

# Cash transfers in emergencies

**A synthesis of World Vision's  
experience and learning**

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## **About the Humanitarian Policy Group**

The Humanitarian Policy Group (HPG) at the Overseas Development Institute (ODI) is one of the world's leading teams of independent researchers and information professionals working on humanitarian issues. It is dedicated to improving humanitarian policy and practice through a combination of high-quality analysis, dialogue and debate. HPG Working Papers present case studies or background notes that support key aspects of the Group's research projects.

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# List of acronyms and abbreviations

<b>ACF</b>	Action Contre la Faim (Action Against Hunger)
<b>AFREC</b>	Africa Rescue Committee
<b>AusAID</b>	Australian Agency for International Development
<b>CBO</b>	Community-based organisation
<b>CFTPP</b>	Cash and Food Transfers Pilot Project (Lesotho)
<b>CIDA</b>	Canadian International Development Agency
<b>CRS</b>	Catholic Relief Services
<b>Danida</b>	Danish International Development Assistance
<b>DECT</b>	Dowa Emergency Cash Transfer (Concern)
<b>DFID</b>	Department for International Development (UK)
<b>DM&amp;E</b>	Design, Monitoring and Evaluation (World Vision)
<b>DRC</b>	Democratic Republic of Congo
<b>ECHO</b>	European Commission Humanitarian Aid
<b>FACT</b>	Food and Cash Transfers project (Concern)
<b>HEA</b>	Humanitarian Emergency Affairs (World Vision)
<b>HPG</b>	Humanitarian Policy Group (ODI)
<b>LMS</b>	Livelihoods and Market Systems (OFDA)
<b>NFI</b>	Non-food item
<b>ODI</b>	Overseas Development Institute
<b>OFDA</b>	Office of US Foreign Disaster Assistance (USAID)
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>SIDA</b>	Swedish International Development Cooperation Agency
<b>USAID</b>	US Agency for International Development
<b>WASDA</b>	Wajir South Development Association
<b>WFP</b>	World Food Programme



# Executive summary

For the past several decades, assistance strategies of humanitarian aid agencies such as World Vision have focused on the direct provision of goods and services to meet basic needs and rebuild livelihoods. Meanwhile, cash transfers are increasingly accepted as an alternative way to assist people reeling from the impact of crisis.

The terms ‘cash-based response’ and ‘cash transfers’ cover a wide range of activities across various sectors, including using unconditional cash grants, conditional cash grants, Cash for Work and voucher fairs to meet basic needs, provide shelter, rebuild livelihoods and promote reintegration. Cash transfers are not a sector in their own right, but simply tools that can be used – when appropriate – to meet a variety of objectives. While the topic of cash-based responses in emergencies still provokes debate, discussions among humanitarian agencies have evolved from whether they may be an appropriate tool to how organisations, donors and governments can best use cash transfers, given their missions and mandates. Cash transfers are not a panacea; nor are many of the ‘fears’ about using cash transfers, including the potential for anti-social spending and disadvantaging women, necessarily justified in practice. Ultimately, listing theoretical advantages and disadvantages of cash transfers in comparison to in-kind relief is not a helpful framework for discussion; the appropriateness of cash transfers depends on needs, market functionality and other key factors, which vary from context to context.

This study is born of a commitment to understanding cash transfers as a tool for providing emergency relief and the subsequent implications for World Vision. It draws on the growing volume of evidence on the use of cash transfers in emergency contexts. It argues that cash-based responses are likely to be increasingly used as one of a range of options in emergency response and that World Vision needs to secure the skills and capacity both to decide when cash is appropriate and to programme it when it is. Other agencies have been leading this innovative work and World Vision is catching up, led particularly by their Food Programming Management Group. World Vision’s pioneering Cash and Food Transfers Pilot Project in Lesotho is a strong step in this direction; however, it should not be the only one.

Developing the capacity required for cash transfer programming should not be overly complicated. World Vision has already implemented numerous cash and voucher projects throughout the world. As World Vision’s experience in Lesotho shows, an agency does not necessarily need ‘cash specialists’, but rather experienced programme staff willing to consider the possible use of cash within their analysis of the situation and an appropriate response. Detailed guidelines on

cash transfer programming are readily available and may be adapted by World Vision and included in its own decision-making and programming frameworks. While programming cash transfers may not be unduly complex, there nonetheless will be a need for increased experience and skills. A crucial area is assessments, which should include a focus on markets and systematic analysis of possible cash delivery mechanisms.

There is a growing recognition among public donors that, in certain contexts, cash transfers can meet project objectives more effectively than in-kind assistance, and it is likely that this overall – though limited – trend in favour of cash-based responses is set to continue. Yet few donors have established dedicated guiding criteria for the consideration of cash-based responses in emergencies. In order to access funding, organisations need to make very strong cases that cash transfers are an appropriate response, using robust assessments that incorporate analysis of needs, livelihoods, markets and risks. This underscores the need for World Vision to refine capacities in assessment and monitoring. World Vision Support Offices should increase dialogue about cash transfers with donors who are currently funding or exploring funding of various types of cash interventions. These include the UK Department for International Development (DFID), the European Commission Humanitarian Aid department (ECHO), the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Cooperation Agency (SIDA), the Canadian International Development Agency (CIDA) and the Office of Foreign Disaster Assistance (OFDA) of the US Agency for International Development (USAID).

A bottom-up process is driving the change from a ‘default’ position of providing in-kind assistance to one that calls for a consideration of the most appropriate option. Agencies using cash-based responses are learning and pursuing innovative strategies, and the evidence base related to cash transfers in emergencies is growing as a result. World Vision has already made contributions to this evidence through the strong research, monitoring and evaluation components of the Lesotho pilot project.

Change of any sort in an organisation the size of World Vision is always going to be difficult. It is a ship adjusting its course – not a swerving speedboat – and cash represents particular challenges. First, it is perceived as a challenge to the role of food aid, which carries great significance in World Vision’s overall resource envelope and in the way the organisation structures itself. Second, cash disempowers the benefactor and increases the freedom of beneficiaries to use assistance according to their own decisions. Distributing money to

people and letting them decide how they want to spend it can require fundamental shifts in attitudes, both within World Vision and among its supporters, towards the people they wish to help. While the use of cash transfers still provokes

passionate debate, discussions among humanitarian agencies have evolved from whether they can be an appropriate tool to how organisations, donors and governments can best use them, given their missions and mandates.

# 1. Introduction

## Background

World Vision has committed itself to increasing the evidence on the use of cash transfers in emergency programming, and to learning how best to utilise cash when and where it is appropriate. Led by its Food Programming Management Group, World Vision set up an internal working group to guide a process of research and action learning on cash transfers as a way to provide emergency relief, and its implications for World Vision programming. A particular focus has been placed on developing methodologies to enable World Vision to make more informed decisions about the use of cash transfers and in-kind assistance (e.g. food aid) as alternative or complementary mechanisms in different contexts.

In 2007, the Humanitarian Policy Group at the Overseas Development Institute completed a three-year research project examining the role of cash transfers in emergency relief, resulting in the report *Cash-based Responses in Emergencies* (Harvey, 2007). HPG was asked by World Vision to contribute to its cash-transfer learning process through policy advice and research capacity. The first contribution was support to the feasibility study and design of a pilot cash transfer project in Lesotho. HPG then carried out a study to review progress in the use of cash in emergencies since the 2007 report; this research consisted of updating donor and agency experience and policies and reviewing the latest literature. Based on the study, HPG considered the implications for World Vision. This document is a report on this work; it presents an analysis of current literature on cash-based responses in emergencies, positions and attitudes within World Vision and options and issues for taking cash transfers forward as a programming option.

The report is intended to provide a reference for the working group to use in discussion with the rest of World Vision. Specifically, it offers guidance on how World Vision should approach the use of cash in emergencies, and how to ensure that World Vision has the necessary skills and capacity to make cash transfers one of the range of options it can offer when considering the most appropriate response to people's needs.

## The study

This paper examines the question of how World Vision should approach the use of cash transfers as a tool in emergency response. There has been growing interest in the use of cash transfers as a way of responding to emergency needs. Diverse agencies in a variety of contexts have provided cash to assist people to access food, find temporary shelter, rebuild their homes, recover their livelihoods and meet other needs. These agencies have developed guidelines and training modules

related to the use of cash. Donors are increasingly willing to consider proposals that include cash responses, and are reviewing their own policies and procedures. World Vision has been catching up with this emerging agenda, and this study represents an attempt to think through the future use of cash transfers by World Vision. World Vision has also recently implemented a cash pilot project in Lesotho, as well as cash projects in other contexts in recent years, including in Afghanistan, Indonesia, Kenya, Lebanon and Pakistan.

## Methodology

This study is based on an extensive literature review and interviews with key World Vision staff and donors between November 2007 and May 2008. The literature review draws on project proposals, evaluations and other project documents; cash workshops and trainings; cash guidelines; and correspondence with aid agency staff involved in cash transfer projects. The emphasis is on projects, documentation and research from 2006 onwards. The paper also draws on support provided by ODI to the Lesotho pilot project, including initial feasibility studies and field research on gender and generational issues.

The donor review draws on interviews and consultations with representatives from the humanitarian offices of the Australian Agency for International Development (AusAID), CIDA, Danish International Development Assistance (Danida), DFID, ECHO, SDC, SIDA and USAID. As many of the donors do not have official policies or data on cash-based responses, interviewees provided their subjective perspectives on the appropriateness of cash, as well as their views of wider organisational attitudes and approaches. In order to obtain as broad an overview as possible, most of the interviews were conducted with headquarters-based representatives, although these were complemented by interviews with field representatives.

## Report structure

Chapter 1 introduces the study, providing the background and methodology. Chapter 2 discusses the rationale behind cash transfers, and their appropriateness in different contexts, and Chapter 3 lists various tools that have been developed over the past decade and that can be drawn upon when considering the use of cash in emergencies. Chapters 4, 5 and 6 draw on the experiences agencies have had in using cash. Chapter 4 lists a wide range of examples across the world; Chapter 5 presents specific sector uses and examples; and Chapter 6 discusses the concerns and challenges raised by the use of cash. Chapter 7 provides an updated overview of donor approaches to cash transfers in emergencies, pointing out some of the implications for various World Vision support offices. Finally, Chapter 8 reviews the World Vision response system and analyses the implications of the study for World Vision's programming.



## 2. Why and when is cash used in emergencies?

For the past several decades, the assistance strategies of humanitarian agencies such as World Vision have focused on providing goods and services needed by disaster-affected populations to meet their basic needs and rebuild their livelihoods. Reduced food access is addressed by the distribution of food; loss of basic goods (such as clothing and kitchen utensils) is met with distribution of non-food items (NFIs); destroyed or damaged houses are replaced with temporary shelters while building materials are distributed, and lost livelihood assets are made up for with a distribution of seeds, tools, animals and other items. Many agencies have systematically begun exploring the use of cash as an alternative way of transferring resources, enabling people to purchase the goods and services that they most need.

There is nothing new about the use of cash in emergency relief. Dreze and Sen (1989) trace it back to nineteenth-century colonial India. Nor are arguments that cash should be more widely used new, with Dreze and Sen making the case strongly more than two decades ago. Sen's entitlements theory makes the point that famines are often related to poor people's inability to access food due to lack of purchasing power, rather than an overall lack of availability. In these circumstances, cash could be an appropriate alternative or complement to food aid. More widely, most people across the world now purchase food, other essential items and key services in cash economies. Emergencies may have a negative impact on the markets where people buy essential items, but markets often recover quickly, meaning that food, seeds and shelter materials, for instance, are available for purchase shortly after disasters strike. As Sen points out regarding food, the problem is often one of access rather than availability, particularly for the poorest. The provision of cash can therefore be an appropriate tool to enable people to meet critical needs if the goods and services they require are available through local markets.

The terms 'cash-based response' and 'cash transfers' cover a wide range of interventions across a variety of sectors. Cash transfers are neither a 'sector' nor a 'cross-cutting theme'. They are a tool that can be applied to any sector that uses resource transfers or aims to increase access to basic services. Cash has most often been seen as an alternative to food aid; not only can it be complementary to food rations, but it has also proven to be an alternative or complement to any in-kind provision of assistance, such as the usual NFIs, shelter materials or productive assets. Cash can increase access to services such as healthcare and education by providing necessary funds to pay for these services and related expenses. In emergency contexts, Cash for Work and cash grants have been the dominant forms of cash interventions. A

subset of cash interventions is the provision of vouchers, which people can exchange for specific goods or services.

While this report focuses on the use of cash in emergencies, there is a clear overlap between using cash in humanitarian operations and in social protection programming in non-emergency contexts. This is of particular importance for organisations such as World Vision that are also involved in development work and engage in public policy and advocacy related to social protection. Many emergency contexts are characterised by the presence of households that are chronically vulnerable to the negative impacts of shocks and disasters. Predictable cash transfers, particularly during 'lean' or 'hungry' seasons, are one tool currently being used by organisations and governments to reduce chronic vulnerability. Some of these programmes grew from short-term emergency cash transfer programmes, such as the one in Malawi. Others have been developed as alternatives to the long-term delivery of food aid, as is the case with the Productive Safety Nets Programme in Ethiopia and the Hunger Safety Net project in northern Kenya. Cash transfers can have positive impacts on local markets and traders by providing an injection of cash into local economies, thus boosting economic activity and potentially playing a role in providing a link between relief and economic recovery.

Cash transfers represent a shift of power from the aid agency to the beneficiary. This has been an important element of past discussions, often heated, on the use of cash in emergencies. The discourse has moved beyond delineating 'pros' and 'cons' or 'advantages' and 'disadvantages', which, as Harvey notes, 'often presents theoretical drawbacks which may not be borne out in practice' (Harvey, 2007: 4). Today leading humanitarian actors usually begin discussions about cash-based responses in emergencies with the assumption that they should at least be considered – according to the context. Much of today's discourse focuses on how to analyse the context adequately to enable such consideration, and how to determine when, where, how and to what extent cash may be appropriate. Nonetheless, straightforward arguments for and against considering cash transfers are worth mentioning because they are still often broached in proposal documents, evaluations and discussions within aid agencies that are considering them.

Proponents support the use of cash transfer as an alternative or complement to in-kind assistance on the following grounds:

- **Flexibility:** cash enables beneficiaries to choose a more appropriate set of goods and services that better corresponds to their individual priorities than a 'one size fits all' in-kind assistance package.

**Table 1: Definition of terms and types of cash interventions**

Term	Definition
Cash grants, unconditional cash transfers	Money disbursed as a direct grant without conditions or work requirements. These can be grants provided in emergency or development settings (for example as part of social protection) to meet basic needs and/or to protect or recover livelihoods.
Conditional cash transfers	Money disbursed with a condition that recipients do something in return (such as attend school, plant seeds or demobilise).
Indirect cash transfers to reduce expenditure (and thus release income)	Grants or waivers to reduce the cost of basic services, such as waivers for healthcare user fees or grants to schools to cover education fees. These are mainly used in development settings, but a few examples exist for emergencies.
Cash for Work, employment, public works	Cash payments for taking part in a public works programme. These can be part of emergency recovery programmes or social protection (for example in Ethiopia).
Vouchers	A printed piece of paper, document or token that the recipient can exchange for a set quantity or value of goods. Vouchers can range from being restricted, such as ration cards (offering no choice in goods received or in the provider), to being flexible, such as money (exchangeable for any goods with any vendor). As with cash, vouchers can be provided conditionally or unconditionally.
Social protection	Carried out by the state or privately, this subset of public action addresses risk, vulnerability and chronic poverty. Operationally, social protection can be subdivided into three key components: social insurance, social assistance and standards. The latter includes the setting and enforcing of minimum standards in the workplace, which is difficult to achieve in the informal economy.
Social insurance	Individuals pool resources by paying contributions to the state or a private provider; if they suffer a 'shock' or permanent change in their circumstances, they are able to receive financial support.
Social assistance	Non-contributory transfers to those deemed eligible by society on the basis of their vulnerability or poverty. Examples include cash transfers and fee waivers for education and health care.

Source: Jaspers and Harvey (2007), adapted from Harvey (2007).

- **Efficiency:** delivering cash avoids the large shipping, storage, transport and distribution costs of in-kind assistance. Cash may also mean that beneficiaries will not be forced to sell, at a large discount, the in-kind assistance they receive in order to meet their wider needs.
- **Economic impact:** transfers inject cash into local markets, with multiplier effects that can stimulate the local economy and help it recover.
- **Dignity and choice:** cash can provide assistance to beneficiaries in a manner that enables them to make decisions about their own welfare in ways that in-kind assistance does not.
- **disempower women.** Cash might provoke more household conflict regarding expenditure priorities than might be the case with in-kind assistance.
- **Inflation:** inflation would diminish the value of a fixed cash transfer. The impact of the cash transfers themselves might cause local inflation, which erodes the value of the transfer and also disadvantages non-recipients.
- **Organisational capacity:** while organisations have systems, policies and staff in place for delivering in-kind assistance, these are not necessarily capable of or appropriate for implementing cash transfer projects.
- **Targeting:** cash may be more attractive to people than in-kind assistance, increasing the chance of people undermining targeting systems through efforts to include those who do not meet the targeting criteria.

Concerns raised about the use of cash transfers are:

- **Security:** cash could present more security risks for staff and beneficiaries than in-kind assistance.
- **Anti-social use:** cash is easier and more flexible to use than in-kind goods and may therefore be more readily 'wasted' or used in a manner that does not serve household welfare.
- **Gender:** because women typically have more control over food resources than cash in their households, cash could

Most of these concerns are not specifically cash-related, but rather are issues that arise in any programme involving a transfer of resources, whether in-kind or not. Appropriateness, security, market impacts, gender issues, cost-effectiveness, potential corruption or diversion, complementarily with other activities, exit strategies and organisational capacity should be

addressed in the planning of any intervention. There may be particular hazards arising from the use of cash transfers in relation to security, gender or diversion; these risks need to be assessed on a context-by-context basis. They also must be compared to the risks posed by other options in order to make a decision. For example, it is not sufficient to ask, 'How risky is it to distribute cash in this context?'; rather, the question should be 'In this context, would distributing cash through the banking system for people to construct their own houses pose more or less risk than contracting builders to construct them?'

As with any intervention strategy, the appropriateness of cash transfers depends on the emergency context. A context with robust markets and cash delivery systems already in place (e.g. banks, remittance services), functional infrastructure, and relative security is clearly more suitable than a context without a banking system, with fragile markets and with insecurity. However, the constraints facing cash also apply to in-kind assistance (security risks, impacts on local markets, entanglement in predatory economies) (Harvey, 2007). The implementation of cash and voucher interventions in Somalia, Darfur, Afghanistan, the Democratic Republic of Congo and Chechnya suggests that cash need not only be considered in stable contexts. Rather than categorising contexts where cash is appropriate, practitioners have instead focused on decision-making tools that can be used to determine the appropriateness of cash or in-kind commodities to meet the needs of affected populations on a case-by-case basis.

Decision-making tools rely on information gathered in initial assessments. Conducting good-quality, timely assessments is a challenge in an emergency. Many agencies use rapid emergency assessment tools that focus entirely on the needs of affected populations in various sectors (e.g. food security, water and sanitation, health, education, shelter, non-food items) and do not take into account the ways in which these needs can best be met according to the context. For example, rather than assessing the shelter situation following a disaster and the range of options available for supporting people, agencies calculate the number of houses or temporary shelters that need to be built. This may mean that the use of cash to provide support to people who have been displaced and are staying with host families is not even considered. In order to determine the most appropriate form of response, assessments should also include information about local markets, the availability of basic commodities and how these markets would be likely to respond to injections of cash or in-kind goods.

Cash transfers are appropriate in contexts where 'demand failure' prevents people from meeting basic needs because they lack the income to purchase available goods. When this inability is a result of 'supply failure', meaning that food and other essential items are not available in markets, in-kind assistance is more likely to be an appropriate response. The provision of cash, however, could still trigger a supply response with traders moving to make goods available once

### Box 1: When is cash appropriate?

Reviews and guidelines note that the following criteria are necessary for cash transfers to be appropriate and feasible (Harvey, 2007; International Red Cross and Red Crescent Movement, 2007; Creti and Jaspars, 2006).

**1. Local availability of commodities to meet needs.** The 2006 conflict in Lebanon and countries affected by the 2004 tsunami are examples of emergencies where basic goods were available locally. In other emergencies, however, there may be an absolute shortage of food or other items at local or national levels, and cash will not be appropriate in these situations.

**2. Functioning and accessible markets.** Markets need to function to meet the demand for goods. Judging the ability of markets to respond to an increase in people's purchasing power is a critical component of assessing the appropriateness of cash.

**3. Safety.** Determining whether cash can be safely delivered requires an analysis of the security risks to beneficiaries receiving the cash, as well as those managing it.

**4. Participation and consultation.** Beneficiaries should play a role in informing the decision to distribute cash or in-kind commodities, or a combination of both.

Source: Jaspars and Harvey (2007).

they know a cash distribution is going to take place. Markets may also recover quickly. This means there is often a time dimension to appropriateness. In-kind assistance may be needed in the short term, but cash transfers should not be ruled out since they may become appropriate at a later stage. There may also be contexts where a combination of cash and in-kind assistance is the most appropriate response, with in-kind assistance meeting immediate supply failures, and a cash component helping to stimulate demand and enabling people to purchase items that are available. Organisations must take into account the security risks, organisational capacity and political feasibility, and how the programme will interact with other activities on the ground, just as they would in planning any intervention.

In *Cash Transfer Programming in Emergencies*, Creti and Jaspars present a decision tree that poses a series of questions to help decide whether to implement food aid or cash transfers (see Annex 1). It asks whether food and income insecurity is caused by lack of available food or an inability to buy it, whether markets can effectively respond to increased demand and if inflation would result from a cash injection. While this decision tree only looks at food aid, a similar line of questioning may be applied to other sectors, such as shelter and non-food items.

In *Guidelines for Cash Transfer Programming*, the International Red Cross and Red Crescent Movement created a similarly formatted table on choosing the appropriate type of transfer:

- Unconditional cash transfers: the 'default' option of providing assistance if the general feasibility for using cash transfers has been established.
- Conditional cash transfers: if specific needs are to be met (e.g. shelter).
- Cash for Work: if public works are required, the population has the capacity to undertake the work and the capacity to maintain the assets created.
- Vouchers: if a particular commodity is scarce, there are security concerns for using cash transfers, the programme aims to achieve a specific goal (e.g. nutrition, agricultural production), trade in a particular commodity needs to be encouraged or more monitoring data is needed.

- Social assistance transfers: if the chronically poor are in need of continuing assistance (ICRC and IFRC, 2007).

These cash transfer decision-making frameworks shift the default intervention from 'in-kind' to 'cash', meaning that cash transfers should be used *unless* items that people need are not on the market, the risk of inflation is high, or security risks are deemed unacceptable. They also provide the means to take the necessary step of moving away from polarised theoretical discussions on cash transfers that do not include vital contextual information. As Gentilini emphasises: 'appropriateness cannot be predetermined since programme objectives, the economics of food consumption, market analysis, cost effectiveness and efficiency, capacity requirements and beneficiary preferences all play a role in determining the most appropriate option or combinations of options' (Gentilini, 2007: 4).

### 3. Tools for cash transfer programming

Humanitarian agencies have published a range of guidelines that relate to cash and voucher activities. Many of these are specific to one type of transfer (e.g. Cash for Work, seed fairs), while others offer a more comprehensive approach, grouping the various types of programmes under the general heading of ‘cash transfer programming’.

The most comprehensive guidelines to date on cash transfer programming is the *Guidelines to Cash Transfer Programming* by the International Red Cross and Red Crescent Movement. This guide builds on Oxfam’s

*Cash Transfer Programming in Emergencies* and Harvey’s 2007 report on cash transfers. These guidelines are intended to assist field practitioners in determining whether cash transfers are appropriate, and how to design, monitor, implement and evaluate cash transfer programmes. They provide guidance sheets on unconditional transfers, cash transfers to support

livelihoods, voucher transfers, Cash for Work, seed and voucher fairs and cash transfers in social assistance programmes. The guidelines also include practical tools, including assessment checklists and procedures for market assessments, community-based targeting, implementing cash transfers directly, assessing financial institutions, post-distribution monitoring, planning financial flows and creating databases. While World Vision may need to create internal policies, protocols and guidance related to the use of cash transfers, there is little need to create wholly new guidelines.

One issue addressed in these tools is *how* to deliver the transfers. Banks, private companies, smart cards, mobile ATMs, remittance services and the direct distribution of cash by agency staff have all been used in cash transfer programmes. As with many other aspects of cash transfer programming, a categorical decision made in advance to use one approach (e.g. choosing to use banks in all cash

**Table 2: Cash transfer programming guidelines and tools<sup>1</sup>**

Tool	Publishing agency (publication year)
<b>Cash transfer guidelines</b>	
Guidelines for Cash Transfer Programming	International Red Cross and Red Crescent Movement (2007)
Cash-Transfer Programming in Emergencies: A Practical Guide	Oxfam (2006)
Cash Workbook: A Practical User’s Guide for the Preparation and Implementation of Cash Projects	Swiss Agency for Development and Cooperation (2007)
A Practical Guide to Cash-based Response in Emergencies	Horn Relief (2007)
<b>Seeds and tools</b>	
Agriculture in Emergencies: Guidelines on the Use of Seeds, Fertilisers and Cash	British Red Cross (2000)
CRS Seed Vouchers and Fairs: Using Markets in Disaster Response	Catholic Relief Services (2004)
<b>Cash for Work</b>	
Cash for Work Programming: A Practical Guide	Oxfam (2002)
Guide to Cash-for-Work Programming	Mercy Corps (2007)
<b>Assessments and decision-making</b>	
The Practitioners’ Guide to the Household Economy Approach	Save the Children UK, Regional Hunger and Vulnerability Programme and The Food Economy Group (2008)
Emergency Market Mapping and Analysis	Oxfam, International Rescue Committee and Practical Action (forthcoming)
A Market Analysis and Decision Tree Tool for Response Analysis: Cash, Local Purchase and/or Imported Food Aid?	CARE (2007)

<sup>1</sup> Most of the tools are also available on the ODI/HPG cash resource page (<http://www.odi.org.uk/HPG/cashresources.html>).

programmes) would be unhelpful because the decision needs to take into account the existence and robustness of systems on the ground, the familiarity of beneficiaries with distribution mechanisms and access to them, the ability of agencies to monitor these mechanisms, security issues for beneficiaries and staff and cost in order to determine the most effective way to distribute cash transfers to beneficiaries. These factors will inevitably vary by context.

Many agencies are understandably wary of using their own staff to distribute envelopes of money because of concerns about staff safety, as well as the potential for corruption. Using banking systems or private companies minimises risks faced by staff and potentially by beneficiaries. Direct distribution should not be the preferred option, nor should it be unconditionally eliminated as an option since it is sometimes the only effective manner to deliver cash transfers

in areas lacking banking infrastructure, or in cases where the creation of cash transfer apparatus is too costly or time-consuming. In addition, perceived risks associated with this method can often be addressed by establishing and implementing a security plan. Finally, the decision to use private security firms or to hire security should take into consideration their reputation, their relationship with recipients and the risks of associating the agency with security actors (private or otherwise).

The International Red Cross and Red Crescent Movement guidelines include a tool on delivering cash transfers directly through staff (see Annex 2), as well as a tool for assessing financial institutions (see Annex 3) to determine the appropriateness of using them in cash transfer delivery. A comprehensive table with the possible cash transfer disbursement methods can be found in Annex 4.

## 4. Humanitarian agencies and recent cash transfer experiences

The recent focus on cash transfer programming in the humanitarian world has motivated some agencies to examine how cash fits into their own policies and strategies. Several pioneering agencies have not only implemented pilots and occasionally larger-scale projects, but have now also published guidelines and handbooks on the use of cash transfers in emergencies.

### Where do agencies stand?

- **International Red Cross and Red Crescent Movement:** while the ICRC and IFRC do not have an official policy on the use of cash transfers, they have authored comprehensive guidelines to enable their members to employ cash transfers in responses. The movement has implemented cash transfer programmes in the United States, Guatemala, El Salvador, Honduras, Nicaragua, Colombia, Germany, Serbia and Montenegro, Niger, Liberia, the Palestinian Territories, Zambia, Ethiopia, Somalia, the Maldives, the Russian Federation, Georgia, Iran, Sri Lanka and Indonesia.
- **Oxfam:** in addition to developing cash transfer guidelines, Oxfam has published briefing notes that highlight the potential for using cash as an alternative to food assistance. It has also implemented a number of cash projects, primarily with food security and livelihoods objectives, in Sudan, Kenya, Uganda, Eritrea, Zimbabwe, Somalia, Bangladesh, India, Pakistan, Cambodia, Indonesia, the Philippines, Vietnam, Thailand, Afghanistan and Haiti. Oxfam also held a workshop on the use of cash transfers for shelter programming.
- **Save the Children:** Save the Children UK published a position paper in 2007 on the use of cash transfers, describing them as an ‘effective strategy’ to address food insecurity, child malnutrition and livelihoods, and as transforming social relations (Save the Children, 2007). Save the Children has used cash and voucher projects for food security, livelihoods and economy recovery in Swaziland, Sri Lanka, Pakistan, Mozambique and Kenya.
- **Action Contre la Faim (Action Against Hunger, ACF):** ACF has developed a set of guidelines on cash transfer interventions that includes a step-by-step plan for field staff. ACF has implemented cash-based interventions in insecure environments such as Darfur (vouchers) and Somalia (Cash for Work).
- **Concern:** Concern has used cash transfers in Malawi and Kenya, employing innovative delivery systems such as mobile banking and ATMs.
- **Catholic Relief Services (CRS):** CRS provided a cash component alongside the distribution of shelter materials following the 2005 Pakistan earthquake. The organisation is a strong proponent of vouchers as a means to provide seeds to disaster-affected populations through ‘seed fairs’; CRS has implemented these fairs in Uganda, Burundi, the Democratic Republic of Congo, Niger, Lesotho, Zimbabwe, Ethiopia and Zambia. CRS has not gone in the same direction with food and non-food assistance, which is still largely provided in-kind.
- **CARE:** CARE has created a decision-tree framework for food assistance that signals when cash transfers are a possible intervention. CARE has implemented cash transfer programmes in Niger, Indonesia and Zambia.
- **Mercy Corps:** Mercy Corps has used cash transfers in humanitarian and recovery interventions in Indonesia and Pakistan. In the wake of the tsunami, Mercy Corps issued a statement (‘Why cash?’) highlighting the merits of using cash approaches in Indonesia.
- **Danish Refugee Council:** the Danish Refugee Council has used cash transfers in Chechnya as an alternative to in-kind food distribution.
- **UNICEF:** UNICEF commissioned a review on cash interventions that explores its current and potential use of cash transfers in responding to emergencies (Jaspars and Harvey, 2007). In addition to using cash transfers in emergency recovery programming in Indonesia and Sri Lanka, UNICEF is piloting or supporting cash transfers in social protection programming in Kenya, Malawi and Mozambique, as well piloting the use of voucher fairs for relief items in the Democratic Republic of the Congo (UNICEF DRC, 2008).
- **World Food Programme (WFP):** having commissioned a case study review and analysis on the use of cash and vouchers in response to vulnerability and food insecurity (Meyer, 2007), WFP is in the process of revising its policies and strategies, including those related to the use of cash transfers. Its approach to cash and vouchers has been one of cautious exploration, with an interim policy on the use of cash in food assistance allowing for ‘testing and learning’ in pilots ‘on an exceptional basis’, and with a budget limit of \$3 million (World Food Programme, 2007). WFP’s cash programming also includes a pilot project in Sri Lanka (2005) and the Special Initiative for Cash & Voucher Programming, launched in 2007 and focused to date on social safety nets and programming in Southern Africa. In *Cash and Food Transfers: A Primer*, Gentilini explores the cash and food transfer debate, highlighting the potential complementarity of food and cash transfers rather than painting them as dichotomous alternatives (Gentilini, 2007).
- **UNHCR:** UNHCR has used cash in numerous and often large-scale interventions, providing cash payments to returnees, assisting three million in Afghanistan, 370,000

in Cambodia and 35,000 in Burundi. The agency distributed cash to Iraqi refugees in Syria and during the repatriation of refugees from Djibouti, the Central African Republic, Liberia, Somalia, Myanmar, Eritrea, Iraq, Togo, Guatemala, El Salvador and Nicaragua (UNHCR, 2008a).

### Recent cash experiences in emergencies

The variety of objectives and project designs is a notable feature of recent cash transfer projects. A review of cash and voucher projects by WFP (Meyer, 2007) lists 27 cash transfer and voucher projects spanning emergency, recovery and social protection agendas. Evaluations and project documents consulted for this report include projects that have food security, livelihood, shelter, reintegration and disaster risk reduction objectives, implemented in response to conflict, drought, a tsunami, an earthquake and floods, using conditional cash transfers, unconditional cash transfers, vouchers, a combination of food and cash and Cash for Work, and delivering the transfers through payments by agency staff, banks, private companies, ATMs and deposits into bank accounts. This variety is indicative of increasing innovation as agencies use cash transfers in previously untried ways and settings. While the number of cash and voucher interventions has substantially increased as more organisations experiment with pilots and build on their existing experiences, many of these interventions are still limited to pilots and small-scale projects, and projects utilising cash transfers still make up only a fraction of emergency assistance. Because most donors and organisations have not systematically kept track of the value of their cash transfer projects compared to those using in-kind transfers, it is difficult to determine precisely what 'fraction' they constitute.

The following section provides some snapshots of cash projects and pilots that have been implemented in the past few years. While not an exhaustive list, the examples have been selected to show the huge variety of contexts, uses and types of cash programming around the world.

#### *Cash grants in China for temporary shelter construction and basic needs*

Following the earthquake in Sichuan, the Chinese government reportedly distributed cash to all the affected survivors. The state-run media reported that the government provided a stipend of daily food and money, 500 grams of food and 10 yuan (about \$1.5) for up to 8.82 million people. The programme was set to change in September 2008 to the provision of a cash payment of 200 yuan (about \$30) per month to a limited number of people whose livelihoods had not recovered. Some 261,000 orphans, elderly and disabled without family support received double the normal stipend. In remote villages, which the government has not been able to reach with its temporary housing construction programme, it also provided single payments of 2,000 yuan to each household for the construction of their own temporary shelters (ReliefWeb, 2008).

#### *Cash assistance to returnees*

UNHCR has used cash transfers as part of the repatriation package for refugees returning to Afghanistan since the early 1990s, and in Burundi since 2007 to meet the immediate reintegration needs of refugees returning voluntarily. In Afghanistan, between 2002 and 2005, approximately three million people were assisted with grants of up to \$100. The perceived advantages of the Afghanistan cash grants were cost-effectiveness; the directness of the transfer of donor funding to beneficiaries; the choice of returnees over how to use the transfer; the ease of related data collection; and their usefulness in promoting return. In Burundi, UNHCR piloted cash grants in 2007 as part of an assistance package to more than 35,000 refugees returning from Tanzania; to ensure that recipients were returning from organised settlements, they were identified using a fingerprint recognition system. The grants (approximately \$45 per person) were piloted in response to the recognition that returnees were selling parts of non-food item kits to meet cash and basic needs, extend their stay with host families, buy or rent land and purchase agricultural inputs (UNHCR, 2008a).

#### *Cash for livestock restocking in Kenya*

In 2005, Isiolo, Kenya, suffered a severe drought that led to livestock deaths and acute malnutrition in children. Save the Children responded in 2006, providing 750 households with a one-off cash transfer of \$435. The cash was initially planned to support de-stocking, but the objective was revised when delays in funding meant that de-stocking was no longer an appropriate intervention. The cash was subsequently distributed with the objective of assisting families to restock animals of their choice, to invest in other productive uses and to meet other immediate needs. The evaluation found that beneficiaries were satisfied with the cash transfers because of the choice they allowed in selecting animals. They were also able to invest in other livelihood activities and meet other pressing needs without resorting to selling animals (O'Donnell, 2007).

*Cash for Work and Cash for Recovery in Red Sea State, Sudan*  
Oxfam GB had been providing food aid in Sudan's Red Sea State for 20 years when it chose to begin using cash transfers for its recovery and livelihood programmes, even though no previous cash interventions had been implemented in the area. Switching to cash was based on the logic of improving the effectiveness of the aid package (particularly given that some households sell food in order to obtain other goods) and stimulating the local economy with cash inputs. The Cash for Work programme provided 5,600 households with \$218 each; Cash for Recovery (which also had a similar work requirement) targeted 4,300 households, which received \$326 each. The evaluation found that, while the impact of both programmes on livelihoods was limited by the low cash value, they were well-received interventions and allowed households to repay debt and purchase food of their choice. Cash also proved efficient in terms of administrative costs: the handling costs of the cash transfers were 0.4% of the total cash transfers to

beneficiaries. By comparison, food aid distribution costs were up to 32% of the food purchase cost for similar activities (Bush and Abdel Ati, 2007).

#### *Cash transfers in response to food crisis in Malawi*

In 2005 and 2006, erratic rains triggered Malawi's second significant food crisis within a span of four years. Concern piloted the Food and Cash Transfers project (FACT) in three districts of central Malawi in September 2006 to assist households that had not received food assistance during the crisis, and to provide a temporary safety net during the hungry season. The intervention provided monthly food rations plus unconditional cash transfers to 5,050 households over a period of four months. The objectives were to provide nutritional support, to reduce the need of households to resort to destructive coping strategies during the lean season and to explore the effectiveness of cash transfers in addressing food insecurity in humanitarian emergencies in Malawi. The project and its subsequent evaluation specifically set out to investigate the extent to which a combination of in-kind food and cash could address food insecurity. While noting in hindsight that a 'cash-only' transfer would have been possible, the evaluation found that beneficiaries enjoyed distinct advantages by receiving both food and cash: 'the combination of food and cash transfers ... achieved the dual objectives of guaranteeing access to food at a time of shortage, while also giving beneficiaries choices over allocating cash transfers to their food and non-food priorities' (Devereux, Mvula and Solomon, 2006).

Building on its previous cash transfer experience in the region, Concern implemented a cash-based response assisting 10,161 beneficiaries in Malawi in 2006 and 2007. The Dowa Emergency Cash Transfer (DECT) had the primary objective of enabling households to access their 'food entitlement' through cash transfers. The project incorporated lessons learned in its previous cash transfers pilot, including adjusting the transfer to account for household size and changing prices. The project differed from the previous pilot in several key ways. As opposed to tasking Concern's finance department with stuffing cash into envelopes, the cash distribution was contracted to a bank that used a combination of mobile banking and smart cards to deliver the transfers. DECT used only cash transfers, as opposed to cash combined with food rations. Finally, DECT targeted women as recipients of the cash transfers, even in two-headed households. The evaluation of DECT concluded that cash transfers had an 'unambiguously positive' impact on consumption, and that they were preferable to food aid because of their flexibility and positive impact on markets (Devereux et al., 2007).

The DECT project was also noteworthy in the amount of media coverage it attracted, generating a great deal of interest in Concern's innovative programming and their use of cash transfers. Having such a development expert as Devereux evaluate first FACT and then DECT generated thoughtful

evaluations and the high technology smart card was no doubt attractive to the media. The programme resulted in a number of grey literature publications and media articles in addition to the evaluation, including a study of the impact on the local economy (Davies and Davey, 2007). The DECT project even attracted a visit from the UK's development minister, whose department funded it.

#### *Cash assistance to Iraqi refugees in Syria*

The humanitarian crisis in Iraq has been a heavy burden on the country's neighbours, who host an estimated two million refugees. As of May 2008, UNHCR in Syria had distributed 4,357 cash cards to Iraqi refugee households (benefiting 13,161 people) as part of its assistance package. The cards enable the households to receive \$100 per month plus \$10 per dependent as part UNHCR's strategy to prevent the growing impoverishment of Iraqi refugees in Syria. The money has been used to pay for rent, medical expenses, fuel and food (UNHCR, 2008b).

#### *Cash transfers in Swaziland*

In response to the worst drought to hit Swaziland in 15 years, Save the Children targeted 7,500 households with a combination of food distributions and cash transfers in 2007–2008. This was a departure from the various food distribution mechanisms that had been used by the government and WFP since 1992 to respond to food and income deficits. In the Save the Children programme, a food ration meeting half of food requirements was supplemented by a cash payment to meet the remaining food needs as well as some essential non-food items. A one-time grant of \$70 was also distributed at the beginning of the project in order to protect and promote livelihoods. Bank accounts were set up and ATM cards issued to beneficiary households, a process requiring time and investment, but which increased access to financial services in the long term for those participating in the programme. In addition to concluding that cash transfers were an 'appropriate and effective' response to the food crisis in Swaziland, the evaluation of the project found that the switch from the distribution of food aid to technological distribution of cash transfers through ATMs was readily accepted by beneficiaries, who adopted the technology (with the support of Save the Children staff) with little difficulty (Devereux and Jere, 2008).

#### *Cash transfers in Chechnya*

The Danish Refugee Council has implemented assistance programmes in the North Caucasus to assist those affected by post-Soviet conflicts to meet immediate needs and re-establish livelihoods. These activities have mainly taken the form of food distribution. Following political and economic developments in 2006, the Danish Refugee Council began a cash transfer pilot programme that gradually shifted beneficiaries from food rations to cash transfers. By early 2008, 40% of the programme's 23,000 beneficiaries had been switched to cash transfers. Beneficiaries have diversified their food basket to include non-ration goods, and have used the

cash for medical services and debt repayment. Post-distribution monitoring found that 88% of the beneficiaries were satisfied with the transition to cash transfers, despite the value of the transfer being slightly less than that of the food ration (Danish Refugee Council, 2008).

### **Box 2: Addressing labour-poor households in Cash for Work**

Most relief and development organisations already have experience with Cash for Work. One major critique of Cash for Work programmes is that they exclude or discriminate against labour-poor households and take households away from their own livelihood activities. In Somalia, a project led by Oxfam GB, Horn Relief, Africa Rescue Committee (AFREC), the Wajir South Development Association (WASDA) and Development Concern addressed this problem in two ways. Households were given an initial cash grant in order to promote livelihood protection and investment. In the Cash for Work activities, vulnerable and labour-poor households received cash grants without labour requirements.

#### *Cash transfers in Lesotho*

Lesotho suffered food production shortages following regional rain failures in 2006 and 2007. To meet immediate food needs and increase its experience in cash transfers, World Vision designed a pilot cash transfer programme that was implemented alongside other in-kind food aid programming. In order to compare the advantages of different transfers and because both options were deemed appropriate, some households in the pilot received only cash transfers, while others received a mixture of food and cash. The evaluation found that 12% of the aid recipients would have preferred only food rations for future assistance, while the rest preferred cash or a combination of food and cash (Devereux and Mhlanga, 2008).

#### *Cash transfers for social protection in Zambia*

In an effort to tackle chronic vulnerability to hunger and poverty, CARE International has worked in close collaboration with the Zambian government in an ongoing social cash transfer pilot that tests the feasibility for a national-level social protection programme managed entirely by the government. Depending on the pilot area, beneficiaries are chosen through community-based targeting or because they are 60 years of age or older. Beneficiaries receive a monthly transfer of \$5–\$20. The project is implemented by the government, with supervision and technical support provided by CARE, primarily in the form of monitoring and evaluation.

#### *Cash grants in Pakistan*

The 2005 Pakistan earthquake took the lives of 73,338 people and destroyed an estimated 600,000 homes. Cash transfers have been used as a tool by the Pakistan government and many humanitarian agencies to support livelihoods recovery, shelter and general reconstruction.

The government of Pakistan launched the Livelihood Support Cash Grant programme in March 2006 in order to support the livelihoods and immediate needs of the most vulnerable households, distributing \$300 to 267,402 households.<sup>2</sup> The programme launched a substantial information campaign, carried out a field survey, enrolled 750,000 households in order to determine their eligibility, created a central monitoring and management information system and established a grievance mechanism. When 10% of beneficiary households did not receive their payments because of problems related to the data and disbursement mechanisms, an elaborate system was created for verifying the data entry of bank accounts and tracking beneficiaries through the grievance system (Earthquake Reconstruction and Rehabilitation Authority, 2007).

In order to support livelihoods in the aftermath of the earthquake, Save the Children gave 5,100 households \$190 each. Cash was chosen over in-kind distributions because markets were functioning and households and businesses could tailor their purchases according to their own preferences. Livelihood Support Committees were formed to help with targeting and to provide a forum for beneficiaries to discuss the best ways to use their cash transfers. To promote the recovery of small businesses, 375 village shopkeepers received cash transfers of up to \$380 to facilitate the reconstruction and restocking of shops. The shopkeepers received grants whose amount was based on the value of items lost, the minimum cost of restocking and agreements made with trading communities (Jackson, 2006).

### **Box 3: Using technology in cash transfer programmes**

Aid agencies are using innovative means to deliver cash transfers and minimise the potential for fraud.

- Concern in Kenya has explored using bank transfers through mobile phones for a cash transfer programme in response to post-election violence in 2008.
- In Malawi, Concern tested smart cards as a delivery system in the DECT project. The start-up costs for setting up the system were substantial, and the project did not fully capitalise on the infrastructure it had created. However, these cards exposed rural women to financial services.
- In Swaziland, Save the Children established accounts for their beneficiaries and issued ATM cards; in so doing, the organisation has created a level of banking infrastructure and familiarity with financial services that did not exist prior to the programme. Substantial investment at the beginning of the programme permitted the creation of the cash transfer system and accounts.
- In an effort to prevent refugees from 'recycling', UNHCR has employed biometric verification mechanisms, using iris scans for Afghans and fingerprinting for Guatemalans, to ensure that returning refugees cannot repeat the return process in order to receive multiple grants.

<sup>2</sup> For more information, see [www.erra.gov.pk](http://www.erra.gov.pk).

As part of its shelter programming, Catholic Relief Services provided cash grants in addition to the distribution of materials so that households could spend the money on other costs associated with rebuilding, such as hiring labour, purchasing tools and transporting materials to their villages.

#### *Agricultural input fairs in Mozambique*

In November 2007, Save the Children implemented agricultural input fairs in flood-affected areas of Mopeia district of Mozambique, with the objective of enabling vulnerable households to recover agricultural tools and seeds lost as a result of the floods. The fairs, which reached 1,491 households, were implemented in collaboration with government authorities and were carried out by the Ministry of Agriculture, with support from the Food and Agriculture Organisation.

#### *Vouchers for milling in Darfur*

Massive displacement caused by conflict has led to large-scale humanitarian action in Darfur, mainly in the form of in-kind distributions. Action Contre la Faim noted that internally displaced persons receiving food rations in Darfur were selling or bartering part of their ration in order to grind the cereals. In 2007, to reduce this milling cost, ACF distributed vouchers to 20,781 households receiving rations. The vouchers could be used at milling machines in the camps. ACF repaid millers who would accept the vouchers as payment. Each voucher had a value of \$1, and households received up to eight vouchers per month depending on the household size. The decision to use vouchers instead of directly distributing cash was based primarily on security concerns (ACF, 2008).

#### **Box 4: Impacts on credit markets**

Expenditures made with cash transfers are often thought of in terms of goods available on the market: food, household goods and animals. But the use of transfers to pay off debts has appeared in multiple evaluations (Bush and Hassan, 2007; Devereux et al., 2007). While at first glance debt repayment may seem risky if purchases or investments were the intended objective, debt repayment may restart credit markets and rebuild social capital. Paying off debts may also help to increase total household income by reducing the amount that has to be spent on a recurrent basis on debt repayments.

#### *Cash to communities for early recovery and shelter in Indonesia*

Following the 2006 earthquake in Yogyakarta and Central Java, which left 1.2 million people homeless, the International Federation of the Red Cross and Red Crescent Societies and the Indonesian Red Cross implemented a shelter and early recovery programme, focusing on creating conditions for communities to build their own shelters instead of having the project build them. Rather than giving the money to individual households to rebuild their homes, the organisations placed

the money in a community bank account. A group elected by the village used the funds to purchase the materials and tools to construct shelters once a shelter model was designed that was both durable and easy to construct.

#### *Cash transfers in Somalia*

Oxfam, Horn Relief, AFREC, Development Concern and WASDA created a consortium project using cash in the politically complex and insecure context of Somalia. These activities, which use both cash grants and Cash for Work, sought to improve the purchasing power and livelihoods of 16,260 households and develop infrastructure through micro-projects in drought-affected communities of the Lower Juba and Gedo Region of South Somalia. A one-off cash grant of \$50 was followed by Cash for Work for 9,298 households (\$55/month), a minority of which were vulnerable and labour-poor households that received the grant without the work requirement. The project integrated the hawala – an informal banking system that delivers financial services and remittances – to deliver cash in insecure and logistically complicated contexts. While integral to the project achievements, such an arrangement raises coordination and accountability questions because of the remoteness of the distribution activities and ambiguity about the system's inner workings. The evaluation suggests that 'careful, context specific, planning and coordination is required with hawala ... when they are contracted to do more than their usual money transfer business' (Majid, Hussein and Shuria, 2007).

#### *Cash transfers for disaster risk reduction in Niger*

The 2005–2006 food crisis in Niger highlighted the extreme vulnerability of households to the impacts of droughts and food price increases. This situation calls for interventions that address chronic vulnerability even before shocks occur. In 2008, CARE began distributing one-time cash grants of \$178 to vulnerable households as part of its disaster risk reduction programming. The objective of such transfers is to support livelihoods so that households can better face future shocks. A feasibility study noted a number of ways that the grants might help reduce vulnerability: by making households less likely to take on debt or sell assets to meet basic needs, by increasing access to future credit if the grant is used to repay debts, by increasing social capital if some of the grant is spent on gifts and social obligations and by increasing income and assets if it is spent on productive investments. The study also noted that there is 'a need for modesty regarding what [cash transfers] can realistically achieve' (Bailey, 2008).

#### *Ethiopia Productive Safety Net Programme (PSNP)*

Massive emergency food programmes reaching up to 14 million beneficiaries have been used in Ethiopia to respond to recurrent food crises and famines. Dependency on food aid has increased as more households have become chronically food insecure, selling and disposing of assets in the face of recurrent shocks and droughts. In order to break the cycle of dependency on food aid and the deterioration of food security status, the government of Ethiopia switched to a strategy that employs

predictable transfers to increase the resilience of households and communities. Beneficiaries receive food, cash or a combination of the two through a public works programme or, in the case of households that have no labour capacity, without a work requirement. Research on the programme suggests that it has allowed households to retain or even increase their assets in comparison to non-beneficiaries (RHVP, 2007).

*Cash for non-food items in the Democratic Republic of Congo (DRC)*

Building on a study on the use of vouchers for non-food items (kitchen goods, clothing, etc.) in eastern Democratic Republic of Congo (Bailey and Walsh, 2007), UNICEF DRC and its partners Catholic Relief Services and the Norwegian Refugee Council have implemented several pilot 'voucher fairs' that reached 740 returnee households in 2007 and 2008 (UNICEF DRC, 2008). Eighty of the households were brought to a local market to purchase non-food items, while the rest took part in 'fairs', where vendors brought commodities including clothing, sewing machines, bicycle parts and pots to a

specified location and beneficiaries received coupons to 'purchase' these goods. An interview with a UNICEF DRC staff member revealed that, in addition to the needs assessments and sensitisation work done by staff, vendors organised informal consultations to determine which items they should bring to the fair. Based on this experience, the Shelter and Non-Food Item Cluster in DRC established as one of its five priorities for 2008 the piloting of voucher and cash programmes for NFI and shelter material.

*Cash for basic needs, housing assistance and property repair following Hurricane Katrina*

Pre-paid cards were distributed by non-profit organisations and the US government to survivors of Hurricane Katrina through cheques and stored-value cards. The US government provided an initial payment of \$2,000 for immediate needs and up to \$26,200 for temporary housing assistance, property repair and replacement and other necessary expenses. As of May 2006, payments made by the US government totalled \$7.6 billion (Kutz and Ryan, 2006).

## 5. Cash transfer programming in different sectors

This section examines the current and potential use of cash transfers in various humanitarian sectors. The flexibility of cash makes it a tool that can be used across different sectors, but this very flexibility means that households might not necessarily spend it on the goods and services that agencies originally intended. It is important to view cash as an alternative or complement to all forms of in-kind assistance, not just food aid. People can be supported with cash to meet a very wide range of needs, covering many of the typical emergency response sectors such as shelter, health, NFIs, nutrition, food security and livelihoods.

### Box 5: Combining food rations with cash transfers

There is a tendency to frame cash and in-kind assistance as ‘either/or’ alternatives, but in reality combining these resource transfer tools in food security and livelihoods emergency programmes has been a successful strategy in several cases. Concern (Malawi), Save the Children (Swaziland) and World Vision (Lesotho) have opted for this combination for various reasons.

For Concern in Malawi, the decision not to only use cash transfers was based on fears that the markets might not respond to increased demand, and that cash transfers alone would cause inflation. The evaluation endorsed this approach on the basis that – provided food needs were being met through the ration and other sources – the cash supplements enabled people to purchase other goods. The food and cash combination ‘appears to have provided all the benefits of both while avoiding the limitations of each’ (Devereux, Mvula and Solomon, 2006).

Save the Children, also concerned about inflation, used a similar approach in Swaziland in 2007 and 2008, meeting half of food requirements through a food ration and half through a cash payment. Of the beneficiaries surveyed at the end of the project, 91% of the ‘food only’ and ‘cash and food’ recipients stated that they would prefer a combination of food and cash transfers in a future drought (Devereux and Jere, 2008).

In Lesotho, World Vision opted to give one group of beneficiaries cash transfers and another a combination of food and cash in order to enhance its understanding of which method is most appropriate for meeting food needs for drought-affected households. The project evaluation finds that households preferred the type of transfer that they had received: most ‘cash only’ households preferred the ‘cash only’ transfers and most ‘cash and food’ households preferred the ‘cash and food’ combination. However, 70% of ‘food only’ recipients would have preferred some form of cash assistance instead of the food ration alone (Devereux and Mhlanga, 2008).

### Food security, non-food items and other basic needs

Providing cash to meet basic needs remains the primary objective of most projects using cash transfers. Cash transfers have been framed principally as an alternative to food aid, and this continues to be one of their prime uses. However, cash is usually spent on other crucial basic needs, such as household goods, debt repayments and protecting access to health care and education. An important advantage of cash is that it can enable people to meet a range of immediate priorities without having to sell in-kind assistance on unfavourable terms. In addition to enabling access to food, cash, like food aid, can also have broader objectives, such as protecting livelihoods or preventing distress coping strategies.

If transfers are calculated purely on household food deficits and do not include other basic needs, households may spend money ‘intended’ for food on pressing non-food needs. Dunn notes, when reviewing Oxfam cash transfer projects in East Asia, that:

*Although needs assessments clearly show that households have immediate needs other than food, these needs are often not included in the calculation of the cash transfer value. Often the calculation of the value of the cash transfer is based only on household food needs and a desire to supplement food aid (Dunn, 2008).*

Whereas cash is often considered as a substitute for or complement to in-kind food assistance, cash transfers for NFIs remain under-utilised. NFI kits, containing pots, plastic sheeting, utensils, soap and jerry cans, are often distributed in emergencies in which people have lost these basic assets or have been displaced from their homes. If the necessary items are available locally, there is evident unmet potential for using cash instead of distributing bulky non-food item kits. In a study in the Democratic Republic of Congo, beneficiaries selected for a distribution of NFI kits opted to receive the cash value of the kit and were taken to a local market. They spent only 8% of the cash on items that were found in NFI kits; the rest was used on items such as pagnes (cloth), new clothing, mattresses and bicycle parts (Bailey and Walsh, 2007). Based on this study, UNICEF implemented pilot ‘NFI fairs’ in eastern DRC; at these fairs, beneficiaries can choose NFI goods from vendors.

### Livelihoods

Cash transfers are being used in interventions whose primary objective is to enable the support and recovery of livelihoods.

For example, rather than directly distributing sewing machines, fishing boats or livestock, households can be given cash in order to purchase the appropriate livelihood inputs or to make investments towards their own livelihood priorities. In seed fairs, also known as voucher fairs, vouchers are given to beneficiaries who then ‘purchase’ seeds from local traders who sell seeds and tools at the fair. While this activity limits the scope of purchases to seeds and tools, it typically provides beneficiaries with more choice than in-kind seed distributions. Livelihoods protection or recovery objectives can also be combined with objectives to meet basic needs, as Save the Children did in Swaziland when it gave a lump-sum cash grant (to protect livelihoods) in addition to monthly transfers (to cover basic needs).

While their flexibility offers substantial potential to support livelihoods recovery, cash transfers are only one tool in the complex interaction of resources and assets that enable people to achieve sustainable livelihoods. Cash transfers alone cannot be expected to allow people to (re)build their livelihoods to their full potential. As Harvey notes, the list of possible complementary interventions is nearly endless, from increasing access to markets to vocational training to supporting business plan development; he also stresses that cash grants should be one possible tool in the broader process of helping people rebuild their livelihoods (Harvey, 2007).

Agencies have adopted creative approaches to supporting households receiving livelihoods grants. In Pakistan and Kenya, Save the Children has encouraged the formation of ‘community livelihoods committees’ where beneficiaries can discuss and exchange ideas on how best to spend grants. In Niger, CARE is examining how to link cash grant beneficiaries with savings groups that also serve as forums for support and discussion.

## Nutrition

Cash can impact on all underlying causes of malnutrition – food insecurity, the health environment and the social and care environment – though cash alone will not be sufficient to address malnutrition. One of the arguments sometimes put forward for the use of food aid rather than cash as part of humanitarian responses is that food aid is likely to have a greater nutritional impact, and so is therefore more appropriate in a project with explicit nutritional objectives. But there is also evidence that cash can be as effective as food aid (or more so) in meeting food needs. For example, in Zambia people were able to buy amounts of food roughly comparable to a standard food aid ration with their emergency cash transfer (Harvey and Marongwe, 2006). Similarly, cash and voucher projects in Aceh found that ‘food consumption of targeted beneficiaries met acceptable standards of quality and quantity throughout the pilot duration’ (Cole, 2006: 2), and in Sri Lanka ‘a switch from food to cash benefits was not likely to affect consumption significantly’ (Sharma, 2006). In Swaziland, households receiving a combination of food and

### Box 6: Cash transfers and high food prices

*‘Does the food price crisis mean we’ll be doing more or less cash programming?’*

In 2008, the issue of high food prices became prominent in discussions of emergency assistance, development and social protection. Where high food prices are reducing people’s access to food in emergency contexts, cash assistance may be an obvious consideration. However, the analysis of whether programming should take the form of cash or food transfers (or a combination of both) remains the same. It depends on assessment of the context according to the usual questions of food availability, functioning markets, the comparison of local purchase price to imported and distributed food, preferences of aid recipients and aid agencies’ capabilities.

However, as the food price crisis is a global issue with prices increasing in international markets for key commodities, the picture is not the same as with past analyses with respect to making the price comparison and making contingencies. For example, it has often been the case in the past that local prices of food have increased due to local or regional production failures, while international markets have been more stable, providing cheaper food. Despite emergency food needs, Uganda is one country that is actually doing very well from more lucrative maize exports; at the same time, WFP is distributing food aid (including maize) in the north of the country and has been buying some of it locally as an additional benefit to local farmers.

Cash transfers must include contingencies and measures to increase them in the face of rising food prices, so that their value is not eroded during the lifecycle of the programme. Ultimately, alongside a host of other policy actions that address the complex causes of high food prices, social protection measures, which could also include cash transfers, are needed to address risks facing the poorest as a consequence of reduced food access.

cash consistently had higher dietary diversity scores among children than households only receiving food aid (Devereux and Jere, 2008).

Cash can also have a positive influence on caring practices. In Ethiopia, Save the Children found that, in households that had received cash transfers, mothers fed their children more frequently, gave them a wider variety of grains and pulses and increased the amount of livestock products, oil and vegetables given to children. Mothers spent less time collecting firewood or dung as an income source, thus enabling them to spend more time at home caring for their children (Save the Children UK, 2005).

Cash transfers can sometimes improve dietary diversity, and therefore have the potential to be a way of preventing micronutrient deficiencies. Preventing micronutrient deficiencies

by promoting access to fresh foods (with cash) rather than providing vitamin and mineral mixes would be more in line with Sphere standards and UN guidelines regarding the provision of access to culturally appropriate foods. However, in some contexts micronutrient supplements may still be needed, even if cash is an appropriate way of providing more general access to food (Jaspars and Harvey, 2007).

In contexts where World Vision provides support for therapeutic feeding and for maternal and child feeding, cash transfers to households or individuals are unlikely to be an appropriate alternative. Therapeutic feeding to address severe malnutrition is a medical intervention that requires specific therapeutic foods and medical care; it cannot be replaced by cash. Similarly, there will continue to be a role for high-energy foods for supplementary feeding of moderately malnourished children in some emergency contexts; these cannot be replaced by cash transfers either.

### Shelter

Shelter responses after disasters have tended to focus on providing temporary shelter in camps, and then assisting in the rebuilding of permanent housing. This support has usually been given in the form of in-kind aid: governments or aid agencies provide temporary shelters for people in camps and building materials for permanent homes, or rebuild houses themselves, usually through local contractors. Giving people cash to help them obtain temporary shelter or rebuild their homes is an obvious alternative. Cash grants have been used to support temporary shelter by providing support to people staying with host families, to allow people to rent accommodation and as an alternative to in-kind materials such as plastic sheeting. In permanent shelter responses, cash grants have been used as an alternative to the in-kind provision of shelter materials and agency or contractor building of houses. The World Bank has labelled this an 'owner-driven' as opposed to 'donor-driven' approach, and it is being increasingly used. There are recent examples from the Gujarat earthquake, the tsunami response and the response to the Pakistan earthquake (Harvey, 2007).

### Return and reintegration

Cash transfers have notable potential to support return and reintegration. UNHCR's recent use of cash transfers to support return from Pakistan to Afghanistan and from Tanzania to Burundi are large-scale examples of this. In other cases, cash was not used, although it may have been appropriate, for instance in the hugely complex logistical arrangements put in place to truck people returning from displacement in Khartoum to Southern Sudan. There has been surprisingly little use of cash to provide support to long-term refugee and displaced populations, who have received in-kind support for

many years. Cash grants might provide opportunities to explore alternatives to encampment and to promote integration and self-reliance.

### Disaster risk reduction

In addition to using cash transfers in the aftermath of crisis, agencies are examining how cash transfers can be used *before* crises occur in order to minimise their probable impact. In Niger, as part of a consortium disaster risk reduction project, CARE is distributing cash grants to permit households vulnerable to impacts of shocks and disasters to invest in livelihood activities in order to increase their resilience. In India, the Rural Development Academy uses Cash for Work to improve infrastructure that can reduce the impact of future floods. While cash will undoubtedly help these households, the impact over the medium- and long-term remains to be seen. The feasibility study for the CARE project notes that the transfers may increase resilience through asset creation, but that the many and complex factors that make households vulnerable to shocks and disasters (such as poverty, land rights, poor health and environmental degradation) cannot be addressed through short-term cash transfers alone (Bailey, 2008).

### Social protection

The line between chronic poverty and crisis is not always a clear one. The sporadic nature of humanitarian assistance means that it cannot meet the longer-term needs of households that are extremely vulnerable to hunger and deprivation, and whose assets and productivity are constrained by the impacts of shocks, seasonal food deficits, malnutrition, HIV/AIDS, aging and poor health. Meetings on successful cash transfer emergency interventions rarely end without the question being asked of how the benefits of the programme could be continued in a more sustainable manner, rather than letting them expire as part of a finite project. And for good reason: emerging evidence suggests cash transfers used in longer-term social protection programmes address hunger, increase incomes, improve educational attainment and health in poor families and potentially support markets and growth (DFID, 2005a). Predictable cash transfers allow households to incorporate them into their livelihood strategies, increasing the chances that the cash will be spent on productive investments. While social protection is ideally provided by the state, NGOs, UN agencies and private actors may have roles in supplying technical support and monitoring (as CARE has done in Zambia), or in advocating for the provision of social protection by the state. If welfare safety nets are put in place, there is potential for their expansion horizontally or vertically in times of crisis. On the flip side, cash transfer emergency interventions could support the development of social protection programmes (Harvey and Holmes, 2007).



## 6. Implementation challenges and key concerns

Concerns have been raised about implementing cash-based responses, some of which are unique to cash programming while others are challenges generic to humanitarian assistance. For instance, whereas inflation is a key concern with cash transfers because it would erode the value of the transfer, both cash and in-kind resource transfers carry risks of diversion to non-target groups. The issues in this section are not new; they have been discussed in many reports, assessments and evaluations (Harvey, 2007; Meyer, 2007; Devereux, Mvula and Solomon, 2006; Devereux et al., 2007; Levine, 2007; Bailey, 2008; Bush and Abdel Ati, 2007; Majid, Hussein and Shuria, 2007). This section looks at the extent to which these concerns and challenges have been realised in practice.

### Box 7: Stuck in a ‘pilot’ mentality?

The objective of pilots is to test a project model in order to scale it up or replicate it, and many cash projects by NGOs and UN agencies have taken the form of small projects or pilots. This begs the question, ‘What about scaling them up?’. In reality, there have been several large-scale cash transfer programmes. In China, the government has reportedly provided some form of cash transfer to more than eight million people. In Pakistan, grants have reached 267,402 households. UNHCR has distributed more than \$300m to refugees returning to Afghanistan. However, it is evident that NGO cash transfer projects are usually smaller in scale than in-kind programming. Part the reason for this is the speed of change: cash transfers, even in settings where they are appropriate, will not in a matter of a few years replace in-kind assistance as the default option, nor is the funding currently available to do this. One issue that needs exploration regarding ‘scaled-up’ cash transfers by NGOs is the growing role of UN agencies as grant providers. Advocating for UN agencies to consistently consider cash transfers is essential if the larger-scale assistance programmes that they fund – and the NGOs that they fund to implement them – will increasingly use cash transfers as a tool to meet the needs of people impacted by crisis.

### Anti-social use

Concerns over the anti-social use of cash can be boiled down to the ‘alcohol, women and cigarettes’ argument: fears that beneficiaries, notably men, will misuse cash transfers. While some evaluations have noted isolated instances of this behaviour (Devereux, Mvula and Solomon, 2006), no empirical evidence supports the concern that cash transfers lead to a notable increase in anti-social spending or behaviour. Monitoring and evaluation consistently support the view that

households generally use cash transfers to purchase necessary items. As for why there is a disconnect between fears of anti-social spending and the reality of generally responsible spending, researchers note several possibilities that broadly fall into three categories: ‘sheer common sense’ on the part of beneficiaries (Devereux et al., 2007), ‘overly pessimistic expectations’ on the part of aid agencies (Meyer, 2007) and sensitisation by aid agencies about what the transfers are intended for. Focusing delivery modalities too much on potential anti-social use may unnecessarily increase administrative burdens. In the case of the IFRC in Indonesia, the risk of misuse of funds perceived by some led to more stringent controls over distribution procedures than were really required (IFRC, 2007). While recent research by no means suggests that money should be handed over without careful planning and sensitisation, it does wholeheartedly reject the argument that cash transfers are prone to misuse.

### Gender dynamics

‘Do cash transfers disadvantage women?’. It is rare not to hear this question in any discussion of the use of cash transfers in emergencies. The logic is that women traditionally exert more control over in-kind resources such as food, while their male counterparts are more likely to control cash. Since women are viewed as more reliable in using resources to increase household welfare, some practitioners fear that women – and consequently the rest of the household – will be disadvantaged by cash as opposed to in-kind resource transfers. Based on this assumption or initial assessments, many agencies have targeted the transfer to the woman of the household to promote responsible use. Recent research and evaluations have also suggested that, where appropriate, cash transfers can be used to empower women through increased roles in household decision-making and allocation of income transfers. They can even reduce gender-based conflict in certain contexts. Examining the potential for targeting transfers to women requires understanding their role, their social relations and the power imbalances in these relationships (Devereux, Mvula and Solomon, 2006).

Evaluations of Concern’s projects in Malawi endorsed providing the transfers to women on the basis that they were more inclined to spend it on household welfare (Devereux, Mvula and Solomon, 2006; Devereux et al., 2007). A study of World Vision’s cash transfers in Lesotho finds that, far from causing conflict along gender lines, the cash transfers have actually been better at reducing tensions between husbands and wives than food assistance (Slater and Mphale, 2008). In its position paper on cash transfers, Save the Children UK noted the importance of considering the role cash plays ‘in

transforming gender power relations at the household as well as community level' (Save the Children, 2007).

There is also the question of whether, if women do not have influence over spending, this lack of control impacts household welfare in relation to the spending of emergency cash transfers. An evaluation of Oxfam's cash transfer interventions in Sudan's Red Sea State notes that this was not the case in that project:

*Women's degree of influence over how cash was spent ran the full range of possibilities from full control (in most female-headed households) to no control. Even in households where the male head assumed full rights to decide how cash was spent, women reported that the money was spent sensibly. In short, spending patterns reflected household priorities. There was no evidence of misuse of cash within the household, nor was there evidence of tension between men and women over how cash was used (Bush and Abdel Ati, 2007).*

This quote provides a counter-example of the stereotype that men are prone to wasteful spending and that cash will cause problems within households. Nevertheless, more research is needed about the way cash transfers are treated as a form of income. Such research is particularly crucial regarding the use of cash in times of hardship, which will differ across cultures and probably differ from the way income earned from employment is treated within a household in 'normal' times. At present there is no evidence to suggest that cash transfers in emergencies lead to increased gender violence; some evidence even reveals that cash transfers can improve gender relations in certain contexts, as they did in the World Vision Lesotho project.

### Generational relations and children

The HIV/AIDS pandemic has resulted in a growing proportion of households with 'missing generations', where grandparents care for children orphaned by the disease. These households may be prioritised for cash transfers in emergencies or targeted in social protection programmes. Different generations within households exert control of the allocation of cash resources or feel a sense of entitlement to the cash transfers, potentially causing conflict within the household, as was the case in the World Vision Lesotho project (see Box 8). Little research has been done on the impact of generational relations on the use of cash transfers and the impact of these transfers on generational relations.

A related question concerns the impact of cash transfers on children. While no systematic research has been conducted on this subject, there is some evidence that children benefit from cash transfers in emergencies through direct expenditures on their health and education and the purchase of food, fuel and

### Box 8: Gender and generational relations: lessons from the World Vision Lesotho pilot

As the first World Vision pilot project using unconditional cash transfers in a humanitarian response, the Cash and Food Transfers Pilot Project provided a unique opportunity to do in-depth research on the impacts of cash transfers. Gender and generational relations were chosen as a research focus because these aspects of cash-based responses remain relatively under-researched. The study, conducted by Slater and Mphale, found that cash transfers reduced conflict between husbands and wives – even more so than food transfers. Women are typically responsible for identifying and meeting household needs (and managing the resources required for this) and there is long experience of management of cash income by wives. The cash transfers alleviated the marital conflicts caused by lack of food within the household and were treated as a 'gift' destined for household needs, as opposed to belonging to the husband or wife (Slater, 2008).

The same positive impact on gender relations cannot be said of relations between children/grandchildren and parents/grandparents. In households receiving food, conflicts caused by lack of resources were reduced, but some households receiving cash transfers reported that children demanded the money that they were 'entitled to' (cash transfers are calculated based on the number of children in the household). World Vision staff dealt successfully with such problems, suggesting that help desks and other accountability mechanisms should address these generational issues and not focus solely on gender conflict and inclusion/exclusion errors (Slater and Mphale, 2008). There are evident implications of these findings for social protection projects meant to support orphans and vulnerable children; sensitisation should include these issues so that children do not view the transfer as their personal entitlement.

other items that assist the household as a whole and indirectly through benefits from investments in livelihoods (Devereux et al., 2005; Gore and Patel, 2006). In Swaziland, children in households receiving Save the Children food and cash transfers achieved a higher level of dietary diversity than those in households that only received food rations (Devereux and Jere, 2008).

### Risk of diversion and security

Two concerns often raised with cash transfers in emergencies are possible security risks both for deliverers and recipients, and the ease with which cash might be stolen and diverted to illegitimate uses, such as supporting conflict. Clearly, these are important concerns and fundamental in determining whether cash might be an appropriate response option. As when planning any resource transfers or aid programme, careful consideration of the potential impact on conflicts is key when determining whether to implement cash transfers.

However, evaluations of cash transfer projects have found that systems can often be put in place to minimise these risks and deliver cash safely and securely (Harvey, 2007). Security concerns are not unique to cash. They are not necessarily greater for cash than other kinds of value or resource transfer, but they may be different.

In some contexts, as was the case with the Danish Refugee Council in Chechnya, security concerns that might affect in-kind distribution may be significantly reduced for cash because transfers can be delivered directly to beneficiaries by secure financial systems such as banks, auto-tellers, postal and mobile banking or through private companies. This was also the case for the consortium project of Oxfam, Horn Relief, AFREC, WASDA and Development Concern in southern Somalia:

*Food aid in Somalia is notable for its very bulky, visible presence and is often associated with an increase in tension as it is carried and delivered by highly armed transporter-contractors. It is also perceived as a free resource in to an area with often no clear acknowledgement or recognition of who it is supposed to be for. As such it may and does attract the attention of for example, local militia. Using a respected local organisation for the distributions, the consortium cash distributions did not encounter taxation, looting or corruption (Majid, Hussein and Shuria, 2007).*

The potential for diversion is contingent on a variety of factors. The evaluation for the project in southern Somalia points out that the ‘newness’ of cash as a tool may be one of the reasons why cash distributions did not feed into the local war economy, whereas food assistance (which is known to be subject to a certain amount of diversion) has been taking place for 15 years. Above all, assessments and monitoring in conflict-affected areas must always consider the ways in which relief interacts with conflict and may put people at risk.

### Market factors

An injection of assistance commodities – cash or in-kind – impacts on the local economy. Cash transfers may have positive impacts on the local economy by stimulating trade. The increase in cash may also cause or contribute to price increases for key goods. While fears about cash transfer projects causing inflation have generally been unfounded, inflation can greatly impact cash transfer projects as the real value of the transfers is eroded. Projects are finding new ways to deal with this, including contingencies to adjust the size of the transfers, as Concern did in Malawi. While it clearly adds a burden in terms of the sensitisation of beneficiaries, adjusting transfers to respond to inflation tackles this potential problem. Such contingency plans must be explicitly budgeted in a flexible way so that changes to the transfer size can be

funded and made in a timely manner. General contingency lines in budgets are usually very difficult to negotiate with public donors, so it requires careful consideration early on in preparing the budget, as well as prompt action once it is realised that adjustments are needed. Delays can mean that a transfer increase comes after beneficiaries need it most.

The use of cash transfers in emergencies has highlighted the lack of attention given to assessing markets in emergencies and the lack of tools with which to do this. At one extreme, some agencies designing cash transfer programmes have brought in outside consultants and economists in order to conduct market assessments. Save the Children took this approach in Swaziland in 2007; that assessment was based on interviews with 490 households and 235 traders and included analyses of market integration and elasticity of supply and demand (De Matteis, 2007). Other organisations use in-house approaches, combining their own tools with the common-sense approach of visiting local markets to see what items are available, discussing with suppliers what obstacles and opportunities they face and deducing whether markets could cope with increased demand. Market assessments are not specific to cash transfers; they should always be incorporated into programme design, even if the end result is an in-kind distribution of commodities.

No guidelines or research have yet claimed to have found the right balance between in-depth market assessments and quick ‘common sense’ approaches. However, detailed market assessments that take time and specialised staff to implement have evident limitations in their ability to inform key decisions at the onset of an emergency. Timely and accessible market analysis is therefore essential. The International Red Cross and Red Crescent Movement guidelines provide a practical tool that addresses three main questions:

- Are markets functioning or likely to recover quickly?
- Will people be able to buy what they need locally at reasonable prices?
- Is there a risk of inflation and could cash transfers cause inflation?

At the time of writing, a market mapping tool (‘Emergency Market Mapping and Analysis’) was being developed and tested by a group of NGOs led by Oxfam GB, the International Rescue Committee and Practical Action. This non-specialist tool has the potential to fill an information gap in sudden-onset emergencies by linking market assessments with livelihood assessments.

In addition to guidelines and tools specific to cash transfer interventions, inter-agency training modules on the use of cash transfers have been developed by Save the Children (UK), the British Red Cross and Oxfam GB, with the objective of building the capacity of field staff in cash transfer programming. These trainings provide field staff with an

overview of how to assess, design, implement and monitor cash transfer programmes. Demand for such learning opportunities is likely to increase as more organisations aim to build their own in-house capacity in cash programming. While training provides clear advantages, it is worth noting that staff with experience in livelihoods, food security and emergency operations usually already have the skills necessary to implement cash transfer programming. There is a risk of ‘specialising’ cash transfers as a field of expertise, rather than focusing on their status as one of many tools in food security, livelihoods, shelter, resettlement and social assistance programming. Rather than or in addition to organising stand-alone cash transfer training workshops, focus should be placed on the integration of cash transfers into existing training modules in areas such as assessment and in sectors such as food security, livelihoods and shelter.

### Targeting

Targeting is a difficult task in an emergency. The desirability of cash has raised concerns that its targeting is more complex than in-kind assistance. Better-off households may attempt to use their influence in order to be included as beneficiaries. This potential problem has proven to be surmountable by agencies implementing cash interventions, many of whom have used targeting methodologies that involve community consultation on criteria and selection processes, accompanied by sensitisation on why cash is being used and who is entitled to receive it. Evidence from recent cash projects continues to support the finding in Harvey’s report that ‘targeting cash is not significantly more difficult than targeting in-kind assistance’ (Harvey, 2007: 29).

### Cost-efficiency: challenges of comparing cash transfers with in-kind assistance

The cost efficiency of cash transfers is often raised as a potential advantage when choosing between cash and in-kind assistance, but there is simply no correct answer to the general question ‘are cash transfers more cost-efficient than in-kind transfers?’.

The cost comparison of in-kind assistance (particularly food aid) with cash transfers is a complicated task for numerous reasons:

- It is unique to the context and can change over time even within that context.
- It is famously difficult to put a true price on donated food assistance. From the implementing agencies’ point of view, it is difficult to decide where to stop considering costs: does one consider it free (as it is donated); does one only consider the calculated value according to WFP (or the donating agency); does one add the WFP organisational

costs; and if it was not purchased on the open market, does one try to calculate the price difference?

- Goods purchased in bulk by an agency may be cheaper than smaller purchases in local markets, where people could buy the goods themselves; however, calculating the true cost to the agency of procuring, storing, transporting and then distributing the goods is a hugely difficult exercise, especially since, in most cases, this would be done by a system that is used for the whole programme, not just certain assistance activities.
- Calculating cost-sharing is complex in any project.
- Thus far small-scale and pilot projects have had much more intensive and costly monitoring than programmes using in-kind assistance.
- The costs to the beneficiary are difficult to incorporate into a comparison. For example, an evaluation of World Vision’s cash and food transfer programming in Pakistan found that beneficiaries considered the cost of receiving cash transfers to be lower than food, because receiving cash could easily be incorporated into their regular visits to the trading centre, while receiving food required a special trip to receive and transport large food packages.

Of project evaluations that have included a cost-efficiency analyses (however inexact), there is no universal trend of cash transfers being more or less costly than in-kind assistance – this relationship has depended on the project and the context. The difference between prices on the local market and those on world or regional markets is often the dominant factor in the case of food, but this varies considerably in different contexts, making it impossible to conclude that one is generally more efficient than the other.

It is important to consider effectiveness in making comparisons, though this can also be challenging. For example, it is very hard to measure the extent and result of in-kind goods being sold, at a discount, by beneficiaries in order to purchase other needs. In-kind and cash relief may also have different impacts, such as those on markets that are difficult to trace, including multiplier effects or production incentives and disincentives. Cash transfers used for purposes such as healthcare and education clearly have positive impacts, but these are difficult to measure. In making a comparison between cash and food, how does one calculate and consider that the food pipeline is very likely to break down at some point and cause delays and shortages? Most of these effectiveness issues are hard for agencies to measure in advance in order to choose between in-kind or cash relief. Many of these issues are related to the behaviour and choices of people affected by crisis, which is a strong argument for consulting and asking them what they would prefer.

Overall, it is crucial that cost and efficiency are not singled out as the sole criterion for using in-kind assistance or cash transfers; these factors should be part of a strong assessment of the most appropriate way to meet needs in a given context.

## 7. Donor approaches to funding cash transfers

Apart from a recent comprehensive review of cash-based interventions by ECHO (Lor-Mehdiabadi and Adams, 2008) and ongoing monitoring of cash interventions by SDC through its ‘Community of Practice on Cash’ website,<sup>3</sup> little information is available on donor attitudes to and policies on cash. This is a new area of work and most donors do not maintain data on the number, type or location of their cash interventions. Nor have they developed distinct policies or guidelines on cash interventions, but instead generally view it as one amongst many available instruments for humanitarian response. This section provides an overview of different donors with favourable perspectives on cash before concluding with a set of recommendations for World Vision should it decide to seek increased funding for cash-based interventions.

### Specific donor approaches

#### *Canadian International Development Agency*

CIDA supports life-saving interventions in emergencies, through partnerships with international organisations and a community of trusted NGOs, including World Vision, Oxfam, MSF and CARE. Cash is a new area of work for CIDA; the agency has yet to build up a body of experience and guidelines. CIDA staff have been aware of the emerging experience of others with cash transfers, particularly donors such as DFID, and they have been strategically monitoring the discourse around them (to a certain extent) since early 2006. They are now becoming more interested in cash-based responses as a result of the growing number of proposals for cash transfer projects. Yet one Ottawa-based CIDA representative was of the opinion that cash is not appropriate in the acute life-saving stage of an emergency, which the agency prioritises; this interviewee thus feels that cash may not be the most useful instrument for the agency. An interview with a CIDA representative in Africa highlighted that, while other donors may be able to handle such projects, it might be difficult for CIDA to assuage fears around the use of the cash. There are concerns that this might hold significant domestic political risk: ‘I can just imagine the headlines: “CIDA Throwing away Cash in [a Specific Country]”’.

Despite this overall reluctance, CIDA representatives claimed that, if a baseline assessment demonstrated the suitability of cash for the local context, then the agency would certainly consider this approach. In general, CIDA representatives emphasised the importance of an agency applying for funding to demonstrate their expertise in cash (through pilots in one or more countries), clearly articulating their approach to using cash, showing how they conduct monitoring and evaluation, and demonstrating how the cash was used by beneficiaries.

<sup>3</sup> See [www.sdc-cashprojects.ch](http://www.sdc-cashprojects.ch).

CIDA also suggested that policy discussions on cash interventions would be welcomed at the headquarters level through the ‘PAGER’ forum.<sup>4</sup>

#### *UK Department for International Development*

DFID is one of the leading donors in cash-based responses and has supported cash in both development and humanitarian contexts, particularly in Africa and South Asia. Cash-based interventions have been undertaken in programmes managed by the social protection team, the conflict and humanitarian affairs unit (known as CHASE) and the fragile states team. Despite overall support for cash in appropriate contexts, there is no specific policy on the use of cash or voucher projects; such interventions are reportedly relatively minor in comparison with overall DFID assistance.<sup>5</sup>

Much of the thinking behind DFID’s approach to cash has emerged from its social protection policy agenda, which is aimed at addressing risk, vulnerability and chronic poverty. Here the focus is on predictable and guaranteed social transfers by the state as a means of ensuring social protection. In general, cash is viewed as having a number of advantages over food and other forms of in-kind transfers due to its relative cost-efficiency, predictability and flexibility (DFID, 2005a: 9). DFID is currently working in more than 20 countries on social transfer programming. In Pakistan, DFID is supporting national social security frameworks, while in Ethiopia, Kenya, Lesotho, Malawi and Zambia, it supports long-term cash-based safety net programmes. In Southern Africa, it is funding the Regional Hunger and Vulnerability programme, which provides guidance on forms of assistance. The 2006 White Paper recognised social security as a right and established that half of DFID’s bilateral funding should support social services. Since social protection is viewed as an element of social security, there are significant commitments from DFID to increase social protection funding by 2009. Furthermore, the White Paper also commits DFID to transferring a significant portion of those dependent on emergency relief to social protection support.

DFID also recognises the value of cash transfers in humanitarian emergency contexts, and it has supported cash-

<sup>4</sup> Indeed, for the first time, CIDA consulted PAGER members and solicited their advice before attending WFP’s annual executive board meeting in 2008. Yet despite Canada’s untying of its food aid contributions, CIDA explained that the Canadian government is currently unwilling to support Canadian funding of WFP for cash transfers because such a use would not be counted as food aid contributions under the present Food Aid Convention. This could change in the future as the convention is renegotiated and international food architecture evolves.

<sup>5</sup> Relevant policy documents include DFID’s Sustainable Livelihoods Framework (DFID, 1999) and DFID’s practice paper on ‘Social Transfers and Chronic Poverty’ (DFID, 2005a).

based interventions in various areas, including the Horn and Southern Africa. More recently it has also emphasised the role that cash can play in integrating disaster risk reduction principles into relief programming. Field-based DFID representatives were very supportive of cash interventions in contexts where there is a functioning market. While the Department has not outlined set rules, it supports cash transfers as an alternative to in-kind support based on their efficiency and flexibility and a shift away from the ‘paternalistic attitude’ that disaster victims cannot be trusted. This emphasis of providing beneficiaries with options is, according to the DFID representatives interviewed, also one of the reasons why DFID is moving away from Cash for Work and Food for Work programming. Other reasons why these two programmes are not prioritised within DFID are that resulting infrastructure projects are often not of a high enough technical quality to be viable, and that the use of beneficiary labour – often a beneficiary’s primary asset – means that opportunities for them to improve their situation are reduced. Similarly, the representatives interviewed mentioned that vouchers were not a priority for the organisation. According to interviewees, DFID prefers to work with cash because it is perceived as more efficient and flexible than vouchers, which, it may be feared, could be forged or sold.

Unlike other donors – such as AusAID, CIDA, ECHO and OFDA – DFID representatives did not believe that accountability for how money was spent was a specific concern when it came to cash. Indeed, one felt that there was the potential for greater accountability with cash relative to in-kind assistance as the level of efficiency involved meant that the wastage that often accompanies food or other in-kind support was not as prevalent.

DFID represents an important potential source of funding given its overall support for cash. In interviews, DFID representatives mentioned that only a limited number of aid organisations were approaching the Department for cash funding (Oxfam and Save the Children UK were the main NGO recipients). Unlike other donors, DFID representatives mentioned that there was a high likelihood of DFID specifically encouraging proposals for funding for cash-based responses in the aftermath of a crisis where cash is deemed an appropriate intervention. Decision-making on funding up to £7 million is made either locally or regionally, and generally DFID’s solicitation of cash proposals will be done locally to trusted organisations with the experience, knowledge and capacity to deliver cash-based programmes. An agency with limited experience in cash-based programming might be at a disadvantage in applying for funding, but this could be overcome, it was suggested, by convincing local DFID representatives that the agency has experienced staff on the ground capable of implementing a cash response. DFID will also generally want to ensure that there is a robust system of targeting and monitoring. In terms of monitoring, the emphasis is on surveys with beneficiaries to determine how

they used the funds and what the overall impact was, rather than to ensure that the funds were used for specific purposes (e.g. purchase of food).

DFID has for some time been seeking to reduce the number of agencies with whom it works; by working through fewer trusted NGOs with larger programmes instead of many smaller ones, the donor aims to reduce overall transaction costs. The issue of trust and confidence is clearly going to be an issue whenever an organisation tries something new, such as cash. However, DFID is clearly interested in cash programming, so there is no need to ‘sell’ it the notion. They are interested in learning more about it and thus supportive of robust monitoring and evaluation, as well as linking it to a commitment to social protection.

#### *European Commission Humanitarian Aid<sup>6</sup>*

At the time of writing, ECHO was in the process of developing policies concerning the use of cash and vouchers. In the meantime, Fact Sheet D3 outlines key principles regarding the use of cash (but not vouchers, which it characterises as largely similar to in-kind distribution). Three categories are currently envisaged:

- Cash for returnees to facilitate the return of internally displaced persons and refugees – projects only permissible under the supervision of an international organisation, such as UNHCR.
- Income generation, including Cash for Work schemes and projects where assets and tools are provided to assist in livelihood activities.
- Cost recovery projects to ensure the commercial viability of service provision in humanitarian contexts (e.g. revolving health schemes).

Two of the key principles outlined in Fact Sheet D3 include accountability and managing risks. It appears that these principles, rather than others which emphasise ‘victims’ needs and interests’, are prioritised within ECHO. According to Lor-Mehdiabadi and Adams (2008), this approach could potentially limit resource transfer options given concerns within ECHO that cash is more risky than in-kind provision.

ECHO has limited flexibility in its ability to provide cash as a result of strict legal regulations. According to interviewees within ECHO, this has led to a presumption amongst humanitarian agencies that ECHO ‘doesn’t do cash’. However, the recent review of ECHO’s work in this area indicates that ECHO supported approximately 180 cash and voucher projects between 2000 and 2007, with only two projects funded in 2000 and more than 45 in 2006. The majority of cash-based projects were in Afghanistan, the Democratic Republic of Congo and Palestine. Cash for Work was the main

<sup>6</sup> This overview draws heavily on a review of ECHO’s cash and vouchers work (Lor-Mehdiabadi and Adams, 2008) as well as interviews with ECHO representatives.

type of intervention supported, with other forms of voucher and cash-based interventions less common. Unconditional cash grants have not been implemented as they were not permissible under previous legal requirements. One consequence of the perception that ECHO does not fund cash interventions is that traditional cash agencies, such as Oxfam and ICRC, have targeted ECHO for funding for their cash programmes on a limited basis only. The result is that ECHO has funded quite a broad range (39) of its partners to undertake cash-based programming.

One of the major findings of the review of ECHO's cash-based responses is that no particular criteria are applied in reviewing cash projects. As such, decisions on the relevance of a cash transfer programme appear to have depended largely on the applicant agency's ability to justify it, the personal knowledge of (and presumably interest in) cash responses of ECHO's Technical Assistants, and the strength of the relationship with the applicant partner.

New financial regulations agreed in 2007 appear to allow ECHO to fund unconditional cash grants as a means of resource transfer to beneficiaries.<sup>7</sup> Unconditional cash grants are being considered as part of an overall review of ECHO's approach to cash and vouchers. Specific guidelines on resource transfers are anticipated in the near future, although the perception of ECHO representatives is that the guidelines will be influenced heavily by legal regulations and as such may not represent a major departure from the status quo. In particular, it is likely that a limit of €100,000 will be applied to unconditional cash grants to NGOs. ECHO interviewees claimed that this was as a result of strict legal regulation of cash transfers. However, there are some ways around this stipulation, such as partnering with UN agencies (to which the same rule does not apply) or using matching funds. Once guidelines are agreed, they are also likely to require partners to conform to more standardised and rigorous assessment, monitoring and reporting requirements regarding the use of cash.

#### *Swiss Agency for Development and Cooperation*

SDC is a leading agency in the use of cash as a tool in humanitarian aid. Since 1999, the SDC Humanitarian Aid Department has spent more than \$30m on various types of cash transfer projects within Europe and the Commonwealth of Independent States (an alliance of some of the former Soviet republics). The Middle East and North Africa division has not yet supported any cash-based humanitarian initiatives.<sup>8</sup> Unlike many other donors, SDC implements projects either directly or in collaboration with partners such as ICRC, IFRC, UN agencies or Swiss NGOs. Knowledge development is a key component of SDC's work, and in 2002 a dedicated unit – the Community of Practice on Cash – was

established. SDC does not have a formal cash policy. Interviews with representatives suggest that a dedicated policy may not be pursued as SDC does not view cash as an isolated sector, but rather as an instrument that may be applied in different sectors.

SDC's approach to cash differs from the social protection approach (e.g. see DFID above). In general, it uses timely, one-time cash injections in four main situations:

- Support to families hosting displaced populations to avoid the necessity of resorting to displacement camps.
- Livelihood recovery programmes (for example, following natural disasters).
- Housing reconstruction or rehabilitation programmes.
- Cash for Work (although this is less of a priority).

In 1997, SDC published a workbook on cash and voucher programmes. This emphasised the following:

- Cash transfers are more appropriate following a natural disaster, less appropriate before or after conflict and mainly inappropriate during a disaster or conflict.
- A favourable environment for cash interventions includes a conducive market situation, functioning banking system and favourable security situation.
- Registration and targeting are crucial to cash interventions, as is ensuring that the money is transferred to the end beneficiary.
- In contexts of widely prevalent corruption and/or high inflation, implementation should be restricted.
- Where vouchers are used, only traditional cash vouchers are permitted.<sup>9</sup>

SDC maintains long-term partnerships with a limited number of agencies. Funding to a new agency is made on a case-by-case basis. According to SDC representatives, there may be greater potential for this form of funding in the aftermath of a natural disaster. Applications for funding should be made either directly through an SDC country representative or through the desk officer in Bern. SDC generally only provides funding up to 50%, except in exceptional circumstances.

#### *Swedish International Development Cooperation Agency*

SIDA has supported cash transfer programming in Aceh (UNDP), Uganda and Somalia (Oxfam). While it has no specific policy on cash, in 2006 it developed a position paper that draws heavily on HPG's work and other policy documents on cash to set out the advantages and disadvantages of cash interventions. This paper also outlines the following set of preliminary questions that the agency should pose when considering cash responses to emergencies:<sup>10</sup>

<sup>7</sup> See Legal Note of August 2007, Revised Financial Regulations, arts. 120(2), 184(a).

<sup>8</sup> SDC's cash website ([www.sdc-cashprojects.ch](http://www.sdc-cashprojects.ch)) provides comprehensive information on SDC's previous cash programmes as well as current guidelines on cash programming.

<sup>9</sup> In some instances of hyperinflation, vouchers will be provided for a specific quantity (e.g. 5kg of food). These are not permissible under SDC guidelines.

<sup>10</sup> These criteria are in addition to the standard criteria for all humanitarian projects.

- Do beneficiaries prefer cash/vouchers to in-kind aid and services?
- In what ways could cash/vouchers impact on conflict?
- Has the requesting agency undertaken an adequate analysis of the local economy, a market assessment of the availability of products and vendors, risks of inflation and the financial framework? What mechanism for financial transfer has been outlined?
- What need is the cash aimed at addressing?
- How will the agency handle practical questions such as choice of beneficiaries (targeting), handling of cash and security issues?
- How will projects be evaluated/followed up in situ? Are there any local committees to help ensure that the correct beneficiaries receive aid and evaluate whether the project leads to tensions?

#### *Office of US Foreign Disaster Assistance, USAID*

One of the three pillars of OFDA's mandate is to mitigate the economic impact of disasters. While USAID is the world's largest food assistance provider, OFDA has become increasingly open to cash-based responses. They are clearly supported in the 2008 guidelines for Livelihoods and Market Systems (LMS) programming. According to these guidelines, LMS activities should be designed in order to achieve one or a combination of three goals: to restore livelihoods assets; to increase purchasing power within disaster-affected populations; and/or to support the resumption of market activity (OFDA, 2008). Three types of cash-based interventions are accepted by OFDA: cash grants, Cash for Work and vouchers.

#### *Cash grants*

There are signs that OFDA's support for cash distribution may increase where its relevance is clearly demonstrated. OFDA representatives emphasise a number of different preconditions outlined below that need to exist prior to supporting cash. In particular, they emphasise that a case for cash rather than vouchers would need to be established, and that in general it would only be considered on a small scale where the perceived risks are minimal. According to OFDA, cash grants could be considered when:

- there is a conducive security environment, and
- there is a functioning market, with limited potential for price distortion if cash is introduced, and
- there is limited risk of the cash being used for anti-social purposes (according to interviewees, the prevailing view within OFDA is that cash should also only be used by beneficiaries for an explicit intended purpose alone; however, some believe that it is permissible for beneficiaries to spend it as they see fit, so long as the risk of diversion for anti-social use is limited), and
- when the cash is only a small component of a broader intervention. This precondition relates to OFDA's strict accountability requirements to Congress, to which it must

set out how assistance has been spent. In particular, OFDA must indicate that it was not possible for assistance to have been diverted for terrorism.

- Cash may also be considered as a safety net mechanism in Cash for Work interventions when individuals are unable to work (e.g. the elderly or disabled). This precondition would apply to programmes designed to increase the purchasing power of affected communities.

#### *Vouchers*

OFDA has funded voucher projects in a number of different contexts in recent years, including during the Pakistan earthquake and Bangladesh floods, as well as 'seed fairs' in various parts of the world. OFDA is open to funding vouchers for various types of in-kind assistance, including food in exceptional circumstances. This form of intervention will be increasingly supported in the future in an effort to stimulate local markets. Vouchers that indicate an amount of money (e.g. \$5 for food or seeds) are the standard form, although vouchers for specific quantities of goods (e.g. 5kg of food) will be considered in contexts of high inflation. Some general criteria include:

- A 'conductive' security environment (although this is considered less important here than in direct cash distributions).
- Functioning markets (there is no need for an in-depth assessment, but it is necessary to demonstrate that the specific commodities are available in the local market).
- An information tracking system in order to establish the use of the vouchers (while this is not a necessity, OFDA encourages it where possible).

#### *Cash for Work*

OFDA has a long history of support for Cash for Work interventions. The following general criteria apply:

- Cash for Work should not be provided for activities that communities generally undertake for free (e.g. rebuilding shelter, field work). OFDA encourages agencies to identify community-based projects such as small infrastructure projects
- Salaries should be set slightly below the prevailing rate for casual labour to guard against distortion.
- Cash for Work projects should have two-fold objectives: the provision of cash to those in need and a secondary community-related benefit.

OFDA will generally engage in informal dialogue on the suitability of projects prior to submission of a funding proposal. Once a proposal has been submitted, all those with a cash component will be technically reviewed to ensure quality control. OFDA therefore emphasises the importance of engaging directly with country or regional representatives, as well as with the technical adviser on livelihoods and market systems in Washington.

## Trends and implications

The overview above suggests that the increased use of cash-based responses among operational aid agencies outlined in previous sections of this report is underpinned by growing support for cash among some donors. Many donors cautioned against an ‘evangelical’ approach to cash transfers and emphasised that, in real value terms, cash interventions still represent a small proportion of overall investment in humanitarian assistance. With growing recognition that, in certain contexts, cash can more effectively and efficiently meet project objectives than other in-kind transfers, coupled with increased experience and capacity for implementing these programmes, it is likely that this overall (but limited) trend in favour of cash-based responses is set to continue. However, many donors are increasingly moving away from direct support to NGOs and towards multilateral funding mechanisms such as the Central Emergency Revolving Fund (CERF) and pooled fund mechanisms. This is part of an overall drive within the donor community to rationalise: budgets are growing in a context of static or shrinking staff. As a result, donors are increasingly turning to UN agencies to act as grant providers. It also means that, despite the evidence supporting cash responses, the potential for donor innovation is limited, which possibly explains the somewhat *laissez-faire* attitude towards cash. Such an approach must of course be challenged. Along with these efforts, World Vision should also consider how to convince UN agencies of the importance of cash and of World Vision’s competency to implement cash projects.

Despite overall positive perceptions of using cash transfers in emergencies, many donors are effectively ruling out unconditional cash grants as a primary response option, primarily because of perceived risks, which this report also addresses. There is a possibility, therefore, that cash responses will become viewed as acceptable only as a small-scale component of a larger project, where any risks would consequentially be low. Together with other operational agencies experienced in cash, World Vision needs to consistently demonstrate the potential for the large-scale use of cash as an appropriate primary response. Support could be obtained from sympathetic donors such as DFID, through partnership with multilaterals such as WFP, UNHCR or the World Bank, or through private funding. Such experience, along with the growing body of evidence from others on cash transfers, can be used to challenge some of the current restrictions on scale in relation to unconditional cash grants and OFDA’s preference for vouchers, both of which are at odds with evidence on the use of cash transfers. World Vision should examine potential for partnering with experienced cash agencies, such as Oxfam, Save the Children UK and ICRC, to advocate more flexibility in this regard.

To date, cash responses have been viewed primarily as a food security and livelihoods tool or a mechanism to support return

processes, rather than as a separate sphere of work. There is growing consensus among key donors that cash and vouchers should not be treated as fundamentally different from other forms of resource transfers, such as in-kind assistance. This, rather than limited experience, is probably the main reason for the lack of discrete policies on cash. This approach is consistent with HPG’s policy recommendations (Harvey, 2007), but what is missing is a corresponding description in donors’ sectoral policies and guidelines – such as shelter, NFIs and food security – on when, where and at what scale cash will be considered as a tool to achieve project objectives. Similarly, specific guidance on how cash should be included or justified in assessments, monitoring and proposal writing has not been provided. The consensus appears to be that cash should be incorporated into the mainstay of humanitarian interventions, but little guidance is provided as to how this should be achieved. World Vision should continue to advocate for guidance on donor requirements regarding the inclusion of cash as a tool in sectoral responses. It should also ensure that, in its engagement with different global cluster working groups – many of which have been tasked with determining policies, guidelines and emergency capacity for different sectors – it encourages the creation of guidelines on its use in specific sectors.

While few donors have established dedicated guiding criteria for the use of cash, most emphasise the need to 1) undertake market or feasibility assessments; 2) provide an argument for the comparative advantage of cash interventions; and 3) indicate how monitoring will be undertaken. This underscores the need for World Vision to develop or refine capacities in assessment and monitoring. Given continuing concerns about cash, it is important not to downplay potential risks, but rather to highlight these risks and demonstrate how the agency will monitor and/or address them. The skills and capacity requirements for cash-based programming are further outlined in Chapter 8.

Many donors also emphasised the need for a requesting agency to demonstrate not only the skills and capability to carry out the specific project under discussion, but also that the agency has the requisite expertise and experience in cash. World Vision should, where appropriate, continue to develop projects in order to refine its approaches to cash. Where possible, World Vision should showcase its research and learning on cash responses both internally and externally, through colleague and donor visits, as well as through the publication and dissemination of its reviews and research related to cash transfer programming.

Almost every donor contacted emphasised that personal commitment to cash on the part of specific donor representatives was a key factor in determining whether cash interventions would be viewed favourably. Indeed, many suggested that this, rather than an institutional position on

cash, was the most important deciding factor; the geographical bias of some donors' cash experiences seems to confirm this. The importance of continued dialogue with field-based donor representatives on the potential for cash-based interventions coupled with parallel dialogue with relevant headquarters-based desk or technical officers cannot be under-estimated. Where relevant, World Vision should consider initiating or promoting donor consultations on the use of cash, such as through the PAGER forum with CIDA, to discuss the potential use of cash transfers and to highlight World Vision's experience in this regard.

Finally, in interviews, a number of donors – both those enthusiastic and those less so – cautioned that accountability requirements, including the need to provide detailed reports to national legislative bodies on the use of aid assistance, was a limiting factor in the use of cash. They stated that the inability to clearly specify the end use of cash by beneficiaries meant that, in many situations, cash has to be a small aspect that can be 'buried' in larger livelihoods programmes in an effort to overcome increasingly onerous reporting requirements. Others, such as AusAID, stated that the recent emphasis of accountability due to concerns about diversion of support to terrorist organisations means that support for cash responses is

highly unlikely. Such accountability concerns come from *perceptions* of risks, both within the donor office itself and the wider government and public to which it is accountable, rather than evidence from practice. The growing body of experience with cash in a variety of contexts, however, suggests that cash programmes can be implemented with systems to report and account for the end use or spending of cash. In fact, such systems are already a standard practice. Such reporting is undertaken with much more detail than most in-kind assistance programming, such as food programmes, which rarely analyse how much food is sold. In order to persuade cautious donors to consider cash programming, applicants should engage in detailed consultation with them on their statutory reporting and accounting requirements.

The above overview represents the views of donors favourably disposed towards the use of cash. Other donors interviewed, such as AusAID and Danida, were both less experienced and less supportive of cash-based interventions. However, the overall trend in favour of cash-based responses among the larger donors is likely to filter down to smaller donors over time. In the meantime, it would be strategic to first invest in the development of relationships with some of the more receptive donors.

## 8. Cash transfers in emergencies and World Vision

Cash transfer programming represents relatively new territory for World Vision and a shift in how it approaches humanitarian assistance. Having mapped out current practice, trends and evidence on the use of cash transfers, this report now focuses on what this all means for World Vision. This chapter looks at current World Vision cash transfer programming, attitudes and knowledge of staff about cash transfer programming and existing policies and procedures that are related to the use of cash transfers in emergencies. While the discussion is specifically about World Vision, other agencies may share many of the same issues in adopting cash transfers as an emergency response tool and might learn from World Vision's experience.

### World Vision and emergency response

In humanitarian or emergency contexts, World Vision may engage in nearly every possible programming sector: food security, nutrition, livelihoods, shelter, non-food items, health, water and sanitation, education and disaster risk reduction. The extent to which World Vision responds to an emergency depends on a number of factors, such as the capacity of the state, the amount of unmet need and the capacity of World Vision to respond (e.g. World Vision's presence in the country, the level of resources that would be available). There are five possible levels of World Vision response, ranging from none at all to the maximum response possible.

Cash is a programming tool and could thus be considered in any level of response; however, the different roles of World Vision offices and teams and their capacities at each response level determine what tools, such as cash, may be chosen, and

to what extent external support and capacity may be required to use them.

### Deciding what to do

After the response level is decided (other than 0), the details of the response can be developed: what is World Vision going to do? The response standards call for the manager in charge to draw up a strategy with specific time-bound plans (30-day and 90-day response plans). These plans should be determined by needs on the ground, World Vision's capacity to meet them and the role of other actors. This decision-making process may be more difficult for the World Vision response managers than for their counterparts at other agencies that have particular specialities or restricted mandates (for example, Médecins Sans Frontières) because of the broad range of intervention sectors and tools.

The decision of how to proceed with a response is ultimately highly dependent on which staff members are on the ground in the early stages of an emergency, when assessments and planning occur. Global Rapid Response Team members, National Directors, National Office staff, Regional Humanitarian & Emergency Affairs staff and response team members, Relief Managers, specific assessment teams and technical staff from other groups may all be involved in determining the response strategy. This may be very much influenced by their individual experiences and expertise. Programme Officers are responsible for designing proposals by drawing on their own skills and a standardised toolkit, which is organised around specific sectors. According to the Emergency Programme Officer interviews, the result is a

**Table 3: World Vision response levels**

Response level	Response	Action
LEVEL 0	No response	<ul style="list-style-type: none"> <li>No response is undertaken</li> </ul>
LEVEL P	Response through selected partners	<ul style="list-style-type: none"> <li>Response is undertaken through partners</li> </ul>
LEVEL 1	Low-level response	<ul style="list-style-type: none"> <li>National Office response</li> <li>Level I standards used</li> <li>Support from National Emergency Response and Disaster Mitigation committee is required</li> </ul>
LEVEL 2	Medium-level response	<ul style="list-style-type: none"> <li>Regional response</li> <li>Level II standards used</li> <li>Support from Regional Rapid Response Team is required</li> </ul>
LEVEL 3	Maximum-level response	<ul style="list-style-type: none"> <li>Partnership response</li> <li>Level III standards used</li> <li>Support from Global Rapid Response Team is required</li> </ul>

Source: World Vision International (2007: 58–59).

system that can very quickly yield a set of localised, pro-forma intervention proposals for specific sectors. However, these may lack the guidance of a strong contextual overview or thorough general assessment of the impact on people's livelihoods. This suggests a system rightly focused on needs but not necessarily with a full analysis of the best ways to meet them, making determining the potential for cash transfer programming a difficult task. As mentioned in Chapter 7, the DM&E unit of World Vision's HEA office is probably best positioned to review and modify the current assessment process and develop an analytical framework that considers the impact on people's livelihoods, which is a critical requirement for considering the use of cash in any sector. Experience with programming following the Indian Ocean tsunami is guiding work on this in World Vision, and at the time of writing the DM&E unit was in the early stages of considering how to develop such a framework.

Cash transfers are not yet routinely considered as a possible option for World Vision emergency response programming, even though staff interviewed for this research mentioned several contexts where they might have been appropriate. For example, a staff member pointed to the response in Lebanon, where World Vision distributed hygiene kits, even though appropriate items were readily available locally. Another staff member cited their experience in Mozambique, where they saw that NFI kits were sold by people to get cash to purchase other needs that were not being met. In-kind assistance is the default response even when programmers recognise, at least in hindsight, that cash might be more appropriate.

With its large private funding base and range of support offices across the developed world, World Vision has enviable flexibility and an ability to choose an appropriate response, which means it theoretically has the capacity to be one of the most innovative agencies. However, as will be discussed below, the inertia of such a large organisation in the ways it raises funds, mobilises resources and implements responses may be inhibiting it from pioneering new ideas such as cash transfers.

## Experience with cash transfer programming

While the Lesotho pilot project has been a huge step forward for World Vision, the organisation has limited cash transfer experience scattered throughout various regions and contexts. This experience has been mostly in vouchers (i.e. seed fairs) and Cash for Work programming. World Vision has also been looking at cash transfers within the framework of social protection, particularly considering how social assistance can protect vulnerable children, people affected by HIV/AIDS and the elderly. The organisation recently participated in a study analysing the impact of cash transfers in a rural Tanzania pension scheme, and is exploring the potential for cash transfers in Mozambique, Kenya and Tanzania, in a social protection framework.

### Box 9: World Vision cash transfer experience

- Lesotho – Cash and Food Transfers Pilot Project (2007–08)
- Pakistan – Cash for Work (2006)
- Zimbabwe – Voucher seed distribution (2007)
- Tsunami response (Indonesia, India, Sri Lanka) – Cash for Work (2005)
- Kenya – Voucher system of emergency seed distribution (2004)
- Ethiopia – Cash for Relief and Livelihood Training (2004)
- Afghanistan – Cash for Work (2003)
- Tanzania – Insecticide-treated nets discount voucher scheme (2003)
- Lebanon – Voucher programme (2000), fuel vouchers (2006)
- Kosovo/Albania – Coupon scheme (1999)

Source: 'World Vision Experience in Cash for Relief, Cash for Work and Vouchers', internal World Vision document

### *Lesotho Cash and Food Transfers Pilot Project*

The Cash and Food Transfers Pilot Project (CFTPP) in Lesotho is the first World Vision project to make use of unconditional cash transfers. It has already produced a wealth of information on the use of cash transfers in this context, the process of

**Table 4: Contexts where World Vision could have considered cash transfers**

Context	Intervention activities where cash transfers could have been considered	Possible cash transfer alternative or complement
Indian Ocean tsunami recovery	Construction of homes. Distribution of assets (fishing boats, canoes, water pumps, welding equipment, carts, sewing machines, carpentry equipment, etc.).	Cash for shelter (purchase of materials, tools and labour). Cash grants for the purchase of livelihood inputs.
Niger (food insecurity)	Food distribution.	Food vouchers or cash grants.
Bangladesh (flooding)	Distribution of food and non-food items.	Cash grants for basic needs.
Lebanon (conflict)	Distribution of heating fuel, blankets, stoves, fences and plastic sheeting.	Cash grants for basic needs.

implementing a cash transfer pilot, and the impact of cash transfers on gender and generational relations. The pilot has also promoted engagement and attention by linking with research institutions and other organisations involved in cash transfer programmes in Southern Africa, which substantially enhances World Vision's credibility vis-à-vis the use of cash transfers.

CFTPP was born of a desire to increase the agency's capacity for cash transfer programming and to inform future policy and practice on such programming. The Food Aid Working Group has played a crucial role in the conception of CFTPP, which was funded by ten support offices using private funds. Technical support was solicited from the Overseas Development Institute in order to determine the feasibility of using cash transfers in the context of Lesotho, to assist with designing the project activities, to research gender and generational issues related to the project and to support project monitoring.

The feasibility study, led by an outside consultant and conducted by a team of World Vision staff from offices in Lesotho, Zimbabwe, Swaziland, Nairobi and Johannesburg, asked whether cash was a feasible alternative to in-kind food assistance for post-drought relief in Lesotho. Several staff members who participated in the feasibility assessment said that the consultant 'demystified' the assessment process by working with them to determine whether any political, market, security or organisational capacity issues would undermine the appropriateness of cash transfers. The consultant asked the assessment team members – who had no prior experience with cash transfer programmes – to envision every hypothesis that would make them unsuitable (i.e. that they would cause inflation, food would not be available, beneficiaries would prefer food, the government would object, women would be disadvantaged). The team then 'tested' each hypothesis through interviews with potential beneficiaries, traders, NGOs, government agencies and other stakeholders. This approach differs slightly from the use of 'decision trees', but it examines the same criteria. Many of the staff members who participated in the feasibility study believe that they now have the skills to carry out such assessments without outside assistance.

The feasibility study noted a variety of factors favouring the use of cash transfers, including the integration of Lesotho into the regional economy, the presence of traders who can respond to increased demand for commodities, a strong culture of remittances, the existence of cash transfers in the form of pensions, and the improbability of causing inflation or conflict (Levine, 2007). In fact, one wonders why the same questions were not being asked about the appropriateness of food aid in the Lesotho context. Cash transfers were recommended over vouchers because there was no reason to think that vouchers would be more effective or easier to implement.

A consultant worked with programming staff to design the parameters of the project activities. Questions regarding when, how and how much to distribute are identical to those programmers would ask about in-kind assistance; they are hardly unique to cash transfers. Because CFTPP had very similar objectives to a project distributing food rations in neighbouring areas, the transfer size was calculated on the basis of the local retail market value of this food ration and distributed on the same monthly basis. The postal service, which delivers pensions throughout the country, was initially contracted to deliver the cash transfers. However, when this arrangement proved difficult, a private company was enlisted to carry out the distributions with World Vision staff present. It is crucial to note that World Vision staff with no previous experience in cash transfer programming applied their commodity management and project monitoring skills to the cash project.

The final evaluation of CFTPP was led by Stephen Devereux and presented at a meeting in Southern Africa, bringing together aid agency staff, donors, banks interested or involved in pro-poor banking and other private sector actors. Promoting the project through this forum provided the double benefit of publicising World Vision's cash transfers work in Lesotho and linking with other actors involved in cash transfers. Project monitoring and the evaluation (Devereux and Mhlanga, 2008) add to the body of knowledge on cash transfers and attest to the innovation and impact of CFTPP. Some of the key findings are:

- The food and cash transfers constrained and reduced hunger in target households.
- Food was shared with other households more than cash transfers, but food brought with cash transfers was a source of sharing.
- Because of ruptures in the WFP pipeline, beneficiaries receiving cash transfers had more predictable assistance than those receiving a combination of food and cash.
- The project monitoring and evaluation made a strong contribution to the project organisation and service delivery.

Some World Vision staff interviewed believe that, because the Lesotho pilot took place in a specific type of emergency context (slow-onset and politically stable), other contexts should be 'tested' to determine the appropriateness of cash transfers in different environments. This actually misses the crucial point that no context is universally appropriate or inappropriate for cash transfer interventions. Instead of piloting programmes in endless different emergency contexts in an attempt to develop definitive categories or checklists for whether cash should be used, World Vision needs to develop the capacity to undertake assessments in different contexts to determine the appropriateness of cash on a case-by-case basis. This study should be one in a series of learning steps that World Vision will take to analyse how and where to

develop this capacity, and to design and implement a strategy to gain it.

### Knowledge, attitudes and concerns about cash transfer programming

Cash transfers are a clear departure from World Vision's typical emergency programming and they are not yet widely understood or accepted as part of the organisation's range of emergency response options. World Vision relief professionals who are familiar with – if not actually experienced in using – cash transfers view them positively and with great interest as a valuable tool for the organisation and as a way to improve the quality and efficiency of its emergency assistance. The staff members who are not familiar with cash transfers range from a few who have an immediate negative response to the idea, concerned that money will just be misused, to those who are quite enthusiastic and less concerned; the majority are somewhere in the middle, open to a new idea but eager that it be tested and proven in its impact.

World Vision staff members have all the typical concerns about cash programming discussed in Chapters 2 and 6. Cash

is seen by many as more risky than using in-kind programming because of the potential for:

- anti-social spending;
- spending on things other than the project intended;
- diversion (supporting conflict or terrorism);
- inflationary effects; and
- disincentive to work.

There was also a common concern among those unfamiliar with cash that World Vision could not distribute it directly (for insecurity and other reasons), and that cash would need to be distributed only where there was financial infrastructure such as banks. Experience with cash transfers and evidence show that many of these fears are unfounded or avoidable, as discussed above. Lack of banking systems has certainly not posed a serious obstacle to carrying out cash transfers: organisations have used informal financial networks, hired private firms or used their own staff to hand out the cash. Nor is there evidence that humanitarian assistance undermines initiative (Harvey, 2005) or that work disincentives result from cash transfers. Nonetheless, these concerns can influence the potential for World Vision to use cash transfers. All of the staff

#### Box 10: Attitudes and assumptions about cash from *Cash-based Responses in Emergencies*

Any consideration of the use of cash in emergency response also involves a set of wider issues around the attitudes and assumptions that humanitarian aid practitioners have towards the people that they are trying to help. In particular, it seems to be the case that aid professionals find the idea of giving people money threatening. Partly, this stems from a fear that agencies have less control over cash than they do over commodities. There is also a—rarely acknowledged—belief that aid agencies know what people in crisis need better than these people do themselves. Sesnan (2004) argues that:

*New aid workers are warned by older and wiser aid workers never to give cash money to beneficiaries. Complex justifications are developed. Some, like the fear of setting a precedent, might be more plausible than others, like 'they'll just spend it' or they will misuse it. The fear of giving money is almost pathological among aid agencies, even though, or maybe because, it would be simpler and cheaper to give than any other form of help.*

One way of interpreting this is to argue that agencies are reluctant to use cash because of bureaucratic self-interest. Without the complicated logistics of commodity-based relief, fewer people would have jobs and the humanitarian industry might have to contract. As Sesnan (2004) puts it: 'could it be that we were satisfying our needs as organisations, rather than theirs as beneficiaries?' Organisations entirely based on the delivery of commodities, or that rely on food aid for a large percentage of their income, are unlikely to readily embrace

alternatives. There may also be a marketing dimension to this reluctance to use cash, though whether the giving public would be less likely to donate to charities if their donations ultimately went in cash aid rather than food, shelter or other commodities is a largely unexplored question. Indeed, the potential cost-efficiencies of cash may go some way to addressing perceptions of waste and inefficiency within the humanitarian sector, thereby encouraging greater giving.

More broadly, some of the arguments against cash, particularly the belief that it will be misspent, hint at the sense of superiority that sometimes underlies relations between aid agencies and their 'beneficiaries' (a term that itself suggests the passive receipt of assistance). There may be times when aid agencies do indeed know better what people in crisis need. Poor and mostly illiterate people may not have the expertise to appreciate the complex causes of malnutrition, or to make an informed choice about how their resources should be spent (Herson, 2004). At the same time, however, we should acknowledge how humiliating the aid relationship can be for the people at the receiving end. As Harrell-Bond (1999) puts it: 'Outsiders view African refugees as helpless: as needing outsiders to plan for them and to take care of them.' This assumption is the cornerstone of nearly all appeals for funds. Getting funding is certainly one rationale for presenting this image of helplessness, but other relations of power are also predicated on notions of paternalism (Hyndman, 2000: 121).

Source: Harvey (2007).

interviewed for the study can be considered decision-makers and influencers with respect to programming. The fact that these concerns generally have not played out in practice means little if staff members involved in designing, approving and funding projects are unfamiliar with this evidence.

Knowledge of cash transfer programming ranges from first-hand experience to having a basic familiarity with the concept of cash transfers, to having never even heard of the idea. By deliberately involving a wide range of World Vision staff in the feasibility assessment, project design, project implementation and monitoring, CFTPP in Lesotho has significantly increased staff awareness in the region and also in support offices of cash transfer programming. Within HEA and the Food Programming Management Group, cash transfers are now a more common part of everyday discourse, if not yet a typical tool in use. Growing interest and engagement in social protection involving a wide variety of people across HEA, Transformational Development and Policy and Advocacy has also increased awareness of cash transfers.

There is substantial support throughout HEA for routinely considering the use of cash transfer programmes in emergencies. Cash transfer programming is seen by many as an inevitable direction for humanitarian assistance. As one interviewee for this research stated: 'The question is not *if* World Vision should use cash transfers, but *how* and *when*'. Reasons for supporting the increased use of cash transfers related to the advantages of cash transfer programming, mainly that it 'makes sense' as a tool in emergencies because:

- It empowers beneficiaries and gives them a choice of assistance options.
- It is more efficient than in-kind assistance.
- It stimulates local economies in ways in-kind assistance may not.
- Rising food prices will impact on World Vision's model of mainly providing food assistance in-kind.

Trying out new tools such as cash transfers evokes a combined sense of excitement and prudence. There are clearly 'innovators' who push for new strategies while others continue with tried and true programming methods with familiar risks and outcomes. Most cash programmes came about because a person or group of people had the knowledge to consider them and the willingness to push them forward as an option. In this sense, using cash is a deviation and innovation that has evolved in a random manner depending on skills, motivation and the interests of those making decisions in a given emergency; there has not been any systematic consideration of whether cash should be used to meet needs. Caution stems from cash responses being seen as new and for the most part untested in their ability to achieve project objectives without negative impacts, therefore increasing risks in comparison to in-kind assistance and requiring increased capacity.

A tendency towards risk aversion is apparent in occasional fears, mainly in support offices, that one 'incident' in a project (e.g. the media reporting that cash transfers were misused) would be a crushing blow that would affect reputation and funding. While safeguards should always be put in place and agency reputation is important, a 'better safe than sorry' approach should not be the basis for shying away from innovative programming. After all, food aid and construction are considered by aid agencies and beneficiaries as the highest-risk sectors for corruption – but agencies clearly provide assistance in these sectors when it is needed (Maxwell et al., 2008).

A final concern regarding cash transfers related to fundraising and accountability to donors. Accountability to donors requires showing that donor funds were spent to achieve the objectives for which the money was provided. Some staff members are concerned that a project might be seen as failing if beneficiaries choose to use the cash in ways that do not support project objectives. For example, in a project with food security objectives, for which funds were raised specifically for that objective, beneficiaries might use cash on other household expenses, lend it to family members or pay school fees with it. This concern is a natural consequence of giving beneficiaries choice while remaining accountable to donors, both public and private, on the expenditures made by beneficiaries. Harvey describes how one solution is to define objectives more broadly:

*Agencies might want people to spend cash grants on food or shelter, but cash is flexible and can be spent in a wide variety of ways. This is positive, in that it allows greater choice and is more responsive to the diversity of people's needs, but it also makes it harder to define particular objectives. Agencies have sometimes tried to overcome this by introducing measures to control what people spend cash grants on, but this can be problematic and administratively difficult. An alternative approach is to define objectives more broadly. An example would be a project that aimed to help people meet basic needs during difficult periods, and to invest in their livelihoods in easier times. Rather than monitoring a narrow set of objectives, the challenge would be to understand the broad range of different household uses to which aid resources can be put (Harvey, 2007: 17).*

Many concerns about cash transfers appear to be as much about 'confidence' as 'capacity'. Capacity in designing interventions, delivering resources and monitoring projects is clearly present, but it needs to be applied and adapted to incorporate cash transfer programming. There is an evident need for increased capacity in conducting assessments that incorporate analysis of markets and livelihoods.

## Bringing cash transfers into current World Vision emergency policies and practices

In the three years since HPG started its programme of research on cash-based responses, the humanitarian community has made significant progress towards making cash part of the normal range of response options. Many agencies have developed substantial experience with cash-based responses, even producing guidelines, handbooks and training systems. World Vision needs to catch up. Its current focus on deepening understanding of cash programmes is a huge step in this direction, but it cannot be the only one. World Vision's significant resources and private funding base should mean that it has significant potential to be at the leading edge of humanitarian programming, rather than following others. Thanks to the breadth of its mission and presence around the world, World Vision is well placed to be at the forefront of such professional development.

While guidelines and training programmes have been developed, perhaps the most important message from others' experience – and indeed World Vision's – is that cash is simply an option that might be used to meet a range of needs; it is not a new 'sector' of programming. Nor is it a panacea. Using cash should not become an overly complicated process; experience shows that it is absolutely within the range of existing skills and capacities of humanitarian staff to design and successfully implement cash programmes, as World Vision did in Lesotho. In the words of one humanitarian professional who ran a cash project for the first time: 'just do it'.

### *Assessments and programme design*

While we emphasise not making cash-based programming more specialised than it needs to be, experience and skills will nonetheless be essential to increasing the use of cash transfers. A crucial area is in assessments, which need to include a focus on markets and systematic assessment of possible delivery mechanisms for cash. Interviews with World Vision staff suggest that emergency assessments are often sector-focused, do not consider whether cash might be an option instead of the direct delivery of goods or services and do not systematically include consideration of markets and livelihoods. Assessments thus need to be generally improved, crucially with the development of an analytical framework, as discussed above, and specifically with the increased capacity to undertake specific assessments of markets and cash-based response options.

To the latter end, concurrent with this study, World Vision is one of several NGOs participating in the Emergency Market Mapping and Assessment project. Overall, considering cash transfers in assessments should not lead organisations to invest in a cadre of cash experts, which runs the risk of over-complicating matters. Instead, existing general assessment teams or sector specialists should integrate the question of cash into their assessments. This would require putting cash

into training systems, assessment methodologies and sector technical training.

At their core, assessments must ask the fundamental question of how best to meet needs – and this includes whether cash might be an appropriate option. The analytical framework to guide programming right from the start of the assessment stage is crucial in this context. As World Vision develops this framework, it must ensure that it adequately examines resilience and recovery of livelihoods, which would ensure that assessments include basic market analysis and beneficiary preference.

### *Funding and marketing*

Funding cash programming is clearly an immediate question. As Chapter 7 makes clear, while it is limited, public funding is increasingly available from major donors and seems set to continue growing. However, accessing it is dependent on relationships and the decisions of field-based donor representatives. To access funding, organisations need to make very strong cases that cash transfers are an appropriate response based on robust assessments that incorporate analysis on needs, livelihoods, markets and risks. Incorporating cash transfers as part of a larger response that also uses in-kind resources may increase the chances of securing funding.

World Vision's major fundraising offices (Support Offices) should consider increasing dialogue about cash transfer interventions with their respective donors who are currently funding or exploring funding cash interventions, focusing on World Vision's competency to implement cash transfer interventions: World Vision UK (DFID, ECHO), World Vision European offices (ECHO, SDC, SIDA), World Vision Canada (CIDA) and World Vision US (OFDA/USAID). As AusAID is still nascent in its thinking on the use of cash transfers, World Vision Australia has the opportunity to lobby for the overall consideration of cash transfers, highlighting World Vision's experience in Lesotho.

A paramount consideration should be the publication of World Vision experience, especially evaluations of cash programmes, assessments and research. NGOs that are successfully getting public donor funds have also invested in making such documentation publicly available. To some extent they have looked for press coverage, but to be clear: this point is not about spinning positive media articles. Donors want to see evaluations that clearly discuss the successes, challenges and problems that have been encountered, and thus make a contribution to humanitarian learning. Publication of honest evaluations that explore the strengths and weakness of projects hugely increase agencies' credibility in the eyes of public donors.

### *Capacity, learning and training*

A point raised throughout this report is that a good assessment is critical in making the case for cash transfers. Investment in strengthening this capacity should include

market and livelihoods analysis and building capacity for cash transfer programming within technical sectors. Experience has shown that humanitarian aid workers skilled in various sectors can successfully adapt to assess, design and implement cash-based responses. In particular, the adaptation of existing finance and distribution systems to deliver cash is feasible. World Vision has extensive experience of distributing food, and there are some clear crossover skills and systems that can be adapted to deliver cash. Certainly there will be challenges; the Pakistan and Lesotho experiences highlight the areas of finance systems that will need to be developed.

An advantage of being ‘slower’ on the uptake of cash transfers is that others have invested significantly in developing resources to support cash programming. The tools listed in Chapter 3 can be used directly or adapted. Leading UK NGOs – the British Red Cross, Save the Children and Oxfam – have developed a staff training programme for designing and implementing cash programmes. The resources developed include training for staff throughout the agency to stimulate awareness and acceptance of cash as a possible option and to address the common concerns that cash invokes. World Vision can benefit from these resources rather than re-inventing them. Other additional tools can be used to shore up market and livelihoods analysis in assessments, which are critical in making the case for cash transfers.

As mentioned in earlier sections, skills appropriate to cash transfer programming in emergencies clearly exist within various parts of World Vision, for example distribution skills of the commodities staff. Other parts of World Vision, including Transformational Development, also have skills that could be used to build World Vision’s emergency cash transfer capacity. For example, experience in micro-enterprise and -finance include the capacity to analyse markets, distribute cash, analyse livelihoods and understand beneficiaries’ income and expenditure patterns, all of which are important for emergency cash transfer programming. As cash transfers themselves also link to programming in various parts of World Vision, there is a clear need for them to be part of ‘integrated’ programming that avoids sharp distinctions between emergency response and development work and instead links them together.

#### *Need for internal promotion*

Emergency programming staff need more exposure to and experience in cash programming, because a lack of information is stopping cash transfers from being considered from the outset. Staff involved in designing emergency interventions may ‘think about’ cash, but go no further because they cannot get support from colleagues who know how to assess and design such projects.

World Vision should take stock of which staff around the globe have experience of cash transfer programming and look at ways to share knowledge and use existing capacity to

build new capacity in different areas of the partnership, for example through training, field visits and exchanges and other forms of shared learning. While food aid has been an evident starting point, cash transfers should not be confined only to food security programming; indeed, as this report emphasises, cash transfers can be applied to other sectors and to meet basic needs beyond food: this is the very essence of the flexibility of cash transfers. Rather than thinking about cash transfers as an end in and of itself, staff involved in designing and managing various types of emergency assistance – from food security to livelihoods to shelter – should have an understanding of how cash transfers can be used in emergencies. One possible way to accomplish this would be to set up a ‘community of practice’ for cash transfer programming, perhaps covering both non-emergency and emergency contexts. These communities are being set up for other aspects of World Vision work, facilitated by World Vision’s Global Knowledge Management office.

Senior World Vision emergency response managers have to understand a broad range of specialities and sectors, necessarily becoming generalists rather than specialists. Staff involved in approving projects, but not necessarily in the technical aspects of their conception and implementation (e.g. National Directors, Support Office staff), need enough basic information on cash transfers to give the go-ahead when assessments indicate that they are appropriate. They need to be able to discern how much they need to know in order to decide whether cash transfers are appropriate and feasible. Those directly involved in programme and project implementation would benefit from organised training and capacity-building to take advantage of the learning already gained by others in implementing cash programming, but, as argued above, it should not be necessary to produce or hire cash specialists. Global Rapid Response Team members often lead the initial stages of emergencies when assessments and programme design takes place; they would benefit from training in cash transfers particularly focused on assessment, decision-making and design. Regional Offices are a natural focal point for providing technical expertise; it may be worthwhile to train staff in cash implementation with a focus on capacity-building of national offices.

It would make sense to invest in cash transfers within the food security or livelihoods frameworks in particular, thereby bridging emergency and development programming models. Such investment is also closely linked with the growing social protection agenda. Sector experts require general awareness of cash transfers so that they can confidently consider how they can be used to meet particular needs (shelter; water, sanitation and hygiene; nutrition). Formal organised training is of course one way of building this capacity, but shared learning and experience is even more important. This could be accomplished by joint training with other agencies, combining

training of staff new to the concept with exchange of knowledge between experienced staff in the agencies assisting with the training. World Vision's size represents vast potential for learning through global exchanges of staff between offices and global communities of practice, which may be among the best ways for staff to learn.

There is a need for some tools to assist staff, for example a decision-making matrix regarding whether to use cash, and a set of guidelines for project design. However, these could be adapted from the multiple available guidelines to fit within World Vision International's latest emergency assessment, DM&E and programming frameworks.

## 9. Conclusion

The number of projects using cash transfers has grown steadily as more NGOs implement small-scale and pilot cash transfer projects in emergency settings and governments undertake larger-scale programmes. While the value of these projects comprises a small percentage of humanitarian assistance activities, there is an undeniable increase in the acceptance of cash transfers as an appropriate tool in humanitarian response. Guidelines and tools specific to cash transfer response reflect the growing demand for information on how to implement cash transfer programming, as well as the growing body of information on best practice and lessons learned on the assessment, design, implementation, monitoring and evaluation of cash transfer programming. The learning agenda of cash transfer projects has also resulted in numerous high-quality reports and evaluations that continue to support the assertion that cash transfers are an appropriate tool that empowers beneficiaries to address their priority needs. World Vision has added to this body of knowledge through research and evaluations of its pilot project in Lesotho, and promoted its image in the process.

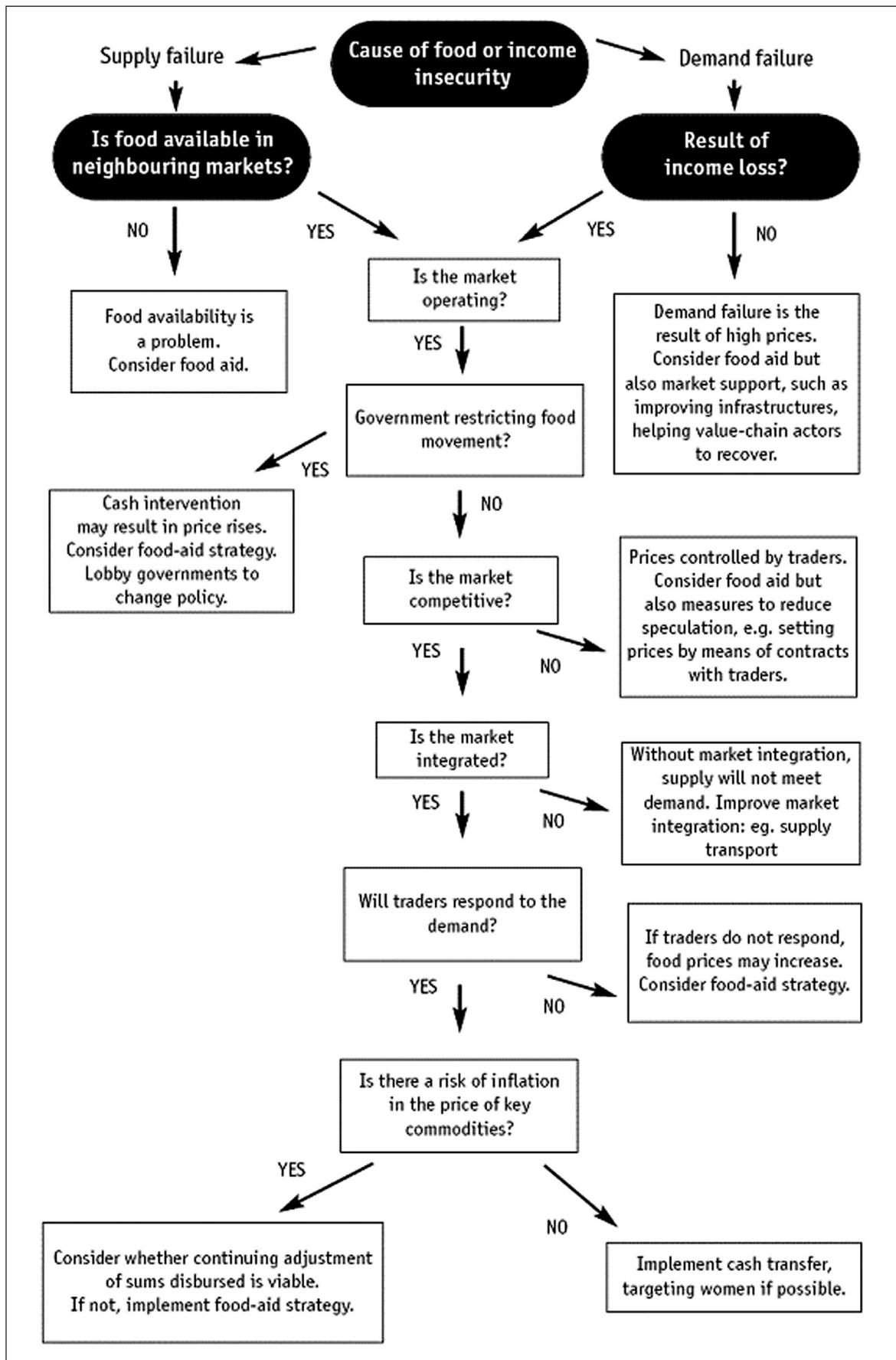
Cash transfer programming has hardly replaced in-kind assistance as the default response option of aid agencies, but such a dramatic shift within the humanitarian system in so short a time would be extraordinary. Rather, change is being driven by a bottom-up process in which agencies are pursuing innovative strategies. As a result, learning on how best to programme cash-based responses is rapidly increasing. The case for cash transfers has been clearly made, and aid

organisations are in the process of determining precisely how they fit into their policies, practices, capacities and missions. The question of *whether* cash transfers can be an appropriate response in emergencies has been answered with a categorical ‘yes’, and the discussion has moved on to exploring their utility in long-term social protection and in linking relief and development programmes.

World Vision has the skills and experience to increase the use of cash transfers as a tool in responding to emergencies. This includes transferable skills and capacity from its food distribution systems and the experience of staff who have been directly involved in cash transfer programmes. The organisation should take steps to further increase its capacity to design and implement cash transfer programmes, drawing on its own experiences and that of other agencies. Funding from public donors for cash transfers is increasing, especially as commitment to social protection grows; however, funding for cash transfer interventions needs to be sought and advocated for with strong assessments of emergency contexts to demonstrate the appropriateness of cash transfers. World Vision should consider cash transfers for a wide variety of objectives beyond meeting food needs, being careful not to confine it to their food aid programming to avoid losing out on the substantial advantages of cash transfer programming. Along with its other experiences, World Vision’s successful cash transfer project in Lesotho, and the substantial research and lessons coming from it, proves that World Vision is making significant progress in implementing innovative cash transfer programming.



# Annex 1: Oxfam decision-making framework (2006)





# Annex 2: International Red Cross and Red Crescent Movement tool for direct cash transfers (2007)

## Practical tool 4 Direct cash transfers step-by-step

### Description

This tool outlines how to implement direct cash transfers and suggests how to get round some of the potential problems. It refers to the direct transfer of cash using a recipient list at the point of distribution. Cash can also be distributed through mobile ATMs (automated teller machines) and smart cards.

Direct cash transfers are appropriate where there is no functioning banking system or where access to banks is difficult. Distribution in local currency is preferable in most circumstances and means that the implementing organization, not the recipient, bears any possible exchange rate losses. If hard currency is distributed, recipients have to find a place to exchange to local currency and may not be offered competitive rates of exchange.

### How to implement direct cash transfers

#### Administrative preparations

- Order the cash in advance in small denominations.
- Prepare a distribution spreadsheet listing each recipient's name and number to track the distribution process. Ensure there is enough room on the spreadsheet for a fingerprint or signature next to the recipient's name.
- Prepare receipts for each recipient which they will sign at the time of distribution.
- Prepare the logistics and planning schedule. This should include the distribution time frame, the amounts of cash required per distribution point and any necessary security precautions.
- Print envelopes with each recipient's name, village or location, distribution point and unique reference number.

#### Delivery of the cash

- Go to the bank with a cheque corresponding to the exact amount to be disbursed on a specific distribution day.
- Count the cash in the presence of a member of bank staff. Movement staff member(s) and bank employee(s) should sign that the correct amount of cash has been handed over.
- Consider whether regular office security is adequate for cash to be delivered there. If not, how can security be improved? Alternatively, arrange for envelopes to be filled at the bank.
- If cash is to be delivered to the office, arrange for delivery the day before the distribution (or some days before, depending on the size of the distribution) so that envelopes can be filled and sealed. Alternatively, filling and sealing can take place at the bank.

#### Filling and sealing envelopes

- Count the cash and organize bundles according to the amount required for each distribution point. This can be a lengthy process, so allow sufficient time.
- Undertake random checks to see that the correct amounts are in the envelopes.
- Once counted into bundles, cash can be held by the bank, by a security firm or in the office. Ensure requisite security whichever option is chosen.

(continued)

## Preparing for distribution

- The branch or local office should prepare staff briefings, confirm the distribution schedule, vehicle and staff requirements and movement plans. Refresher training on distributions should be provided.
- Distribution teams should receive:
  - Copies of recipient lists for the locations they are covering.
  - Copies of recipient registration documents.
  - Receipt books.
  - A list of committee members.
  - Notes on staff and vehicle movement plans.
- Carry out a sensitization campaign for recipient and nearby non-recipient communities.
- Consult community leaders 24 hours before the distribution.
- No more than 24 hours before the distribution, and given adequate security precautions have been taken, announce to the recipient communities when and where distributions will be made.

## Carrying out the distribution

- Organize recipients in the order they appear on the distribution spreadsheet and in pairs.
- If pre-distribution coupons have been issued, make sure recipients present them in exchange for the envelope containing cash.
- Representatives of bodies such as local committees and authorities should be present at the distribution to ensure transparency and accountability.
- The first recipient should count the money in their envelope in front of the second recipient who will act as a witness that the correct amount has been received. Both recipient and witness should fingerprint or sign the distribution spreadsheet and the receipts confirming the amount received.
- Document any problems related to the distribution.

## Possible dilemmas and suggested solutions

Possible dilemmas	Suggested solutions
<ul style="list-style-type: none"> <li>■ The printing of envelopes is time-consuming.</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensure that a printer of acceptable quality is available.</li> <li>■ A member of staff should be tasked with feeding the envelopes into the printer to ensure they are printed correctly.</li> <li>■ Assess the possibility of outsourcing printing (a member of staff will need to undertake verification and quality control).</li> </ul>
<ul style="list-style-type: none"> <li>■ Filling and sealing envelopes is time-consuming.</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensure sufficient staff or volunteers are available. Concern Worldwide estimates that it takes six person/hours to prepare 400 envelopes (including going to the bank, filling, spot checking, sealing and verifying the envelopes).</li> </ul>
<ul style="list-style-type: none"> <li>■ Recipients are illiterate or innumerate and are unable to verify how much they have received or incorrectly report the amount they received.</li> </ul>	<ul style="list-style-type: none"> <li>■ Print the amount of cash contained in each envelope on the outside of each envelope.</li> <li>■ A community leader should be present to verify on behalf of the recipient.</li> </ul>

# Annex 3: International Red Cross and Red Crescent Movement tool for assessing financial institutions (2007)

## Practical tool 5 Assessing financial institutions

### Description

Using financial institutions as partners is likely to have advantages in many situations. However, the capacity of the institutions to deal with a cash transfer and the risks of working with them need to be carefully assessed. Such an assessment requires a solid understanding of the banking system. This tool does not aim to provide detailed guidance on how to carry out such an assessment, but to indicate to programme managers the sorts of questions that must be considered.

### Checklist for assessing financial institutions

In identifying which institutions to use, consider the bank(s) the International Federation and/or the ICRC usually work with in a particular country/region, and why. Is the bank operational in the area in which the programme will be implemented? If not, can it recommend a financial institution to work with?

The checklist below outlines the information needed to assess the most appropriate financial institution through which to work. Factors determining the choice of institution include:

- The possible risks associated with different institutions.
- The services they provide in terms of the relative cost of transfer charges and the likely effectiveness of delivery from the recipient's point of view.
- Their management capacity.

### Checklist for assessing the capacity of financial institutions<sup>26</sup>

Issue	Information needed
<b>General information on government policies</b>	<ul style="list-style-type: none"> <li>■ What are government regulations on payments and transactions?</li> <li>■ Has there been currency devaluation in the past five years?</li> </ul>
<b>Background information</b>	<ul style="list-style-type: none"> <li>■ Who is the owner or shareholder of the bank (government, private or group of companies)? Can you track back ownership to an international banking network?</li> <li>■ Are you able to obtain annual report/financial statements for the bank and its chain of ownership? What is the value of the bank's assets and what funds is it managing? What is the balance of payment (level of reserves, level of bad debts)?</li> <li>■ Are there any plans for the bank's owners to divest its shareholding?</li> <li>■ Have any other organizations used the bank (ICRC/International Federation/United Nations/international or national non-governmental organizations)? What is their perception of performance and/or what has their experience been?</li> </ul>
<b>Legal provision</b>	<ul style="list-style-type: none"> <li>■ What financial legal status does the institution have, e.g., bank (general or specific bank) or cooperative?</li> <li>■ Do the banks have to follow central bank regulations? Does the government provide a guarantee to the bank's creditors?<sup>27</sup></li> </ul>

<sup>26</sup> Adams and Harvey (2006); Ranch and Schwert (2003).

<sup>27</sup> In Indonesia, for example, the government guarantees some banks, in which case a person's savings are relatively safe. Cooperatives are allowed to provide savings and loans facilities but these are limited to members only. In the case of losses in the cooperative, the government does not guarantee savings. Moreover, cooperatives do not follow bank regulations but are supervised by the Department of Cooperatives.

(continued)

<b>Services provided and area coverage</b>	<ul style="list-style-type: none"> <li>■ What kinds of service are available for transferring cash?</li> <li>■ Is the service provided by the financial institution accessible to recipients (distance, operating hours, identity requirements, recipients' mobility, disability, literacy) and to what extent is the service acceptable to beneficiaries (e.g., some Muslim communities or individuals may prefer to use a sharia banking system)?</li> <li>■ What is the coverage of the institution? How many branches does the institution have, and where are they? (Map the locations of outlets and services extended from these outlets, if possible.)</li> <li>■ Does the bank offer physical transport of cash to remote locations (i.e., from branch to project/distribution site)? If not, can this be negotiated? What are the fees or insurance costs for this service?</li> <li>■ Is the bank using real-time computerized systems? Are these computer systems networked through to rural branches?</li> <li>■ Do local branches have counting machines?</li> <li>■ Does the bank have the ability to source or provide large quantities of small denomination notes? Within what timescale?</li> </ul>
<b>Management capacity</b>	<ul style="list-style-type: none"> <li>■ Given current number of clients and the bank's management capacity, how many additional clients could reasonably be added as a result of the programme?</li> <li>■ Who is the bank manager? What experience does he/she have of managing larger amounts of funds and creditors/debtors? To what extent are the staff experienced in working with rural communities?</li> </ul>
<b>Credibility</b>	<ul style="list-style-type: none"> <li>■ How has the bank performed in the past year? Have credit or savings/deposits increased suddenly? If so, what is the interest rate?</li> <li>■ What insurance does the bank have?</li> <li>■ Did a reputable international audit company audit the bank? Was an unqualified audit opinion given? If not, what was the nature of the qualification?</li> <li>■ What risks and constraints are there in the process of transferring funds in hard currency and between bank accounts? How long does it take to transfer funds between accounts, e.g., from headquarters to branches?</li> <li>■ Who is responsible for the bank? Is the bank guaranteed by the central bank?<sup>28</sup></li> </ul>
<b>Service fee</b>	<ul style="list-style-type: none"> <li>■ What are the costs for services, such as:             <ul style="list-style-type: none"> <li>■ Transfer of funds (may be a flat rate or a percentage of each transfer).</li> <li>■ Opening a bank account (some banks ask for a small deposit only; others charge administration costs to open an account).</li> <li>■ Exchange rate (where applicable).</li> </ul> </li> </ul>

## Annex 4: Cash transfer disbursement methods from International Red Cross and Red Crescent Movement (2007)

Method	Factors to consider	Advantages	Disadvantages
Transfer into bank/postal accounts	<p>Programme may need to help recipients to set up an account.</p> <p>Capacity/willingness of banks/post office.</p> <p>Proximity of recipients to banks.</p> <p>Resource requirements for verification of all phases of fund transfer.</p> <p>Funds may be required to enable recipients to open an account; agree a minimum cash level with the bank/post office.</p> <p>A separate account for the programme funds needed.</p> <p>Need for recipients to have ID documents.</p>	<p>Recipients can withdraw cash throughout the year.</p> <p>Recipients do not necessarily have to carry large amounts of cash.</p> <p>Increased opportunity to save money.</p> <p>Minimises fraud.</p> <p>Access to the formal banking system.</p> <p>Post offices often exist in rural settings.</p> <p>Avoids long queues at distribution sites.</p> <p>Cost-efficient due to low transaction and logistics costs.</p> <p>Low visibility of the implementing organisation, therefore decreased security risks.</p>	<p>May take time for banks to establish appropriate transfer mechanisms.</p> <p>Banks may be reluctant to set up individual bank accounts for small amounts of money.</p> <p>Time and resource factor involved in verifying correct transfers to individual account.</p> <p>May exclude those who do not have established accounts.</p> <p>May take time to get new identity documents if identity cards have been lost.</p>
Direct cash/voucher distribution to recipient	<p>Cash needs to be ordered well in advance.</p> <p>Cash in small denominations should be provided for use in local markets and shops.</p> <p>Safe storage facilities are needed.</p> <p>Spreadsheets, listing each recipient, need to be prepared, to track the distribution process.</p> <p>Preparation of receipts.</p> <p>Distribution sites need to be set up (chairs to sit on, crowd control, etc.).</p> <p>Security issues.</p> <p>In some rural environments people may not have personal documents or photographs, so observer verification during distribution will be necessary.</p> <p>Transport and logistics.</p>	<p>Direct contact with recipients.</p> <p>Speed of delivery.</p> <p>Increased accountability.</p> <p>No permanent address needed (beneficial for itinerant communities and those living in unofficial settlements or camps).</p>	<p>Increased planning.</p> <p>Time is needed to prepare cash packets and count the cash into individual envelopes.</p> <p>Security risks may be higher, including possible internal misappropriation of funds.</p> <p>Requires direct distribution to each recipient.</p> <p>Exchange rate losses (if cash distributed in foreign currency).</p>
Transfer cash to local remittance and money transfer companies and burial societies	<p>This system may require greater monitoring for accountability and auditing purposes.</p>	<p>Recipients may be familiar with these types of systems.</p> <p>They are likely to be willing to accept responsibility for loss.</p>	<p>Companies may only allow recipients to withdraw all the cash in one go.</p> <p>Companies may require payment of a fee for withdrawing funds.</p> <p>Personal relationships between recipients and local transfer companies may affect effectiveness positively or negatively.</p> <p>Reduced control over distribution time frame.</p> <p>Credibility could be at risk if the transfer company cannot provide the money according to the agreed time schedule.</p> <p>The company may not be acceptable to the entire community.</p>

(continued)

Method	Factors to consider	Advantages	Disadvantages
Direct cheque distribution to recipient	This system may be more workable in situations where the social welfare ministry can provide recipient bank data.	Less risk of fraud (identity cards and/or signature and/or fingerprint needed). Allows cheque to be delivered with explanatory letter on programme details. Avoids delays that can be caused by having to verify transfers.	The facility to cash the cheque requires an additional step for the recipient. Requires direct distribution to each recipient.
Mobile ATMs	Recipients are given a card that can be used to withdraw a specified amount of cash from a vehicle equipped with an ATM. Unlike smart cards, ATM cards can only be used to withdraw cash in an ATM vehicle. It requires road access and secure and technically appropriate vehicles.	Less labour-intensive than other mechanisms. Recipients without bank accounts can benefit.	Only appropriate where/when there is vehicular access. Can be time-consuming if recipients are widely scattered. Security may be an issue.
Smart cards	Smart cards store and record the type and value of assistance per recipient. Biometric data such as a fingerprint can be registered, converted into templates and stored on the chip of the card for on-site fingerprint identification.	Cards can record a range of benefits to the recipient. Recipients without bank accounts can benefit. Increased security. Recipients can access benefits when they choose. Certainty that the registered beneficiary will receive the assistance. Card loss does not mean that the money is lost. If biometric data is stored on the card, there is no risk of fraud and no access number to remember.	Requires individual assessments of needs to ensure the correct assistance package is recorded on the smart card. Technical errors may occur when activating the card. Recipients may not understand how to use the cards. Remote card readers may be required. Cards may have an expiry date which recipients may not understand and thereby lose their benefits. Ability to deliver the card.
Money orders	The service centre needs to be within a reasonable distance of recipients' community.	Recipients can choose when to cash in the money order.	Risks that the bank/exchange office issuing the money has insufficient cash available. Proof of identity is required to cash in the money order.
Community-based organisations (CBOs)	Funds are provided to a CBO for onward distribution to recipients.	CBOs know the communities in which they are based.	Funding organisation has only limited contact with recipients. CBO may not have the relevant legal capacity to handle money-related activities or experience of operations of this kind.

Source: International Red Cross and Red Crescent Movement (2007).

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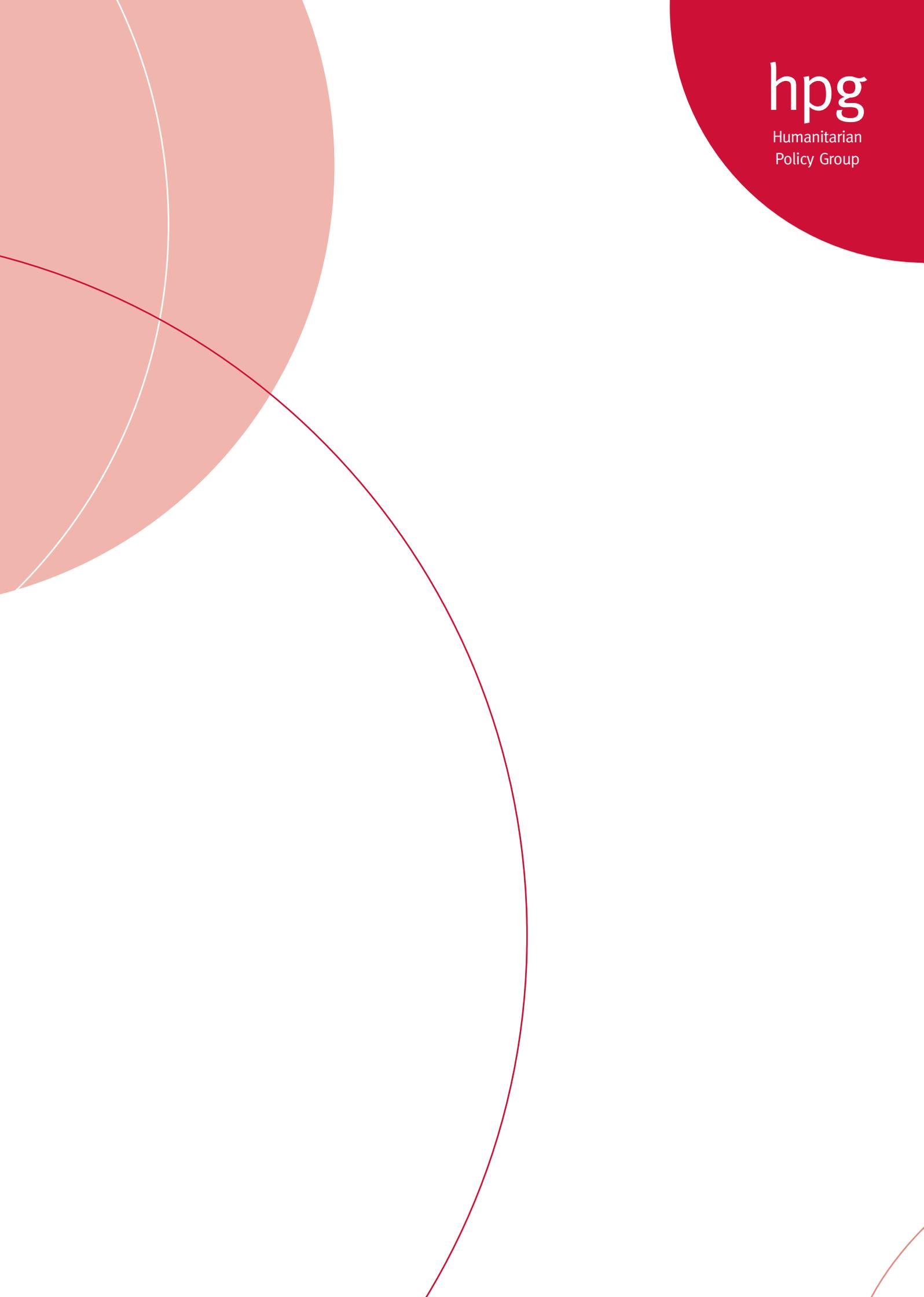
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