool of beneficiaries (from 12,500 to 14,400 beneficiaries). By January 2020, the amount of cash and voucher assistance for food security has largely increased overall. Yet, cash and voucher programming still represent only a small proportion (15%) of the response planned by the FSA cluster. About 4 in 5 of these programs are still delivered in vouchers, and less than 1 in 5 in unrestricted cash.

An important part of the cash and voucher assistance distributed for food security in NWS also corresponds to



agricultural support and inputs. Cash-for-fodder, seeds or feed are common in NWS. In such cases, the distribution of cash or voucher assistance is as much a food security intervention as it is a livelihoods intervention (see below).

Cash for SNFIs

The sector in which the cash and voucher response has most progressed in recent years is Shelter and NFIs (SNFI). Cash programs for shelter and NFIs were only implemented on a small scale in 2015, both for vouchers (3,600 beneficiaries in 7 sub-districts) and cash assistance (2,800 to 15,000 households in eight sub-districts). These were also short programs (implemented for two months and three months respectively over the entire year). By January 2020, 50% of the NFIs assistance planned by the cluster for the winter response is in cash (25%) and in vouchers (25%) with about 220,000 beneficiaries reached in 17 sub-districts.

Cash for NFIs is in particular largely used in the most recent emergency response to displacements. The favored approach is to replenish some of the lost essential assets that IDPs have been forced to forsake in their location of origin with the provision of a 120\$ cash grant. Such interventions target IDPs and in particular new arrivals. The expectation is that the grant would serve to buy essential items like kitchen utensils, hygiene items, clothing items and bedding, etc. To date, there is no equivalent of the Food For Peace approach for NFIs, whereby a grant would be provided on a monthly basis to more stable vulnerable populations in order to cover their non-food needs as defined by the SMEB.

Shelter is such an important problem in the current displacement crisis that the SNFI cluster has been having intense discussions about creative solutions using cash and voucher assistance. In NWS, most cash-for-shelter approaches have so far been designed as conditional programs (see below). Cash-for-rent interventions have also been considered carefully, since 1 in 3 IDPs in Idleb is currently paying rent for their housing. Yet, subventions on housing markets have been shown to often have adverse effects on market prices. Such schemes could only probably be implemented reasonably for a small pool of beneficiaries without having negative impacts on prices. As a result, it is probably not adapted to emergency response, when the needs for shelter solutions are so high yet there is already a lot of pressure on the housing market. However, cash-for-rent could be considered as a protection intervention to promote housing for specific cases of most vulnerable households.

Because shelter solutions are so expensive, cash-for-rent or cash-for-shelter programs often represent transfers that are vastly larger in size than other types of cash-based interventions. As an example, providing cash for a tent would be roughly equivalent to covering three months of SMEB. These interventions thus have the potential to

create tensions with non-beneficiaries and do-no-harm concerns have to be particularly well thought through. Mitigation measures such as disbursement in tranches should be systematically considered. In the end, because of these risks, shelter interventions are an instance in which restricted schemes like vouchers or conditional schemes might be more appropriate than MPC.

Cash for Winter

Another type of cash-based interventions regularly implemented by SNFI partners in NWS is winterization assistance. Winterization CBI often takes the form of assistance for heating such as cash or vouchers for fuel. Alternatively, it can be winter NFIs assistance, either in cash or in vouchers. Fuel is the one commodity that has been shown to be sometimes hard to come by on local markets, especially in the winter. It is also a commodity for which quality matters a lot. Cash-based interventions for fuel have to be carefully prepared and several implementing partners prefer voucher-for-fuel over cash so that vendors could be better monitored. In addition, the price of fuel is typically very sensitive to inflation. Commodity vouchers for a fixed amount of fuel are thus more appropriate than value vouchers. In any case, since households are using various sources of heating, fuel vouchers should allow for several different forms of combustible. For such seasonal assistance, vouchers are highly feasible since they can be planned and arranged for in advance.

Several organizations have also implemented winter NFIs programs with paper vouchers or e-vouchers for warm clothing, blankets, mats, etc. While the implementation was generally successful, the satisfaction with the programs and the results are mixed. According to most key informants, the provision of clothing in vouchers is complex and makes for arduous monitoring during the redemption period. Clothing in general is not adapted to vouchers since tastes and sizes vary so much. In NWS in particular, affected populations often buy used clothing on the many second-hand stores that exist on markets rather than new clothing. In this instance, the appropriateness of the program was also complicated by the fact that a large displacement crisis happened to affect recipient communities at the same time as winter temperatures. As a result, a significant proportion of beneficiaries chose to resell their vouchers and buy cheaper, second-hand clothing in order to use the rest of the money to cover their other needs. This is an instance in which MPCs would have been more responsive to the needs of affected populations.

Cash-for-Health and Cash-for-Water

Considering the large proportion of vulnerable households in NWS with chronic health needs or expenses, it would make sense to consider cash-for-health interventions. Experience from other contexts shows that to buy medicine, unrestricted cash is actually more appropriate than vouchers because people are usually attached to



buying specific brands (WHO, 2018). They are less satisfied with receiving generic drugs that they tend not to trust as much and ultimately not to use. Such interventions should consider carefully the availability of medicine in local markets and consider additional supply-side interventions in kind where the necessary drugs are not available. Protection issues related to access to these markets should also be carefully taken into account. Cash-for-transport to health facilities is also a common protection intervention, usually implemented on a case-by-case basis for vulnerable households with health needs.

Part of the WASH assistance in NWS is already provided through cash-based interventions. This is minimal however compared to the volumes of assistance provided in kind (water trucking) and in services (wash infrastructures). In Idleb where many vulnerable households have to pay for water, cash and vouchers can be used to help them with water costs. Yet this is another instance in which in-kind assistance or vouchers are more appropriate than cash: an important element to WASH is the quality of the water. In providing water-trucking services in kind, or to a lesser extent with vouchers for selected vendors, aid organizations can monitor that the water delivered is treated and drinkable.

Emergency & regular programming

In NWS, CBI in emergency and in non-emergency situations typically differ in several aspects: their type, their target population, their coverage, their duration and their frequency. Several of these aspects are discussed throughout this document, including the appropriate depth and breadth of targeting and coverage in emergencies and the logistical implications. Regarding the types of intervention, multipurpose cash for IDPs is generally considered as best practice. If cash is not feasible, the second-best option in emergency settings is often in-kind rather than vouchers. Voucher schemes are arguably only feasible and appropriate in regular or seasonal programming, since they take from a few weeks up to a few months to set-up. They are also most appropriate to answer the needs of populations that are relatively stable geographically, since voucher entitlement has to be redeemed locally. In areas of ongoing displacements, voucher programs are also likely to be less feasible because vendors themselves are among the populations being displaced. A caveat to this observation would be the use of already existing voucher programs in areas of arrivals. Provided that the local markets can absorb the increase in demand, existing programs can be rapidly scaled-up to accommodate the needs of the new arrivals.

One-off or repeated transfers

Emergency and non-emergency response also tend to differ in the frequency and duration of transfers. On average, emergency response tends to use one-off interventions, while repeated distributions are more common

in regular programming. However, given the chronicity of displacements in NWS, this equation tends to be increasingly questioned. One-off assistance is still the most common approach for populations in transit and on the move. In times of high levels of needs, aid organizations tend to prefer to spread their limited resources on the largest possible amount of people. In other words, they would often rather serve 300 households with a one-off MPC than 100 households for three months. However, some implementing partners are increasingly considering providing emergency assistance for up to 3 months to newly arrived IDPs, with the idea that this could really serve as efficient safety nets. This is relevant in crowded areas, where they may have already ongoing programs and where there are other agencies to coordinate with such that all the population in need is eventually covered. By contrast, this approach would be less appropriate in transit areas where most IDPs would not be intending to stay for the duration of the program, or in hard-to-reach areas where access is not guaranteed over time and where there is a greater imperative to cover surrounding communities as well whenever possible.

In terms of cash-based programming, the logic behind one-off and repeated interventions is also different. As such the size of the transfer can typically vary as well. One-off interventions often have the objective to replenish a set of assets that was depleted, as is the case with NFI kits and one-off cash-for-NFIs transfers. By contrast, repeated interventions generally target disrupted social safety nets and are based on a total or partial coverage of monthly survival needs. In NWS, this is not always immediately visible since the value of one-off cash-for-NFIs transfers has been indexed to be roughly equivalent to the monthly SMEB (120\$).

Considering frequency and duration of transfers is important in cash-based programming since the efficiency of cash and voucher assistance has been shown to increase with volume and over time (WB, 2016). Once a program is set-up and appropriate systems are in place, providing monthly cash or monthly vouchers to a population for three months in a row is not complicated. By contrast, given the level of logistics involved in each in-kind distribution, providing in-kind aid three months in row can easily become exponentially complex. There is also strong evidence that the impact and the effectiveness of cash and voucher programs increases with frequency and duration. In particular, through reducing uncertainty about future income, repeated cash-based interventions help beneficiaries make plans and have a more rational usage of their grants through longer-term investments and savings.



Cash in camps and sites

Voucher assistance for food in camps is already quite common in NWS and is considered appropriate. By contrast, the CCCM cluster historically considered multipurpose cash not feasible in camps in NWS for several reasons. But the fact is that several organizations have been piloting cash in camps since 2017. MPCs have been successfully implemented at scale for new arrivals in northern Idlib camps for a while. Several pilots of cash-for-NFLs and cash-for-hygiene kits are also underway.

Interestingly, many NGOs implementing cash in camps, most of which are based in Amman, implement the same programs out-of-camps. They show evidence that the use of complaint mechanisms are similar in and out-of-camps, which suggests that cash in camps doesn't create much of a problem. In addition, they have not noticed more new arrivals to the camps that receive cash than to those receiving in-kind assistance, which was a concern raised by the CCCM cluster. Finally, they noted that since they are also providing WASH services in camps, both existing residents and new arrivals are getting assistance all the time which may help with reducing tensions due to jealousy.

More generally, the CCCM cluster has shown increasing openness and interest for a variety of innovative cash-based interventions in camps and sites, including cash-for-assets as a cash component to site management, various cash-for-livelihoods approaches, as well as mixed modality approaches. In other contexts, cash in camps has been shown to be an effective tool to increase self-reliance and facilitate exit strategies (UNHCR, 2012).

Conditional Cash

The vast majority of cash and voucher assistance currently provided in NWS is unconditional: beneficiaries don't have to do anything or to behave in any specific way to be eligible to assistance other than meeting the vulnerability criteria. Conditional cash programs are designed to induce specific, desirable behaviors from recipients. Aid organizations should typically consider conditional cash programming when they identify a public good that is not provided because of a lack of incentives or barriers to collective actions. Conditional cash programs generally have multiple benefits: for example, in addition to addressing immediate humanitarian needs, cash-for-work programming can also generate longer-term employment and livelihood opportunities, contribute to rehabilitate infrastructures, and benefit local markets.

Most conditional programs take time to set-up and their full impact and outcomes also come over time. As such, they are usually not appropriate to respond to emergency needs. By contrast, outside of the specific times of displacement crises, communities in NWS have been noted, in particular in semi-urban and urban areas, to express needs for programs that can have more lasting impacts for the community as a whole, such as employment opportunities, rehabilitation of damaged infrastructure, and support for small businesses (GC, 2016).

Cash and Livelihoods

In NWS, conditional programming is often used in the livelihoods sector. It helps affected populations recover from the crises, but also it increases their resilience and helps them prepare, resist and overcome future shocks with their own means. Livelihoods programs typically include support to protect one or several household and community assets – either human, social, natural, physical or financial assets – and prevent further damage to the lives of the affected populations. In other contexts, protecting financial assets of affected populations by facilitating access to financial services and to cash as well as through debt reduction

for the poorest are generally considered part of livelihoods interventions.

In NWS, Cash-for-Work (CfW) programs have been used successfully for years. However, their scale tends to remain limited. Cost-recovery mechanisms in CfW have also been quite successful in NWS, which is extremely rare in such complex emergencies. CfW is a form of conditional cash transfer where beneficiaries receive payment in exchange for work including public works tasks, community development activities, repairs, construction, and a number of other similar works. Typically, in NWS, it would be used for the rehabilitation of physical or natural assets such as WASH and agricultural infrastructures, or to encourage collective behaviors such as waste management, street cleaning, etc. Global Communities (2016) notes that unconditional and conditional cash transfers have sometimes been combined in NWS. This was the case in 2015 in Aleppo governorate with a CfW project to facilitate the harvest of olive, a voucher program to help farmers pay for olive oil refining and tree pruning, and unconditional cash grants of the same monetary value provided to households considered vulnerable and unable to work. Overall, all indications suggest that the use of such conditional programs is highly appropriate in NWS.

CfW programs can also be rapidly scaled-up once the early recovery stage is reached, and thus help meet the needs of large numbers of beneficiaries while longer-term assistance strategies are being planned. CfW is also useful when phasing out other assistance programs based on direct distributions, like most emergency programs. CfW programs may also be a desirable approach because the coverage levels can be relatively high, and thus a larger proportion of the community could benefit as compared to other assistance with strict eligibility criteria. Finally, since they are community oriented, they benefit all community members and can facilitate the integration of IDPs or returnees in their location of arrival while lessening tensions between participants and non-participants. Overall, these are indications that CfW programs and



other conditional cash programs should keep being piloted extensively throughout NWS until the time comes where they can be appropriately scaled-up in the transition from emergency to early recovery to take over direct distributions of assistance.

Other types of conditional cash programs for livelihoods have also been successfully used in NWS. The term cash-for-assets (CfA) can be used to designate more generally conditional cash transfer programs that participate in the provision of common or public goods, whether through work or simply participation. Cash-for-assets approaches are currently piloted in NWS in informal sites to encourage and help the site management committees with implementing various activities for the community. These activities are not limited to small repairs and CfW schemes and can include more broadly the organization of social events, or the scheduling of social activities in safe spaces for various groups of population. Conditional cash programs have also been successfully designed in NWS to support to small businesses such as bakeries or construction companies. The advantage of such programs is that they can easily be combined with sectoral objectives.

Finally, conditional cash has been used in NWS for training programs. The objective is to protect human assets by providing skills and technical training and facilitate subsequent insertion in the job market. Another important aspect of training programs is also their social aspect and their potential to build a more cohesive community, more inclusive of the poorest. Cash can be used in these programs to facilitate and incentivize participation (by covering transport costs based on attendance for example). Cash grants or vouchers can also be used to incentivize performance, for example by providing the best participants with a small windfall at the end of the training. If used, incentives schemes should be designed thoughtfully. But they have proven to be extremely effective in other contexts (Bidwell et al., 2008, Bassi et al., 2020). In particular, in cash-for-training programs, the incentivization systems could take into account the desirability of unrestricted cash: a cash top-up would be provided to the best participants, in addition to all participants receiving vouchers to buy tools and assets to start their business.

Cash-for-Shelter

Cash-based shelter programs commonly use a combination of conditionalities to meet several important objectives. For example, it is especially important to ensure technical quality of purchased goods or construction work undertaken. Cash-for-shelter schemes can use payment in instalments as a form of conditionality to monitor both the effectiveness and the quality of the construction. Another form of conditionality is sometimes used to increase the shelter response to the displacement crisis. Cash-for-rehabilitation can be provided to owners that commit to hosting IDPs for some time once they have made the necessary repairs to their housing. However, obviously, such approaches cannot

fully respond to the needs for emergency shelters since reconstruction and repairs take time. They also require extensive monitoring of the respect of conditionality ex post, for example to ensure that IDP beneficiaries are still hosted 3-6 months later.

Cash-for-Education

To the best of our knowledge, the use of cash and vouchers for education, has been limited in NWS so far, especially in emergency response. By conditioning the assistance on school attendance conditional cash transfers have shown their potential to increase schooling for both girls and boys in other contexts (ODI, 2017). CVA can provide critical assistance to families: helping them purchase the necessary supplies for school and covering school fees and transportation costs. Cash-for-education has also been suggested to reduce the opportunity cost of lost child labor (see below). Similar mechanisms can be used to design interventions to increase access to healthcare.

Cash-for-Protection

There are several ways to use cash and vouchers effectively in the management of protection cases, including child protection. In NWS, the use of cash and voucher assistance for protection remains limited. But protection cases are sometimes referred to larger cash-based programs by protection actors such that they are considered eligible in priority. The alternative is to design cash and voucher schemes specifically and uniquely to benefit specific protection cases. Several key informants consider that the former approach reduces the risks of stigmatization however and raise less suspicion as to the reason why they would be targeted for assistance in the first place.

There are some limited instances in NWS of cash-based programs targeted specifically at protection cases. For example, one key informant reported indirect knowledge of a cash for widows and orphans scheme in Aleppo governorate. It is unclear however whether it was implemented by actors with protection training and in particular CP training. Cash-for-protection is made increasingly feasible and safe with the use of digital technologies that can help transfer funds in a more invisible manner to beneficiaries. Cash-for-protection programs have been successfully used elsewhere as part of SGBV prevention and response. For example, a subsistence allowance for survivors of SGBV can be provided as an emergency response assistance, or cash-for-transport can be provided to SGBV survivors in order to increase their access to response and recovery services, to reproductive health services and psychological/mental health services.

Other successful examples of the use of cash-for-protection include cash transfers connected to safe spaces, which have been found to help reopen social networks for women. In a review of the cash transfer program linked to safe spaces in the Za'atari refugee camp in Jordan, women and girls



overwhelmingly reported that the cash transfer had helped regenerate community bonds, rebuild social networks and provide relief from isolation and boredom. The opportunity to earn a small amount of cash served as an enticement to bring women to the safe space (ERC, 2015). Cash transfers have also been associated with a decrease in child labor for both girls and boys, though larger reductions are seen for boys (Bastagli, F et al., 2016). In NWS in particular, where child labor is not an uncommon negative coping strategy for most vulnerable households and with concerns about children being associated with armed groups, the potential of cash-for-protection interventions to foster important, positive protection outcomes for children affected by the conflict and their families is worth exploring further.

Yet, protection actors also insist that cash and voucher assistance alone is unlikely to achieve meaningful long-term protection outcomes if it is not embedded within case management and referral systems accompanied by complementary services and cross-sectoral programming. The challenge is to ensure that sufficient resources, including longer funding timeframes, staff capacities as well as availability of quality services are in place to enable comprehensive protection programming. While evidence on the use of cash assistance in protection programming is growing, there are still gaps that remain in determining the best way (cash modality design and necessary complementary services) to reach longer term protection outcomes using cash and voucher assistance (CaLP, 2020). There is no evidence that cash-for-protection in itself could be risky for beneficiaries. Yet there is in general more buy-in from protection actors in NWS for mainstreaming SGBV, gender and protection considerations into cash-based interventions than for utilizing cash as a tool within case management for protection outcomes. One interesting way forward suggested by key informants from the protection cluster

and child protection sub-cluster would be to link directly and more closely protection teams or child protection actors on the ground implementing case management with program teams implementing cash and voucher assistance. This would likely help with ensuring that cash assistance is an element of the response under the care plan while supporting appropriate targeting of the most vulnerable families and children in a manner that accounts for possible discrimination as well as possible associated stigma and related safety risks. It could also build on the possibility for longer and closer monitoring and follow-up as part of case management by protection teams.

Cash-for-returns

Unconditional and conditional cash transfers can also be used to support durable solutions for displaced people, by assisting voluntary returns with costs associated to transportation, reintegration and basic needs. This could be an important aspect of future programming in NWS considering that several actors expect returns, in particular in Turkish-administered areas in Aleppo in the coming year.

Cash-for-returnees assistance in areas of return should also carefully consider the possibility that assistance would be a pull factor. In particular, it should only be an option in areas in which returns can be safe. In other contexts such as Niger, Libya or Pakistan, cash grants for returnees have been successfully used at a large scale, in particular as part of multisectoral, multi-modality assistance packages.

Another way in which cash assistance can be used to facilitate safe returns is in the form of conditional cash transfers in areas of departure for populations that have intentions to return to their original locations. The assistance provided could then be designed among other things to help them secure safe transportation to their intended destination.

Phasing-out of cash-based assistance

There is also significant evidence on the potential of cash and voucher assistance for gradual effective phase out compared to other type of programming (ERC, 2015). With the eight Barcelona Principles (2016) that look into how digital payments can both benefit humanitarian response and boost resilience of economic infrastructure, communities and households, the powerful potential to leverage humanitarian spending to build inclusive, lasting financial infrastructure has also been globally recognized.

In general, seamless phase-out necessitates capacity-building of local financial institutions to ensure that beneficiaries' abilities to meet basic needs are not dependent upon the long-term presence of assistance organizations. Without local capacity to continue meet needs in the absence of the organization's local presence, the possibility for abrupt stoppage of assistance is great and may have severe implications on beneficiaries and future attempts at reinstating assistance.

The potential in NWS for getting to the phasing-out phase quickly is high once the emergency settles. Most often phasing begins when local markets are functioning, and income-generating activities are available for beneficiaries. Market conditions have been shown to be already favorable to most cash-based programming, so it is just about the security situation becoming stable enough for sustainable income generation. It is especially important in NWS to build systems for cash in emergencies that allow for and anticipate integration into longer-term programming and broader social protection and safety nets systems at scale. Conditional cash programs can help with the transition from the direct distribution of cash and vouchers to longer-term programming. In particular, additional components should be built early on into cash-based programming to support beneficiaries' ability to meet their needs after direct cash-based assistance ends (such as livelihoods training and support activities). The other aspect of cash-based programming in emergency that can highly facilitate phasing-out into early recovery is the use by aid agencies of appropriate technologies and similar data formats for cash and voucher distributions such that they are easy to scale-up and inter-operable.



Main challenges and constraints

Coordination and Harmonization

Currently, the main challenges faced by cash actors operating in NWS, aside from the sheer level of needs, have to do with coordination and harmonization of practices. There is however a stark difference in the nature of coordination problems that arise in hard-to-reach and in crowded areas. In hard-to-reach areas, there are less actors and the risk profile of implementing organizations is somewhat different. This makes in general for cash-based interventions that are easier to coordinate. Usually, the few implementing partners operating in these areas know each other well and can easily agree to separate their areas of intervention geographically. They also often have coordinated approaches in agreeing for high coverage within recipient communities in order to limit potential gaps.

In crowded areas, there are lots of potential beneficiaries, many NGOs and overall more potential for duplication and territoriality. Arguably, cash-based programming makes coordination a bit easier, especially multipurpose cash. By design MPCs have the potential to cover all the needs of recipient populations. In other words, while it can make sense for two different NGOs to target the same population, one with food kits and the other with NFIs kits, targeting the same households with two cash grants is more difficult to justify. This tends in turn to increase the territoriality of NGOs. Coordination in crowded areas is made easier when the humanitarian community agrees upon standards of intervention and approaches to targeting and coverage.

Deciding on standards for the value of transfers

Coordination and harmonization between NGOs on transfer value is particularly important during large-scale response in order to avoid conflict between neighbouring camps or communities and ensure the integrity and consistency of assistance. In other words, it is more important that all organizations agree on a standard rather than that the standard in itself is perfectly appropriate.

There are strengths and weaknesses with all ways to establish the value of cash grants in remote emergency contexts. The Minimum Expenditure Basket (MEB) and survival MEB

(SMEB), comprising an agreed list of essentials and their prices in target markets, are the most common. The SMEB is the metric used in NWS. An important aspect to defining standard grants sizes is also to agree on revising these standards on a regular basis. A standard amount of 120\$ for multi-purpose cash grants has been agreed upon by the CWG members based on SMEB value in the summer 2019. Many key informants have emphasized the importance for CWG members not only to decide on a standard amount at one point in time, but on a procedure and a regular timing for revision of these standards. This is important in order to limit the number of actors that eventually decide to opt out of the common standards.

Harmonization across agencies can be complicated in NWS by the fact that all multipurpose transfers do not necessarily have the same objectives. It remains relatively easy to understand and to explain to beneficiaries that repeated food security assistance (55\$) has a lower value than one-off emergency assistance for one month (120\$). But it becomes more complicated to distinguish between asset replenishment assistance and safety net emergency assistance. There has been some level of agreement until now to use the same standards for both (120\$ for cash-for-NFIs and 120\$ for monthly SMEB). But this could change as needs evolve and as standards are revised. In turn, this could start creating problems if two agencies are operating in neighbouring communities with different approaches.

Many key informants mentioned that they would appreciate guidance from the CWG on transfer size by type of assistance outside of MPC. Lessons learned from Yemen show that where agencies could not agree on common standards, or where some agencies chose to opt out of common agreements or practices, this presented a threat and called into question the integrity of the overall humanitarian response and of individual programs (CaLP, 2018). By contrast, implementing common standards among organizations – specifically transfer value and targeting criteria – helps reduce inequity, creates consistency, improves transparency and reduces inter-community conflict. In the end, these can prove even more important than effectively using the most appropriate standards.

Transfer size

Because of the high desirability and fungibility of monetary assistance, cash-based program designs are very sensitive to grant size. Research shows that the bigger the transfer, the more competition over it and the higher the risks of diversion or tensions between beneficiaries and non-beneficiaries (Strauss-Kahn, 2019). In general, in complex situations like NWS, wherever possible, smaller, more regular transfers are recommended over larger, one-off transfers in order to mitigate protection concerns for beneficiaries.

Regular transfers are more predictable for beneficiaries, and as such have been shown to have an effect on spending behaviors, increasing particular their capacity for longer terms decision-making (Blattman, 2018). Yet, in the emergency response in NWS, the high mobility of beneficiaries is a challenge that often constraints agencies to one-off transfers. For programs that can span



over larger amount of time, like rehabilitations of private housing, disbursement of large sums in installments is also typically considered good practice, despite the fact that it is more logistically complicated and costly as it requires more monitoring.

There is also an important conversation for the humanitarian community in NWS to have regarding whether transfer size should be somehow indexed on household size. In order to alleviate the burden of agencies having to tailor grants in remote access settings and in emergencies, it is common practice to average out grant sizes across all households. While this means that some households will be receiving approximately the right amount to meet project objectives, some will receive more and large households will receive significantly less than the amount identified to cover their needs. In NWS, larger households (7+ individuals) tend to display exponential vulnerabilities compared to average and smaller households. The suggestion here is not to have standard tranches and scales for cash-based assistance like there is for food kits (with 1 food kit distributed per every 2 household members). This would likely only complicate disbursement without significantly increasing the appropriateness of the assistance. Smaller vulnerable households are often selected through targeting criteria because they display additional, compound vulnerabilities such as disabilities or health problems. It would be instead about recognizing household size as a category of vulnerability in and by itself and possibly, supplementing these households with top-ups, along with other most vulnerable households that display multiple vulnerability criteria.

Coverage of eligible beneficiaries

As discussed in *Appropriateness*, status-based eligibility criteria are largely acceptable in NWS. Yet, there is also a sense that broad coverage of eligible households is important with cash more than it is with in-kind. As noted in previous sections, this is not because the eligibility criteria are a lesser proxy for the socio-economic vulnerabilities that cash assistance can address. It is rather that the acceptability of restrictive targeting with cash is lower because of the high desirability and fungibility of the assistance. In practice, because of the overall high levels of need and the constraints on available resources, cash assistance needs to be targeted in NWS not because some people don't need it but because there is not enough for everyone.

This speaks to the importance of coordination across agencies over the breadth / depth debate. Targeting and coverage strategies become critical when there is not enough resources to provide a blanket of all eligible beneficiaries. There is currently in NWS a high variation in targeting and coverage practices that doesn't facilitate coordination. Some organizations will cover only a few households per community with restrictive targeting criteria or limited coverage using a scaling systems on the

list of eligible beneficiaries. Other organizations will prefer to provide blanket coverage for eligible beneficiaries which practically restricts their capacity to cover many locations. Yet both organizations will report their locations of interventions as 'covered' to the cluster and CWG coordination in the same way.

Scaling systems to limit coverage within eligibility criteria are also difficult to devise and harmonize. As mentioned, there is a high variance in vulnerabilities within eligibility categories. To some extent, this can warrant the use of vulnerability scales to allow for finer grained targeting within those categories. Using such scoring and scales can be considered good practice, but it requires additional transparency and communication with recipient communities because there is an increased risk of misunderstanding regarding the selection of beneficiaries and ensuing tensions with non-beneficiaries as well as additional requests for assistance. It is also more complicated to use if other organizations in the same areas are using different systems. An appropriate form of coordination and harmonization that could be considered among CWG members and donors would be to favor different targeting and coverage strategies in crowded than in hard-to-reach areas.

Targeting and coverage in hard-to-reach and crowded areas.

Typically, with cash-based programming, one can decide to reach with the same grant and within a given area either a higher level of people-in-need with smaller transfers or a lesser number of people with a higher severity in needs with larger transfers. In other words, is it better to assist 1.000 very vulnerable households with 150\$ or 3.000 vulnerable households 50\$? This breadth / depth trade-off can also apply to geographical targeting if the size of the transfer is fixed, by either reaching a large number of people within each location, or a smaller number of people within each location but in a larger number of locations. In other words, with the same grant, should you assist 50 extremely vulnerable households in 20 villages or 200 vulnerable households in 5 villages?

In hard-to-reach areas, there is a chance that the severity of needs overall is higher and that vulnerable populations are depending on cash-based assistance, especially if in-kind assistance is difficult to ship. In such cases, organizations should favor covering all the needs of the population in the locations that they can access (for example by providing full SMEB grants). By contrast, the level of needs in crowded areas is often higher, but the severity of needs might be lower due to the generally large number of humanitarian organizations working in these areas. In these cases, an organization can choose to cover only some of the needs a larger share of the population (for example, only the cash portion of the SMEB) and rely on coordination for the provision of other services and assistance.

Similarly, in terms of eligibility and coverage, some organizations choose to target all eligible households within a lesser number of locations while others cover only the most vulnerable households but in a larger number of locations. Since the type of



location is to some extent also correlated to the level and severity of needs and the likelihood of being reached by other organizations, one could recommend that organizations operating in hard-to-reach areas have a broad coverage. As for organizations operating in more crowded areas, as long as coordination works, they can consider an approach with more in-depth and specialized coverage.

RECOMMENDATIONS

Recommendation 1: CWG coordination should keep leading the efforts and initiating discussions on increased harmonization and coordination in cash and voucher practices.

Recommendation 1.1: As they have done for MPC, CWG coordination should offer clusters technical support to work on standardized approaches for grant size, transfer frequency and duration, coverage and targeting strategies for other types of cash-based interventions.

Recommendation 1.2: CWG members should agree on a pre-established schedule to revise and update the standards that have been agreed upon.

Recommendation 2: Aid agencies should consider the following as best practices for different types of interventions and situations.

Recommendation 2.1: Multipurpose cash should be favored over in-kind in emergency settings as well as for populations on the move. Vouchers are generally not a feasible option due to their long phase-in.

Recommendation 2.2: For populations that are more stable like host communities or older displacements, vouchers assistance is a possibility, in particular in mixed modalities and top-up approaches. If vouchers are used for the bulk of assistance rather than as specific top-ups, they should have as little restrictions as possible.

Recommendation 2.3: For new arrivals, asset replenishment approached with one-off transfers is appropriate. For older displacements and host communities, repeated interventions to cover basic monthly needs and restore disrupted safety nets should be preferred.

Recommendation 2.4: Cash and voucher direct distributions in regular programming should be combined early on with the use of conditional cash programs. This will help cover longer-term objectives or more specific behavioral and sectoral impacts. This will also contribute to facilitate the transition to early recovery and the phasing out of emergency assistance.

Recommendation 2.5: Smaller, more regular transfers or disbursement in tranches should be favored wherever appropriate.

FUNDING & DONORS

Funding opportunities and donors' willingness to engage with innovative cash-based programming can be either an important enabler or an obstacle to cash feasibility. The humanitarian intervention in NWS could be a great opportunity to effectively push forward the Grand Bargain agenda both in terms of localization and of cash and voucher programming. Yet, external factors such as international financial regulations and anti-terror law compliance create additional requirements for implementation and monitoring such that the standards for cash-based interventions are higher than for in-kind.

KEY MESSAGES

- In line with the Grand bargain agenda, the major donors for NWS are willing to fund more cash and vouchers over assistance in kind. Most of them are also in favor of programming more unrestricted cash grants.
- Yet, donors also insist that, in a context like NWS, organizations need to have demonstrated some capacity and have developed strong, robust monitoring systems prior to engaging in full-scale cash-based interventions. This proof of capacity can be done through the implementation of successful, well-designed pilots.
- Perceptions about funding opportunities and donors' expectations influence what organizations are willing to propose or pilot in terms of cash-based assistance. In turn, it affects their perception of cash feasibility as well as the returns on investment they expect from developing cash systems.
- There is some confusion about donors' strategies among smaller, local organizations with whom they have less direct contacts. In particular, there exists a perception that donors are sending mixed messages with regard to cash-based programming between a push for cash and a pull out of caution. This is an obstacle for implementing partners to engage in more cash-based programming and invest the money, time and effort necessary to develop robust cash systems.
- In the current political and financial international environment, cash transfers in conflict zones are subject to the highest level of scrutiny. Both donors and aid agencies have to comply with complex international regulations. Donors bear the primary legal responsibility of compliance with these regulations, which in turn effectively limits available funding channels.
- Overall, cash-based programming in NWS is already held to higher standards than in-kind. This also means that it requires more investments than it would in less complex settings. Despite the additional costs related to developing higher quality systems, the value-for-money of cash assistance in NWS is still superior to in-kind. And contrarily to in-kind aid, its cost-efficiency will only increase with scale and over time.
- Since donors are first and foremost accountable to the population of their origin country about the use of their funds, different donors have different concerns about cash and voucher programs – duplication, diversion, compliance. This means that they don't necessarily favor the exact same types of interventions nor do they have the same requirements.
- All donors require some degrees of independent oversight and segregation of duties as a risk transfer strategy for cash and vouchers in remote management. In practice, duties are often shared by different organizations with different roles, typically some organizations have imple-



mentation capacity (field access in otherwise hard-to-reach areas) and other organizations have oversight capacity (experience in building robust systems in various complex environments and the ability to invest in developing financial, compliance, delivery, and monitoring systems).

Arguably, most of the discussion about cash-based programming in NWS between the major donors, the various clusters, and the humanitarian actors already providing cash or voucher assistance is not about whether cash is an appropriate modality for the response in NWS as much as it is about how to best and increasingly switch towards more cash-based interventions.

Donors' preferences for cash

In interviews, major donors (ECHO, USAID/ OFDA, DFID, OCHA, etc) are clear about their support for cash-based interventions. In particular, they have recognized that unrestricted cash grants are appropriate to meet the needs of affected populations in NWS. Still, a perception within the humanitarian community is that donors may in fact be ambivalent about cash programming. A few key informants from local NGOs have even expressed their conviction that donors would still rather finance in-kind assistance in NWS. This opinion was anchored in the perception that donors' demands of assurance regarding cash programs are ever-increasing, and that some of their requirements can be considered unreasonable or unrealistic. These were understood either as a way to implicitly limit the feasibility of cash and voucher assistance in NWS or to transfer all risks to implementing organizations.

In a complex operational environment like NWS, clarifying the available space for funding of cash programs is especially important since donors can be both a powerful enabler and powerful inhibitors of cash-based programming. *'The State of the World's Cash Report'* (2018) identifies the important role that donors play in demonstrating an appetite for risk and building confidence among implementing agencies. This is particularly pertinent in conflict and remote management environments, where the threats posed by armed groups are real and where access and oversight are limited.

In this discussion, it is important to recognize that donors are not all the same, and that they have varying (but increasing) degrees of familiarity with and enthusiasm for cash and voucher programs, and varying (but high) degrees of sensitivity towards the risk of diversion in particular. Typically, with smaller, bilateral donors who have relatively less experience in cash-based programming, the pull factor related to risks of diversion would tend to play out more in the conversation than the push in favor of cash.

Perceptions and positioning with regard to cash and voucher programming also vary within institutions. It is thus also important for receiving organizations to account for the fact that donors are not unitary actors. Within the same institution, depending on whether a given representative has local, regional or global perspectives and responsibilities, the trade-off between technical considerations and

political constraints is going to play out differently. Typically, the furthest away from the field, the more pregnant the political considerations over the humanitarian ones, and the lesser the experience with humanitarian programming and cash assistance. There is no way around the fact that donor organizations are first and foremost accountable to the population of their country of origin about how they invest their money. Yet, humanitarian organizations can help influence internal messaging and discussions in favor of cash-based programming by producing evidence of the positive impact of cash and voucher assistance and its capacity to abide by the highest quality standards in terms of implementation and monitoring.

Grand Bargain versus Proof of capacity

There is a global push towards cash and voucher programming and a growing body of evidence on the capacity of cash-based interventions to cover needs across sectors. This policy momentum has been crystallized in the Grand Bargain recommendations: more systematically consider cash and voucher assistance and work in closer and more egalitarian partnerships with local organizations. Both principles are highly relevant to the context in NWS and well-endorsed by donors locally. At the global level, donors and aid organizations have committed to uphold these efforts and can be held accountable to these imperatives.

Yet, Grand Bargain principles tend to conflict with equally strong pull factors related to the presence of terrorist groups in NWS specifically targeted by international regulations and the subsequent responsibility to avoid by all means financing terrorist activities with the funds placed in their care by the population of their country or origin.

Overall, the resulting message is that donors are willing to "expand cash and vouchers in a measured way". It is a matter of fact that even the more historically reluctant donors are moving towards increasingly cash-based programming. That said, donors will also demand from humanitarian organizations proofs of their capacity to successfully implement such programs before fully endorsing them. In practice, this means that NGOs have to demonstrate pre-existing, robust implementation and monitoring systems for cash and vouchers, great risk management competence, and effective, successful experience with cash-based programming in NWS. This predicament is not however a vicious cycle, nor does it prevent new organizations from developing capacity in cash-based programming. What donors want as a first-step to programming cash and vouchers at scale are pilots of different types of cash-based programs. Typically, they also have a preference, as a start, for piloting programs that are both less risky, easier to monitor and more intensive in terms of system-building like voucher schemes. After successful, positive experience with one type



of cash-based programming, CBIs can then be scaled-up and diversified. Successful experience can be scaled-up in terms of volumes, locations or sectors, in order to further build up on the systems that have been developed. Other types of cash-based interventions can also be designed and piloted as well, in order to diversify the systems' capacity and allow for more nimble future programming, and so on.

Financing quality cash programming

The catch with the strategy of “measured expansion” is that it inherently takes time and money, which are not the commodities that cash-based programming in NWS necessarily has most in stock. Cash and voucher programs in NWS are already held to higher systems quality standards than in-kind aid. But scaling-up such programs also means investing in strengthening those systems and developing staff capacity with proper and timely investments. To some extent, there is a tension between the perceived need to scale-up cash-based programming in NWS sooner and more rapidly than expected because of the evolving and uncertain context, while maintaining the same standards of quality for implementation systems and monitoring.

In remote contexts, financing quality while scaling-up cash-based programming also means building the capacity of smaller, local organizations which are often the ones that have effective implementing capacity and field access in NWS. Their capacity will need to be supported both in terms of staff and in terms of systems. So far, the existing funding incentives have tended to favor bigger organizations, who had the capacity and budget to absorb large fixed development costs upfront. In other words, cash or vouchers are more feasible for large aid agencies that can make investment in systems that would mostly have positive returns with scale or over time, or international organizations that could benefit from internal systems already developed and tested in other contexts. In order to also favor the capacity-building of cash skills in local organizations, donors have to take into consideration the need for them to build into their budgets some additional costs for system development through pilot programs, that would otherwise yield favorable returns on investment only over several future interventions at scale. In other words, where they are transferring part of the implementation risks to implementing partners by asking them to have stronger systems for cash-based programming, donors have to accept the financial risks of budgeting costlier pilots. Otherwise, there is a distinct risk of crowding-out smaller NGOs that can't invest in high-quality systems on their own, which would make any attempt at scaling-up cash and voucher programming both contradictory with the localization agenda and possibly ultimately vain.

Value-for-money and cost-efficiency

Value-for-money and cost-efficiency are major factors influencing donors' preferences in favor of cash assistance. Cost-efficiency measures how much it costs to deliver a

given windfall to a beneficiary compared to the size of the windfall. Value-for-money estimates how much it costs to deliver a given windfall to a beneficiary compared to the real value-in-use of the windfall for the beneficiary. So typically, if assistance is resold at a loss, value-for-money goes down. These are important considerations in protracted crises, for which both funding and interest tends to shrink over time. The cost drivers of various assistance modalities depend on many factors and can be difficult to synthesize and compare. Yet, in general, the WB estimates that the cost to agencies of delivering cash to people is generally less than the cost of delivering in-kind assistance, with cash being two to seven times more efficient. They have in fact calculated that for transfers of the same value, from 13% of 23% more beneficiaries could be reached with cash than with in-kind (WB, 2016).

The cost-efficiency ratio in NWS is less favorable due to the additional costs related to remote programming, segregation of duties and systematic double-control of procedures. One key informant suggested that the current cost-efficiency ratio for cash-based interventions in NWS is around 75% (which is still higher than the 50-60% ratio for in-kind, but significantly lower than the 90% ratio aimed at in theory). Yet it is important to remember that cost-efficiency of cash assistance increases over time and with scale, which is not the case with in-kind assistance. Most of the cost drivers for cash assistance come from investments in systems, which are fixed, sunk costs of development rather than variable costs of operation. In other words, it is not significantly costlier to distribute cash to 1,000 beneficiaries than to 100 beneficiaries, nor to deliver 500\$ rather than 50\$. Similarly, organizing ten cash distributions is not ten times as costly as organizing a single one. This means that total average costs of cash distribution decrease over time and with scale. Similarly, vouchers programs become increasingly efficient with repeated use and over time compared to in-kind assistance: most of the burden comes from phasing-in and figuring out how to streamline the redemption period. But once implementation systems are established, they are rather easy to replicate over time. The same reasoning doesn't apply to the costs related to in-kind distributions: organizing a distribution for 2,000 beneficiaries is at least 10 times more complicated than organizing a distribution for 200 beneficiaries if not more. Thus, there are reasons to think that the cost-efficiency of cash-based interventions is overall advantageous compared to in-kind. Scaling-up the cash response would also probably help with driving the costs down for all organizations, insofar as it puts them in a better bargaining position vis-a-vis financial services providers and other local actors in the negotiation of fees and contracts.

With all modalities the operational context in NWS creates immense challenges in adequately estimating budgeting for assistance programs. Yet, even when including additional costs for high-quality monitoring and oversight in remote management, cash and voucher programs have a signifi-



cantly higher value-for-money in NWS than in-kind modalities, when factoring in gains/losses in the actual value of assistance provided to beneficiaries due to reselling (GC, 2016). However, all this also means that there is extra importance of limiting programming inefficiencies that tend to drive costs up, such as all sorts of duplications, precisely because programming costs are overall higher in NWS compared to other contexts and in particular the costs of cash-based programming since the expected standards of quality are higher as well.

International Regulations

The humanitarian situation and the needs of affected populations are not the only parameters that dictate what is feasible in terms of funding. International financial institutions that know nothing of humanitarian programming have also been affecting the feasibility of cash in NWS. Since 2017, international financial regulations have become increasingly strict with regard to money that flows to areas like Syria. Donors themselves are directly subjected to these international regulations: they translate into very strict legal requirements and donors become liable for prosecution regarding the misuse of the money that was placed in their care by the population of their country.

Anti-terror regulations

Various states have criminalized material assistance to Designated Terrorist Groups (entities listed as such by a state or international body). See *Risks* for a discussion of the actual likelihood of diversion of cash assistance in NWS compared to other modalities. Notwithstanding whether the underlying risks are real or perceived, these regulations have affected agencies' ability and willingness to work in some challenging contexts (ODI, 2018a). All organizations working on the NWS response from Turkey have for example made significant efforts to ensure compliance with Turkish requirements as well as with anti-money laundering (AML)/ counter-terrorism financing (CTF) legislation.

Some donors require for Syria additional vetting procedures and extra risk mitigation measures that they don't ask for in yet similar contexts like Afghanistan and Iraq. It is the combination of the presence of known terrorist groups

in opposition-held areas, the absence of a formal banking system that would be subject to international regulations, and the absence of legitimate state actors that makes the context in NWS so unique. As a result, each donor has their own set of procedures, which usually includes vetting procedures for local partners, the use of strong complaints and response mechanisms, the use of third-party monitoring, as well as a robust risk analysis. Whether they are perceived as efficient or not, it is important to note that these requirements are not flexible nor negotiable since they are imposed by donors' headquarters and states.

Financial regulations and Bank de-risking

States have also placed increasingly onerous and strict regulatory demands directly on banks, backed up with enormous fines (ODI, 2018b). As a result, international banks increasingly fear investigations on their transfers (particularly by the United States), and the potential ensuing loss of access to the American market and USD system. Over recent years, some banks have closed the accounts of customers or withheld services from people or regions that they associate with high risks related to funding terrorism, money laundering or other forms of financial crime (ODI, 2018a). The non-profit sector, including humanitarian organizations operating in conflict zones, has been particularly targeted – and particularly harmed – by such de-risking measures, and these challenges have seriously affected the ability of humanitarian organizations to arrange bank transfers to Syria or neighboring states via the global bank network (Walker, 2016). In turn, this has made it difficult for them to pay local staff and suppliers, as well as to run cash-based programs.

At best, some transactions have been slowed down and have become administratively more complicated. At worst, some NGOs have been purely and simply dumped by their banks. ODI (2018a) reports that in the past programs funded by Syrian NGOs have been able to receive cash within 3–4 days, whereas now delays of three months or more for international wire transfers are not atypical. For smaller organizations, de-risking issues are compounded by their lack of financial reserves and they can thus have difficulties maintaining adequate cash flow.

Special status of UN agencies

The difficulty of wiring funds to organizations working on the cross-border response has been until now mitigated to some extent by the unique capacity of UN agencies to channel funds towards the local NGOs. UN agencies are arguably under a lesser degree of scrutiny than other organizations. Through a pooled fund facility handled by OCHA, the Syria Cross-border Humanitarian Fund (SCHF), the UN has been able to contribute to largely funding local organizations directly. In 2019, 52% of the \$77.3M channeled through SCHF went directly to local NGOs. If the UN resolution is not renewed, and even more if there is in the same time a need to scale-up the cash response in NWS, keeping effective money flows to local organizations is likely to become increasingly a problem.

Many UN agencies also have unique oversight capacities. They have been thus widely used by other donors as a transfer mechanism for some risks related to international legislations and to remote management. They have been successful in providing insurance through independent monitoring that humanitarian funds were adequately used by local implementing partners. Large international NGOs have also been able until now to fill some of the same oversight functions, albeit to a lesser extent



and at a greater cost. Yet, if some UN agencies were to stop their cross-border operations, the resulting difficulties would not be limited to the technical and logistical capacity of international and local NGOs to fill the gaps in terms of meeting the needs of affected populations. It would be also about their capacity to effectively absorb the funds and the risk factor that the UN have absorbing until now.

Main challenges and constraints

Earmarking funds

As discussed, various donors have different interests, constraints and strategies. In turn, this translates into different preferences in terms of sectors or types of cash-based programming. Earmarking funds by sector, by usage or by modality has become a common practice in NWS and elsewhere. This can be a serious obstacle to appropriate response analysis. In general, cash-based programming in NWS would benefit from funding approaches that favor integrated, mixed and flexible programming. In the same time, there is also a need for increased coordination among donors and for collective guidance on expected standards of operation by areas or by type of programs, so that humanitarian organizations can in turn identify and collectively build-up on best practices. Knowing that donors pool on some recommendations, requirements and indicators regarding cash and voucher programming would help implementing partners naturally coordinate, and eventually pool by themselves on the implementation formats and monitoring systems that work best. Experience from Yemen from 2015 to 2018 shows that the existence of a common programmatic and funding approach of donors can be a significant enabling factor for the growth in cash-based programming (CaLP, 2018).

By modality

Grants are often attached to the use of a specific modality. The modality is usually defined in the initial proposal either based on sometimes limited and sectoral needs analysis or on expectations about the type of programs that donors are most likely to fund. In emergency response, this means in practice that at the time of implementation there is often time very little, effective response analysis about what modality of intervention is most appropriate. More often than not, implementing organizations decide on response modality based on their available stocks and what their ongoing grants permits rather than based on what would best meet the needs of the population they serve. This is especially true for smaller implementing partners that have more limited funding options, as well as in hard-to-reach areas where there might not be other actors with the capacity to respond. Grants that are more flexible in terms of the *modalities* that can be used, such as for example the North Syria Response Facility (NSRF) – an emergency response mechanism that has been successful in responding to sudden displacement crises in NWS in cash, in food or in NFIs – would increase the appropriateness and facilitate

the feasibility of cash-based programming. This would also be aligned with global trends in humanitarian funding that increasingly favor more flexible programmatic partnerships.

While the principle of grants that are flexible by modalities seems only natural, technically the difficulty is that grant sizes are often calculated in terms of targeted numbers of beneficiaries and that different modalities have different value-for-money. For emergency response, there is also a need to anticipate the modality to be used in order to pre-position stocks as needed ahead of the crisis. One way around these challenges would be to encourage implementing partners to write proposals over their entire areas of operation and to anticipate based on their previous experience and their knowledge of local needs what percentage of the response is likely to be found to be most appropriately provided in-kind and what percentage of affected populations' needs will be best met in cash (or possibly in vouchers in non-emergency settings). The specific localities of intervention and modalities are to be defined based on appropriate response analysis at the time of implementation and as needs arise. This type of multi-modality grant would also allow for easier mixed modalities programming.

By sector or usage

Grants are sometimes also earmarked by donors in terms of sector or usage of the assistance. Most commonly, in NWS, the largest part of aid is directed to the food security sector, even though the situation is not necessarily a food security emergency in the opinion of a lot of actors. In practice, this also means that some organizations do not systematically conduct multisectoral needs assessment in their locations of intervention, but would rather limit their effort and focus on demonstrating needs in the sector or for the usage that the grants that they have is related to. Similarly, some donors specifically earmark funds away from some usage or sectors. For example, according to USAID and OFDA guidelines, CfW activities for shelter construction or rehabilitation are not typically acceptable whether on one's own shelter or on someone else's.

Several key informants have emphasized that one way for donors to better acknowledge the importance of a multi-sectoral response in NWS adapted to the highly multisectoral and variable needs of affected populations is to provide more clarity on the objectives and appropriate indicators to be met. For example, programming currently intent on meeting populations' food needs is calibrated to address 70% of the food Survival MEB. In other words, it is meant



to barely meet a household's minimal food needs. In turn, this arguably makes objectives of increasing the proportion of population with "acceptable" Food Consumption Scores (FCS) quite ambitious. In turn, providing barely minimum assistance for beneficiaries to be able to survive would most likely impact their satisfaction with the assistance provided. As such satisfaction indicators and expected targets should also adequately reflect the real level of assistance that is provided.

Grants intent on specific, sectoral use will also tend to favor restricted forms of cash-based programming such as vouchers over multipurpose cash not because they are more appropriate in a given context but because they are easier to monitor in meeting programmatic objectives. This contributed to the widespread use of voucher programs, despite general acknowledgement that they are more difficult to implement and less adapted to the needs of populations in NWS.

It would be ambitious to try and convince donors to change the sectoral orientation of their funding strategy, since these are usually decided at the global level. Yet, aid agencies and donors could agree on the development of donors' consortium: working with multiple donors can be an effective way for cash-based programming to work around the limitations of single donors' strategies. Donors consortium are typically used in rapid response mechanisms (RRM) in other contexts and have proved successful in increasing levels of effective response analysis in terms of selecting the modalities most adapted to each situation.

By areas of operations

While geographical coverage of grants should also follow needs, there could be a benefit in donors agreeing among themselves to also develop coordinated funding strategies with specific guidance by areas of operations. In other words, cash-based programs in hard-to-reach areas probably respond to different situations in terms of level of needs, number of actors than similar programs in more crowded areas. In crowded areas, coordination and duplication for example are likely to be more of a concern. As such, cash and voucher programming in different types of areas of intervention should probably systematically use different targeting and coverage strategies in terms of depth and breadth of assistance.

Coordinated approaches from different donors could possibly translate into guidance regarding objectives, targets and indicators that are specific by types of areas of intervention. In hard-to-reach areas, because access is constrained, it might be more efficient for organizations providing cash assistance to specialize by location based on access and to encourage full eligibility, multipurpose coverage in a fewer number of locations. In more crowded areas, organizations can more easily specialize to reach larger number of locations with more sectoral approaches, and coordinate with other organizations specialized in covering other needs.

Competition for funds

Competition for funds is usually seen in the private sector as the most efficient way to allocate scarce resources. It pushes organizations bidding on a call for proposals to propose their best systems at minimum price. However, some studies have noted that in the non-profit sector, competition may actually yield sub-optimal outcomes (Robert et al., 2019). More specifically, it doesn't promote investments in the highest quality systems and it doesn't foster cooperation between agencies, thus forsaking some of the gains that could come from cooperation and economies of scale over time or across industries. All indications points to the fact that competition over funding for the cross-border response in NWS tend to pertain to the latter case. Competition and territoriality are particularly salient problems with unrestricted cash assistance since it is trans-sectoral by nature and thus warrants concerns about duplication if several organizations were to serve the same population in the same location.

Competition for funds fosters to some extent a lack of cooperation in the NWS which can be observed to some extent in the reluctance in sharing information across organizations as well as with coordination structures. It also reflects in some levels of territoriality over identified beneficiaries and areas of operation. Private information is mistakenly associated with continued capacity to secure funding. By contrast, counterfactual examples are also blatant with the few organizations that have access to funding that is somewhat guaranteed by an "official" donor and spans over a few years: these organizations tend to invest more and have better, more robust systems. Guaranteeing international and henceforth local organizations with partnerships and funding that spans over multiple years could be a could way to solve some coordination problems. It would also go a long way towards effectively enforcing the localization agenda and providing local organizations with a capacity to better invest in their own development and systems. Yet, secured funding can also arguably lessens the incentives to cooperate with coordination structures in some instances, especially when those are perceived as time-consuming more than service-providing entities. As such, multi-year commitments for cash-based programming could encompass greater requirements for organizations to share information with the CWG. In turn, the CWG could commit to being more service-oriented towards its members and the rest of the humanitarian community.

Due Diligence requirements

In order to meet financial institutions' Know Your Customers (KYC) regulations and donors' requirements, humanitarian organizations operating in NWS need to have a good understanding of these requirements and appropriate processes of due diligence. For donors, these processes often include strong CRMs, the use of TPMs, and good risk analysis. They also include anti-terrorist checks



for service providers, staff, suppliers, vendors and other key local partners, though the effectiveness of this particular process can be disputed. For time-sensitive programs, like emergency operations and seasonal programs, the necessity for quick and timely interventions is hardly compatible with such extended due diligence procedures. The difficulty is compounded by the fact that the understanding that NGOs have of the actual requirements can be unclear. Local NGOs in particular receive information about donors from their partner iNGO and the explanation can sometimes be lost in translation. This was the case for example with inaccurate rumors about donors requiring the vetting of beneficiaries in cash-based programs.

OCHA and NRC (2013) note that it is critical for human-

itarian partners to understand specifically the exact level and nature of information that their donors need, so that they can provide them with that information and only that information in a timely and adequate manner. Over-zealous organizations could open themselves to unnecessary checks and create counter-productive delays: by trying to go above and beyond, they could in practice end up raising the level of defiance of their interlocutor instead of quenching their high yet limited need for specific pieces of information. Transparency and open communication are the best ways to ensure that there is a shared and clear understanding of these exact requirements, especially with local NGOs that often have less direct access to donors.

Vetting beneficiaries

Despite rumors to the contrary recounted by several key informants from local NGOs, each of the major donors have individually confirmed during interviews that they do not require the vetting of individual beneficiaries through anti-terrorist checks neither for cash programs in emergency nor for regular, repeated cash-based distributions. The only exception to this rule was one donor stating a preference – though not an obligation – of vetting CfW beneficiaries.

The confusion possibly comes from the fact that, by contrast, donors do expect large-scale, thorough *verification* - up to 100% - that the households on beneficiary lists are indeed eligible with regards to the targeting criteria.

RECOMMENDATIONS

Recommendations 1: Donors should provide clear, collective, coordinated messages in support of cash-based interventions, and in particular in support of MPCs, in reaffirmation of their global commitment to the Grand Bargain agenda. This has been shown to be a strong enabler for cash and voucher programming.

Recommendations 2: Donors should in particular engage in a frank dialogue with aid agencies seeking guidance on the content, scope, and application of counter-terrorism measures.

Recommendations 2.1: CWG coordination could facilitate this clear and transparent two-way conversation between each donor and the group of CWG partners, including local implementing NGOs, on funding strategies and opportunities for cash and voucher programming and related requirements. This could take the form of workshops with donors on due diligence organized by the CWG in order to come up collectively with standards about what due diligence should look like, and SOPs on how to best describe monitoring systems and how to present risk analysis in proposals, including the provision of clear examples of good / bad ways to convey this information.

Recommendations 2.2: CWG coordination could compile, update and regularly publicly disseminate to CWG members available information on which donors are funding which type of cash-based programs and under what conditions. This would help CWG members better tailor their submissions for grants as well as develop a longer-term strategy in building their cash capacities.

Recommendations 3: Donors should facilitate cash and voucher programming with more flexible funding facilities including multi-modality, multisectoral, multi-year and/or multi-donors grants.

Recommendation 3.1: Donors should provide more multi-modality funding for emergency response (under the NSRF model). Mixed modality programming and in particular multipurpose cash grants with top-ups in kind or in vouchers should be explicitly encouraged.

Recommendation 3.2: Donors should consider working in consortium to facilitate multisectoral funding in cash-based programming (under the RRM model).

Recommendation 3.3: Donors should favor multiyear funding and the use of NGO consortiums for cash and voucher programs (under the programmatic partnership model). They should also push for multi-year partnerships between oversight and implementing agencies, such that the benefits will effectively trickle down to local partners. This will facilitate capacity building as well as investments in strong, inter-operable cash systems.



CAPACITY

There is a concern about the capacity of humanitarian actors to scale-up cash and voucher assistance soon and rapidly in NWS while maintaining the highest possible standards of quality. This would indeed require excellent potential for capacity-building both in terms of staff and in terms of systems within the various organizations involved in cash-based programming. It would also depend on capacity building across the humanitarian community at large by ensuring that the necessary coordination functions, tools and processes are also available.

KEY MESSAGES

- **The capacity for implementing more cash and vouchers programs in NWS instead of in-kind in the medium and long-term is high. The main challenges are the speed of the expected scale-up and the short time horizon to prepare for it.**
- **It is mostly the systems that need to be built and tested that would require time to set-up. Existing human resources among local staff are excellent and, wherever needed, additional, specific technical training for cash-based programming could be provided in the short to medium term.**
- **There is very little specific capacity-building on cash-based programming available for support functions such as M&E, procurement and finance.**
- **There is a high volatility over time in the capacity of local NGOs due to the high turnover of qualified staff, which especially affects staff specialized in cash-based programming.**
- **Aid organizations have two strategies available to increase their capacity in cash-based programming: they can scale-up existing programs and specialize by increasing number of beneficiaries, number of areas of interventions, etc; they can also diversify their cash response by experimenting with different types of cash-based interventions.**
- **The CWG will be a central component of the efforts to ensure the effective scale-up of cash-based programming by improving coordination across sectors and organizations.**

Humanitarian organizations need to have adequate capacity in terms of staff and in terms of systems to ensure appropriate levels of accountability with cash and voucher transfers. Cash-based programming remains a relatively technical topic and differs from in-kind programming in some specific characteristics of implementation. Staff needs to be trained adequately to have a good understanding of feasible delivery mechanisms and their respective advantages and disadvantages in the specific operating environment of NWS. Given the many risks associated with cash transfers, strong, robust and resilient monitoring and accountability mechanisms are also an essential component of program implementation. Scaling-up the cash response will have to come from both organizations with current experience in cash-based programming increasing their capacity as well as from organizations with no current experience in cash and vouchers joining the fray.

Organizational culture can sometimes be an inhibitor to capacity-building for cash-based programming. Organizations who have had successful experience with cash and voucher programs are easily convinced with the many benefits of such approaches. They are usually willing to consider both scaling-up their programs or diversifying their experience with cash and vouchers. By contrast, in organizations that have little or no prior cash-based experience, there is usually more caution and less enthusiasm about developing cash capacities. In particular, the perceived risks of using modalities they are unfamiliar with in a context as complex as NWS and the huge investments in new systems that these represent are strong inhibitors to entering the cash community. Donors obviously have ways to push through risk-averse management cultures and to incentivize organizations to innovate. Yet, it is also important to recognize that ultimately each organization has the best insight into



their own capacity and that letting them scale up at their own pace is the best way to ensure that they do not end up over-extended, that they do not outgrow their systems too fast, and that ultimately the high quality standards of cash-based interventions are maintained.

Organizational capacity

In the response in NWS, humanitarian actors differ by type (UN agencies, international NGOs, local NGOs) and this is often largely correlated with size and capacity. In remote management, actors also tend to differ by roles: there are often implementing agencies that are different from oversight agencies with a role in program design, management and monitoring. The nature and extent of capacity-building that is needed to increase cash capacities and scale up the cash response differ by type and roles of actors.

In general, all stakeholders recognize the excellent base-line capacity of local organizations responding in NWS. Compared to local staff and local organizations that exist in many other complex, protracted conflict situations, Syrian staff tends to be highly educated and well-trained. Even though most Syrian NGOs have only existed for a few years they tend to already have very strong, well-organized, reliable, and resilient systems. In general, this reflects directly into more appropriate programming, better problem-solving skills, and more long-term thinking about building systems that last than in many other aid organizations, international and local, elsewhere in the world.

In sum, the limit in capacity does not come from available human resources. It is more that cash and voucher programming requires specific, technical training as well as time to build systems or adapt processes that are effective for other modalities. In all interviews, implementing organizations have demonstrated extremely high understanding and detailed knowledge of the specifics of ongoing cash-based programs and related challenges. Specific details about program implementation were by contrast less transparent in organizations with mostly functions of oversight. While their understanding of the global requirements was on average more accurate, some staff from international NGOs would have sometimes benefited from a deeper technical understanding of their partners' processes and more background knowledge on local dynamics.

Current capacity, potential and surge capacity

There are currently 22 organizations that have cash and voucher programs in NWS, with various levels of experience, various scales and practices. At least 6 other, smaller organizations were also identified with the help of staff in the field as having idiosyncratic cash programs (typically support in cash for specific protection cases such as cash for orphans or widows, etc). However, it seems that these organizations do not report their activities to clusters or the CWG, in no small part because they have no representation in Gaziantep. There are possibly more of those

smaller, idiosyncratic initiatives, but they are difficult to identify. Of the 22 NGOs that report cash-based programming to the cluster system, 11 are international NGOs and 11 are local NGOs. Additionally, 16 of these organizations have direct implementation capacities in the field, while 11 of them have strong oversight capacities to help monitor their partners' programs. A few organizations (3 of which are based in Amman) have both direct implementation and oversight capacities.

There is a lot of interest among donors for organizations with oversight capacity. These organizations are seen as the cornerstone of guaranteeing high quality systems in remote monitoring contexts. They are often among the larger humanitarian organizations; they share with their donors a lot of the risk related to compliance with international regulations and with implementing organizations a lot of the burden related to high standards of independent monitoring. They are also important actors in channeling the funds towards smaller implementing partners and ensuring appropriate financial management. Double control by oversight agencies is one of the main ways in which donors handle the risks and constraints associated with funding cash-based programs in the current international regulatory environment. Unless donors decide to shift their risk management strategy, there is little space in the foreseeable future for an increase in direct funding to most implementing organizations. One of the major concerns expressed by donors with regards to the possibility of a lesser UN involvement in the cross-border response is the decrease in the overall capacities of oversight of the humanitarian community and the corresponding increase in the burden and workload of organizations with such oversight capacity that will be left.

The real constraint in the short-term is likely to be the capacity of the limited number of implementing partners, if there is a contraction in cross-border capacities and a concomitant need to increase the proportion of the response that is delivered through cash-based interventions. This limit comes not from the inherent quality of staff and systems, but rather from the huge volumes and the amount of risk that they are likely to have to absorb within a short period of time. It will take some time to build the capacities of implementing partners not currently involved in cash and voucher programming. Until then, all the international NGOs with cash and vouchers programs will necessarily have to pool on the limited number of implementing partners that have both access to the field and have already proven their capacity and experience in cash-based programming. As a result, in anticipation for such needs, it is essential to start improving and strengthening the capacity for cash and vouchers of all local partners as early as possible. This means both supporting those who are already involved in cash-based programming in taking their programs to scale and diversifying their approaches, and encouraging others to pilot cash and voucher programs, build their systems and develop their experience.



The capacity of the humanitarian community to scale-up cash and voucher programming also depends on time-frames. In the immediate term, without no time to make any logistical adjustments, only organizations with currently active cash-based programs can consider scaling-up their response. According to various key informants, the surge capacity for ongoing programs in their current locations can rarely exceed +5-10% of beneficiaries compared to the initial planned response, provided that adequate funding is available. In the current displacement crisis, all implementing partners are arguably already operating at their maximum surge capacity, with whichever modalities they have in stock. Within a couple of months, in agreement with their donors, through the use of grant modification requests, these organizations can also consider switching existing resources from their in-kind programming towards cash and vouchers, while training their field staff accordingly. In the short term (2-6 months), all organizations can diversify their experience with cash and vouchers and develop their systems by piloting new cash and voucher programs, and organizations with existing capacities can also scale-up and overall increase their cash capacity by strengthening their current systems as well as hiring and training new staff. In the medium term (6 months to a year), with more organizations having demonstrated minimum capacity for high-quality cash-based programming, there could be significantly more funding absorbed for cash-based programming in NWS as well as grants financing a diverse array of cash-based interventions. Finally, in longer term (over 1 year), there could be a growing community of implementing organizations with robust and resilient cash and voucher systems that have access to large economies of scale. It is important to keep in mind that as capacity increases overall within the humanitarian community, increasingly complex coordination problems are also likely to arise.

Specialization and diversification

There are two ways for an organization with limited experience in cash-based programming to grow: specialization and diversification. They can build-up on their experience and scale-up their existing programs, systems and mechanisms either within the same area of operation but with a larger pool of beneficiaries, in different areas of operation altogether (breadth) or by covering a larger set of needs with their interventions (depth). For example, successful experience with a pilot voucher program for NFIs can yield similar programs at scale in location or in other locations as well as voucher programs covering other needs like food security. Alternatively, an organization can grow its cash capacity by diversifying the type of cash and voucher programming it has experience with (in our example, considering piloting unrestricted cash or conditional cash schemes) as well as the delivery mechanisms that are used (for example, e-vouchers, cash-outs, etc). Scaling-up programs that have already been piloted is about strengthening current capacity and experience, while diversifica-

tion helps with building new capacity and ultimately having more flexibility with the response.

In general, as a first step, senior management and donors prefer a simple scale-up. Increasing reach and expertise through specialization is often seen as the safest option. However, it is not necessarily that simple in NWS, insofar as the high uncertainty and complexity of the context makes a strong case for also systematically considering diversification as a risk mitigation measure. Extending reach of a given program to other areas of operations can be complicated in NWS, since the specific subsets of programming options (MPC versus voucher programs) as well as delivery mechanisms and service providers (PTT and hawalas) available in opposition-held areas and in Turkish-administered areas are quite different. Some agencies also simply prefer to specialize in one type of programming, implementation approach or locations. They can then more easily benefit from the rapid gains and economies of scale that come with using more intensively systems that were initially costly to set-up. Yet, in the context of NWS, specialization can be an inherently risky programming strategy.

Given the high level of uncertainty of the situation in terms of displacements and accessibility, and since donors are intent on requiring such prior experience, it may in fact be safer to pilot several different types of cash-based programs. This allows organizations to eventually be able to scale-up those that end-up being most appropriate to the future programming environment. Diversifying the use of delivery mechanisms, service providers and areas of operation is an important risk mitigation mechanism in the context of NWS. Aid organizations should not to depend entirely for their operations on one set of constraints, locations, partners or authorities. Diversification is one way to ensure continued capacity of operations in cash and voucher programming.

Currently, there are high levels of needs in both opposition-held and Turkish-administered areas. This is likely to remain so in the foreseeable future: there are large populations in high severity of needs expected to remain in Idlib as well as a lot of new arrivals expected in Aleppo. As mentioned, in terms of cash-based programming, operating in one or the other setting means working with different partners, different implementation mechanisms, under different sets of regulations, and probably putting together different programs altogether to respond to different types of needs within populations affected by the crisis in different ways. While specializing the response in one of these areas certainly helps build trust, community acceptance, access, and robust systems, there is an increased risk of political exposure and of lack in relevance as the context evolves. Diversification and ensuring capacity to operate in both areas is thus probably the best way to handle operational risk management at the organization level.



Organizational Structure

Generally speaking, an organization could typically consider one of two models of organizational structure when building their cash capacity. First, they can have one or several program manager(s) that specialize in cash and handle all their cash programs. This is easier when first building cash systems because there are then people dedicated to building these new tools and processes that have the appropriate focus and technical expertise. But it usually proves less effective in the long-run. If there are only a limited number of staff with cash capacity, there is a higher risk of losing instantly all cash capacity to staff turnover. Having program managers that are specialized by modality also arguably lessens the quality of their programming. It limits their ability to consider proper response analysis. Finally, a specialized structure limits an organization's capacity to scale-up cash-based programming rapidly. The ability of a specialized program team to absorb additional caseload is necessarily limited.

Alternatively, organizations can have a cash technical advisor, with adequate experience in program management, that trains transversally all of their program managers to the various technical and strategic aspects of cash-based programming. This can help mitigate both the risks associated with turnover and overload. It also allows to effectively train and build capacities of support functions as well. Finally, with a lesser programmatic burden, it allows the cash specialist to also provide longer-term recommendations about building systems that can eventually be integrated into more sustainable, regular programming such as social safety nets during early recovery and reconstruction.

Support functions

The needs in capacity-building for program teams are often well-identified. By contrast, building the cash capacity of support functions is an important aspect of capacity-building that is often overlooked. Cash and voucher programming require very different procurement, monitoring and finance systems than in-kind programming. Cash-based assistance in fact often requires more administrative and financial management and higher quality of monitoring and oversight. By contrast, in-kind assistance requires larger logistics teams and additional resources and processes for handling stocks and transports. These differences are even more critical in remote management contexts like NWS. The support of procurement, finance and M&E teams that have adequate technical knowledge of cash-based programming can be an incredible enabler of the success of cash and vouchers assistance.

M&E teams

The higher standards to which cash-based programming is held in NWS compared to in-kind have a lot to do with the use of monitoring functions. Given the many risks associated with cash transfers, strong monitoring and accountability

mechanisms are an essential component of the implementation of cash and vouchers programs. Effective monitoring requires adequate systems, personnel, and capacity within an organization. M&E teams collect information needed to manage risks, ensure program activities are responsive to beneficiary needs, and adjust implementation strategies as needed. In other words, M&E teams often have a lot more work to do for cash and vouchers programs than for in-kind in order to meet additional double-control monitoring, AAP, due diligence and compliance requirements. This is true for both oversight and implementing partners. And it is an important aspect to take into account not only in terms of budget, but also in terms of general support, staffing and capacity-building to be provided.

Overall, findings suggest that monitoring and accountability mechanisms within individual humanitarian agencies that have cash-based interventions in NWS are already quite strong. Staff of both international and local NGOs have established double control processes over most of their monitoring activities. They have also already identified promising practices such as use of “secret shoppers” in voucher programs to monitor prices set by vendors. Finally, they have largely identified potential areas of improvement like the importance of stronger, more systematic approaches to updating beneficiary lists, ensuring that vouchers are exchanged for and that cash transfers are distributed with the intended value, and providing ever-better mechanisms for beneficiaries to report issues of concern and for organizations to follow-up on these complaints.

Still, often times the cash capacities of M&E functions were self-taught and developed ‘on-the-go’ by teams that were otherwise mostly used to in-kind programming. As such, M&E departments would benefit from formal capacity-building with specific, technical training on monitoring cash and vouchers programs as well as from lessons learned either by other organizations operating in NWS or by M&E departments with experience in cash and in facing challenges of remote management in other contexts. In particular, the creation of an M&E working group could prove very effective in strengthening monitoring systems effectively and ultimately helping to scale-up the cash-based response in good conditions.

Logistics, procurement and finance teams

Humanitarian organizations need to have adequate capacity to ensure security and accountability in their cash transfers as well as a good understanding of the set of feasible delivery mechanisms available in each specific area of operation and their respective advantages and disadvantages.

Findings from interviews with several agencies' procurement and finance teams show that both international and local organizations often have staff with strong skills and systems. Yet, similarly to M&E, these support teams mostly have had to adapt their relevant processes and SOPs while cash pilots were already underway and they could benefit



from more formal, technical training and shared experiences. It is less likely however that many NGOs would be willing to let their procurement and finance teams share information openly across organizations.

In addition to providing adequate training, it is then important for these sensitive support functions to be better integrated into programming decisions throughout the cash program cycle. With in-kind programs, they usually have some degree of physical oversight over the assistance that is distributed, through quality checks, interactors with suppliers, BoQs, etc. This allows them to follow the various steps of implementation and ensure its quality. By contrast, with cash-based programming, and particularly in

remote management, a lot of processes for procurement and financial reconciliation are de-materialized. In turn, this makes it much harder for support teams to understand precisely what is going on at each point of implementation. In turn, with a perception of lesser control and understanding over the delivery processes in the field, there is often more reluctance from these teams to encourage the rapid scale-up of cash-based programming. Sharing more information about program progress, more regularly, with support teams could go a long way towards developing stronger cash systems and increase in-depth the quality of cash and voucher programming.

Digitization of data in cash programming

Digitization is another type of investment in systems that can make cash-based programming at scale much easier for organizations. There are four independent parts of the cash or voucher program cycle in which digitized tools can facilitate the management and monitoring of programs, three of which are relevant in the context of NWS.

Beneficiary data – Verification data is sometimes still collected in paper forms in NWS, especially for emergency programs. The only part that is eventually systematically digitized are the finalized lists of names of verified, eligible beneficiaries. If each organization were to collect and maintain digitally data about their beneficiaries other than their name, it would make cleaning, treating and analyzing the lists much easier for them. Eventually, this would limit duplication and facilitate integrated programming, for example within the organization between emergency and regular programming, as well as allow for more flexible security and verification processes at the time of distribution. Yet, the digitization of beneficiary data also supposes for each organization to provide their staff with adequate training and to develop proper SOPs on data confidentiality, including secure data collection and data storage procedures as well as clear sharing protocols (e.g. storing identifying data separately and not sharing identifying data).

Money-tracking system - One important tool that helps with monitoring cash and voucher delivery is an end-to-end tracking system that allows to track each verified name on beneficiary lists to the windfall of assistance that was delivered to them. Many organizations are using various versions of such money-tracking systems for their cash-based programming (mostly e-vouchers for restricted cash transfers or tokens for MPC, both of which use QR codes and are generally integrated with either in-house MT systems or third-party apps such as RedRose, Nagis, AmanaCard, etc). Few organizations still track the delivery of CVA through paper-based processes or with paper vouchers and identification numbers. In general, digitized MTS that include beneficiary names and entitlements, some beneficiary information for security and identity verification purposes, timestamped and digitally signed assistance receipt forms, and that can be integrated on the other end with reconciliation data, usually go a long way towards facilitating the scale up of cash-based interventions.

Payment platform - For now, digital payment platforms are not an option in NWS. There are no viable formal banking systems available to beneficiaries either now or in the foreseeable future, nor would it be advisable for the humanitarian community to take it upon themselves to develop a simili-banking system. Mobile payment are not an option either since the two existing mobile operators are each owned by non-neutral stakeholder in the conflict and as such the risk of political exposure is too big. Yet, importantly, humanitarian actors could anticipate the possibility to integrate their delivery systems into whichever banking systems the local population eventually decides to build for themselves. Cash and voucher programs would then be able to integrate seamlessly into new payment options as they become available. In practice, this just means concretely for humanitarian organizations to agree already on specific, smart data format standards, ahead of making huge investments in developing specific, ad hoc systems.

Evidenciary data – Assessment and PDM data is already mostly collected in digital forms. Since with cash-based programming evidence-based advocacy is an important enabler to scale-up, it would help to have harmonized data formats and data collection practices across M&E teams in order to make the cross-comparison of the information transmitted to coordination structures easier to analyze. In particular, good practice would be to systematically measure important indicators across programs in the same way pre-intervention (for example in needs assessments or during verification) and post-intervention (in PDMs).

Coordination structures

An important lesson learned from the successful scale-up of cash assistance in other complex contexts such as Iraq or Afghanistan is that prioritizing a coordinated response and sectoral competence over agency advantage is a posi-

tive and pragmatic approach to the challenges of remote programming (IOM, 2019). Developing functional coordination structures at the same rate as the overall cash capacity, and providing both implementing and oversight organizations with effective services will be a critical aspect of the scale-up of cash-based programming in NWS.



Yet, NWS is a competitive environment in which there is no natural or legitimate leadership structure that could somewhat induce all stakeholders to cooperate effectively. In refugee contexts, there has been either a leading agency like UNHCR in Jordan and in Lebanon that had legitimacy and a natural monopoly in owning beneficiary data, or a strong government like in Turkey that could enforce compliance with its pre-existing systems. Each individual structure has historically tended to evolve independently. As a result, coordination structures and mechanisms may be essential but they still have to prove their usefulness to their members by effectively offering them services in which they find added value. Otherwise they risk being mostly perceived as constraints and being defected upon.

Cash Working Group

The Cash Working Group (CWG) for the cross-border response in NWS has been established in 2014. In 2018 and 2019, despite limited resources and no dedicated coordinator, it has strived to harmonize cash-based practices. Since the end of 2019 the CWG has been fully functional again. Yet sub-capacity functioning until recently, the lack of staffing beyond the role of coordinator, and the lack of a functional budget for training, workshops and other activities means that there are still currently gaps to fill, including in terms of collecting and consolidating information about all the different types of ongoing cash-based programming. The CWG benefits from a context in which there is a good capacity of local actors and it enjoys good, collaborative relationships with the clusters. In the perspective of scaling up cash and voucher programming and increasing the overall cash capacity of the humanitarian community, the role of the CWG will likely not only be strategic advisory but also increasingly about technical support and geared towards efforts in harmonizing practices. Its role is also going to be paramount in facilitating communication between donors and aid organizations. It will likely be critical for the CWG to be adequately staffed, structured and processed, so that it can position itself as transversal support to all clusters.

Other coordination mechanisms and structures

There is currently in the NWS response a high variation in knowledge, experience and support for cash-based

programming across clusters. There is also some supportive evidence of the enabling impact of cluster coordinators that support the scale-up of the cash response on the willingness and appetite of sectoral cluster members to build their cash capacity and increase their cash-based programming. In particular, according to several key informants the important increase in cash and voucher programming by Shelter / NFI cluster members in 2019 is largely attributable to the efforts of SNFI cluster coordination. There could be high returns in general to raising awareness and familiarity with cash of key stakeholders within each sector in terms of eventually increasing overall capacities for sectoral cash and voucher assistance.

Currently, cash capacity largely varies by sector. Some sectors already have some capacity like food security and agriculture, shelter and NFIs, and early recovery and livelihoods. Other sectors may have less experience with cash-based programming but are willing to pilot schemes and increase their capacity subsequently, such as the CCCM or Protection clusters. Yet, according to several key informants, many sectors still display little familiarity with cash and voucher programming and / or some reluctance to consider cash feasibility, including WASH, health, nutrition and education. In the sectors that have limited cash capacity, developing robust cash systems will take time and can only be considered as a medium or long term strategy.

Finally, in the absence of natural leadership, harmonizing the cash response in NWS is difficult and will become increasingly so with the scale-up. As mentioned, contrarily to many other contexts with large cash response, in NWS there is neither a legitimate state actor to work with nor a leading agency that can structure, standardize and harmonize the practices of the humanitarian community. There is not even a prior existence of large-scale safety nets mechanism to help organizations coordinate in building assistance systems that could in the future be integrated into more permanent social protection systems. As such, an important yet challenging aspect of the cash scale-up will be to ensure that the systems built individually by organizations are eventually inter-operable. This could be facilitated by donors and by the CWG, as well as through multi-agency partnerships and cash consortiums.

Inter-operable platforms or a single common platform?

Donors in general have been favorable to technical systems that allow for better coordination and better monitoring of duplication in efforts, which is legitimate. Some donors have pushed more specifically for the adoption of a single, common, integrated platform across organizations, and this endeavor has encountered a lot of resistance within the humanitarian community. The notion of single platform tends to conflate several different elements that should be considered separately. First, there is a difference between a data platform (for beneficiary data or program outcome data), a payment platform, a tracking system, and an integrated platform that would provide all of that together. Second, to address concerns of duplications across agency, a unique, common system, the use of which would be imposed on agencies, is not necessary. What is needed is to ensure and agree that the various systems developed by each agency are inter-operable and allow for the appropriate level of coordination.

In Jordan, Lebanon, and Turkey, single, integrated platforms are used for refugee response. But the operational context is very different from NWS: these are stable countries in which banking infrastructure are functioning, and in which cash programs are co-led by state actors and by UNHCR, a legitimate leading agency that has already collected beneficiary data.



By contrast, common systems would be difficult to implement and are not necessarily advisable in the context of NWS. They would be difficult to put in place because as mentioned there is no single actor (state or humanitarian) that is currently in a legitimate position to impose standards or claim ownership of a common database. As a result, competition has historically already pushed organizations to develop their singular systems independently. Second, they may not be desirable because competition of platforms, systems and partners is a form of diversification that is an important risk mitigation measure, especially in a complex and shifting operational context like NWS. For example, it is good to have multiple tracking solutions in place to avoid the risk of a system failure that would paralyze the entire humanitarian community. By contrast, it could be particularly risky to introduce a single payment platform in a bank-free environment like NWS. Currently, such a system can only be provided and administered by a non-local, private sector, for-profit third-party. As a result, this would de facto favor a single financial partner and offer them a natural monopoly over bank-like activities in the area. In many countries with functioning governments, such practice would actually be liable to prosecution under anti-trust laws. Similarly, in lessons learned from Afghanistan, WFP, UNHCR, UNICEF and OCHA note that efforts to establish a cash system should consider the competition aspect, since single procurement might increase the likelihood of abuse of power.

That said, concerns about duplication and lack of coordination remain legitimate. As long as humanitarian organizations commit to having inter-operable systems and to using similar data formats, this risk can be effectively mitigated. In other words, there are ways to ensure that duplication of entitlements is limited without breaching ownership or confidentiality of beneficiary data. As long as data formats and storage systems are similar and that specific sharing procedures are defined and agreed upon, delivery systems can remain different and actual data can continue to be stored, managed and owned by each implementing organization individually and their donor. Lessons learned from other contexts show that something that facilitate the development of such inter-operable systems across agencies is for them to find a coordination point to pool on, such as a single technology like mobile phones.

Main constraints and challenges

Rapid scale-up

In terms of organizational capacity, the challenge in scaling-up the cash response in NWS is not a question of potential as much as it is about how long it would take to develop the existing capacities. In any case, in the short term, the humanitarian response will have to pool on a handful of implementing partners. The main risk thus is to overcrowd them. While this is not an immediate problem for now, some international NGOs have already noted in interviews that their partners sometimes have to prioritize one program over another to be able to meet their schedules.

The hypothesis of a need for a rapid scale-up of the cash response in the short or medium term also has to do with expectation of change in the operational context and in particular the non-renewal of the UN resolution. As mentioned, this would also mean that the workload of remaining organizations with oversight capacity would also rapidly increase. While most international NGOs are reasonably confident that they will be able to pick it up and fill the gaps as needed in terms of program management and monitoring, there is a very real question about their capacity to channel financial transfers towards their local partners as efficiently as UN agencies.

High Turnover

High turnover within NGOs, and in particular within local NGOs, has been identified as an important challenge to the continued cash capacity of many implementing partners. In fact, many key informants have pointed to the high volatility

in the cash capacity of several NGOs over the past few years, which could be directly correlated to their best staff with experience in cash-based programming being snatched out by other organizations, especially by international NGOs that could often offer better and more secure work conditions. With otherwise limited institutional memory, helping local organizations better retain their staff is an important capacity to build and donors should consider it as part of their localization agenda. Furthermore, for organizations that are able to hire high quality staff for cash and voucher programs and to retain them, this could yield huge gains and improvements in terms of strengthening their cash systems, hereby also increasing the trust of their international partners and of donors. Incidentally, the risks related to turnover can also largely be mitigated with appropriate internal structures such as the use of technical advisors rather than specialized cash teams.

Capacity-building for field staff

In terms of capacity-building for cash-based programming, the utmost attention and care should also be given to the training of field staff. For in-kind programming, surge efforts or rapid scale-up sometimes mean that field staff is hired and starts working with only very basic training. This is more problematic for cash and voucher programming that requires higher levels of technical training and sensitivity to protection aspects. As such, any opportunity to train field staff should be used: in the field office whenever the schedule of local managers and trainers permits, in the country office if staff are able to travel easily and safely, using online or offline training packages which are



resources that several agencies can develop together, using a 'training of trainers' approach or by mentoring individuals by phone or video link.

In fact, several key informants have mentioned that they distinguish the quality of their implementing partners for cash-based programming mostly in terms of the capacity and quality of their field staff. While local organizations

tend to have equally strong and functional management systems in Gaziantep, there seems to be more variation within their field staff in terms of training, experience and existence of formal SOPs. And in this instance again, larger organizations who can afford to keep larger teams on payroll and retain their experienced field staff more easily have a distinct advantage.

RECOMMENDATIONS

Recommendation 1: Aid agencies should favor the use of cash technical advisors to build their internal capacity across program managers over having specialized program teams.

Recommendation 2: Aid agencies should give special attention to the needs for capacity-building of their support staff, including specific technical training to cash-based programming.

Recommendation 2.1: M&E departments should be adequately staffed and budgeted, to reflect the additional burden in monitoring and compliance activities related to the higher standards imposed on cash systems.

Recommendation 2.2: Finance and logistics teams should be integrated more regularly into general discussions about program progress, for example on a bi-weekly basis.

Recommendation 3: Aid agencies should in the same time both increase their capacity for cash-based programming by both scaling up and diversifying their cash and voucher programs.

Recommendation 3.1: Aid agencies should scale-up programs in which they have had successful experience wherever possible, in order to keep strengthening the systems they have built and benefit from the economies of scale that come with larger beneficiary pools and repeated programming. Typically, this means scaling-up cash-based programs in their primary areas of operations by extending the implementation locations and the pool of beneficiaries.

Recommendation 3.2: Aid agencies should diversify their cash response through the use of pilots to remain flexible in their programming and have the capacity to respond to various situations. In particular, this means piloting new types of cash and voucher programs and the use different delivery mechanisms to keep building systems that can work in a variety of areas of operations and environments.

Recommendation 4: Donors should encourage the development of inter-operable, competitive systems – for example systems that use natural coordination points like technologies and similar data formats – rather than push for the adoption of a single, integrated common platform.

Recommendation 5: Donors should ensure that the CWG is adequately financed and staffed, including a capacity for data management as well as the provision of a functional budget, so that coordinators can focus on providing more strategic and technical coordination services.

Recommendation 6: Provided that an appropriate budget is available, CWG coordination should prioritize specific services to its members, in particular the provision of trainings and practical workshops that will help aid agencies and clusters build their internal capacity.

Recommendation 6.1: CWG coordination should continue to provide cluster coordinators with technical support in developing the cash capacity of their sector, including with the organization of small workshops for cluster coordinators in which they can brainstorm on appropriate sectoral cash and voucher activities, develop specific guidance for sectoral cash and voucher activities, and receive knowledge and lessons learned shared from other contexts.

Recommendation 6.2: CWG coordination should organize trainings or provide training materials specifically for support staff. Additionally, the CWG could support and facilitate the creation of an M&E working group, in which M&E teams of CWG members can share their experience and the challenges of monitoring cash-based programming in remote environments.

Recommendation 6.3: CWG coordination should provide training materials and online tools that can help implementing partners with adequately training their field staff, using a 'training of trainers' approach.

Recommendation 6.4: CWG coordination should organize workshops for organizations that are not CWG members and are looking to build new cash systems on how to properly design, set-up and implement cash and vouchers pilots.



SERVICES & INFRASTRUCTURES

An important discussion in the feasibility of cash and voucher programming in NWS regards the use of local partners as delivery mechanisms and as financial service providers. In terms of FSP, the options are limited to the use of hawala networks and Turkish postal services (PTT). Their availability largely depends on areas of operation and both options present risks, especially if used exclusively. In terms of delivery mechanisms and methods, there is a wider array of available options depending on the type of cash-based intervention.¹

KEY MESSAGES

- For cash assistance in NWS, it is important to distinguish financial service provision (how money flows from abroad into NWS) from delivery mechanisms (how money that is already physically inside NWS is dispatched to beneficiaries).
- Hawala agents have been widely used in humanitarian interventions in NWS either as financial service providers or as delivery mechanisms or both. These approaches present very different sets of advantages and disadvantages.
- It is only the use of hawala system for international money transfers that raises concerns regarding possible exposure to the risk of diversion of humanitarian funds to terrorist groups. These risks can however be adequately and efficiently mitigated with a proper level of due diligence and good-quality of information on the individual hawala agents used by the humanitarian community.
- By contrast, the use of individual hawala agents inside NWS as delivery mechanisms to carry physical money to distribution sites presents no such risks. It should on the contrary be considered as a best practice and a risk mitigation measure for security risks related to money transport.
- ON FSPs
- There are only two types of FSPs available currently and for the foreseeable future in NWS, namely hawala networks and PTT networks. Both systems are currently largely used for in-kind programming (staff payment, suppliers' payment, operational costs in the field, etc), and to a lesser extent for cash-based interventions.
- The use of one or the other type of FSP is largely constrained by the operational constraints of implementing organizations: for organization registered in Turkey, there is little options other than working with PTT services to some extent; for other organizations, the use of hawala systems is usually favored.
- Some stakeholders have concerns about the use of hawala networks as FSP. These concerns essentially stem from a lack of understanding of the processes involved in the hawala system, the little available information about individual hawala agents' partners and clients, and the limited visibility about their transactions. All of these concerns can be appropriately mitigated with strong

¹ In this section, we depart slightly from CaLP terminology by clarifying a distinction between financial services providers (an entity that provides financial services), delivery mechanisms (the ways in which a cash or voucher distribution is organized) and delivery methods (the format in which a cash or voucher transfer is delivered to its beneficiaries). While the distinction may not be as relevant in other contexts, it is particularly important in Northwest Syria for reasons discussed here.



due diligence measures, and the residual fiduciary risks of using hawala networks as FSPs in NWS are not significantly higher than what they would be with the use of formal banking systems if these were available.

- Beyond the potential for diversion, the most significant concern related to the use of either FSP is the lack of competition, which can be mitigated with adequate contracting procedures. Both hawala networks and PTT networks have some capacity to handle larger-scale CTP, although the scale-up should be gradual. A key area within the control of humanitarian agencies is how well they coordinate their efforts in terms of the scheduling of transaction and receiving locations to ensure that there are available sources of liquidity.
- **ON DELIVERY MECHANISMS**
- By contrast, using Hawalas as delivery mechanisms is not a risk exposure but on the contrary a mitigation measure for the safety and security risks related to money transport in NWS. It is a delivery mechanism that is very commonly used in multipurpose cash distributions for humanitarian purposes throughout the MENA region.
- With increased digitization of data and the use of electronic methods for implementation, cash-based interventions can have safer systems than in-kind that are easier to monitor and reconcile.
- In particular, through the use of electronic tokens at distribution points, the delivery of unrestricted cash transfers to verified beneficiaries and to them only can be effectively monitored with end-to-end money-tracking systems, and the privacy of beneficiary data can also be protected.

For all assistance modalities, the process of moving currency or goods into Syria is a challenge. In practice, the lack of a functional, regulated banking or transfer systems for movements of funds into Syria is probably the most significant challenge to implementation in NWS. Private banks cannot operate where their central bank does not have authority. As a result, opposition-held areas have none of the formal banking services that existed prior to the conflict (WVB, 2016). This poses two separate challenges: how can funds travel into NWS and what financial service providers can the humanitarian community reasonably work with? This question is relevant for any type of aid modality since there is a need to pay suppliers, field staff and other operational costs. For cash programming more specifically, there is the additional question of what the various delivery mechanisms available are and what is the most appropriate and safe way for beneficiaries to receive their entitlements.

Currently, for all the assistance distributed in Idlib, be it in-kind, in cash or in vouchers, hawala agents are likely to be involved either as financial service providers or as delivery mechanisms or both.² The only other way to channel funds inside NWS is the use of one of the six Turkish PTT branches that are currently open in Aleppo. In other words, while many countries, including Somalia, Afghanistan, Iraq or Yemen, employ hawala agents only as part of the available FSPs or delivery mechanisms for cash assistance, the northwest Syrian context is the only one in which transfers to a major operation area are almost solely dependent on it.

An important part of the discussion about services and infrastructures available to cash-based programming in NWS has to do precisely with the use of hawala agents and their networks by the humanitarian community. In the same way that FSPs and delivery mechanisms, it is important to differentiate between the use of hawala agents for physical money movements inside NWS and the use of hawala networks for informal value transfers across borders.

Hawala networks are used as an FSP for international money transfers into NWS for all types of humanitarian programming, of which cash-based interventions represents only a fraction. Separately, individual hawala agents can be used as delivery mechanisms for unrestricted cash distributions. Yet, the two functions should be considered separately. The use of hawala agents as delivery mechanisms – asking an hawala agent to move physical money that is already inside NWS over a short distance to a distribution point – is usually considered as reducing security risks and increasing the safety of field staff. On the other hand, the use of hawala networks as FSP – using several hawala agents in different countries that work together to transfer immaterial money over long distances, typically from foreign countries into NWS – is seen as an exposure to diversion risks by terrorist groups. While some concerns about the proper use of hawala networks as FSPs in NWS are legitimate, the perception of diversion risks largely stems from a lack of understanding of hawala processes as well as a lack of available, up-to-date, specific information about the functioning of hawala networks.

² The use of the terms financial service providers, delivery mechanisms and delivery methods in this section differ slightly from their standard definition in CaLP's Glossary (2019).



Financial Service Providers (FSP)

In short, a financial service provider is an entity that provides financial services. In other words, it is a business that provides a way for money to circulate over long distances, either from one country to another or within a given country. In this section, we consider specifically FSPs that provide international transfer services. With the banking system in opposition-held Syria in a state of complete collapse, there are concretely only two actors that offer solutions for international money transfers into NWS, and their availability depends directly on areas of operation. In Turkish-administered areas only, there are a few branches of the Turkish PTT that offer banking services. In all locations of NWS, there are several money transfer companies, commonly known hawalas agents, most of whom work on a regular basis with other hawala agents outside of NWS and can similarly provide international transfer services. Concretely, to get money inside north-west Syria, aside from physically transporting it across the Turkish border – which is probably not advisable – one has to resort to one of these two types of FSPs.³ Both type of FSPs are currently used widely for all aid modalities: to pay staff, to pay all operating costs, to pay contractors, to pay local suppliers, etc.

Working with PTT services

The Turkish Post and Telegraph Organization (PTT), which operates Turkey's postal service and provides banking services, opened its first branch in Jarablus in October 2017 and a second branch in Azaz in April 2018. Its network in Turkish-administered areas of Aleppo has since grown from 2 to 6 branches within the past two years, and according to concurrent sources the opening of a seventh branch has been recently authorized. Outside of these few branches open in urban areas, PTT has limited reach over the territory of NWS. This means that with regard to cash distributions it typically has to be used in conjunction with other delivery mechanisms, so that the funds can be transferred from a local implementing partner's PTT account all the way to their intended beneficiaries.

According to the limited available information, it seems that the number of people having private bank accounts in these PTT branches remains very limited. The banking services offered are mostly used for commercial purposes by some of the larger local businesses. It is almost impossible with available information to estimate the importance of NGOs among their clients and of humanitarian transfers among their volume of transactions. Yet, one could extrapolate from available indicative information and imagine that humanitarian-related funds represents a more significant segment of their business than it does for most individual hawala agents, and definitely for the hawala system at large.

³ Some organizations are looking into the possibility of using one of the GoS banks left functioning but that supposes either big changes in political control or possibility to work cross-lines with the approval of Damascus which seems unlikely. Within government-held areas of Syria, most humanitarian agencies are using al-Haram Exchange or al-Haram Transfer, with whom they hold a corporate account.

This means that humanitarian actors may have a greater bargaining power in their negotiations with these local branches – although not with the PTT at large. However, it also means that the humanitarian community should be more mindful of the capacity of the network if they were to scale-up CTP.

As any country, Turkey regulates the amount of currency that can be imported or exported in and out of the country. Turkish legislation usually requires that all cash withdrawn from a Turkish bank is accounted for and spent within Turkey. In practice, for these PTT branches, multiple key informants confirm that about 80% of the funds deposited have to be withdrawn in TL, while only 20% can be withdrawn directly in USD. This can be a constraint or represent a significant additional cost in currency exchange considering that the best practice identified for unrestricted cash assistance is to be distributed in USD.

PTT is a national directorate that is technically affiliated to the Ministry of Transportation. Yet, since it offers money transfer services, it is largely placed under the regulation of the Turkish Central Bank and the Banking Supervision and Regulation Agency. In any case, it is 100% a state-owned body. As such, in the uncertain legal environment regarding the presence of Turkish authorities in northern Aleppo, the use of PTT to money transfer into the area, while convenient and functional, is not without political exposure.

Yet, international organizations have been increasingly using PTT to transfer money inside Syria over the past two years. Key informants note that until now there can be significant delays attached to contracting PTT's financial services and effectively opening a corporate account with them (up to 3-4 months). These delays were perceived as not only administrative, but also stemming from political directives of the Turkish authorities reflecting their current willingness to encourage assistance to a given area. As such, there are legitimate concerns about the role that the Turkish government will have in the future in the use of humanitarian assistance for organizations that rely systematically on the use of PTT as a primary FSP.

Finally, some informants have expressed reservations with regards to the capacity of PTT in NWS to absorb larger volumes of cash transfers in the short term. While it seems unlikely that the Turkish financial network overall could be saturated by such small volumes, delays in payments have been recently observed by several implementing partners at the peak of the most recent displacement response. These may indicate that the liquidity of the currently open branches is still limited and that the network inside NWS needs some more time to build-up capacity and adjust to demand. This suggests that if humanitarian operators are



considering continued use of this system, they should also consider concomitantly advocating with Turkish authorities for the opening of additional branches, and be mindful of the actual capacity of the network by gradually scaling-up.

Working with Hawala networks

Hawala networks are the only type of FSP that is currently available all over the NWS territory, including in hard-to-reach areas. As discussed in the *Appropriateness* section, hawala agents are an integral part of the social and economic fabric of Syrian society in NWS. There are both hawala agents registered as money transfer agents or other type of businesses depending on the legislation and informal hawala agents that are not registered, but humanitarian organizations use registered hawala agents exclusively. By contrast, the population itself uses widely unofficial hawalas, who are available even in most rural areas, for any currency exchange (Beechwood International, 2015).

The humanitarian sector has had positive experience with using registered hawala agents as financial service providers, including in Afghanistan where transfers through hawala agents represent a third of the cash transfer volume (IOM, 2019). In the cross-border response to NWS, the use of hawala networks is complicated by the fact that, for arguably mostly political reasons, the Turkish government restricts the use of many hawala agents for all organizations registered in Turkey. By contrast, almost all of the NGOs based in Amman appear to be using hawala agents for their operations in opposition-held areas without significant concerns or constraints. Several aspects of the hawala system usually raise concerns among donors. These are often related to a limited understanding of the value exchange system as well as to the lack of transparent, reliable information collected and shared about the individual hawala agents that are effectively used for humanitarian transactions. Among the main concerns regarding the use of hawala networks as FSPs for humanitarian cash-based interventions are capacity and liquidity, reliability and accountability, as well as reach and costs.

In 2015, Beechwood International has provided an excellent analysis of hawala networks in NWS and most of the information in this section is directly related either to that study or to the follow-up learning paper by CARE International (2019). The writers of these reports are henceforth referred to as experts throughout this discussion. These experts explain in particular that there exists what can be described as retail hawala agents (small companies, often limited to one individual) and wholesale hawala agents (larger businesses). The hawala companies that humanitarian actors use outside of NWS, most of whom are based in Jordan, Lebanon or Iraq, are usually wholesale agents. By contrast, key informants in the field confirm that individual hawala agents used by implementing partners inside NWS are typically small, registered, retail hawala companies that have offices or are operated through shops

in urban centers. These retail agents typically have links and regular business dealings with other hawala agents, including Turkish, Lebanese, Iraqi or Jordanian wholesale, larger counterparts. Such financial transactions between different hawala agents are organized in networks.

The reach of hawala agents inside NWS is not much of a concern. They generally have the ability to cover large areas, including remote and conflict-affected regions, and they have the capacity to operate in complex security environments (Beechwood International, 2015). As for security, since hawala agents are businessmen whose entire trade depends on their ability to move money around, they have all incentives for everything to go smoothly and often have the best possible mitigation and security measures in place.

Hawala networks and hawala agents in NWS are arguably already handling the entire local economy, including all transactions from traders, other businesses and private individuals. Humanitarian-related transactions represent only a small fraction of the volumes that they manage, which speaks to their overall capacity. And within humanitarian-related transactions, the proportion related to cash assistance is estimated to be relatively small, with the majority of humanitarian transactions corresponding to staff salary payments and other operational costs not restricted to cash modalities (Beechwood International, 2015). Overall, experts concur in suggesting that hawala networks have the capacity to transfer cash assistance on a broader scale. This is especially true if the scale-up of cash-based assistance correspond to a shift away from in-kind assistance.

Understanding the liquidity of hawala agents requires a bit more details about the functioning of hawala networks. When two different hawala agents work together to ensure a long-distance money transfer, cash does not typically physically move from one agent to the other. The system is based on the contracting of debts from one hawala agent to another one. The complex set of obligations and liabilities that is contracted throughout the entire network by many hawala agents is eventually balanced out over time and settled through actual money transactions that clients make with individual hawala agents. As a result, as already noted by Beechwood in 2015, a lack of information on behalf of NGOs regarding the source of liquidity of their hawala agents could implicate them in suspicious economic activity. Additionally, with the scale-up of the cash response, the pooling by humanitarian actors on a few, well-identified and trusted hawala agents inside NWS could limit their liquidity and delays could occur. Since individual hawala agents don't necessarily store money on site, it is important to help them anticipate transactions by providing them as early as possible and at least a few days in advance with anticipated locations and volumes.



How does a hawala network function?

In practice, for example, an organization gives physical money to an hawala agent in Jordan and this agent contacts another hawala agent in Idleb with whom it has business relationships. The agent in Jordan asks the agent in Idleb to make the same amount of money (minus the fee) available to a local recipient. In other words, like with formal banking, the money that is physically given to the hawala agent in Jordan and the money that is physically received by the recipient in Idleb are not the same. The two hawala agents eventually settle the scores among themselves through other transactions or through mutual transactions with other hawala agents.

The tricky part in this example is that the money physically given to the first hawala agent is thus eventually used by this agent at his discretion in his other business transactions. Similarly, the money physically provided by the end-point hawala agent to the recipient comes from his other business dealings with his other clients.

In other words, humanitarian organizations have to understand where their hawala agent's money comes from (and to some extent what other clients they may have) as well as what they do with the money that they are provided with (and what type of trade they are involved with).

In terms of costs, while the fees paid by humanitarian organizations to their hawala agents seem to be currently around 2-3% on average, some NGOs have been known in the past to pay for similar financial services 400 times more than other. Open coordination in contracting with FSPs, like in Iraq, would certainly help with fees negotiation and with standardizing the conditions under which hawala agents are contracted by humanitarian actors.

In terms of reliability, Beechwood International (2015) emphasizes that hawala networks have so far proven to be reliable in delivering funds where and when agreed and this has been confirmed since in multiple transactions and by multiple key informants. Since hawala networks are built on trust between brokers, the importance to brokers of maintaining their standing and trust in their trading network is paramount and it provides assurance to those using the hawala system. In terms of best practice, one way to ensure the reliability of the transaction is to pay hawala agents only when the delivery has been made and confirmed, a process also known as a 'reimbursement-only' approach. Most implementing partners have been working with hawala agents like this for years.

In terms of accountability, the hawala system does not typically include written contracts, or promissory notes (Beechwood International, 2015). However, these could and probably should exist for humanitarian transactions.

Another limitation to the accountability of individual hawala agents could be the lack of competition and their abuse of their market power with NGO partners. Some NGOs have expressed doubts over the possibility to contract and work with several hawala agents and different networks at the same time. In their opinion, this would be considered disloyal and possibly breach the trust relationship established by long-standing partnerships. But actually several key informants have confirmed during interviews that their organizations had two different hawala offices on contract. All the organizations that are using several agents and networks at the same time confirm that this had helped a lot with ensuring their availability, the timeliness of the response and in negotiating fees.

Interestingly, most oversight partners do not have any direct relationship with the hawala agent used by their implementing partners. Yet, a best practice observed in interviews suggests that oversight agencies can contract and deal directly with an hawala agent outside of Syria (in our example, in Amman), including the management of the financial transfers to that hawala agent, while their implementing partner is in charge of coordinating with the correspondent hawala agent in the field and planning the distribution of funds. This provides an effective double control over the use of the hawala network as FSP.

Constraints and challenges with FSPs

Due Diligence for Hawala networks

In the end, the question about using hawala networks as FSP is whether humanitarian money can be protected from being mixed with illicit sources and from being diverted by illegal groups. In order to estimate that, it is important for aid agencies to understand the financial networks of the individual hawala agents they are using and their potential affiliation to any illicit trade. While this information is to some extent possible to collect, it takes time, skills and resources. Currently, each organization is individually

collecting information on their potential local partners. This is highly inefficient, insofar as the same information on local actors that are used by multiple organizations is gathered over and over again in silo.

Humanitarian programs only tend to deal directly with two hawala agents, the front office agent in the origin country and the cash out agent on the ground in NWS. NGOs can only reasonably vet and conduct due diligence over these two individuals, where the money is going in and where the money is received, as well as monitor project activities on the ground (CARE, 2016). The exchanges between



other agents in the middle that will eventually balance out over time the funds from the point of input to the point of output are impossible to verify. In fact, most of these exchanges will happen long after the program's implementation period. Yet, conducting due diligence on even just these two FSP is a lengthy and time-consuming process, since most basic information may not be readily available. And current financial due diligence, which is often limited to the use of automated screening software to check names against sanctions lists, may not adequately detect links to terrorist entities anyway.

Yet, individual aid organizations may not have the sufficient capacity and resources to do better than that. Since this information is critical to all, donors could consider pooling these due diligence costs together and having a specialized team in charge of conducting enhanced due diligence for everyone. It would be less costly and more effective than the current due diligence processes, and it would help with gathering reliable, independent, high-quality due diligence information that is up to par with donors' standards on all the local financial actors in NWS that humanitarian organizations are susceptible to partner with. Data collected on hawala agents and their networks has to be updated on a regular basis and should be collected by financial experts with appropriate understanding of the specificities of the transactions as well as of the local context. This Know Your Supplier (KYS) due diligence would thus be best provided as a coordination service and should be made available as

common knowledge to the entire humanitarian community. This would effectively help mitigate the risk of having one organization involuntarily and unwittingly involved in a diversion scandal that could in turn affect all, as it would allow for more informed decision-making in partners' selection. In the same time, ultimately the choice of which of these vetted partners each organization decides to work with and the specificities of their arrangements and contracts would remain private information between humanitarian organization and their donors in the same way that it is now.

Although most implementing agencies are working through the same few hawala agents, there is also very little coordination or information shared about these schedules between the agencies themselves. Even where it exists, coordination often stops at information sharing and does not extend to coordinated engagement with hawala networks. Hawala contracts and relationships are negotiated on an individual basis. In turn, because humanitarian actors don't have a coordinated approach to communicating or negotiating with hawala agents, these FSP could exercise market power and prioritize activities based on subjective considerations. And such problems would only tend to accentuate with the scale-up of cash activity in the short-term. This means that there is a risk that only those with long-standing relationships will be able to operate at scale, which in turn limits the potential for capacity-building of the entire community.

Delivery mechanisms

Delivery mechanisms are another important aspect to consider in cash-based programming in NWS. With in-kind aid, the involvement of the FSP often stops beyond the international money movement. The money transferred into NWS is subsequently transformed into physical commodities that can be tracked into warehouses, on trucks and all the way through distribution sites using various, well-established commodity-tracking systems. With cash-based assistance, the funds transferred into NWS remains in the form of money and are subsequently moved again until they reach their final intended beneficiaries. Once money has been transferred inside NWS from abroad, there is thus an additional question about how the cash or voucher assistance are dispatched to their beneficiaries and who is involved in this process (hereafter, delivery mechanism) – in other words, the equivalent of the trucking and warehousing processes for in-kind assistance – as well as in which material or immaterial format (hereafter, delivery method) beneficiaries receive their entitlements.

Available delivery mechanisms depend on areas of operation. For cash transfers, delivery mechanisms can include direct delivery through door-to-door distribution, or distribution at a central location (either by program staff or by a third-party like a hawala agent) whereby the bene-

ficiaries leaves the distribution with cash in hand. It could also be that tokens are first distributed that can be then exchanged by beneficiaries on their own for a set amount of money with pre-identified hawala agents or with vendors in specific shops. For vouchers, there is less variation in delivery mechanisms since beneficiaries typically receive an entitlement from field staff that they can redeem with specific vendors. Urban areas usually offer more options than rural areas in terms of delivery mechanisms.

Delivery methods for vouchers and tokens can include physical printed paper, plastic cards, or a mobile app. Depending on the medium used, more or less detailed information about the entitlement can be encoded using an identification number, a barcode or a QR code. In NWS, the token or the voucher can subsequently be exchanged for specific items or for a set monetary value worth of items at contracted shops (vouchers) or for a set amount of physical money in a given currency (cash). There are no option for e-cash in NWS.

Hawala agents can be used as part of a cash or voucher delivery mechanism (for delivering cash to beneficiaries or payments to vendors), independently from being involved or not in the international money transfer. Separately from international transfers, individual hawala agents in NWS



provide a different service for money transfers over short distances: they can move physical money that is already inside Syria from one location to another. This process does not require the use of the hawala system. In other words, it is the same physical money that is retrieved in one location and carried to another. As such it doesn't present the risks associated with international transfers, insofar as it precludes funds from being used by other clients or in other transactions of the hawala agent. Hawala agents can be thus used as part of the delivery mechanism in programs that otherwise use PTT services as financial service providers for international transfers. In other words, a hawala agent would for example collect money from a PTT branch and carry it to a distribution site.

Direct delivery

Contrarily to in-kind assistance, direct, door-to-door distribution of cash assistance to beneficiaries is not a recommended practice for cash and voucher assistance. Wherever physical distribution of cash or vouchers have to happen, the use of centralized distribution sites where the process of delivery is transparent and can be easily monitored should be favored.

Banks and Mobile Banking

Most private individuals in NWS don't have bank accounts. And the two mobile network operators (MNO) that could potentially offer mobile banking services in NWS are each owned by a stakeholder that is part to the conflict. The delivery of cash assistance via direct bank transfers or mobile banking is thus not feasible. As a result, the use of formal banking systems as a delivery mechanism in cash programming for NWS is mostly limited to some voucher schemes in Turkish-administered areas in which vendors are obligated to have a PTT account and are paid directly through it after reconciliation. Additionally, such schemes are only feasible in locations that are close enough to one of the existing PTT branches, so that vendors can both open an account and access their money easily. This system also constrains aid agencies to using only the largest vendors in a given marketplace, since they are the only ones likely to either to already have a PTT account or to accept opening one. According to a key informant, up to 50% of the eligible vendors for a voucher program in Atareb have been known to refuse to participate in the program because of the constraints of being paid through a PTT account. The proportion would likely be lower in Azaz and Al-Bab, but considerably higher in Idleb. Going to a PTT office in a displacement-constrained environment can be very burdensome.

Distribution sites

For voucher distributions, the implementing partner is usually in charge of organizing the distribution – with

program staff verifying the identity and entitlement of beneficiaries, finance staff ensuring the receipt of assistance and M&E staff monitoring both processes. When cash distributions are centralized at distribution sites, it is safer for field staff to transfer the risk of handling and moving money across NWS to a third-party. See *Systems* for a description of the distribution process. The humanitarian sector has had positive experience with using hawala agents to disburse money to beneficiaries in Afghanistan, Somalia, Iraq and Yemen (IOM, 2019). The use of hawala agents as delivery mechanisms for money disbursement to beneficiaries is a mitigation measure for the security and safety risks related to physical money transport in NWS.

Considering money that is already physically inside NWS, there could be variation in the use of hawala agents as part of the delivery mechanisms depending on whether it is the hawala agent that comes to a distribution site or whether it is the beneficiaries that have to go to the hawala office individually. Depending on that decision, there is also variation in terms of how much information about the beneficiaries the hawala agent needs to access to for the purpose of verifying their identity. The most common and best practice currently in NWS is to favor having hawala come to distribution sites. This also allows to segregate the duties of verifying beneficiaries' identity and entitlement and of providing them with their entitlement between the field staff of the implementing organizations and the hawala agent. With this system, hawala agents do not even need to have individual beneficiaries' names but only the reference numbers of the tokens that are acceptable in a distribution at a specific date and place.

According to several key informants, most individual, registered hawala agents in NWS have the ability to process up to 500 beneficiaries per day. Distributions for entire programs are often scheduled over several days in different locations, and local committees and field staff help coordinate and monitor the pay-out. Because humanitarian agencies tend to use the same operators, it is important that they consider coordinating delivery dates by areas across agencies to make sure they do not rely on the same agent on the same day in different locations.

Vendors

By contrast with the distribution of unrestricted cash grants, vouchers systems are 'closed loop' from entitlement to delivery. No physical money needs to be accessed or exchanged directly by beneficiaries. The vendors are paid on a regular, pre-determined basis either by hawala agents, by field staff or through PTT, upon verification following the submission of detailed receipt and transaction records.

The support on which a voucher entitlement is inscribed can vary. Initially, paper vouchers printed in Turkey and shipped to Syria have been used. Selected vendors would accept these vouchers for the purchase of specific items or of an agreed-upon value of items available in their shop.



By now, the best practice is to use e-vouchers. E-vouchers in NWS come mostly in the form of plastic cards with QR codes that contain fixed information about beneficiaries and their entitlements. In other contexts, mobile phones apps are used to hold the QR codes, which has the added benefit to allow for the entitlement to be modified (distant top-ups or reloading). It also has the potential to hold information about entitlements from several different programs or organizations at the same time.

Vendors can be also used as a delivery mechanism for unrestricted cash to beneficiaries in the form of cash-outs. This

delivery mechanism has been used in other contexts and seems feasible in NWS, where 46% of households in 2016 in Idleb and Aleppo reported preferring to receive cash assistance through a local store or vendor (GC, 2016). In practice, a small proportion of the value voucher entitlement (typically 5\$ to 10\$) could be exchangeable directly in cash by the vendors themselves. This solution solves the problem of liquidity for beneficiaries while not constraining the cash-out to happen in urban centers like cash-out with only hawala agents would.

Constraints and challenges with delivery

Electronic tools for cash programs

In NWS, there are several ways in which technologies and digitization of data can facilitate program delivery for cash and voucher assistance. Currently, delivery methods vary in terms of using more or less electronic tools. Some organization still use paper vouchers with security measures like specific identification codes and complex, time-consuming procedures to avoid counterfeiting such as stamping the vouchers 24hrs before distribution, manually associating a voucher ID with a beneficiary number, and authorizing only a fixed time for redemption and use. But the norm by now in NWS is to have some level of digitization of the cash and voucher process. More often than not, implementing partners have developed an effective, digital money-tracking system through the use of e-tokens or e-vouchers. This allows to have digital, secure records that match the batches of e-vouchers and e-tokens that were released by field staff to each verified beneficiaries, as well as each verified beneficiaries with the specific vouchers or cash entitlements that they have received, along with corresponding signed receipts for assistance and other documentation. Similarly, the e-vouchers or e-tokens eventually redeemed by vendors or hawala agents are digitally matched to the e-vouchers and e-tokens that were distributed. The digitization of the cash distribution process however is often

limited to money-tracking. Only few organizations have electronic databases with verification data from beneficiaries that can be directly matched to the money-tracking system. And there are currently and for the foreseeable future no capacity for e-payments in NWS. An advantage of the generalization of electronic methods as long as they remain inter-operable is the possible integration of systems from selection to post-distribution (to avoid diversion), across programs (to increase impact) and across agencies (to avoid duplications).

Technology continues to be an enabler in the scaling-up of cash-based programming. The feasibility of e-tools in remote contexts rests largely on the reliability of key infrastructure such as banks, electricity, mobile phone and internet connectivity. In NWS, these remain challenges, some of which can to some extent can be mitigated.

Organizations that use electronic tools in NWS say it is worth it, but the huge investments it represents up front often prevents other organizations from engaging in it and in cash and voucher programming altogether. Especially since the best practice in NWS is to start with a pilot, there is no insurance that returns on investment in technology will be worth it since most of the benefits come with operating at scale.

E-what?

There is lot of confusion about the appropriate terminology regarding digital tools used in cash-based programming, especially since the 'electronic' denomination can refer to both the format of information and the support on which the information is written. It is particularly useful to be able to distinguish between what qualifies as e-cash, e-vouchers, e-wallets and e-payments.

E-vouchers are closed-loop vouchers that use electronic readers and encrypted data formats such as barcodes or QR codes to hold information about beneficiary identification and entitlement. The physical support most commonly used for e-vouchers in NWS are plastic cards on which the QR codes are printed. This means that the information printed cannot be modified. Some aid agencies across the world increasingly use smart card e-vouchers, such as those offered by Red Rose, sQuid and MasterCard, but those often require for vendors to be equipped with specific material (while QR codes can be simply read by smartphones). Finally, a few solutions using smartphone e-vouchers, for example such as those offered by Transversal, have also been successfully implemented.

E-wallets are basically more evolved systems of e-vouchers that use encrypted formats to hold re-writable information about both beneficiary's identity and multiple possible entitlements. E-wallets are typically used in the form of secured apps on smartphones. These systems increase the protection of beneficiaries because distribution easily becomes more invisible – e-wallets



can typically be loaded up distantly. Such systems have been widely used in refugee response in Jordan. They have been shown to reduce the risk of diversion post-distribution. One hundred percent of beneficiaries also felt safe using the system and valued the fact that the system could be deactivated if the support was lost or stolen. E-wallets can also be used to check more easily for duplication across organizations.

E-cash refers to dematerialized, digital money that can be used to pay for products and services without resorting to paper or coin currency. E-cash can only be issued by a central bank. As such, it is not available in NWS and no appropriate e-payment platform using e-cash is likely to be developed in the foreseeable future, since these would typically require either mobile banking solutions or the involvement of a third-party with de facto bank-like prerogatives.

E-registration would be the appropriate term to describe the digitization of verification data along with verified beneficiary lists. E-registration would make it easier to integrate emergency and regular programming and to check for duplication across programs within a given organization.

E-tracking is about electronic money-tracking systems for cash and voucher assistance similar to commodity tracking systems for in-kind assistance. E-tracking makes it easier to track the financial flow from end to end. The system also scored highly for processes that reduce the risk of fraud and diversion during implementation (ELAN, 2018). Such systems are offered by most digital service providers with solutions for humanitarian agencies such as Nagis, RedRose, etc. They can also be easily built in-house through the use of QR codes and strong double control procedures that follow the use of e-tokens and e-vouchers from printing to distribution to reconciliation.

E-payments are payments in which no physical money is exchanged. They reduce risks for staff, beneficiaries and vendors of handling money. While they have many advantages, since there is no e-cash in NWS, e-payments are only available for voucher schemes (and technically only in voucher schemes in which vendors are also paid electronically such as programs in which they are required to hold a PTT account).

Various e-systems can be combined and integrated with one another for complete e-solutions. Several integrated e-solutions that can function offline and online exist on the market and have been successfully tested in humanitarian contexts. In general, all these e-systems improve beneficiaries' personal data protection compare to paper-based systems. Convenience of service – rather than technology familiarity – has also been shown to be a key success factor (CaLP, 2018). Electronic tools also significantly increase transparency by making monitoring of technical problems and financial processes easier. In general, there is a fast learning curve and high returns on investment in e-systems, even though they might seem complicated at first. However, it is important to consider from the beginning adopting a technology and data format that will allow for future scale-up and diversification of use, as well as coordination inter-agency and potential integration in larger social safety nets.

Money-tracking system

An aspect of cash distributions that increase the perceived risks of fraud or diversion is related to the fact that the aid windfall is not transformed into something visible like a kit that can be followed through. One way around this concern is the use of electronic or paper trails (most similar to systems developed for vouchers and e-vouchers) to follow the money trail all the way to its final beneficiary.

Organizations using electronic money-tracking were unanimous on the positive impact the technology had had on the efficiency and effectiveness of the interventions, and on their relevance in mitigating risks in challenging envi-

ronments. Many systems have been tested in various challenging contexts and can easily be adapted or replicated.

Money-tracking systems also facilitate the work of procurement and finance in the reconciliation and follow-up of invoices from vendors. The idea in general with cash and voucher programming in remote management is to switch as much as possible from paper trail to digital trail. While the set-up costs of digital systems for cash and vouchers can make the costs higher than for other delivery methods, implementing agencies that adopted the technology predicted cost optimization in the medium and long term. They also acknowledge that e-transfers in general offer the opportunity to trace funds and reduce leakages.

Using mobile phones in the cash response

As noted in previous sections, the penetration, coverage and use of smartphones inside NWS is such that they could represent an available technological option on which to build cash systems.

Mobile payments are NOT an option in NWS, nor will they become one in the foreseeable future. The two existing cellular networks that have coverage over NWS (TurkCell and Syriatel) do not provide mobile money or mobile banking services. And even if they did, since both networks are directly affiliated with governments that are actors in the conflict, it would not be appropriate to use them as a main component and partner for the humanitarian response.

On the other hand, mobiles phones are already widely used by some organizations as support for their CRM systems. Many complain mechanisms are accessible through WhatsApp and phone calls. And contacting aid agencies through these means is in fact beneficiaries' preference (HNAP, 2019). Program participants can also be easily notified by SMS that funds have been disbursed or added to their wallet.



Mobile phones could have another usage in the cash response: they could be already be used as support for e-tokens and e-vouchers, and eventually support for e-wallets. They would be an appropriate, secure, and sustainable technological support for e-vouchers and e-tokens, in particular since they are remotely loadable (contrarily to physical tokens or e-vouchers like cards because the information written cannot be rewritten) which has been shown to increase the responsiveness of programming. This use of mobile phones would also still be in line with the Barcelona Principles (2016), insofar as the recommendation would only be for organizations to pool on a technological gateway point and to coordinate on compatible data formats, while still respecting the principle of building on multiple, competitive yet inter-operable local systems and infrastructures.

For organizations that are currently developing their cash systems, it would make sense to consider the use of e-tokens and e-vouchers on a smartphone app as an integral part of their design. Eventually, if several organizations have effectively pooled on the use of that technological support and have agreed on compatible data formats for their apps, smartphones could then in time become used as e-wallets, that is an app that regroups entitlements from different programs and different organizations. In turn, this would allow for a higher degree of oversight over potential duplication in the response.

RECOMMENDATIONS

Recommendation 1: Donors should pool the costs and efforts that aid agencies dedicate individually to due diligence for FSPs by funding a common task force that could gather and consolidate the available information on the local actors with whom aid agency could conduct adequate financial transactions in the field.

Recommendation 1.1: Donors should finance a specialized task force composed of one or two people with high levels of financial expertise under the supervision of CWG coordination. They would handle the daily monitoring of the financial service providers used by the humanitarian community, including hawala agents and their networks. As such, they would be in a position to consolidate information on volumes exchanged and delays to estimate liquidity and capacity of the networks. They would also collect reliable, independent, high-quality information on the nature and origin of individual agents' liquidity, key intermediaries and beneficial owners as well as on local community standing. This could even provide critical early warnings that would allow aid organizations to switch providers before specific agents are blacklisted by international entities. Ultimately, this would effectively put hawala banking channels on a clearer regulatory basis.

Recommendation 2: Aid organizations should use several different FSPs as well as several hawala agents and networks as much as possible. This would significantly increase competition among FSPs and potentially reduce costs as well as reduce the operational risks related to depending on a single service provider.

Recommendation 3: Aid organizations should systematically document the transfers related to cash-based programming. In particular, oversight organizations should support and review the contracting process, for FSPs rather than transfer all the associated risks to their implementing partners.

Recommendation 4: CWG members should let CWG coordination help with coordinating dates and locations of disbursement for cash programs in order to limit the risks of delays and low liquidity in FSP networks. More specifically, since the CWG coordination is already collecting information about planned dates and locations for distributions, it could systematically put in touch organizations that have concomitant activities, without necessarily having to access any private information about which provider each organization is in fact using.

Recommendation 5: CWG coordination could facilitate discussions and provide technical guidance as needed in order to help aid agencies agree on common contracting standards and formalize SOPs for engagement with money transfer agents or networks.

Recommendation 6: CWG coordination could issue publicly available technical recommendations regarding the use of data format standards for cash systems that could facilitate the inter-operability of systems and future coordination.

Recommendation 7: Aid agencies should consider moving increasingly towards electronic systems for money-tracking and delivery methods.

Recommendation 7.1: Aid agencies should consider systematically using e-tracking systems based on e-vouchers and e-tokens for their cash and voucher assistance.

Recommendation 7.2: Donors could consider piloting inter-operable e-wallet systems with a consortium of NGOs.

Recommendation 7.3: Donors should fund a scoping study for the use of beneficiaries' mobiles phones as a technological coordination point for the cash systems.

Recommendation 8: Donors should consider funding a voucher program in which small cash-outs distributed to beneficiaries directly by vendors are piloted.



SYSTEMS & PARTNERSHIPS

Assessing the feasibility of cash-based interventions in NWS is also understanding in-depth the logistical challenges related to cash programming in remote management and especially for emergency response. Every process becomes more time and resource consuming due to remote management. With cash programming in NWS, all processes are also subject to double-control procedures and segregation of duties, in order to ensure the integrity and the quality of the cash systems that are in place. As a result, effective streamlining in procedures, efficient M&E departments as well as strong, equitable and inclusive partnerships between oversight and implementing partners are important enablers for the feasibility and success of cash and voucher programs.

KEY MESSAGES

- Programming cash and voucher assistance in NWS means working remotely with a variety of local actors and intermediaries with whom interactions remain limited.
- The most important relationships of all in enabling the success of implementation are ultimately the nature of partnerships and the duty of care between oversight and implementing partners, as well as between implementing partners and their field staff.
- All implementation and monitoring systems for cash and voucher assistance in NWS are built on double-control mechanisms, such that no single actor has total control over a process at any point in time.
- Complex, multi-level monitoring of all processes involved in cash and voucher assistance is the logistical translation of the high-quality standards to which cash-based programming is held. This considerably increases the responsibilities and workload of support functions, yet it also effectively ensures the integrity of programs.
- There are overall less incidents reported with cash and voucher assistance than for in-kind programming, both during internal checks and in beneficiaries' feedback.
- Cash is easier to implement than vouchers in terms of logistics. While it requires additional monitoring, MPC is easier and less time-consuming than vouchers to phase-in and phase-out.
- While the complexity of in-kind delivery and related logistical problems tend to increase with the scale of assistance, cash and voucher assistance is comparatively easier to implement at scale. Economies of scale and returns on investment in cash systems also increase with repeated use and over time.
- There exists a culture of '100% success' in reporting cash and voucher programs outcomes to donors that is ultimately not conducive to good monitoring and could eventually become a liability.

In this section, we consider the logistical constraints related to cash-based programming in remote management. In particular, we compare the systems and processes in place for cash and voucher assistance to their equivalent for in-kind assistance in NWS. The systematic enforcement of segregation of duties and double-control procedures in cash

systems ensure the integrity and the quality of programming. Yet, it also creates specific logistical challenges for implementation, especially in emergency programs. Good M&E practices, streamlined implementation procedures and inclusive, equitable partnerships with local actors are



important enablers of the feasibility and success of cash-based programming in such a constrained environment.

Working remotely with local actors

Partnerships with local actors are at the core of remote management arrangements and are the only viable option to deliver cash-based interventions in NWS. Ultimately, successful implementation of cash and voucher programming in remote management relies on these effective partnerships both for timely delivery and for reliable information on program progress as well as on potential problems that may arise

The development of local partnerships and of local capacities are also part of the commitments to the 'localization' agenda that major aid agencies and donors have made following the World Humanitarian Summit in 2016. The idea of implementing cash and vouchers programs with an approach that is 'as local as possible, as international as necessary' is both a central and a contentious starting point for reforming the existing humanitarian architecture (Fast, 2017). There is however still little consensus on how localization should be implemented in practice, and this has arguably been an inhibitor to the development of cash-based assistance in NWS.

Implementing partners

The feasibility of cash in NWS with the high-level of quality standards that donors are expecting depends critically on the logistical ability of aid organizations to have double control over every single implementation process. Effective double control is made possible by segregation of duties, which is the crux of the differentiation in roles between implementing partners (IP) and oversight partners (OP) in the NWS response. Only few, large, international organizations with prior experience in cash and voucher programming at scale in other complex contexts have been able to justify that they have internal systems of segregation of duties of similar effectiveness, and are thus allowed to combine implementation and oversight functions.

Since partnerships between oversight partners (often international NGOs) and implementing partners (often Syrian NGOs) are so critical to the success of cash-based programming, it is important to understand what fosters successful relationships. In practice, it is not rare for both partners to underestimate the importance of the other. Implementing partners ignore the burden of monitoring, risk management and administrative oversight as well as the legal constraints that their partners take away from them. They may even sometimes think that they would be better-off if they could operate in direct relationship with donors. Conversely, oversight partners tend to ignore how much they would benefit from tapping more into the local knowledge of their IPs. They also often underestimate the quality of their programming and assume that they would do a better job if they could access the field themselves.

Both partners need to build respect into the relationship by better understanding the added value of the other, and by acknowledging that ultimately the segregation of duties protects both of them and their reputations. Implementing and oversight partners have typically complementary and mutually reinforcing strengths. Implementing organizations offer contextual knowledge and the ability to access affected communities; oversight actors have transferable expertise from other crises, as well as the ability to set up remote humanitarian assistance operations and provide the financial resources to run them (Pavanello et al., 2018).

When partnerships were first established in NWS, the majority of implementing partners had limited or no knowledge of cash and voucher programming. Many local partners have since improved significantly. Key informants from oversight agencies and donors have acknowledged in interviews the quality of the outputs produced by their implementing partners. As mentioned, beneficiaries in NWS don't have on average the socio-economic profile that most international humanitarian workers would typically expect in a complex, protracted conflict. In the same way, local humanitarian staff in NWS are also significantly more educated and skilled than in other contexts. As such, donors and OPs should acknowledge the great potential to enact the 'localization' agenda in the context NWS. In practice, greater capacity, in a context of consolidated partnerships and increased trust, has arguably already reoriented initial top-down relationships towards more inclusive partnerships.

Oversight agencies have various approaches to and experiences with remote programming and partnerships with local NGOs that can range from attempts at remote control of local staff through to remote partnership based on equity, delegated decision-making and large handover of responsibilities (Collison and Duffield, 2013). With specific reference to Syria, the International Rescue Committee (IRC) uses four categories – remote control, delegation, support and partnership – to classify varying configurations of decision-making authority (IRC, 2016). With the cross-border response in NWS, there is a strong case to be made in favor of more genuinely equitable and inclusive partnerships with local organizations. Syrian staff has often developed great programming and problem-solving skills over the past nine years. Syrian organizations have also demonstrated over and over again their capacity to uphold the highest international standards for cash-based programming. Considering partnerships with local organizations as real, two-way relationships that can improve the capacity of both partners should be the best practice in NWS. Yet, many partnerships between local and international actors are still often more akin to instrumental sub-contracts and transactional arrangements that do little to effectively harness the potential of local capacity (Kent et al., 2016).

Communication and trust have been identified by key



informants as essential elements of successful partnerships. They are of critical importance in remote management settings and in cash and voucher programming. Both partners need to be comfortable enough to raise problems, and they also need to trust that if they do so, they will receive adequate support so that issues can be solved jointly. Transparent communication can help partners move away from the perception of a vertical relationship that has to do with control and monitoring towards a more horizontal exchange in which OPs provide support and other coordination and oversight services to their IPs.

Discussions with Syrian organizations also highlighted aspects related to how staff from oversight organizations has demonstrated their care and involvement in the programs. Some were frustrated at times with focal points that would ask the same questions over and over again or request irrelevant information. Such instances were perceived as denoting a lack of interest from international staff as well as poor understanding of the operational context and the stressful conditions partners were working under (Pavanello et al., 2018). For program managers in oversight organizations, working in remote management can also be alienating. With little control over implementation procedures and little direct contact with field staff or beneficiaries, it can be difficult to gain the relevant understanding of the context and of the operational constraints that allows for effective, confident decision-making. Increased and more frequent communications would also help them gain ownership and show adequate involvement in the implementation of the programs.

At the same time, maintaining open channels of communication in the context of remote management can be full of challenges and delays. Pavanello et al. (2018) describes a typical scenario where the oversight focal point would request information from the focal point in the partner organization based in Turkey, who would then ask the focal point inside Syria, who in turn contacts the field coordinator, who in their turn speaks to field staff. Once available, the information travels all the way back along the same chain. It is not difficult to see the high likelihood of distortion, in addition to the time it takes for information to travel along the chain.

Capacity-building of local partners is often discussed in the literature as another critical ingredient of genuine partnerships (Svoboda et al., 2015). In practice however, in many humanitarian operations capacity-building has largely remained an unmet goal, with underfunded activities and questionable effectiveness (Zyck et al., 2015). Studies have also shown that capacity-building activities are typically top-down, driven by the priorities of international actors, and do not always respond to the needs of local organizations (Howe et al., 2015). Training and coaching are by far the most common methods adopted by oversight partners to build IP's capacities. Yet, high staff turnover in both implementing and oversight organizations is hindering the

development of sustainable capacity and inhibiting knowledge retention within organizations.

Field staff

For implementing partners, working remotely from Turkey, Jordan or Iraq also has its challenges. In particular, the relationships between the staff in-country and the field staff can mirror the level of complexity and the level of subtlety required in managing partnerships between international and local NGOs.

Most Syrian NGOs have to deal with a double internal structure, whereby program staff working from safe areas have to both manage and support field staff to whom the risks of implementation are almost entirely transferred. The same difficulties plague such relationships as those between OP and IP: field staff can be sometimes frustrated to see their work systematically double-checked by their colleagues. They also do not necessarily understand the added value of the work done by IP staff in-country, since they are not directly confronted to the requirements and complex workings of the international humanitarian system. Ultimately, since the quality of cash and voucher programs depend so much on the local staff, intensive efforts should be made to maintain the open and supportive relationship of implementing partners with their field staff both before and during the planning and implementing phases. In this instance as well, effective capacity-building and mentoring goes a long way towards ensuring a good relationship.

Local Councils

In turn, field staff has to rely on Local Councils to get access to communities. The typical practice for cash-based programming is for field staff to get long lists of beneficiaries from the LC directly. Several key informants have suggested that bypassing the LC and directly speaking to or surveying households in the recipient community could reduce community acceptance for the programs. By contrast, many other key informants have described the use of multiple KIs within the community outside of Local Councils as classic best practices.

Inclusion error in the beneficiary lists provided by LC could be a concern, but key informants agree that it is well mitigated by strong verification procedures. In cash-based programming because donors are so sensitive to targeting errors, it is not rare for implementing partners to attempt to verify 100% of beneficiaries. A 100% verification is rarely feasible in practice since there are often at least few beneficiaries that are absent from their households at the time of verification. Waiting for them to return could considerably delay implementation. The best practice in NWS is often to ensure instead that 100% of the beneficiaries that are on the final list have been verified, which in turn raises additional concerns over exclusion errors.

Most key informants did not seem much concerned about exclusion errors. They expect that the status-based vulner-



ability criteria for selection are well understood and well accepted within recipient communities. Contrarily to other conflict contexts, there are also no specific groups in NWS systematically at risk of being marginalized. However, strong systems should still be in place to check for exclusion errors. The best practice identified is the systematic use of key informants from the recipient community that are involved throughout program implementation. For long term programs, pools of KIs can be identified and rolled-up so as to avoid surveying fatigue.

Other local partners

Many key informants have also insisted on the importance of building trust in relationships with other local actors and partners as well – be it with vendors, hawala agents, PTT services, or local suppliers in CfW programs. Sitting down and putting in writing the expectations, the timelines, the contract, the BoQs etc can go a long way towards facilitating a smoother implementation process. Providing partners with information in advance of requiring their services is also considered both respectful and good practice, insofar as it gives them proper time to organize their own resources and schedule. Finally, several key informants have highlighted the fact that pilots are a good way to build relationships with new local actor and to set reasonable expectations (about timely payments, reconciliation processes, etc). If there is no opportunity for a pilot, then a mock run of the entire implementation process ahead of program implementation can help with identifying potential bottlenecks in advance as well as allows for sampling the quality of the service provided. Most of the current implementing procedures are based on ex-post reimbursement of local partners, which guarantees the quality of the service delivered before effective disbursement. In the most recent emergency response, however, both vendors and hawala agents have been increasingly intent on receiving payments without delays since they are also affected with the general levels of insecurity and uncertainty and need to ensure their own liquidity and livelihoods. This makes the streamlining of monitoring processes and double-control procedures throughout cash and vouchers implementation particularly critical in order to avoid unnecessary delays and frustrations.

Working remotely in emergency

In a complex environment like NWS, all the processes and systems that are critical to the success of cash-based programming are made more time and resource consuming by remote management. Yet time to implementation in emergency programs is an important measure of performance for donors. The standards are for emergency teams to try to intervene under 7 days from a crisis. But for many organizations in NWS cash distribution is hardly feasible under 14 days from arrival on site.

In other contexts, cash-based programming is gener-

ally considered easier to implement than in-kind and it is expected to reduce response time. This is true in NWS for regular programming: the procurement processes for in-kind assistance are much more complicated and longer than for cash. But the difference is less clear in emergency programming. There are no difference in time to implementation of cash distributions for emergency and regular response: the same level of scrutiny is applied to all types of cash and voucher interventions. By contrast, once in-kind stocks have been pre-positioned in prevision of an emergency response, they can be released somewhat faster.

In interviews, there was a frustration expressed by some key informants that the double control procedures in place for cash programs in NWS take too much time in emergency settings. However, the perception is somewhat biased. In fact, when approval processes are streamlined properly, the time needed to implement emergency cash distributions and emergency in-kind distributions are roughly the same. Cash distributions are subject to more external constraints and double control processes than in-kind. The timeliness of an emergency cash response depends for example on the availability of the FSP and their willingness to access the areas of intervention, on the approval by the oversight partner and sometimes the donor of the verified lists, on the double-control of verification data by the implementing partner in the field and in country, etc. These are generally not required in emergency distributions in kind. That said, when properly streamlined, the set of processes that need to happen from verification to distribution (including all the approval and double-control processes) can go down from taking almost a week to 48hrs. More generally, cash-based programming compared to in-kind tends to simplify work for the field teams, but it represents more work for the teams in-country. One key informant noted that when there was a choice to be made in their organization between several available modalities, in-kind would be favored for locations with smaller number of beneficiaries. By contrast, the perception was that cash remains easier to scale-up and deliver to large pools of recipients. With no truck movements and no warehouses, the logistics of cash are in practice pretty much the same for 100 or 1,000 recipients.

While cash transfers are the fastest way to provide cash-based assistance to populations in need, they are difficult to monitor. By contrast, vouchers are easier to track but they require more time and effort to implement. In the Syrian context, rapid phase-in may not be as high of a priority as quality of design and implementation. However, it is still critical in emergency response to design effective and efficient assistance programs to meet beneficiary needs as quickly as possible. As such, as noted in several instances in this study, logistically vouchers are not an appropriate response in emergency situations.

The use of appropriate electronic systems, especially for unrestricted cash, allows for important economies of scale



and time-saving in emergency response. In particular, with the appropriate integration of beneficiary data, programme data and money-tracking systems, they allow for easier and faster reconciliation of financial data post-distribution. They also facilitate the distribution process and guarantee its integrity by providing a way to follow financial flows from end-to-end and the distribution of cash windfalls to identified, verified beneficiaries and them only.

From assessment to distribution

There is some variation in the implementation of unrestricted cash distributions by organizations and by type of programming. Yet, the typical process for multipurpose cash in emergency response is for field staff to first identify locations with lots of arrivals of IDPs. Following a pre-established internal process, they will then launch rapid needs assessments in these locations. Based on the results and the organization's coverage and targeting strategies, they will decide to start engaging the local community. This includes explaining the objectives of the program to the entire community as well as asking LC for long lists of potential eligible beneficiaries. Best practice is for the finance team in-country to also contact the FSP at this point to give him early notice about expected volumes and schedules for the intervention. Similarly, it is good practice to contact the oversight partners and the donors at this stage as well to let them know that their timely approval will likely be of the essence.

Based on the long lists provided by the LC, the M&E field staff verifies households individually. Provided that it is collected digitally, the verification data is then generally double-checked by the M&E team in-country. Verified beneficiaries' lists and key summary statistics are then shared with the oversight partner for double-control and approval. Some key informants have reported that this approval process can take up to 3-4 days and thus can considerably delay the timeliness of the response. But several implementing partners have managed to streamline this procedure with their oversight partners such that in fact it takes less than 24hrs. In the meantime, the finance team prepares the required number of tokens and finalize the coordination with the FSP regarding the distribution dates and locations.

Only 24 hours before the distribution, the finance field staff is advised about the specific batch of tokens that should be released and / or activated. On the day of distribution, program field staff will verify beneficiaries' identities, finance field staff will then verify their entitlement, provide them with tokens in exchange for their signatures, while recording exactly which token was provided to which beneficiary. Finally, a third-party – most often an hawala agent in a different room – will provide beneficiaries with USD in cash in exchange for their tokens. M&E field staff will provide double control by monitoring each of these procedures. The beneficiaries will thus leave the distribution site with their cash-in-hand.

After the distribution process, the finance field team and the FSP will reconcile their transactions by exchanging back the tokens in possession of the hawala agent against a receipt form that confirms the volumes of assistance distributed. The tokens retrieved from the hawala agent after the distribution are matched exactly with the tokens that were released prior to the distribution. Once confirmed with the finance team in-country, payment will be released to the FSP as a reimbursement for the funds that were advanced at the distribution site. The tokens used in a distribution have unique identification numbers that can be traced back to a specific distribution site and time and they are then discarded and cannot be used again in future distributions.

As noted above, with the low liquidity currently in NWS and the high level of needs that affect hawala agents as well, the timeliness of this reconciliation process has become an important element in ensuring good, continued relationships with these essential local actors. A variant of the system involves the use PTT for wire transfers into NWS and the use of hawala agents only as delivery mechanism to carry money from PTT branches to distribution sites. This in fact makes it easier for hawala agents since the system doesn't rely on their capacity for liquidity. However, it critically depends on the capacity of the PTT to make funds available, which has also been shown to reach its limit in the recent response and create delays in implementation.

Finally, it is particularly important in emergency cash distributions to have strong replacement procedures in place in case some of the verified intended beneficiaries don't show up for the distribution. This is likely to happen to some extent in emergency displacement crises since the mobility of IDPs is high and people may choose to move again between the time they are verified and the time the distribution happens. On the other hand, new IDPs usually also keep arriving after the initial needs assessments and verification. In that sense, it would make sense to replace ones by the others. The best practice identified for replacement in MPC is to do no replacement on distribution days and to distribute cash only to the verified beneficiaries that show up or that can be found. This allows to avoid moral hazards and attempts at manipulating beneficiary lists. Then, since cash distributions are usually organized in several locations over a few days, field staff will keep monitoring new arrivals in the locations of intervention over the time of implementation. Then on the day of the last distribution, they will pick one location – where there is the most new arrivals – and send an M&E to go back for re-verification. The next day, extra windfalls that are available due to no-shows distribution can be distributed there to verified beneficiaries. As such, the replacement process should take only one extra day in addition to the planned distributions. It also avoids potential problems related to allowing for beneficiaries to be added to the lists on distribution days without proper verification. Ideally, grants for emergency cash programs could also anticipate the possibility of new arrivals over the time of implementation by



including +5% over planned beneficiaries into the budget so that implementing partners can have the flexibility to

implement the replacement procedure described above as needed.

How to secure transactions?

The transactions during and after cash distributions are secured at various levels: the identity of the beneficiaries is verified and the integrity of the token received and redeemed is also controlled. Depending on the delivery mechanism, beneficiaries' identity can be potentially verified in different ways, including identification documents and community checks all the way towards more technological solutions such as photos, passwords or PINs, or thumbprints (and even iris-scans in Jordan!).

In NWS, only a few of these solutions are available and appropriate. Most implementing partners rely on identification documents, although the loss of documentation is a common protection problem in displacement crisis. Alternative procedures including checks with three different community members are usually in place in case beneficiaries show up with no documentation or a different ID than the one that was registered during the verification process. Photographic identification would not be appropriate in the context of NWS, especially for female beneficiaries, and in one-off distributions PINs and passwords have been shown to often create more problems than they solve. With smartphones and tablets, the use of thumbprint identifications would be actually feasible in NWS, although to the best of our knowledge no organizations has tried it yet.

As for vouchers or the tokens used in MPC distributions, the authenticity can be verified with ID numbers and other markings like stamps, or increasingly so with QR codes that can easily be read with smartphones or tablets and digitally stored for documentation.

Working with Vouchers

In 2016, in a study by Global Communities, paper voucher programs were perceived as the least effective modality to implement within NWS because of the additional management and monitoring systems that must be put in place to process them and prevent fraud or manipulation. This has changed with the increasing use of e-vouchers as well as money-tracking systems and electronic tools in general.

In voucher programs, the strongest and most pervasive concerns now relate to the amount of time and effort required to set up the systems both before and after distribution to and use by beneficiaries. In voucher programs, vendors have to be assessed and contracted, then voucher redemption has to be reconciled before payment can be authorized. In all the time needed to implement these steps, several issues can arise such as a potential loss of value for the vendors due to currency depreciation. More generally, the monitoring of redemption periods for voucher programs, including price and stock manipulation by vendors, is still considered to be a nightmare by most implementing partners.

Overall, contrarily to in-kind, for both cash and vouchers a lot of the work comes after the time of distribution, and in particular at the time of reconciliation of financial processes. With cash and voucher programming, it is the integrity end-to-end of the monitoring of the financial flow that is ultimately important, and the ability of the implementing partners to demonstrate its capacity to track individual payments to each beneficiary.

Monitoring & Evaluation in remote

Monitoring in remote settings is considered a widespread challenge for all types of programs. Yet the monitoring of cash and voucher distributions is particularly critical. Overall, the systems currently in place in NWS are excel-

lent, but they definitely put an increased burden on M&E teams. There is typically double-control of every single process of the cash implementation cycle, with verification of verifications, control of controls, and monitors for monitors. Conditionalities and restrictions even more time-consuming and expensive to monitor. Discussions with key informants revealed a good degree of confidence regarding the overall level and quality of oversight of cash programs in NWS, the quality and accuracy of information coming from the field and ultimately the quality of the activities delivered. Although in the end while a lot of data may be collected, relatively little is actually used and analyzed.

Monitoring

Monitoring humanitarian programs actually encompasses two different functions: monitoring the progress of the program and monitoring potential problems that may arise. With cash-based programming, both types of monitoring are equally important. Overall, there are a lot more things to monitor in cash and voucher programs than for other modalities: the processes, the markets, the outputs, the outcomes, the usage, as well as all sorts of potential problems. All these monitoring activities have different timing, frequency, sources and collection methods. The monitoring of cash and voucher programs also happens at many different levels: it is not just about program activities, but also about the behavior of field staff, service providers, vendors, etc. While all these aspects may be also important in in-kind programming, they are on average much less scrutinized than for cash-based programming. As such, electronic data collection tools add huge value to monitoring routines in cash and voucher programming and can allow for all the different monitoring inputs to be consolidated and analyzed more easily.

Segregation of duties and double-control are important principles for the monitoring of cash-based programming in remote management. It is additionally enforced for M&E



teams themselves through the use of Third-Party Monitors (TPM). The use of TPMs is often a requirement from donors in cash and voucher programs in NWS. The use of TPM can help with trust in the quality of monitoring since they are independent service providers. But the use of TPM also often has limitations insofar as they are not involved in programming and often do not know or understand much about the project. This makes for sometimes irrelevant observations or erroneous analysis of findings. Since TPM are an integral part of the monitoring process for cash-based programming in NWS, best practice recommends that the TPM teams should work with the M&E teams of the implementing partner early on so as to allocate time necessary for induction to the program.

Complaints and Response Mechanisms

M&E and CRM are originally two different functions that should be the responsibility of different staff. In the cash response to NWS however, the responsibility of CRM often lies with M&E departments since it is also part of donors' requirements and double-control systems of the quality of implementation. The management of CRM can be a lot of work since beneficiaries tend to use the various communications mechanisms that they have with the aid agencies as a way to request for assistance (RfA) as well as to lodge complaints. There are also necessarily multiple levels to CRM mechanisms in remote management since the field staff are the most adequate first responders, but the beneficiaries need to also be able to reach the oversight partner in case they would need to complain about the implementing partner's behavior.

In the end, there are less problems reported with cash programs than with in-kind in NWS. More specifically, several key informants have reported that in comparable programs, the number of calls for each modality is roughly similar but there are more calls for complaints with in-kind whereas there are more calls RfA (some implementing partners even reported significant calls and WhatsApp messages from beneficiaries to simply thank them for the program after cash distributions). This is also consistent with findings from monitoring on distribution sites which report in general higher levels of satisfaction of beneficiaries and less problems during cash distributions than in-kind.

Main constraints and challenges

Duty of Care

Policy discourses have increasingly underlined the moral and legal obligations of international actors towards effective efforts of localization. Developing duty of care policies, strengthening the capacities of local staff and partners to better manage risk and implementing measures to improve their well-being are among the recommendations that have emerged so far (OCHA, 2011). Yet international

Evaluation

Because evidence-based advocacy in favor of cash-based programming is so important in convincing various stakeholders of the appropriateness and feasibility of the cash response in NWS, it is also particularly critical for the impact of cash and voucher programs to be properly evaluated. And in evaluations as well it so happens that the notion of double-control – or in this case double comparison – is essential. For impact evaluations, it is important to have proper points of comparisons: compare the same measures before and after the programs as well as for both beneficiaries and non-beneficiaries. Yet, in practice, arguably, in most organizations, monitoring continues to be not designed to inform programming but rather is intended solely for reporting needs. And to their defense, in the absence of harmonized M&E systems and progress indicators, when partnering with different oversight actors in projects funded by different donors, implementing organizations have to adhere to many different requirements, guidelines and templates, which makes reporting a particularly complicated and time-consuming exercise.

Some implementing partners are still not systematically gathering baseline data on the main program indicators, especially in emergency programs. The best practice identified, when working under high time constraints, is for questions related to indicator measurements to be integrated to either the verification process for a random subset of beneficiaries or at the latest to the distribution monitoring (since this happens before the assistance is effectively used). The baseline can be limited to the main indicators most commonly used in cash-based programming as well as in other modalities in NWS such as FCS and LSCI. Little to no key informants have reported proper procedures in place to take counterfactual measurements of the main indicators pre- and post-program among non-beneficiaries. In terms of surveying non-beneficiaries, the best and most feasible practice identified for NWS is surveying the community KIs involved in the program – since they are typically non-beneficiaries - with the same questions regarding FCS and LSCI.

actors continue to grapple with how to practically provide adequate duty of care to local NGOs and local staff in NWS. This is particularly relevant although not limited to the strengthening of their capacities to better manage the multiple risks that they routinely face when delivering cash-based interventions.

Progress in figuring out what duty of care entails has been also hindered by the question of funding. Aid agencies are



struggling with how duty of care costs should be included in program budgets. Several studies have also noted donors' limited commitment to support duty of care in the form of personal injury or death compensation as opposed to other aspects, including psychosocial care (Pavanello et al. 2018).

Psychosocial care is an important component of the duty

of care. Syrian staff has expressed strong appreciation for this service where it exists and saw it as a demonstration of genuine concern by their partners for their wellbeing, and a recognition of the tremendous pressure and stress they face (Pavanello et al. 2018). As such, it also contributes to further consolidating the partnership between oversight and implementing organizations.

Should local staff be counted as beneficiaries of cash assistance?

In the same way that education or health staff paid through humanitarian programs are beneficiaries of a form of cash assistance, although they are not usually counted as such, the money used to pay local staff and to build capacities of local NGOs could be considered as a form of cash assistance. It would actually be interesting for donors to consider the opportunity and appropriateness of effectively counting Syrian humanitarian workers as direct beneficiaries of humanitarian cash-based programs in NWS. This is also aligned with the findings and recommendations of the *"Duty of Care Framework for Humanitarian Organizations in Syria"* finalized in November 2019.

The local staff working for international organizations or Syrian NGOs, and in particular the field staff implementing programs, are all Syrian refugees or IDPs that were displaced themselves because of the conflict. This is particularly visible for field staff in the latest displacement crisis, most of whom have lost their home and belongings and are as much in need of shelter assistance than other IDPs for example. For the most part, the Syrian humanitarian staff working in Turkey also either were born or lived in Idlib or Aleppo governorates before insecurity forced them into crossing the border.

The livelihoods, social and psychological support, training and capacity-building that they receive as part of the humanitarian community is not by nature different from what is otherwise provided in most conditional cash programs. And the benefits of their salaries usually trickle down to their families and social networks in the same way that we think about indirect beneficiaries in humanitarian programs. As such, it could be legitimate to consider, in the spirit of the localization agenda, that they are in fact direct beneficiaries of cash assistance.

This shift in the way international workers and organizations think about their partnerships and relationships with local counterparts would have several potential benefits. First, from the perspective of international aid workers, it would probably affect how they think about their duty of care and the importance of efforts put in capacity-building. It may also in turn affect the care and respect that is shown towards local staff, the attention shown to their specific needs as well as to their psycho-social well-being in general.

From the perspective of donors, it would probably also better reflect the actual proportion of the humanitarian money that ends up effectively benefitting local populations affected by the conflict. This could in turn prove to be an important enabler in favoring multiyear contracting of local organizations as well as the hiring and retention of local staff. In a sense, if you lose a beneficiary each time you fire a local staff, you probably start thinking about it somewhat differently.

Reporting imperfections

Arguably, the current M&E environment is not conducive to the transparent reporting of unintended outcomes in cash-based programming. More specifically, there is a pervasive perception among aid organizations in NWS and elsewhere that the implementation of cash and voucher assistance is expected by donors to be 100% perfect. This culture is in part fostered by the perception that reporting imperfect outcomes to donors could compromise future funding. It is a matter of fact that donors try to select the best implementors based on their previous experience and success in implementing various types of interventions. This is particularly true with cash-based interventions since donors actually expect organizations to prove their capacity in pilots before considering funding them for programs at scale. Yet, while donors may have zero tolerance for some issues in NWS such as due diligence and counter-terrorism measures, they have also acknowledged in interviews that for the most part other aspects of programming can never be expected to be perfect.

It would help if donors were clear and explicit about the margins of error that are effectively acceptable. They should also encourage and support the organizations who report and share lessons learned about imperfections and challenges. A way to foster more transparent reporting would be to openly favor with funding agencies that have a proper reporting culture as well as good case management and procedures to handle issues. Another mechanism would be to systematically ask for additional justification when a partner reports a 100% outcome for anything. The risk is otherwise to create a blind spot in the effective monitoring of issues that arise during the implementation of cash-based interventions.

From the point of view of monitoring and evaluation, anything that is 100% should raise suspicions. Most programming processes can never be perfect. Even the 100% verification that is displayed as best practice for CVA in NWS is an impossible objective. As discussed, there will always some people that are not home at the time of verification.



Similarly, a change in the reporting culture would also come from acknowledging that no targeting system is perfect and stopping to label mistargeting as inclusion and exclusion “errors”. The very term “error” suggests that there was a mistake made by implementing agency (Strauss-Kahn, 2019). In turn, this potentially creates moral hazard in the willingness of implementing partners to report that they have made such errors in their programming.

Along the same lines, the satisfaction of beneficiaries is also always very subjective. There is no possible program that can make beneficiaries and non-beneficiaries 100% happy. Any survey question that doesn’t provide any variation on the answer should be considered as badly formulated: it should be immediately recalibrated in terms of answer

categories or re-phrased and the results should be held dubious.

Finally, the same type of under-reporting is observed about post-distribution dynamics. Post-distribution dynamics including the sale or sharing of assistance are out of the control of the implementing partners. They can never be expected to be 100% perfect. In fact, in NWS there are many anecdotal examples of tents or other in-kind commodities found on local markets. Yet, these tend to be largely under-reported: it is very obvious that beneficiaries are reselling part of the assistance they receive in-kind, but according to their PDM reports, it is never the assistance that comes any specific organization.

RECOMMENDATIONS

Recommendation 1: International and local aid agencies should favor partnerships over cash-based programming that are inclusive, equitable and foster mutual respect and collaborative behaviors, in the spirit of the localization agenda.

Recommendation 1.1: International and local aid agencies should favor multi-year partnerships over cash-based interventions that including meaningful investments in both partners capacities, staff and systems.

Recommendation 1.2: International and local aid agencies should favor two-way partnerships in cash and voucher programming, in which the oversight partner actively learns from the implementing partner regarding the implementation processes and the context.

Recommendation 1.3: International and local aid agencies should favor capacity-building and autonomization in their cash partnerships. Wherever possible, technical support about cash specific processes should be provided to local staff and field staff in the form of coaching and mentoring. Both partners should also be more systematically involved in decision-making processes and information-sharing.

Recommendation 1.4: Implementing partners could help providing oversight partners with a greater sense of ownership over cash and voucher programs. Dedicated focal points in both organizations should have daily interactions and maintain open channels of communication in order to build trust.

Recommendation 2: Aid agencies should systematically use double-control procedures and segregation of duties in their SOPs for cash and voucher programs.

Recommendation 3: Donors should push and provide incentives towards a more appropriate and efficient reporting culture.

Recommendation 3.1: Donors should collectively ensure more harmonized and simplified reporting requirements and progress indicators for cash-based programming, in line with commitments under the Grand Bargain.

Recommendation 3.2: Donors should favor a reporting culture that makes room for imperfection through the systematic justification of perfect reported outcomes as well as the preferential funding of partners who share lessons learned about challenges encountered during implementation. Transparent reporting can improve the quality of evaluation and the development of meaningful lessons learned and as such prove more fruitful in the long-run.

Recommendation 4: For all stakeholders, duty of care should remain a priority in NWS and more concerted efforts are required by all actors to enact it practically.

Recommendation 4.1: In particular, donors and aid agencies should consider counting and thinking of local staff and local organizations as beneficiaries of cash assistance.



RISKS & RISK MANAGEMENT

Throughout this document, various economic, political and operational risk factors for cash-based programming in remote management have been highlighted. This section does not provide a general risk analysis but looks at the residual risks of cash and vouchers compared to in-kind assistance in NWS. It attempts to assess those risks in particular while separating risks perceived and real risks. It considers risks for humanitarian organizations (such as security, legal, financial, operational and reputational risks), risks for beneficiaries (typically various protection and diversion risks) as well as risks for non-beneficiaries (mostly related to market distortions), then discusses most effective mitigation measures and best identified practices.

KEY MESSAGES

- **Cash transfer programming is not inherently riskier than in-kind assistance. Very few risk factors only, or predominantly, affect cash and voucher assistance. The likelihood and impact of various risks however are different. Most risks can be effectively mitigated, and ultimately the residual risks of cash-based programming in NWS are not high.**
- **Residual risks of diversion in cash transfer programming are in practice arguably lower than for in-kind assistance in NWS. The closer scrutiny and higher implementation standards applied to cash-based programming by agencies and donors results in effective mitigation.**
- **Risk perception is a major inhibitor to cash-based programming. Cash is in particular disproportionately perceived as more subject to reputational risks than in-kind, especially among actors with less experience with cash and voucher assistance or with more risk-averse profiles. This perception is however not grounded in risk analysis of actual likelihood and impact.**
- **With the scale-up of the cash response, the net effect of the shift from in-kind to cash-based programming should be a reduction in the real number of occurrences of various problems. Overall, the occurrence of security incidents and attempts at corruption and diversion become more likely at scale for any modality (Bailey, 2014). But the mitigation measures in place for cash and voucher programs are more effective and robust.**

Among the five main inhibitors to the global uptake of cash-based interventions, and particularly of multipurpose cash grants, 'The State of the World's Cash Report' (2018) identifies donors' and implementing agencies' perception of risks as being the main one. Perceived risks are subjective concerns and appreciations. By contrast, actual risks that can be measured and documented. Much has been written about cash and risk, and specialists agree that while no delivery modalities are risk-free, existing evidence does not point to cash being any riskier than other modalities. As such, it is important to have a rational analysis of the specific risk factors related to cash-based programming, identify effective mitigation measures. Only then can one compare appropriately the residual risks of cash interventions to the equivalent risks for other modalities as well as

the residual risks of different types of cash-based programming among themselves.

The biased perception that cash-based programming in NWS may be riskier than in-kind interventions has many different roots. Among the concerns that tend to be disproportionately applied to cash programs rather than to in-kind programs in NWS are both perceived and real risks related to the misappropriation or leakage of cash to terrorist groups. There are also perceived reputational risks related to cash. And these tend to be more pregnant with people who have less experience with cash and voucher programming, as well as typically as one goes higher within an organization's hierarchy. Many of the concerns about cash and voucher programs are also heightened in NWS because projects are managed remotely. Finally, another



cause for the perception that cash is riskier than other modalities is the very fact that the level of attention to risks and risk management in cash programs is higher than for other modalities. For instance, some key informants realized during interviews that whilst they developed a risk matrix for their cash-based interventions, this was not always the case for in-kind programs.

A recurrent strategy of risk management in NWS is to transfer risks to other actors. Risk transfers in practice tend to pile up, with donors transferring oversight risks to UN agencies and international NGOs, international NGOs transferring implementation risks to local NGOs, and local NGOs transferring security risks to their field staff. Yet, in a comparably complex environment like Somalia, a comprehensive assessment of the cash response concluded that risk transfer approached can place unreasonable expectations on partners and should be used with parsimony.

Finally, it is important to note from the start that mitiga-

tion measures in cash-based programming work quite well. Most key informants deemed them as effective and adapted to the context. In practice, considering the complex situation in NWS, many believe that the measures in place have already had a deterrent effect, and that many incidents have been avoided in particular when comparing to in-kind assistance. Most organizations have never faced a situation that forced them to withdraw or halt their operations. Moreover, some risks that exist for in-kind assistance like re-selling, difficulties of transport, and spoil are simply eliminated with cash assistance (Staunton, 2011). Overall, there are little to no incident reported with cash assistance, and many concurrent indications of frequent adverse outcomes with in-kind programming. Yet, most people will remain hang up on the possibility of incidents with cash in the future. As such, these possibilities will be discussed thoroughly

Risk measurement and risk management

Risks are often identified and assessed with a combined measure of their likelihood and their severity or impact. After initial risks have been assessed, risk management is mostly about identifying ways to reduce the impact and/or the likelihood of these risks. After all risk mitigation measures have been identified and put in place, residual risks are assessed again with the same combination of likelihood and impact. What matters in risk analysis is to compare the residual risks related to a situation to the residual risks of alternative options.

All techniques to manage risks fall into one or more of four major categories: Avoidance (withdraw from or not become involved in an activity), Mitigation (mitigate the severity of the impact or diminish the likelihood of its occurrence), Transfer (share the burden of the loss with another actor by outsourcing activities or insuring yourself against responsibilities in case of adverse outcomes), Retention (accept the potential loss and budget for it).

Risks for humanitarian actors

Safety and security risks

Key informants from implementing NGOs concur in identifying safety risks for their field staff in physically carrying cash in NWS. More generally, there is a security risk for any organization related to being identified as a cash provider. Cash and vouchers are usually much more discreet in their distribution and transportation compared to bulky in-kind goods. But the high desirability and fungibility of cash is increasing the likelihood of security incidents. Some organizations consider that by letting dates and locations of cash distributions or transport routes for cash movements be public information, they could become a magnet for attack. They thus require from clusters that data shared about planned interventions be anonymized. Concerns about field staff safety always have to be taken seriously, especially in remote contexts. However, implementing partners should acknowledge that information about their cash distributions is most likely public knowledge locally to some extent anyway. Beneficiaries have to be informed about dates and time of distribution. And it is unlikely that local actors that could pose a security threat, such as armed groups, are not very well aware of these activities, if only because they

control the territory and have to some extent to authorize such movements and gatherings.

Common risk management strategies for these security risks in NWS include transferring to hawala agents of the responsibility to carry funds, reducing the likelihood of being identified as a 'cash mule' by keeping programming mixed with in-kind, or avoiding the risk altogether by using closed-loop interventions such as voucher programs in which there is little to no physical money exchanged. In other contexts, security risks are often also largely mitigated with the use of technologies that make cash transfers more 'invisible'. E-tools also help if security deteriorates, as they allow for easier distant programming. There are other security measures that are relevant to all modalities yet are more systematically in place for cash than in-kind assistance. They include the use of different routes to get to distribution points, the use of vehicles with no logo or branding, the multiplication of distribution points, and the late dissemination of information about location and dates for distribution (many organizations doing cash in NWS only provide the information to their beneficiaries 24 hours in advance).

Staff exposure to attack can also come from non-beneficiaries within beneficiary communities. Communication and



transparency with all stakeholders about program objectives as well as inclusive beneficiary targeting processes have been shown to be effective in avoiding such problems.

Finally, by contrast with a lot of conflict settings where attacks on the road, hold-ups and violent robbery can be common, insecurity related to access to areas of intervention was not identified as the most likely risks for cash programs in NWS. Such risks appear to have been effi-

ciently mitigated thus far. Yet, a couple of key informants have noted that security risks could grow in the future. In particular, the high uncertainty of the situation on the ground could lead both armed groups and affected populations to increasing levels of desperation and violence. Overall, residual security and safety risks are very low, but they should keep being actively monitored and mitigated.

Visibility of cash

A lot of the difference in risks, both perceived and real, of cash assistance compared to in-kind comes from the difference in visibility between the two. While cash is hardly photogenic and can be made invisible, food kits are by contrast typically very bulky as well as the stereotypical image of humanitarian aid.

This difference in visibility plays in a few different ways: (1) while you can take a picture of food aid with the donor's logo on the box and print it in newspapers, you cannot do so with cash. In other words, cash assistance is less 'advertizable' than in-kind; (2) while you can take a picture of food aid with donor's logo being diverted by an armed group in the background, you cannot do so with cash. In other words, in addition to also being arguably less common and likely, cash diversion is less 'memorable' or demonstrable than in-kind; (3) trucks of food aid blocked at the border can easily stir up outrage, while populations will be less likely to move by cash flows blocked in a bank. In other words, cash is less 'leverageable' than in-kind; finally (4) beneficiaries carrying the food assistance they have just received can be easily identified and subsequently robbed, whereas cash can be more easily transported and hidden. In other words, cash is less 'targetable' to violence and diversion than in-kind.

Financial and fiduciary risks

DFID (2006) defines fiduciary risk as the risk that funds are not used for the intended purposes and/or cannot be properly accounted for. By contrast, the financial risk of a humanitarian intervention is not to achieve its intended value-for-money. In NWS, the limited understanding of real fiduciary risks and the lack of consensus over effective mitigation and management mechanisms are likely to be the greatest barrier to the scale-up of cash-based assistance. Donors recognize that fiduciary risk is inherent to crisis-affected countries and to programs involving direct cash transfers to beneficiaries because of the high volume of low-value payments being distributed. While they generally accept that there will always be some rate of error and mistargeting of the most vulnerable, they are much more adamant about effectively reducing through due diligence the risk of fraud by armed, terrorist groups. And if not convinced that these risks can be properly reduced, they would otherwise rather avoid that risk altogether.

More than diversion per se, it is the risk of financing terrorism with humanitarian aid that needs to be most effectively addressed and mitigated. This risk perceived to be directly related to the use of hawala networks as financial service providers. Yet, the limited understanding of hawala systems within the humanitarian community is an important inhibitor to the appropriate assessment of such fiduciary risks in NWS. For example, very few international staff interviewed were aware during interviews of how financial transactions take place within hawala networks and many couldn't describe in details either the financial flows and processes put in place by their implementing partners.

As for financial risks, the main threat in NWS is arguably

not a risk of default from local partners but rather risks related to the lack of competition between financial partners. As noted in similar contexts, hawala agents seldom fail to effect payment. Default risks can also be virtually eliminated through the 'confirmation-before-payment' process. (ODI, 2018a). Key informants in the field confirmed that there had been over the past several years only seldom instances where payments were delayed or cancelled due to insecurity. By contrast, the risk of abuse of power by one of the few effective FSP capable of delivering cash in NWS is very real. Lessons learned from Afghanistan show that this risk can be mitigated effectively by encouraging competition between FSPs and through the diversification of delivery mechanisms (UNHCR, 2019). While limited cases of abuse of power in cash assistance were reported in Afghanistan, organizations with several FSPs were able to ensure that issues were taken seriously and swiftly solved.

Finally, whilst a constant concern of donors, the risks of duplication of beneficiaries across organizations providing cash assistance is not considered a significant issue by most key informants. Key informants emphasize that the needs are huge even in most crowded areas and in their opinion the likelihood and impact of gaps is currently much greater than that of overlap.



What is the risk of financing terrorism?

There are fiduciary, legal and political risks related to unrestricted cash assistance being diverted and used by armed groups. There are also perceived reputational risks for humanitarian actors and donors related to having cash assistance serving to finance terrorism. It is essential to rationally measure the real residual risks that exist in NWS, in order for all stakeholders to decide whether their concerns can be sufficiently minimized. To this day, there has been no terrorist group taking credit for cash transfer programs in NWS, nor reported evidence of cash transfers being diverted to armed groups either through hawalas or before, during and after distributions.

The risk that cash assistance is diverted to terrorist groups through hawala networks is not related to the use of hawala agents as a delivery mechanism for cash assistance but with their use as financial service providers. More specifically, it has to do with two things: the potential other clients that hawala agents may have and the fact that because of the way hawala networks function funds cannot be traced in straight-line from the donor to the recipient. Regarding the first risk, the probability that terrorist groups in the Middle East use hawala agents for their illegal transactions is high. But in practice, if there existed a formal banking system in NWS, the probability that a few, specific, identifiable local bankers with questionable connections would have terrorists among their clients would be comparable. Also, this most likely affects a very limited number of specific hawala agents with very specific networks. The exposure for armed groups themselves would otherwise be too wide. As such, with good information, bad apples among individual hawala agents could potentially be identified without rotting the entire hawala tree. As for the risk related to improper use of funds within hawala networks, it can also be effectively reduced with better information on individual hawala agents that would be made common knowledge, as well as by using “reimbursement-only” processes as a best practice and the other mitigation measures described in the section on FSPs.

The risk of cash assistance being diverted by terrorist groups prior to distribution is estimated as low in NWS by all key informants. Local armed groups have not displayed predatory behaviors until now. On the contrary, some believe that they have strong incentives in terms of their own legitimacy with affected populations not to see humanitarian assistance suspended. One grey area that remains in most discussions is related to negotiations for access. This applies similarly to cash assistance and in-kind assistance. OCHA and NRC (2013) recommend that ‘counter-terrorism laws and related measures adopted by governments and relevant intergovernmental bodies should exclude ancillary transactions and other arrangements necessary for humanitarian access, recognizing that humanitarian actors operate in areas under control of groups designated as terrorist.’ That said, until now, to the best of our knowledge, the legality of such arrangements has not been clarified. While no key informant has reported observing any such practice, it would be relevant to have a transparent discussion on this specific aspect with donors. Negotiated access has been shown in other contexts to be particularly relevant for camp settings. In NWS, many informants have described very strict suspension procedures in case armed groups would attempt to raise taxes in exchange for access. Yet, it is important to recognize that such strategies are obviously only efficient when enforced collectively.

The risk of cash assistance being diverted by terrorist groups during distribution, in other words the risk that assistance would be mis-targeted and that active members of terrorist groups would be part of the beneficiary pool is also relatively limited. Community members eligible to assistance are the most vulnerable and the ones with the worst living conditions, which is less likely to be the case for armed group members. In cash programs, the eligibility of beneficiaries is also systematically verified by field staff (so the risk for cash to be mis-targeted is actually lower than for in-kind). Finally, community members know each other well and they know that only civilians are entitled to assistance, so any mis-targeting tends to come up during monitoring or through complaints. This last argument applies to cash assistance in particular since the mis-targeting of cash assistance is much less acceptable to beneficiaries overall than the mis-targeting of in-kind aid.

Finally, the risk of money being diverted by terrorist groups post-distribution through taxes on beneficiaries can be well monitored. As a result, it is also considered as relatively low by most key informants. Only a few cases of attempts at post-distribution diversion were reported, and these were instances in which Local Councils attempted to raise taxes. The cases were immediately picked up upon during monitoring or through complaints mechanisms. Following proper investigation, strong mitigation procedures were enforced. Typically, they would include the immediate suspension of assistance until Local Councils had restituted what they captured and a public, written apology to their community for their behavior.

Overall, best practices are already in place to limit the risks of diversion. The entire humanitarian community is also scrutinizing cash programs to make sure that internal processes around procurement, selection and distribution are strong and properly implemented, including constant monitoring and prompt reaction to any issues. Similarly, due diligence routines tend to be carefully documented. In the end, because cash systems are so strong and under so much scrutiny, the likelihood of diversion of cash assistance by terrorist groups is low both in likelihood and in magnitude compared to in-kind. Existing monitoring systems would pick-up fast on any discrepancy and possible residual issues could only affect very few households. The reputational risk of cash assistance financing terrorism is thus arguably also more of a perceived risk than a real risk: it is much more likely that massive diversion of aid by terrorist groups would be uncovered with in-kind assistance than with cash assistance in NWS.

Reputational, political and legal risks

Other than financing terrorism, there are political, reputation and legal risks associated with working with specific groups and specific areas of operation in NWS. Orga-

nizations registered in Turkey largely depend on Turkish authorities for their continued operations. Some key informants have raised the threat that for political reasons local authorities could shut down the bank accounts of international agencies, thereby making it impossible for them



to operate. Several key informants have also described relationships with Turkish authorities on the ground as unpredictable, including delays, duplication of efforts and other difficulties related to the control of warehouses in Turkish-administered areas.

A counterpart of the reputational risk for donors of a bad headline on cash assistance is the real risk for humanitarians that they will decide to scale down, like it is currently happening in Yemen. There have been examples of donors limiting their activities in anticipation of a problem if the risks are considered too high. It could also be that the integrity of a particular agency has been called into question and it is discovered that it did not actually comply with their contractual requirements, which ends up trickling

down and impacting future funding for all agencies (Metcalfe-Hough et al., 2015). Overall, some real risks that are born by aid agencies in NWS are not directly related to their own behaviors but to the behavior of other stakeholders within the humanitarian community. There is no real way of mitigating such risks other than transparency, peer pressure, and actively working with donors on appropriate mitigation measures, so as to provide them with as much assurance as possible. Yet ultimately, with the amount risk transfer that is actually formalized in contracts, humanitarian organizations should also be aware of and measure their legal exposure to a lawsuit if a case of fraud or diversion was effectively to come to light.

Is the use of hawalas a mitigation measure or an exposure to risk?

There is an inherent tension in the nature of the relationship that the humanitarian community in NWS cultivates with hawala agents. Most of the conversation around risks of financing terrorism in NWS crystallizes around the limited understanding and visibility that humanitarian actors have over the funds channeled through hawala networks. There is a perceived risk that the use of hawala agents as financial service providers opens an exposure to diversion risks, although the actual likelihood and impact of those risks are rarely effectively measured.

By contrast, originally, the use of hawala agents as delivery mechanisms for cash assistance was considered an effective mitigation measure for some operational and security risks. By moving money through businesses like vendors and hawalas, aid agencies can transfer the risk of transport and storage in a way that is rarely possible with in-kind transfers (Harvey et al., 2010). There is also evidence that where strong and trustful relationships have been built, hawala agents can also provide implementing partners with important, reliable information about the local context and the security conditions in the field (Beechwood International, 2015).

Operational and organizational risks

In the current context, other than loss of access, the main operational risk identified by most key informants that would directly affect cash-based programming is the non-renewal of the cross-border resolution and the ensuing suspension of cross-border activities for most if not all UN agencies. This could create a void of oversight capacities as well as a gap in funding and in the financial capacity of remaining organizations to effectively channel humanitarian funds toward implementing partners. Finally, it could create a gap in assistance since a large part of the response is currently provided in-kind by WFP in the form of food aid. Yet there is currently so much uncertainty about such a scenario that it is difficult to consider proper mitigation measures and preparedness.

More delimited operational risks with current cash-based programming include being cast-off by a service provider, dealing with the failure of a technical system, or losing access in a given area. All these risks can be effectively mitigated by diversification strategies such as mixing modalities, delivery methods and areas of operation in programming. The technological risk more specifically, which is increasing with the digitization of cash and voucher assistance, can be further mitigated with the systematic use of back-ups, pilots and failsafe. Operational risks with lesser impact but similar likelihood include systematic delays in the delivery of cash and voucher assistance because too rapidly increased

volumes in cash-based assistance would have overcrowded existing capacities of either aid organizations or their partners, or the current liquidity of the NWS economy. Such risks can be mitigated with a gradual scale-up of cash and voucher assistance as well as good coordination mechanisms.

Risks for beneficiaries

All aid programs involve the transfer of some valuable windfalls into a resource-scarce environment and have the potential to create competition between beneficiaries and non-beneficiaries (Strauss-Kahn, 2019). Yet, while in-kind commodities can be just as vulnerable as cash to the adverse effects outlined by the Do No Harm project, protection and diversion risks are usually perceived as particularly salient with cash assistance because of its inherent fungibility and desirability.

Protection risks

The perception of whether receiving cash exposes some beneficiaries to violence varies a lot by key informants. The notion that cash generates more competition conflicts with the experience that protection risks related to cash programming in NWS are effectively mitigated by proper communication and targeting. Education level, literacy, numeracy and lack of familiarity with financial services are generally not considered as additional risk factors in NWS.



In many other contexts, it has been shown that the most vulnerable can also be those most exposed to risks of violence and abuse after receiving assistance. But several informants pushed back on this assumption by emphasizing the fact that in NWS targeting criteria are well accepted. Vulnerable groups are respected, their needs generally recognized as higher than other households, and to some extent they are more likely to be cared for by their community (HNAP, 2019). Interestingly, one key informant even suggested that the risk of being taxed following the reception of cash assistance was in practice higher for those who were perceived as illegitimate recipients of assistance, whether they were indeed mistargeted or the targeting criteria were simply unclear. In other words, in their opinion, it was the least vulnerable households that would be more likely to be taxed if they received assistance, not the most vulnerable households.

Risks for women

Protection risks for female recipients of cash assistance are not necessarily well understood. But key informants generally rate them to be relatively low in NWS. There is some limited evidence from other contexts that cash transfers can raise the risk of domestic violence for women, where male heads of households can find it hard to accept that women were receiving cash. But with limited understanding of intra-household dynamics in NWS, it is difficult to say whether that would apply to this context. In any case, other than the targeting of female-headed households as a category of vulnerability, it is not common practice for cash transfers in NWS to be directed specifically at female recipients within households. As discussed, the use of cash for specific protection interventions targeted at women has also been limited so far. More generally, the dominant perception among key informants was that cash had little impact on household dynamics in NWS, including on gender dynamics.

Another risk factor for women is that they could be subject to abuse or threats to their physical security during and following distributions if they have to travel to collect their cash or their vouchers. In addition, as was noted in similar contexts like Yemen, and either because of cultural, safety or logistical reasons (concerning their ID or an unwillingness to reveal their faces), they may rely on others to collect these entitlements. This may also leave them vulnerable and open the door to possible protection concerns. However, most key informants, while recognizing that these risks should be monitored, still classified them as relatively low in both likelihood and impact.

Data protection

Implementing NGOs have mentioned risks related to the leakage or malicious use of beneficiaries' data. These were in particular emphasized to justify their reluctance in sharing information considered sensitive with clusters and other coordination structures. The leakage of beneficia-

ries' information can put them at risk of being targeted for violence or harassment because they received aid, or simply because of their ethnicity, religion or medical background. Such risks have been shown to be very real and important in other conflict contexts. Informed consent and confidentiality of beneficiary information are thus important protection principles and humanitarian principles that need to be upheld. That said, with proper data collection, storage and management procedures, the likelihood of leakage can be seriously mitigated, especially with digitized data. The actual impact of leakage in NWS was also generally not considered as problematic as in other contexts in which there would be strong ethnic, religious or political divisions within recipient communities or well-identified predatory behaviors by non-beneficiaries.

Tensions between beneficiaries and non-beneficiaries

The only significant protection risk that was identified for cash assistance in NWS is the risk of growing tensions between recipients and non-recipients. Because of strong egalitarian norms, since cash assistance is highly desirable to all affected populations, and considering the very high levels of need overall, cash assistance is more likely to generate frustration among non-beneficiaries than other modalities, especially if targeting and eligibility requirements are not clear or not well communicated. And since beneficiaries are by design more vulnerable than non-beneficiaries, such tensions raise serious do no harm and protection concerns (Strauss-Kahn, 2018). Smaller transfer sizes and tranches in disbursement can help with alleviating tensions between recipients and non-recipients. In NWS, the risks of tensions within recipient communities may also be exacerbated in the coming months by external factors such as high inflation or a higher level of desperation of the population overall due to changes in the context. Increase in tensions should be monitored through feedback mechanisms and can be mitigated wherever necessary with a broader coverage of cash assistance.

Diversion risks

Diversion risks encompass any aid that doesn't benefit its intended beneficiaries. There are many forms of diversion and an important distinction between corruption or fraud risks (aid diverted by third-parties before it even reaches the recipient community), targeting risks (aid that is not received by the right people at the time of distribution), or risks like theft and taxation (aid that is more or less violently taken from beneficiaries after distribution). Diversion can be the work of unintended recipients within beneficiary communities such as local elites or less vulnerable community members, of armed groups, of vendors, and it has even been known to come from humanitarian workers themselves in some contexts (Harvey, 2005). Overall, since diversion is such a diverse phenomenon, there is no evidence of cash assistance being more or less prone to diversion than other forms of assistance (Strauss-Kahn,



2018). While many people are still convinced that cash-based interventions are more susceptible to diversion than other modalities, theft and fraud have in fact been shown in specific contexts to be less likely with cash and vouchers than with in-kind aid (Chene, 2010). Since aid diversion is an important stake for cash assistance in NWS, this topic should warrant more in-depth study and attempts at proper measurement.

Before looking in more details into risks of diversion before, during and after distributions, a few general observations about diversion and cash assistance are worth emphasizing. Electronic tools for cash assistance can reduce diversion risks pre- and post-distribution through more transparent tracking (Murray, 2013). Somewhat surprisingly, risks of diversion have also been observed in many contexts to be lower for emergency programs than for regular programming, despite the latter being relatively easier to monitor. This can be explained by the high level of needs during emergency as well as by the fact that known systems that are repeatedly used tend to be more liable to fraud (Maxwell, 2008).

Fraud and corruption

The high-quality systems developed for cash transfer programming bring distinct advantages for reducing and managing fraud risk (Sossouvi, 2013). In NWS, segregation of duties, double control and increased digitization in all procedures from verification until reconciliation are essential in combating fraud: it ensures that any discrepancy would be quickly picked up upon and acts as an efficient deterrent. As a result, fraud risks by humanitarian workers are usually considered well-mitigated.

While high risks of corruption related to procurement, storage and transport of goods are well-known with in-kind aid, using cash rather than in-kind distribution helps avoid some of these opportunities (Lor-Mehdiabadi et al., 2008). While intermediaries could tax in-kind products and divert a portion to be sold for cash, tokens and vouchers can easily be de-activated and become unusable if they are stolen before distribution. Overall, the risks of diversion of cash assistance by local actors before it even arrives to the recipient communities is considered as medium to low by most key informants and definitely lower than for in-kind assistance.

Compared to other conflict context, there are less reported risks of banditry or small-scale attacks such as assaults and muggings in NWS. Armed groups have also not displayed so far predatory behaviors towards assistance. On the contrary, these are organized groups with 'state-like' ambitions for whom legitimacy with population is important. Since it has been made very clear that aid would be suspended if there were attempts at taxation for access to affected populations, the risk is of such corruption is limited. Blocking the distribution of humanitarian aid to the population in need would conflict with their wish to

gain widespread support and buy-in from these communities. And this regulatory mechanism is likely to work better with cash than in-kind since communities are very eager to benefit from cash assistance, the backlash of suspending cash distributions because of attempts at taxation would be higher. However, criminal or predatory behaviors could increase with a deterioration of the context and less other options for the population or armed groups to meet their needs and the risk should keep being mitigated and monitored closely.

Targeting and registration

There are no risks of leakage or scoping during distribution with cash and voucher assistance like with there is with in-kind aid. Cash and vouchers can be counted, and it is easier to determine whether the expected amount has been received. In NWS, the risks associated with diversion of cash-based assistance during distribution are related to targeting and registration of beneficiaries.

In remote management, there are increased risks of payments made to "ghost" beneficiaries, that would result from collusion between administrative staff and beneficiaries or between staff processing the benefit and those paying the benefits. Yet, there again effective segregation of duties, double control and double monitoring of processes as well as good complaints mechanism can effectively mitigate these risks.

Since field staff relied on Local Councils to provide initial beneficiary lists, these long lists can be manipulated under the influence of the local elite, leading to either the exclusion of eligible or the inclusion of non-eligible households such as their friends and family. Inclusion errors and elite capture are not considered a major risk since the best practice for cash and voucher assistance is generally to verify the eligibility of up to 100% of the households that Local Councils have put on their long lists and to include only verified households on final beneficiary lists. Most implementing partners also have a double control of verification data, which is collected provided by the field staff and verified and validated by the country office. While the likelihood of inclusion error might be higher with cash than with in-kind initially because of the desirability of cash assistance, the higher standards of cash systems and procedures in practice ensure that the residual risk is similar if not lower than with in-kind distributions.

Exclusion errors might typically be more of a concern in NWS, not because there is evidence of systematic attempts at marginalizing groups within the affected population but rather because norms and implementation constraints both limit the ability of field staff to survey households within recipient communities that have not been put on beneficiary lists by the Local Council. The best practice that was identified to mitigate that risk is the involvement of some key informants from the recipient community into the targeting process, such as representative from the IDPs



as well as other informal elites like teachers or doctors. Yet, despite their likelihood and potential impact in terms of underserving the most vulnerable, key informants were not very preoccupied with risks of exclusion errors.

Another risk factor related both to integrity and to targeting is when agencies are pressured to include sub-groups who do not meet the targeting criteria, which tends to happen more with cash assistance because of stronger egalitarian norms tend to apply. Agencies may then have to face a trade-off between the precision of their intended targeting (for example, targeting only vulnerable IDPs) and the risk of reduced community acceptance. An accepted best practice to mitigate such cases is typically to accept that most vulnerable members of the host community may be eligible to targeting criteria as well.

Overall, the politics of targeting are easier in NWS than in other conflict contexts because there is major tensions within communities in the first place. Attempts by local authorities to influence beneficiary lists were noted as more of a problem in Al Bab and Azaz than in Idleb. One key informant suggested that for various reasons Local Councils are more accountable to their population in Idleb and that Local Councils in Turkish-administered areas tend to end up putting more members from the host community on the lists. Another key informant also provided evidence indicative of the possibility that inclusion and exclusion errors may be larger out-of-camps than in camps.

While cash and vouchers are more invisible and may be harder to monitor by a third-party, the risks of diversion during cash distributions are also mitigated by increased oversight from the recipient community itself. While they might not care as much about attempts at influencing lists for in-kind assistance, because cash is desirable there is often much more scrutiny from the community itself with cash assistance to ensure that cash and vouchers indeed go to the households that are entitled and most vulnerable. In such instances, increased transparency about entitlements and targeting criteria as well as clear and effective communication of project objectives are effective ways to help mitigate diversion risks.

Finally, another risk related to distributions of unrestricted cash that has been documented in other contexts is abuse of power by FSP. Anecdotal evidence exists in situations where beneficiaries are 'captive customers', including

excessive fees, humiliation and harassment. While the risk is theoretically heightened in remote programming, it virtually does not exist in NWS since program, finance and M&E staff from the implementing partner are present during distribution and can monitor the behavior of the FSP.

Theft and Taxation

There is not a lot of evidence of either theft or systematic taxation happening post-distribution of either in-kind or cash assistance in NWS. The only type of taxation widely documented is check point and taxation over displacement or transport. In such cases, having cash available to pay for it actually diminishes the protection risks involved. Some informants consider that in NWS cash and vouchers are less susceptible to theft than other modalities as they are less conspicuous and easier for beneficiaries to carry home compared to food kits or NFI kits. In general, risks of theft and taxation can be effectively monitored in PDMs and through CRM and they appear low in NWS.

A few cases of attempts at small-scale, post-distribution taxation by Local Councils were effectively picked up upon and confirmed after investigation by field staff. They would typically affect only a handful of households among the pool of beneficiaries and are not strongly correlated with vulnerability. Most implementing partners have strong mitigation measures in place for such cases – typically the immediate suspension of assistance until the aid diverted has been restituted to its intended beneficiaries and the local authorities have formally apologized to their population –, and wherever these were enforced, they have proven quite successful in preventing further abuse.

One advantage of e-vouchers is that their usage can be suspended and de-activated up until the time they are redeemed against commodities by the beneficiaries. This makes mitigating post-distribution diversion marginally easier than with unrestricted cash. With cash, if the beneficiary is robbed between the distribution and the time they use their windfall, nothing can be done to recover their entitlement. With e-vouchers, if the aid organization can confirm that a robbery has occurred, they can then stop the vouchers from being cashed and issue a new one. Additionally, debt collectors are known not to take vouchers away, which is another way in which vouchers could be more secure than cash.

Contradictory injunctions?

It can seem that the best practices identified to mitigate risks of diversion are somewhat incompatible and contradictory with one another. On the one hand, there is an injunction to communicate a lot and be as transparent as possible with the recipient community. On the other, there is a recommendation to be as invisible as possible. In other words, you want the community to know about the objectives of the project, the targeting process, and the amount to be received, etc. But also, you want non-beneficiaries not to know exactly when or where disbursement happens, or what people individually receive.

The most popular approach is to be fully transparent with all stakeholders, including potential sources of diversion such as community leaders, and to rely on internal control and peer review within the community. While being as invisible as possible towards armed groups may seem desirable, it is often pointless to expect that they will not know about what is happening on



Vouchers and abuse of power by vendors

In voucher programs, where beneficiaries can redeem their entitlement with pre-agreed traders, there is a risk of post-distribution diversion due to abuses by vendors. This can happen either through artificially high prices due to collusion between traders, or by sale of vouchers below value in order to access cash (Cabot Venton et al., 2015).

In 2016, according to Global Communities, voucher programs were perceived to be the least effective modality within NWS, not because of a lack of functional markets but because of concerns that they were more susceptible to fraud or manipulation by vendors than other assistance modalities. Since then, the increasing use of e-vouchers over paper vouchers has helped with mitigating price manipulation, along with better market monitoring as well as creative best practices such as “secret shoppers”.

Unintended Use

A perceived advantage of vouchers over unrestricted cash is sometimes that it makes it easier for agencies to control what people buy with what they receive. While principles of autonomy and empowerment of beneficiaries suggest that people should be allowed to use the assistance for whatever they want, and while information about their needs and usage can be obtained through other means like in PDMs, some humanitarian actors are still intent that cash assistance should not be usable for unintended expenses such as buying cigarettes. Unintended use seemingly presents the potential risk of contributing to harmful practices while limiting the impact of the intervention.

Typically, there is a strong consensus in the literature that beneficiaries in fact do not spend cash transfers on vice goods. As a result, the unintended use of cash assistance is probably significantly lower than with in-kind. And restricted vouchers are not an effective mitigation measure, since beneficiaries are known to sell, sometimes at great loss of value, in order to meet the needs that they deem most urgent.

Finally, there broad agreement among key informants that when needs are as high as they currently are in NWS, the misuse of funds is low, and additional monitoring and communication minimize the likelihood of this occurring. For some key informants, the needs of the targeted community were so great, and the amounts provided comparatively so small, that the idea of using cash for ‘anti-social’ purposes was almost inconceivable. In fact, PDMs confirm that they tend to be spent on urgent needs, with little to spare for non-essential items.

Risks for markets

Cash-based assistance is known to have the potential to

yield distortion, distribution and dependency risks on markets. These happen if a project’s market analysis is weak, or if the situation in the market changes and the project is not adapted quickly. Then the market may not be able to support the project without inflation in prices and stock problems.

In general, cash and voucher transfers in NWS were not found to lead to inflationary effects on markets or to other significant distortions. Yet, risks for markets have to be monitored closely in cash-based interventions, especially insofar as they would affect both beneficiary and non-beneficiary population. Participants get less value for their assistance and non-participants can quickly blame the project (or even those who did receive support) for the hardship.

Distortion effects are related to the capacity of the market to absorb increasingly large injections of cash. Most commonly, cash and voucher interventions could lead to an increase in local prices. Key informants were confident there was a low probability of cash-based programming in NWS negatively impacting prices and local markets, since the economy is still very much cash-deprived. This analysis is confirmed by suggestive evidence from marketplace monitoring following various cash-based interventions. By contrast, cash and voucher assistance in NWS is regarded by many implementers as a way of fostering economic recovery in times of crisis.

For voucher programs, best practice is typically to sign agreements with vendors that list the locally appropriate maximum price for specific food and non-food items. For direct cash distributions, it is ensuring that the price of critical commodities remains within a certain percentage of average price and inflation. All key informants described the markets in NWS as functioning, as having the capacity to absorb cash injections and as offering good quality products following cash transfers to beneficiary populations. This perception is backed by evidence from regular market analysis and price monitoring exercises undertaken in areas of intervention.

Distribution risks are related to the control of resources by a small number of suppliers and vendors. A liquidity crisis or the existence of shortages could bring vendors to prioritize some customers over others or to push goods onto more vulnerable customers. Marketplace analysis and monitoring to adjust transfer value. These risks can be effectively monitored with ‘secret shoppers’ and post-distribution monitoring of vendors and of their customers.

Dependency risks are related to the potential of cash-based interventions to undermine local production. Yet there is a discussion as to whether dependency risks are inherently higher for cash or in-kind assistance. Some specialists consider in-kind aid as potentially more detrimental than

cash, especially if products have not been bought locally, as this can saturate markets and destroy local and traditional production. In NWS, in any case, only 30% of the available goods on markets come from local production anyway and it is mostly the current shifts in territorial control –

in particular in southern Idleb, the Green Idleb, which is traditionally a fertile agricultural area – that are most likely to affect local production. Supply-side interventions in kind on the marketplace are a good way to mitigate risks of dependency for vendors and traders.

RECOMMENDATIONS

Recommendation 1: Donors should encourage a strong, collective, structured and documented approach to risk analysis and risk management. Risk analysis is still too often considered an internal exercise of a secretive nature. A collective workshop on risk analysis and risk management could help build confidence during subsequent conversations with donors.

Recommendation 1.1: The CWG could lead the efforts to build a collective risk analysis framework between donors and aid agencies. There would be several anticipated benefits for participants in the workshop: agree with donors in distinguishing between perceived risks and real risks; establish a real, measured assessment of residual risks for cash-based programming; learn from other organization's experience with various types of cash and voucher programs by sharing mitigation strategies; and coordinate on best practices.

Recommendation 1.2: Based on this common understanding and measurement of threats, each organization can then develop a well-informed and practical risk analysis and mitigation plan internally. This can then become a key document that can demonstrate competence to a donor when seeking funding.

Recommendation 2: Donors should consider funding a specific study of diversion risks in cash and voucher programming since this is considered to be the major risk related to cash-based programming in NWS.

Recommendation 3: Aid agencies should work wherever possible with a range of local partners per location instead of a single partner in order to avoid creating monopolies or conferring excessive power on one local actor.

Recommendation 3.1: In particular, aid agencies are encouraged to establish framework agreements with more than one FSP to trigger competition. Different FSP can typically be used in different geographical locations or for different types of cash and voucher assistance.



CONCLUSION

CASH & VOUCHERS

In NWS, cash is more adapted than in-kind or voucher assistance to respond to needs that are not only extensive, but fundamentally multisectoral, with high variation across locations, across households and over time. The impact and the value-for-money of cash are arguably higher than both in-kind and vouchers, insofar as there are fewer concerns about the sale of assistance. In addition, cash assistance is culturally appropriate insofar as affected populations, which were on average middle-income, well-educated, mostly urban households prior to the conflict, are very familiar with cash-based economic exchanges and since a lot of important expenditures are cash-based. Overall, cash is largely preferred by affected population to both in-kind and vouchers because it is perceived as respecting their dignity and significantly increasing their autonomy. Donors are important enablers of the scale-up of cash assistance since perceptions about funding opportunities and donors' expectations influence what organizations are willing to propose or pilot in terms of cash-based programs.

Recommendation 1: Aid agencies should favor the distribution of cash rather than vouchers wherever possible.

Recommendation 2: Donors should provide collective, clear, coordinated messages in support of cash-based interventions in NWS and in particular of unrestricted cash distributions, in reaffirmation of their global commitment to the Grand Bargain agenda.

Recommendation 3: If vouchers are used, aid agencies should set as little restriction as possible. There are some very specific cases in which vouchers can be more appropriate than cash, typically if quality is an important factor or if there is a high volatility in market prices for a commodity (e.g. fuel, water, etc.). In all other contexts, vouchers are generally a second-best option.

Recommendation 4: If vouchers are used, donors should consider funding pilot voucher programs in which small cash-outs are distributed to beneficiaries directly by vendors.

GENDER & PROTECTION

Households with special needs, in particular households with health needs, have more difficulties covering their needs than other households and should benefit from additional programming whenever possible. In general, while the targeting criteria in use are appropriate and a good proxy for structural socio-economic vulnerabilities, there is more variation within vulnerability categories than across them (including gender, age, or disability-based categories). There is some evidence that cultural norms can both foster and hinder the inclusiveness of cash and voucher programs. Overall, there is a need for a more nuanced and specific understanding of protection outcomes in cash-based interventions in NWS. This will allow for the development of more appropriate and effective protection and gender mainstreaming in cash-based interventions as well as for the design of specific cash-for-protection programs.

Recommendation 1: Aid agencies should consider additional programming for subgroups of population with special needs, in particular for vulnerable groups with special health needs like households with disabilities or chronic illnesses, and pregnant and lactating women.

Recommendation 2: Aid agencies should favor mixed-modality approaches to address the differential needs of most vulnerable populations, with MPC provided to all eligible households and top-ups in-kind or ideally in vouchers (to benefit from additional multiplier effects on markets) provided only to the most vulnerable households among beneficiaries. Typically, top-ups could be hygiene kits, dignity kits, RTEs, stoves or other NFIs.



Recommendation 3: Donors should encourage aid agencies to build on the extensive local knowledge available from their Syrian staff and to formalize into lessons learned and operational guidelines by financing specific background studies on topics such as intra-household dynamics, gender and protection vulnerabilities, etc.

Recommendation 4: Donors should push for service mapping to become part of the standard AAP procedures for cash-based programming, especially since this represents no significant additional cost or logistics for aid agencies.

Recommendation 5: Aid agencies should work more closely with protection and child protection actors in order to facilitate the identification and appropriate integration of protection cases into cash-based projects.

COVERAGE & TARGETING

The use of restrictive targeting criteria in the distribution of cash assistance can conflict with existing, strong egalitarian norms. In general, cash assistance in NWS is easier to distribute with a broad coverage while in kind and voucher assistance can be used for more restrictive targeting.

Recommendation 1: All stakeholders should work together to harmonize coverage and targeting strategies in cash-based interventions and tailor them to the main characteristics of areas of intervention (opposition-held areas or Turkish-administered areas, hard-to-reach or crowded areas) and to the population that is served (in camps or out-of-camps, more or less mobile, in primary or secondary displacements).

Recommendation 1.1: In emergency settings and for populations in transit or on the move, MPC targeted restrictively at IDPs should be favored to increase the mobility of assistance. In more stable settings and areas of secondary displacement, vouchers assistance becomes a possibility, in particular if used in mixed modalities approaches, and broader, more inclusive targeting is more appropriate to facilitate integration.

Recommendation 1.2: For new arrivals, one-off transfers for asset replenishment are appropriate. For older displacements and host communities, repeated interventions to cover basic monthly needs and restore disrupted safety nets should be preferred.

Recommendation 1.3: Broad coverage with MPC should be favored in hard-to-reach areas to ensure that there are no gaps in assistance. More restrictive coverage and more specific cash-based interventions are appropriate in crowded areas, in which the main concern is rather the level of needs and the duplication in assistance.

Recommendation 1.4: Direct distributions of cash and vouchers should be combined with the use of conditional cash programs as early as possible in order to cover longer term objectives or more specific behavioral and sectoral impacts, as well as to facilitate the transition to early recovery and the phasing out of emergency assistance.

Recommendation 2: Smaller, more regular transfers or disbursement in tranches should be favored wherever appropriate.

MARKET INTERVENTIONS

Local markets in NWS have been exceptionally functional, accessible, responsive and resilient throughout the crisis and they are expected to remain so in the foreseeable future. With the local economy remaining generally cash-deprived, the only concerns about cash-based programming with regard to markets include the limited foreign currency liquidity in NWS that can already be noted with some denominations in USD as well as the possibility in the future of growing tensions with non-beneficiaries due to external factors of inflation

Recommendation 1: Aid agencies should keep considering the distribution of cash assistance in USD as best practice. If there are concerns about the availability of dollar bills, the value of transfers should still be indexed on USD and a standard for an acceptable ratio of the transfer that can be distributed in SYP at daily rate should be set.

Recommendation 2: Aid agencies should consider more systematically the use of supply-side interventions if they expect risks of shortages or wherever markets are not functioning optimally rather than reverting to in-kind distributions, in order to keep build on the multiplier effect of market-based interventions.



Recommendation 3: In areas where large arrivals are expected over the implementation period, aid agencies should pay special attention to the capacity of vendors to effectively increase their stocks as well as to the competitiveness of local markets.

SCALE-UP & DIVERSIFICATION

To date, the vast majority of assistance in NWS is still distributed in kind. Yet, cash and voucher assistance may need to be scaled-up more rapidly and sooner than anticipated, given the level of needs and the current uncertainty about the future of the cross-border humanitarian response and the situation in NWS in general. Overall, there is a large capacity of humanitarian organizations to increase the volumes of their cash-based programming through both the scale-up and the diversification of their cash and voucher programs in the medium and long-term. The main challenge for the scale-up of the cash response will be the rapid pace at which it is likely to happen and the short time horizon to prepare for it. Additional challenges include the high volatility of individual organization's cash capacity due to staff turnover as well as the need for cash coordination structures to effectively grow at the same pace as the response in general. In line with their commitments to the Grand Bargain agenda, major donors are willing to increasingly fund cash and vouchers programs, including unrestricted cash transfers. Yet, all donors also require that aid organizations have already developed strong, robust monitoring systems and have already demonstrated their capacity for cash-based programming with successful pilots in NWS prior to engaging in full-scale cash-based interventions.

Recommendation 1: Aid agencies should increase their capacity for cash-based programming by both scaling-up their current cash and voucher programs and diversifying their programming through the use of pilots. This will keep strengthening the systems they have built and help them benefit from economies of scale while remaining flexible in their programming and developing their capacity to respond to various situations.

Recommendation 2: Aid agencies should favor the use of cash technical advisors to build their internal capacity for cash and voucher assistance transversely across programs rather than having a specialized cash team. They should also give special attention to the needs for capacity-building of their support staff.

Recommendation 3: Donors should facilitate cash programming with more flexible funding, including multi-modality, multisectoral, multi-year or multi-donors facilities.

DUE DILIGENCE & HAWALA AGENTS

Both donors and aid agencies have to comply with complex international regulations: cash transfers in conflict zones are subject to the highest level of scrutiny. In terms of international financial services, there are only two options available for money transfers into NWS: hawala networks and Turkish PTT services. Both are currently widely used for all humanitarian interventions – in kind as well as in cash and vouchers –, and both have some capacity to absorb a gradual shift from in-kind towards cash programming. The distinction between financial services (how the money flows into Syria) and delivery mechanisms (how beneficiaries redeem the assistance they are entitled to) is important in NWS. The same actors – hawala agents – can be used for either or both purposes. Hawala agents are an important element of social fabric and economic activity in NWS. Both beneficiaries and vendors interact with them on a daily basis. Yet the use of hawala networks for international money transfers raises significant concerns regarding exposure to the risk of aid diversion by terrorist groups. These risks can be adequately and efficiently mitigated with a proper level and quality of information on the individual hawala agents used by the humanitarian community. By contrast, the use of hawala agents as delivery mechanisms to carry physical money inside NWS to distribution sites presents no such diversion risks and it should on the contrary be considered as a best practice in mitigation of security risks. Overall, there are risks in working with any FSP exclusively. Beyond specific misgivings about the workings of hawala networks, the main concern in the use of either type of financial service providers in NWS should be the lack of competition.



Recommendation 1: Donors and aid agencies should engage in a frank dialogue, seeking guidance on the content, scope, and application of counter-terrorism measures.

Recommendation 2: CWG coordination could facilitate a clear and transparent two-way conversation between each donor and the CWG, including in particular implementing NGOs, in order for them to come up collectively with practical standards about what due diligence should look like and how to best present risk analysis and monitoring systems in proposals.

Recommendation 3: Donors should pool the costs and efforts related to due diligence requirements on financial service providers by funding a small task force that would gather, consolidate and share available information on local actors with whom aid agencies could adequately conduct financial transactions in the field.

Recommendation 4: Aid agencies are encouraged to establish framework agreements with more than one financial service provider to trigger competition. This would potentially reduce costs as well as reduce the operational risks related to depending on a single service provider. Different financial services and delivery mechanisms can typically be used in different geographical locations or for different types of cash and voucher assistance.

SYSTEMS & TECHNOLOGIES

Cash-based programming in NWS is already held to higher standards than in-kind assistance in terms of the quality of implementation and monitoring systems. There are in fact fewer issues reported with cash and voucher assistance in NWS than with in-kind assistance in both internal checks and beneficiary feedback. All implementation and monitoring systems for cash and voucher assistance in NWS are built on double-control mechanisms, such that no single actor has total control over a process at any point in time. This also means that it requires more investments than it would in less complex settings. Despite the additional costs related to developing higher quality systems, the value-for-money of cash assistance in NWS is still superior to in-kind. And contrarily to in-kind aid, its cost-efficiency will only increase with scale and over time. Organizations with experience of digital tools for cash and voucher programs, in particular e-vouchers and e-tokens for commodity-tracking, are unanimous on the positive impact that technology has on the efficiency and effectiveness of their interventions.

Recommendation 1: Aid agencies should increasingly move towards electronic systems for commodity-tracking and delivery methods. In particular, they should regard the use of e-vouchers and e-tokens as best practices in cash and voucher assistance as well as consider the systematic digitization of beneficiary data and explore the possibility of using e-wallets.

Recommendation 2: Donors should push for the development of inter-operable, competitive systems – for example systems that use natural coordination points like technologies and similar data formats.

Recommendation 3: M&E departments should be adequately staffed and budgets, taking into account the additional burden in monitoring and compliance activities related to the higher standards imposed on cash systems.

LOCALIZATION

All donors require a large degree of independent oversight and segregation of duties as a risk transfer strategy for cash-based programs in NWS. In practice, duties are often shared by different organizations with different roles: some organizations – often local organizations – have implementation capacity (field access in otherwise hard-to-reach areas) and other organizations – often international organizations – have oversight capacity (experience in building robust systems in various complex environments and the ability to invest in developing financial, compliance, delivery, and monitoring systems). This means that the success of cash programming also depends critically and ultimately on the effectiveness of partnerships between international and local organizations.

Recommendation 1: International and local aid agencies should favor partnerships over cash programming that are inclusive, equitable and foster mutual respect and collaborative behaviors. multi-year, two-way partnerships that favor investments in staff and systems capacity



Recommendation 2: Aid agencies should create formal learning opportunities that favor active mutual learning of international and local staff. Local staff and organizations would benefit from formalized coaching and mentoring. International staff could learn from the rich, local knowledge available from Syrian staff and field staff in particular. This would also help establish open channels of communication, build trust, and eventually facilitate common decision-making processes, information-sharing, and greater implication and sense of ownership over cash and voucher programs.

Recommendation 3: For all stakeholders, duty of care should remain a priority in NWS and more concerted efforts are required by all actors to enact it practically. In particular, donors and aid agencies should consider counting and thinking of local staff and local organizations as beneficiaries of cash assistance.

RESIDUAL RISKS

Cash transfers are not inherently riskier than other modalities. In NWS, residual risks of diversion in cash and voucher assistance are arguably lower than for in-kind assistance, due to the closer scrutiny and higher implementation standards placed on cash-based programming by agencies and donors. Similarly, residual financial and fiduciary risks are not significantly higher than if more formal banking systems existed. Finally, there are also no significant concerns about cash-based programming having distortive effects on local markets. Yet risk perception remains a major inhibitor to cash-based programming in NWS. In particular, cash assistance continues to be disproportionately perceived as more subject to reputational risks than in-kind distributions, especially among actors with less experience with cash and voucher assistance or with more risk-averse profiles. This perception is however not grounded in risk analysis of actual likelihood and impact.

Recommendation 1: Donors should encourage a strong, collective, structured and documented approach to risk analysis and risk management. The formalization of the process and dissemination of the final conclusions can be facilitated by the CWG coordination.

Recommendation 2: Based on this collective understanding and measurement of threats, each aid agency can then develop a well-informed and practical risk analysis and mitigation plan internally. This can then become a key document that can demonstrate competence to a donor when seeking funding.

Recommendation 3: Aid agencies should work wherever possible with a range of local partners per location instead of a single partner in order to avoid creating monopolies or conferring excessive power on one local actor.

COORDINATION & HARMONIZATION

Harmonization of practices and coordinated interventions are particularly important in a cash-based response. In the coming months, it is paramount that cash coordination effectively scales up at the same time as the capacity of humanitarian community for cash-based programming in NWS. The CWG coordination can provide technical and strategic guidance to other actors to facilitate this process. Yet, since the CWG is not a cluster, it lacks legitimacy in defining or imposing standards to other actors as well as doesn't benefit from dedicated resources. As such, ultimately, coordination and harmonization in the cash response will require commitments and efforts from all stakeholders to define appropriate standards and abide by them.

Recommendation 1: Donors should ensure that the CWG is adequately financed and staffed, including a technical capacity for data management as well as a dedicated functional budget, so that coordinators can focus on providing more effective coordination services.

Recommendation 2: CWG coordination should pursue its efforts to facilitate discussions among CWG members as well as with cluster coordinators on increased harmonization and coordination in cash and voucher practices, including standardized approaches on grant size, transfer frequency and duration, coverage and targeting strategies for various types of cash-based interventions. Discussions should also systematically include a pre-established schedule to revise and update standards that have been agreed upon.

Recommendation 3: CWG members should commit to coordinating with CWG coordination on dates and locations of disbursement for cash programs in order to limit the risks of delays and low liquidity in FSP networks.



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METHODOLOGY

This study was conducted in January and February 2020. The documentation and data gathering methods included a desk review of existing relevant studies and background papers; key informant interviews with a wide variety of stakeholders in the NWS cash response (including local and international NGOs, UN agencies, donors, cluster coordinators, etc); and the collection and analysis of secondary quantitative data from CWG members and coordination structures. All data presented in the document was triangulated with different sources.

Desk Review

The desk review included publicly available information on current humanitarian assistance and transfer modalities in NWS with the aim of contextualizing findings from key informant interviews and informing recommendations. A few internal assessments and evaluation reports from CWG partners were also accessed and used on a case-by-case permission basis, but they are not reported in the bibliography. Additional key documents and synthesis reports provided by working groups and clusters' were also included. Broader documents relevant to the WoS, 3RP of regional cash-based response for were screened to further contextualize findings. However, as discussed in the main document, given the differences in providing cash assistance in neighboring countries as compared to in NWS, the extent to which these documents were referenced was limited. In addition to grey literature, peer-reviewed literature was also searched to identify research on assistance modalities, programming, and context in NWS. A few articles relevant to this study were found. Findings from the literature review are presented along with other data by topic sections.

Key Informant Interviews

Group and individual key informant interviews were conducted to better understand the perspectives and experiences of donors, local and international non-government organizations (NGOs), field staff, and cluster coordinators. The interviews were conducted in Gaziantep and in Amman, or over the phone with key informants in other locations. A total of XX key informants were interviewed during the assessment. A summary of key informant profiles by type is presented in the data section. Interviews were conducted in the language of preference of the respondent(s). Following each interview, detailed notes were written up. Individual and group key informant interview data were analyzed using content analysis methods with the aim of identifying key themes, consensus viewpoints and viewpoints of a minority (within groups) or that were unique to certain contexts or locations. Respondents largely requested anonymity and no attributable quotes, and the documents endeavors to preserve their anonymity as far as possible.

Since the key informants are also the primary audience for the study, they were consulted as early as possible within the process of the study so that they could provide also important guidance as to the sections and topics that they would want to see most developed. Key informants were also asked to

provide feedback and comments on a first draft version of the final document.

Data Analysis

Secondary quantitative data was shared by some CWG members, clusters' dashboards as well as collected from specialized data management sources including OCHA, REACH and HNAP. Data was collected in the form of raw or cleaned datasets, PDM findings, survey reports, dashboards etc. Except for data collected from OCHA, REACH and HNAP, which was collected in a representative way over the area of interest, the data was shared by NGOs out of courtesy and is based on each NGO's areas of operations. As such, the sample frame for most of the data collected is not representative of NWS in general. The estimates used in this study are thus presented as indicative, anecdotal or suggestive data. The final report includes only descriptive statistics (frequencies, means, medians, and ranges) that were found to be consistent across different sources. The quality of the data available did not allow for significant disaggregation below the governorate level.

Triangulation and Synthesis

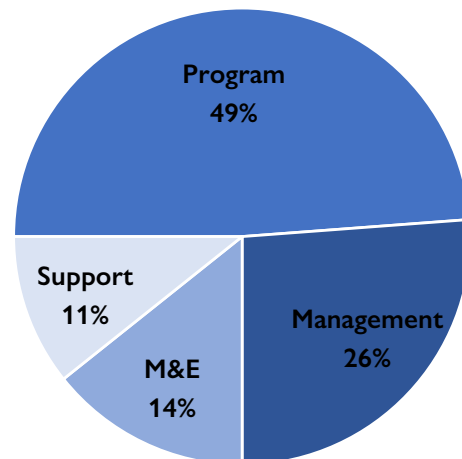
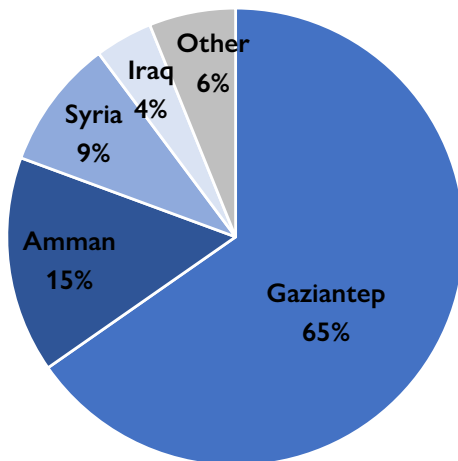
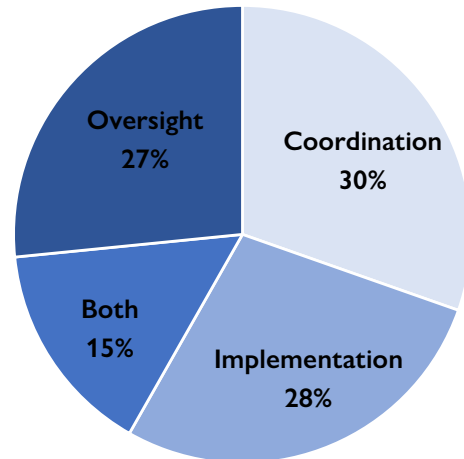
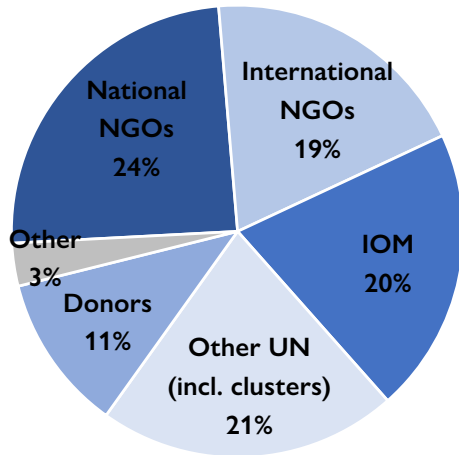
Findings have been triangulated or validated by cross-referencing information across different sources. The standard for an information to be reported generally in this report is for it to have been validated independently with three different sources. For answers and opinions reported from interviews, an indication about the number of concurrent views on the topic among the informants that discussed is provided.

Limitations and Challenges

The main limitation of this study was the short timeframe within which it was conducted. Another important limitation was the lack of representative, consolidated quantitative data available on cash-based interventions in NWS. The main challenge in writing the final report was articulating and reflecting the variety of points of view, perspectives and interests that were expressed by key informants in interviews. Despite some of the topics discussed being sensitive, willingness to discuss and under-reporting of issues was not found to be a significant challenge after properly engaging informants on the purpose of the study. However, there was a mixed response when it came to the sharing of internal documentation. A lot of organizations have agreed to share some reports, data, findings and other information, but few effectively followed through with it.



98 KIs including



34 Organizations

100 Documents

223 Datasets

37 Data reports

11 Dashboards

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