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# Good Practice Review

## Cash transfer programming in emergencies

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**Paul Harvey and Sarah Bailey**

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# Introduction

The vast majority of international humanitarian aid is provided in-kind, in the form of food, seeds, tools, medicines, shelter materials and household goods. At the same time, however, there is a significant and growing body of experience with the provision of cash or vouchers as alternatives or complements to in-kind assistance. As experience with using cash transfers grows, so it has become increasingly clear that cash can play a part in assisting people after emergencies across a range of sectors. It can support access to food, help to rebuild or protect livelihoods, help to meet people's need for shelter and non-food items, support refugees and facilitate return and reintegration processes. The question is no longer *whether* cash is an appropriate way to meet the needs of disaster-affected people, but *how* organisations, donors and governments can use cash transfers to best effect, in line with their missions and mandates.

Cash transfers are not a sector in their own right: cash is simply an instrument that can be used – when appropriate – to meet particular objectives in particular contexts and sectors of response. Cash transfers are not a panacea; nor are many of the fears that still attend their use in humanitarian response 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, markets and other key factors, all of which vary from context to context.

## Scope of this GPR

This GPR synthesises existing cash transfer guidelines, centralises lessons from research and evaluations and adds practical examples drawn from cash-based interventions. One of the difficulties in writing about cash-based responses is deciding what to include in the analysis, as cash is a possible alternative for any form of relief provision. The focus here is on issues that are specific to cash; whilst we acknowledge their importance, we do not cover in detail generic issues, such as how to carry out assessments, target assistance, monitor programmes and ensure accountability to disaster-affected people. Suggested resources are listed in Annex 1.

This GPR covers the provision of cash and vouchers to individuals and households in emergencies, protracted crises and recovery contexts. Separate chapters are devoted to vouchers and Cash for Work to cover the additional issues these forms of programming raise, but the rest of the GPR still applies

to these interventions. The GPR does not discuss long-term social assistance (except insofar as emergency and recovery programmes may seek to transition into longer-term social protection approaches). Nor does it cover credit, micro-finance or micro-insurance programming or cash grants to communities or community-based organisations.

### Target audience

This GPR is written primarily for humanitarian practitioners who plan and implement emergency responses – both those who are already familiar with cash-based interventions and those who are not. The GPR will also be useful for senior managers in the field and in headquarters offices who are involved in approving operational responses and ensuring that their staff have the capacity and systems to implement projects using cash transfers. Humanitarian donors, government officials involved in disaster response, students studying humanitarian assistance and aid agency staff engaged in policy issues will also find this GPR useful.

### How to use this GPR

The GPR is structured as follows. Chapter 1 provides a basic overview of definitions, types of cash transfer programming and actors involved. It also explores particular sectoral issues relating to the use of cash to meet needs for food, non-food items, shelter and nutrition and in response to displacement. Chapter 2 examines the question of when cash is appropriate and the assessment process needed to make evidence-based decisions about when – and when not – to use it. Key issues discussed include needs assessment, market analysis, security and corruption risks, gender relations and cost-effectiveness. Chapter 3 focuses on the main issues in planning and designing cash-based responses, including deciding how much money to give people, choosing between different types of cash projects and combinations of cash and in-kind assistance and the links between cash assistance and longer-term social protection mechanisms. Chapter 4 examines implementation issues related to targeting, registration and delivery. Chapter 5 is focused on monitoring and evaluation. Finally, chapters 6 and 7 look at the additional issues raised by vouchers and Cash for Work projects.

## Chapter 1

# The basics of cash transfer programming

This chapter provides basic information on cash transfer programming. It introduces key definitions and concepts, considers the emergency sectors in which cash is commonly used and provides a summary of the main actors involved. The chapter serves as a useful introduction for people new to cash transfer programming, and a refresher for those already familiar with it.

### 1.1 Types of cash and voucher approaches

Cash-based responses have a long history, despite their frequent portrayal as new and innovative. Clara Barton, one of the founding figures of the American Red Cross, helped to organise cash relief following the Franco-Prussian War of 1870–71, and in response to the Galveston floods in Texas in 1900. In late-nineteenth century India, famine responses included what we would today call Cash for Work programmes.<sup>1</sup> In 1948, the British colonial administration in Sudan distributed cash to famine-affected people. Millions were employed in Cash for Work projects in the early 1970s in India. Large-scale Cash for Work programmes were implemented in Botswana in the 1980s. Although not an exhaustive list, this serves to make the point that providing people with cash in emergencies has a long pedigree, and should not be seen as especially new or exceptional.

Cash-based interventions transfer resources to people in two main ways – by providing them directly with cash or by giving them vouchers. The decision to use cash or vouchers is based on the context and the objectives of the intervention. Giving people money is more flexible because they can use it anytime and anywhere, depending on their access to goods and services. Cash and vouchers can be provided with or without conditions. Whether to attach conditions (including a work component) depends on the objectives of the project. Table 1 shows the main types of cash-based interventions agencies typically undertake.

### 1.2 Cash transfer actors

A wide variety of actors fund or implement cash-based interventions, including governments, international aid agencies (UN, Red Cross and NGOs) and national civil society organisations. National and international NGOs played

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1 J. Dreze and A. Sen, *The Political Economy of Hunger: Volume 2 Famine Prevention* (Oxford: Clarendon Press, 1990).

**Table 1: Types of cash and voucher approaches in emergencies**

<b>Unconditional cash transfers</b>	People are given money as a direct grant with no conditions or work requirements. There is no requirement to repay any money, and people are entitled to use the money however they wish.
<b>Conditional cash transfers</b>	The agency puts conditions on how the cash is spent, for instance stipulating that it must be used to pay for the reconstruction of the family home. Alternatively, cash might be given <i>after</i> recipients have met a condition, such as enrolling children in school or having them vaccinated. This type of conditionality is rare in humanitarian settings.
<b>Vouchers</b>	A voucher is a paper, token or electronic card that can be exchanged for a set quantity or value of goods, denominated either as a cash value (e.g. \$15) or as predetermined commodities or services (e.g. 5kg of maize; milling of 5kg of maize). Vouchers are redeemable with preselected vendors or at ‘voucher fairs’ set up by the implementing agency.
<b>Cash for Work</b>	Payment (in cash or vouchers) is provided as a wage for work, usually in public or community programmes.

a pioneering role in implementing cash and voucher-based responses and developing guidelines, including Horn Relief, Oxfam, Action Contre La Faim (ACF), Save the Children and Catholic Relief Services (CRS). Many more have undertaken cash transfer projects, as well as commissioning research and evaluations. NGOs have also formed a Cash Learning Partnership (CaLP), which promotes knowledge-sharing, learning and capacity-building.<sup>2</sup> The Red Cross has developed guidelines and supported responses in numerous countries.

UN agencies are expanding their use of cash- and voucher-based approaches. The World Food Programme (WFP) has a unit in headquarters to provide oversight, technical guidance and corporate capacity-building in this area, and has also produced a guidance manual.<sup>3</sup> Cash and voucher approaches are also increasingly being included in WFP’s country-level appeals. In 2010, WFP targeted 4.2 million beneficiaries with 35 programmes valued at \$140m. The UN High Commissioner for Refugees (UNHCR) has used cash widely in interventions to help refugees and returnees. UNICEF has used cash transfers in emergency recovery programmes in Indonesia and Sri Lanka, and supports voucher fairs for relief items in the Democratic Republic of Congo.<sup>4</sup> The Food

<sup>2</sup> CaLP’s members are Oxfam GB, Save the Children UK, the British Red Cross, the Norwegian Refugee Council and Action Against Hunger USA.

<sup>3</sup> WFP, *Cash and Vouchers Manual. First Edition* (Rome: WFP, 2009).

<sup>4</sup> S. Jaspars and P. Harvey (with C. Hudspeth and L. Rumble), *A Review of UNICEF’s Role in Cash Transfers to Emergency-Affected Populations*, EMOPS Working Paper, 2007; S. Bailey, *Independent Evaluation of Concern Worldwide’s Emergency Response in North Kivu, Democratic Republic of Congo: Using Vouchers and Fairs in Response to Displacement* (London: ODI, 2009).

and Agriculture Organisation (FAO) has used vouchers and fairs to enable people to access agricultural inputs and technical services.

National governments in disaster-affected countries have implemented large-scale cash projects. Examples include the Pakistan government, which provided cash transfers to some 270,000 households following an earthquake in 2005. As of 2011, the government had distributed preliminary tranches of \$233 to 1.3m households in response to severe flooding in 2010. Following the 2008 earthquake in Sichuan, the Chinese government gave \$44 a month to 8.8m survivors. Similar distributions were arranged following an earthquake in Yushu in north-western China in 2010. The US government distributed more than \$7 billion in response to hurricanes Rita and Katrina.

Many cash programmes by aid agencies have been small-scale in comparison to in-kind assistance (particularly food aid). Although aid agencies are beginning to move beyond closely monitored and controlled 'pilot' projects using cash transfers, large-scale programmes remain rare. While experience with larger-scale cash projects in contexts such as Haiti and Pakistan is beginning to emerge, there is a need for better documentation of the lessons from implementing large-scale cash-based responses, including by national governments, and for a better understanding of what is involved in bringing cash programming to a comparable scale as in-kind assistance. Cash programming by UNHCR in Afghanistan, Burundi and other settings shows that large-scale programmes are feasible.

Donors are also increasingly interested in funding cash-based responses. The UK's Department for International Development (DFID) has supported cash-based interventions, and a review of DFID responses to natural disasters suggests that DFID's partners should explain 'why they are not using cash, rather than the converse'.<sup>5</sup> The Swiss Agency for Development and Cooperation (SDC) has played a leading role in developing cash-based responses, including spending more than \$30m on cash transfer projects in Europe and the former Soviet Union. The United States Office of Foreign Disaster Assistance (OFDA) funds projects using cash grants, Cash for Work and vouchers. The European Commission's Humanitarian Aid Office (ECHO) explicitly includes cash transfers in its humanitarian food assistance policy, and ECHO funding guidelines on the use of cash and vouchers in humanitarian crises were issued in 2009.<sup>6</sup> ECHO also supports capacity development within aid agencies, including providing funding for CaLP.

<sup>5</sup> *Humanitarian Emergency Response Review*, A Report for DFID, 28 March 2011.

<sup>6</sup> EU, *Communication from the Commission to the Council and European Parliament and Commission Staff Working Document on Humanitarian Assistance*, 2010; DG ECHO, *The Use of Cash and Vouchers in Humanitarian Crises. DG ECHO Funding Guidelines*, 2009.

## 1.3 Cash transfers and sectoral responses

Cash and vouchers have most often been considered as alternatives to food aid, though other types of interventions – livelihoods, shelter, non-food items, seeds and tools, livestock – can also be supported with cash. Cash could also be seen as a way of supporting access to services such as health, education and veterinary care, and can play a role in return and reintegration processes. This section explores how cash-based interventions have been utilised across different sectors of humanitarian response. Because humanitarian structures such as the cluster coordination system encourage responses that are delineated into sectors, it is important to keep in mind that the flexibility of cash and vouchers makes them natural tools for responses that meet a variety of needs and thus span multiple sectors. The issues that this raises for coordination are discussed in section 2.6.

### 1.3.1 Food security and nutrition

Cash transfers are most commonly used to address food insecurity and nutrition in emergencies, often as an alternative to food aid. While it is difficult to attribute nutritional impact, one of the arguments sometimes put forward for food aid as against cash transfers is that food aid is likely to have a greater nutritional impact, and so is more appropriate if a project has explicitly nutritional objectives. This might be possible, for instance, if food aid is fortified to address particular vitamin or mineral deficiencies. However, cash interventions can impact on all the underlying causes of malnutrition: food insecurity, the health environment and the social and care environment. Cash transfers can most effectively address the root causes of malnutrition when those causes relate to a change in access to food and/or income.

#### **Box 1: Fresh food voucher project in refugee camps in Dadaab, Kenya**

In 2007 ACF began a food security project in the Dadaab refugee camps in Kenya. Under the project carers were given vouchers to enable them to buy fresh vegetables and fruit, milk and eggs in the local market. Dietary diversity within the targeted households improved, and households reported increased consumption of eggs, milk, vegetables and fruit. The project also enabled food vendors to expand their businesses and increase their profits.

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Source: S. Dunn, *External Evaluation: Fresh Food Voucher Project by Action Against Hunger, Dadaab Refugee Camps, Kenya*, 2009.



Evidence suggests that transfers of cash or vouchers cannot substitute for the specialised food supplements that are needed to address severe and moderate acute malnutrition. However, when combined with micronutrient supplements and disease prevention cash transfers can contribute towards protecting children's nutritional status.<sup>7</sup> Several evaluations have also found cash to be more effective than food aid in increasing dietary diversity. Providing people with cash may also have a positive influence on caring practices. In Ethiopia, for example, Save the Children found that mothers in households that had received cash transfers fed their children more frequently and gave them a wider variety of grains and pulses and increased amounts of livestock products, oil and vegetables.

Where interventions have specific nutritional objectives, assessments should consider whether cash on its own will be sufficient to meet these objectives, or whether combinations of food and cash or complementary nutrition-specific programming is needed. A review of evidence from Indonesia calls for combinations of cash and food, as cash on its own may not supply all of the required micronutrients.<sup>8</sup> Further work is needed on how best to combine and sequence cash and food transfers and nutrition programming to meet nutritional objectives.

### 1.3.2 Livelihoods

The complex ways in which people make a living mean that cash may be particularly appropriate to help support, protect and rebuild livelihoods.<sup>9</sup> Jaspars and Maxwell identify three types of livelihood programming, all of which are applicable to cash transfer activities:

- Livelihoods provisioning: meeting basic needs (e.g. milling vouchers, cash or vouchers for food, non-food items (NFI) and other basic needs).
- Livelihoods protection: reducing vulnerability by diversifying livelihood opportunities and protecting assets.
- Livelihoods promotion: improving livelihood strategies, access and supporting policies, institutions and processes.<sup>10</sup>

Cash transfers may have more meaningful impacts on livelihoods than simply protecting immediate consumption because the greater flexibility cash provides

<sup>7</sup> Save the Children UK, *How Cash Transfers Can Improve the Nutrition of the Poorest Children* (London: SCUK, 2009); Jaspars et al., *A Review of UNICEF's Role in Cash Transfers*.

<sup>8</sup> See E. Skoufias, S. Tiwari and H. Zaman, *Can We Rely on Cash Transfers to Protect Dietary Diversity During Food Crises? Estimates from Indonesia* (Washington DC: World Bank, 2011).

<sup>9</sup> F. Ellis, *Rural Livelihoods and Diversity in Developing Countries* (Oxford: Oxford University Press, 2000).

<sup>10</sup> S. Jaspars and D. Maxwell, *Food Security and Livelihoods Programming in Conflict: A Review*, HPN Network Paper 65 (London: ODI, 2009).

means that it can be used for productive investments. There is some evidence of this, but it depends crucially on the amount of cash that is given, when it is given and the wider constraints people face. Where cash is being provided as emergency relief, most is likely to be spent on immediate consumption. However, where the situation is less acute, or where the amounts of cash provided are more generous, cash can help to stimulate productive investment. A review of Oxfam's Cash for Work project in Turkana, Kenya, found that larger sums were more likely to be spent on productive assets, such as livestock or setting up small shops.<sup>11</sup> Cash grants should not be seen as all that is needed to enable people to re-establish successful livelihoods, but they are one potential tool in a wider process of assistance.

Cash grants are frequently used to repay debts. This is sometimes seen as problematic on the ground that it is not supporting consumption or investment. In some contexts, people have expressed a preference for food over cash as a resource transfer as they fear that if cash was given debt repayments will be demanded. For example, in Mongolia beneficiaries received considerable attention from traders to whom debts were owed; in

### **Box 2: Supporting food security and livelihoods: Save the Children's cash for livestock restocking programme 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 intended 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 and freedom to invest in other livelihood activities and meet other pressing needs without resorting to selling animals. Most of the cash (85%) was spent on animals, with the rest going on items such as shelter, investing in business/petty trade, debt repayments, veterinary care, healthcare, education and food.

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Source: M. O'Donnell, *Project Evaluation: Cash-Based Emergency Livelihood Recovery Programme, May to November 2006, Isiolo District, Kenya*, SC Canada, 2007.

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11 J. Frize, *Review of Cash for Work Component of the Drought Recovery Programme in Turkana and Wajir Districts (September 2001–June 2002)*, 2002.

some cases, creditors accompanied them to the bank. Using cash to repay debts can, however, be seen in positive terms, as enabling credit markets to start functioning again. In many crises, informal credit systems are an important part of how people attempt to cope (and there is a need for greater understanding of credit systems and their role in livelihoods). Debts spiralling out of control can be an important indicator of vulnerability, and for an individual family making a start in paying off debts in order to regain creditworthiness can be vital in protecting livelihoods. Agencies need to consider indebtedness in analysing the appropriateness of cash and in setting the value of transfers.

### 1.3.3 Shelter

Shelter responses after disasters tend to focus on providing temporary shelter in camps, and then assisting in the rebuilding of permanent housing. Predominantly, this support is given in the form of in-kind aid: governments or aid agencies supply temporary shelters for people in camps, provide building materials for permanent homes or rebuild houses themselves, usually through local contractors. In the light of some of the problems commonly associated with the in-kind provision of shelter – poor-quality tents, for example, and badly designed or inappropriate housing – giving people cash to help them obtain temporary shelter or rebuild their homes can be a viable alternative. Cash grants can also be a complement to in-kind temporary shelter provision.

The standard response of international aid agencies to displacement has been to provide temporary shelter in camps. It has long been known, however, that many people prefer to take refuge with friends, relatives or neighbours. These people are often overlooked in the provision of assistance because they are less visible than camp-based populations, or because it is assumed that they are less in need of assistance. Hosting also places a significant economic burden on families in terms of space and household expenses. Where markets are functioning, helping host families by giving them cash is an obvious option.

Concerns have been raised that providing cash to host families undermines the traditional community obligation to help extended families and neighbours in times of disaster. It is also possible, of course, that the reverse is true: that supporting hosting arrangements allows community solidarity to continue by easing the burden of hosting. As far as is known, host families have not objected to receiving cash help; in Sri Lanka, the Swiss aid agency Helvetas

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12 T. Corsellis and A. Vitale, *Transitional Settlement: Displaced Populations* (Cambridge: University of Cambridge Shelter-Project and Oxfam, 2005).

found that cash payments did not clash with cultural norms, nor did they undermine people's sense of duty to support needy relatives.<sup>13</sup>

Cash-based responses might also be appropriate to help people build temporary shelters or rebuild damaged ones. In Pakistan, CRS provided cash grants of \$35 as a complement to in-kind shelter materials as part of its response to the 2005 earthquake. Although no conditions were attached to the cash, the vast majority of the grant was spent on shelter, and households complemented the cash with considerable investment of their own.<sup>14</sup>

### **Box 3: Cash-based responses to shelter needs after the tsunami**

Several governments and agencies developed cash programmes in the tsunami response. In Sri Lanka, for example, the government provided a cash grant to fund a self-build programme. The grant was fixed at \$2,500 for a new house, and \$1,000 for repairs to a damaged house. For full rebuilding, grants were released in four instalments over six months, as the foundations, walls, roof and finally the windows were completed; for damaged homes, the money was released in two instalments of \$500, again over six months. Technical help was provided in the reconstruction or repair of over 7,000 homes.

In Aceh, UN-Habitat provided cash support for permanent housing in collaboration with the Indonesian government, amounting to \$4,468 per house. Funds were transferred in four instalments, with each subsequent payment contingent on satisfactory completion of the previous tranche's work. Households were responsible for selecting contractors, and market assessments were carried out to help beneficiaries decide between competing bids. Also in Aceh, the British Red Cross (BRC) developed a project that enabled beneficiaries to choose between self-built and contractor-built housing. Despite offering what was at the time thought to be a generous cash grant, no households opted to do the building work themselves. In the end, BRC withdrew the option to self-build in the belief that engaging contractors promised better-quality results, beneficiaries were probably not best placed to manage the construction project and excluding beneficiaries from the actual building work did not necessarily imply their exclusion from the reconstruction process as a whole.

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<sup>13</sup> Helvetas, *Cash for Host Families: Project Summary Sheet*, 2006.

<sup>14</sup> A. Causton and G. Saunders, 'Response to Shelter Needs in Post-Earthquake Pakistan: A Self-Help Approach', *Humanitarian Exchange*, no. 32, 2006.

In permanent shelter responses, cash grants (combined with technical support) have been used as an alternative to the in-kind provision of shelter materials and agency or contractor building of houses. Evaluations of cash-based approaches to the provision of permanent shelter have been largely positive, particularly as cash may avoid the well-documented pitfalls of contractor-driven reconstruction, including construction of culturally or environmentally inappropriate housing, inflexibility, poor workmanship and corruption.

#### 1.3.4 Non-food items

Non-food items (NFIs) distributed as part of a humanitarian response typically include pots, plastic sheeting, utensils, soap and jerry cans. Since NFIs are often stockpiled as part of contingency planning and emergency preparedness, there is a particularly strong tendency to provide these goods in kind without considering the possible appropriateness of cash. One exception is in the DRC, where vouchers and fairs have become a common response to NFI needs. Instead of receiving NFI kits beneficiaries receive the equivalent cash value; one study in 2007 showed that only a very small proportion (8%) was spent on goods found in NFI kits; most went on items such as clothing, mattresses and bicycle parts.<sup>15</sup>

#### 1.3.5 Access to basic services

Cash transfer programmes can increase access to basic services. In many developing countries, fees are charged for health care and education. Even where user fees are not levied, people may have to purchase school books, uniforms, medicines and transport, and may face informal or corrupt 'charges'. A consistent finding from evaluations of emergency cash transfer programmes is that some cash is spent on accessing services. In Zambia, an Oxfam programme was found to protect school attendance in a year when the poorest would otherwise have had to withdraw children from school. Transfers were also crucial in enabling some households to obtain health care.<sup>16</sup> In Ethiopia, cash transfers enabled more timely access to health care because recipients did not have to sell grain before attending clinics.<sup>17</sup> In a Concern project in DRC, recipients had the option of using some of their vouchers to pay school fees (one in five did so). Although objectives to increase access to basic services tend to be more common in projects related to social protection and development, they can be

15 S. Bailey and S. Walsh, 'The Use of Cash Transfers in Emergency and Post-Emergency Non-Food Item Programs', *Journal of Humanitarian Assistance*, May 2007, <http://jha.ac>.

16 P. Harvey and N. Marongwe, *Independent Evaluation of Oxfam GB Zambia's Emergency Cash-Transfer Programme*, Overseas Development Institute Report for Oxfam (London: ODI, 2006).

17 S. Devereux et al., *Making Cash Count: Lessons from Cash Transfer Schemes in East and Southern Africa for Supporting the Most Vulnerable Children and Households*, HelpAge International, Save the Children UK and the Institute for Development Studies, 2005.

appropriate in emergency responses. In Haiti following the 2010 earthquake, Mercy Corps used vouchers to increase access to water.

### 1.3.6 Displacement, return and reintegration

Cash has been a longstanding feature of many programmes for internally displaced people (IDPs) and refugees in a wide variety of contexts, from Iraqi refugees in surrounding countries to IDPs in Northern Uganda. Cash transfers have also been used in urban displacement contexts; UNHCR's urban refugee policy, for instance, specifically says that cash transfers should be considered. An evaluation of UNHCR's experience in Syria, Jordan and Lebanon in 2009 showed clearly that cash is popular amongst refugees, who consider it to be a dignified and flexible form of assistance. In Jordan and Syria, UNHCR established an agreement with two commercial banks enabling eligible refugees to withdraw their cash from ATM machines at the time and place of their choosing.<sup>18</sup> Cash has also been used in response to displacement in urban settings, including Port au Prince, Nairobi and New Orleans.

Cash interventions can also be used to support return processes. In Sudan, a complex and time-consuming logistical operation was put in place in order to facilitate the return of displaced people to Southern Sudan from Khartoum following the Comprehensive Peace Agreement (CPA) in 2005. Providing money for transport, which people could themselves organise, would have been more efficient and would have enabled people to choose arrangements that suited their needs. A large number returned without the support of the government or aid agencies anyway.<sup>19</sup>

Cash transfers can do much to help returning refugees and IDPs who need to purchase assets, secure housing and continue or restart their livelihoods. Some of the largest cash transfer programmes have been implemented by UNHCR in support of return and reintegration, including three million returnees in Afghanistan and 370,000 returnees in Cambodia.<sup>20</sup> In Afghanistan, a cash grant of \$100 per person (as of 2007) has been an important component of UNHCR's Voluntary Repatriation Programme since 1990. Initially the grant was meant to cover transport costs only, but since 2002 returnees have been free to spend the money how they choose.

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18 UNHCR, *Concept Paper: Lessons Learned Workshop on Cash Grants in UNHCR Repatriation Operations*, 2008.

19 S. Pantuliano et al., *The Long Road Home: Opportunities and Obstacles to the Reintegration of IDPs and Refugees Returning to Southern Sudan* (London: ODI, 2008).

20 UNHCR, *Concept Paper: Lessons Learned Workshop on Cash Grants in UNHCR Repatriation Operations*.

**Box 4: Cash transfers as part of a reintegration package in Burundi**

Beginning in July 2007, UNHCR's assistance package for returnees from Tanzania to Burundi has included a cash component. Each returnee is given 50,000 Burundian francs (\$41); the average family of five receives \$205. The cash grant was introduced as a supplement, not a substitute, for the existing return package, which consisted of a range of food and non-food items, seeds and tools, as well as the provision of transport.

UNHCR's experience in Burundi suggests that cash should be seen as an integral part of a broader support package to facilitate return and reintegration, not as an exceptional measure intrinsically different in nature to the rest of the assistance package. In Burundi, cash worked best when it was combined with other forms of assistance. A further critical factor in the success of the cash grant was that it formed part of a much broader strategy to address reintegration needs, including an extensive and much-appreciated shelter programme, strategic engagement on land issues, support for the development of government capacity to coordinate reintegration activities and the engagement of a broad range of partners in developing an integrated response.

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Source: K. Haver, F. Hatungimana and V. Tennant, *Money Matters: An Evaluation of the Use of Cash Grants in UNHCR's Voluntary Repatriation Programme in Burundi*, Policy Development and Evaluation Service (PDES), UNHCR, 2009.





## Chapter 2

### When is cash appropriate?

Cash transfers should routinely be considered in all types of emergencies – sudden-onset, slow-onset, protracted, natural disaster, complex emergency, rural and urban (and all possible combinations of these). While some environments are clearly more conducive than others, there is no *prima facie* reason why cash cannot be used wherever there is an emergency response. Experience in very uncongenial environments such as Afghanistan, Somalia and the DRC shows that cash or vouchers are a possible response even where states have collapsed, conflict is ongoing and banking systems are weak or non-existent.

This does not, however, imply that cash will be appropriate at all times, and in all places. The type and stage of an emergency is clearly important in making judgements about the appropriateness or otherwise of cash. Cash or vouchers will only be appropriate in situations where food or the other items that people need are available in local markets, or can be supplied relatively quickly through market mechanisms. In some situations, such as the early stages of a quick-onset disaster, there may be an absolute shortage of food or other items at local or national levels, or markets may be disrupted. In these circumstances cash or vouchers will not be appropriate, and thus far experience with cash transfers in the immediate aftermath of natural disasters is limited. Yet even during quick-onset emergencies markets may still be functioning, and it may be possible to deliver cash.

In theory, cash-based responses should be more rapid than in-kind assistance because there is no need to purchase and transport goods. In practice, however, they often seem to take longer to establish. Aid agencies have sometimes struggled to provide timely cash payments because the arrangements and systems for delivering cash to people have been set up only after an emergency has occurred. It would clearly be preferable to explore different options for cash delivery as part of disaster preparedness and contingency planning. It might be possible to establish delivery arrangements with potential providers prior to a disaster.

Two broad sets of information are needed in order to determine the appropriateness of cash or vouchers compared to alternative responses. The first relates to people's livelihoods and how local economies and markets work. This includes whether the goods and services that people need are available locally, and whether markets are able to respond to an increased demand for commodities. Market information is critical to determine the most appropriate type of humanitarian response; it should always be part of standard assessments and

**Table 2: Emergency typology and the applicability of cash and vouchers**

	Quick-onset	Slow-onset	Chronic/long-running
<b>War/complex emergency</b>	Concerns around security will be particularly important and banking systems will be less likely to exist. There may still be innovative ways to deliver cash such as remittance networks. In some conflicts, cash may be safer because it can be delivered more discreetly.		
	Markets may be disrupted, making cash difficult or inappropriate.	If there is a slow descent into conflict, there may be opportunities for cash and vouchers as part of preparedness measures, and to establish robust and discreet transfer mechanisms.	In long-running conflicts, markets often re-establish themselves during periods or in places of relative security, when cash may be appropriate.
<b>Natural disaster</b>	Cash may be difficult in early stages due to displacement, disrupted markets and damage to infrastructure, but may become simpler as markets recover.	Slow-onset disasters may provide opportunities to plan cash or voucher interventions and to link them with long-term social assistance programmes.	Many natural disasters are recurrent. Cash or voucher interventions could be pre-planned as part of preparedness measures, and linked with mitigation and social protection.
<b>Recovery</b>	Cash may be useful in assisting people to recover from disasters as it can support basic needs, access to services, recovery of markets and investment in critical livelihood assets (for instance through lump-sum grants).		

Source: Adapted from P. Harvey, *Cash-Based Responses in Emergencies*, HPG Report 24 (London: ODI, 2007).

not seen as information that is specific to cash and voucher programming. The second set of questions relates to whether a cash or voucher response can be practically implemented. This includes questions about delivery mechanisms, security, agency capacity, beneficiary preferences, host government policies and the gender-specific risks associated with different transfer modalities. Two basic questions need to be asked:

- Will people be able to buy what they need, at reasonable prices?
- Can cash be delivered and spent safely?

Table 3 provides a checklist of the key issues and questions that need to be considered in determining the possible appropriateness of cash. Questions about needs and markets should be captured in initial assessments; ideally

these should also include information on delivery options and security. When cash is being provided for specific sectoral objectives, such as to support access to shelter or promote nutrition, then there may be additional sector-specific assessment questions.

**Table 3: Cash assessment checklist**

Issue	Key questions	Methods
<b>Needs assessments</b>	What was the impact of the shock on people's livelihoods? What strategies are people using to cope with food or income insecurity? What are people likely to spend cash on? Do emergency-affected populations have a preference for cash or in-kind approaches?	Standard household economy, food security and livelihoods assessment approaches Participatory approaches Interviews, surveys
<b>Markets</b>	How have markets been affected by a shock (disruption to transport routes, death of traders)? Are the key basic items that people need available in sufficient quantities and at reasonable prices? Are markets competitive and integrated? How quickly will local traders be able to respond to additional demand? What are the risks that cash will cause inflation in prices of key products? How do debt and credit markets function, and what is the likely impact of a cash injection? What are the wider effects of a cash project likely to be on the local economy, compared to in-kind alternatives? Will government policies affect the availability of food or other commodities? What are the regional market dynamics that might affect local and national markets – how will imports or exports affect traders, markets and availability?	Interviews and focus group discussions with traders Price monitoring in key markets compared to normal seasonal price trends Interviews and focus group discussions with money lenders, debtors and creditors Assess the volume of cash being provided by the project compared to the overall size of the local economy and other inflows, such as remittances Ensure that remote areas are covered in analysing how markets work Market analysis tools such as commodity chain analysis, trader survey checklists National and local statistics on food availability Agricultural calendars for seasonality Government subsidies and policies

(continued)

**Table 3** (*continued*)

<b>Issue</b>	<b>Key questions</b>	<b>Methods</b>
<b>Security and delivery options</b>	<p>What are the options for delivering cash to people?</p> <p>Are banking systems or informal financial transfer mechanisms functioning?</p> <p>What are the relative risks of cash benefits being taxed or seized by elites or warring parties compared to in-kind alternatives?</p>	<p>Mapping of financial transfer mechanisms</p> <p>Interviews with banks, post offices, remittance companies</p> <p>Interviews with potential beneficiaries about local perceptions of security and ways of transporting, storing and spending money safely</p> <p>Analysis of the risks of moving or distributing cash</p> <p>Political economy analysis</p>
<b>Corruption</b>	<p>What are the risks of diversion of cash by local elites and project staff?</p> <p>How do these compare to in-kind approaches?</p> <p>What accountability safeguards are available to minimise these risks?</p>	<p>Assessment of existing levels of corruption and diversion</p> <p>Mapping of key risks in the implementation of cash transfers</p> <p>Analysis of existing systems for financial management, transparency and accountability</p>
<b>Gender and power relations within the household and community</b>	<p>How will cash be used within the household (do men and women have different priorities)?</p> <p>Should cash be distributed specifically to women?</p> <p>How is control over resources managed within households?</p> <p>What impact will cash distributions have on existing social and political divisions within communities?</p> <p>Are there risks of exclusion of particular groups (based on gender, ethnicity, politics, religion, age or disability)?</p>	<p>Separate interviews with men and women</p> <p>Ensure that different social, ethnic, political and wealth groups are included in interviews</p> <p>Political economy analysis</p>
<b>Cost-effectiveness</b>	<p>What are the likely costs of a cash or voucher programme, and how do these costs compare to in-kind alternatives?</p>	<p>Costs of purchase, transport and storage of in-kind items compared with costs of cash projects</p>
<b>Coordination and political feasibility</b>	<p>What other forms of assistance are being provided or planned?</p> <p>Will cash programmes complement or conflict with these?</p> <p>How would cash transfers fit with government policies and will permission to implement cash transfers be given?</p>	<p>Mapping of other responses through coordination mechanisms</p> <p>Discussions with government officials at local, regional and national levels</p>

*(continued)*

**Table 3** (*continued*)

Issue	Key questions	Methods
	<p>What other cash transfers are being planned by other agencies – how will these affect markets when combined?</p> <p>Is any local purchase being planned by other agencies – how will the combination of cash transfers and local purchase affect markets?</p>	
<b>Skills and capacity</b>	Does the agency have the skills and capacity to implement a cash transfer project?	Analysis of staff capacity for implementation, monitoring and financial management
<b>Timeliness</b>	How quickly can cash and in-kind alternatives be delivered?	Analysis of organisational capacities, logistics and preparedness for different instruments

## 2.1 Needs assessment and response analysis

Cash transfers are often not considered because assessments remain resource-driven. Aid agencies have a tendency to define need in terms of the goods and services that they can offer, which people are found to lack. This approach militates against cash responses: a lack of food is directly translated into a need for food aid, and a lack of shelter into a need for the provision of shelter materials. Existing mechanisms for response are reproduced, making any sort of innovation, including the use of cash and vouchers, difficult. However, manuals and tools are increasingly recognising the need to consider a range of response options, including cash transfers.

The information needed to decide whether cash is an appropriate instrument should be included in standard assessments. The basic issues covered in emergency needs assessments – such as numbers of people affected, how livelihoods and markets have been affected, coping strategies being used and capacities of government and civil society – are no different when cash is being considered as a response. Generic good practice and existing standards on assessments are still relevant.<sup>21</sup> More detailed information may however be required in some areas, such as markets and inflation risks; these issues are covered in Section 2.2.

<sup>21</sup> Sphere Project, *Humanitarian Charter and Minimum Standards in Disaster Response* (Rugby: Practical Action, 2004); WFP, *Emergency Food Security Assessment Handbook* (Rome: WFP, 2009); J. Seaman, P. Clarke, T. Boudreau and J. Holt, *The Household Economy Approach: A Resource Manual for Practitioners*, Save the Children, 2000.

Assessments provide the basic information to plan a response, but on their own do not indicate the ‘best’ humanitarian intervention.<sup>22</sup> Response analysis is a crucial but commonly neglected step between assessing needs and planning an emergency response. Response analysis involves analysing the likely impact of alternative responses, such as in-kind aid, cash and vouchers, and deciding on the type of intervention to be pursued in a given context.<sup>23</sup> WFP, for example, goes through a ‘programme response identification’ process to identify appropriate responses to needs and the most relevant transfer modalities (cash, vouchers and/or food).<sup>24</sup> This considers issues such as host government and donor policies, the willingness of retailers to use vouchers, organisational capacity, cost-efficiency and risk analysis.

When undertaking analysis of response options, it is important to remember the emergency context, and the fact that assessments will often be rapid, insecurity may be an issue, capacity and resources are likely to be constrained and the amount of information available is often limited. Information even from strong assessments can quickly become out of date and there is a need for ongoing monitoring or regular assessments to check whether initial findings about the appropriateness of different response options remain valid. Decisions about what to do will have to be made in a context of limited and imperfect information. Rapid livelihoods assessments carried out by Save the Children in Chad, and following the Indian Ocean tsunami in 2004 and the Pakistan earthquake in 2005, demonstrate that it is possible to produce quick assessments which suggest a range of possible interventions.<sup>25</sup> Above all, it is important that agencies understand that response analysis comes before – and should inform – the choice of programme intervention. Agencies should not decide first to do cash, and then do a response analysis to justify their choice.

People’s preferences should also be part of the assessment process. However, preference is not always an easy issue to determine in advance of

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22 D. Maxwell and N. Majib, *The Role of Food Security and Nutrition Response Analysis in the Emergency Programme Cycle*, Document for FSN Forum Discussion 62 ‘Improving the Quality and Impact of Food Security Programming in Emergencies: The Role of Food Security and Nutrition Response Analysis’, 2010.

23 C. Barrett, R. Bell, E. Lentz and D. Maxwell, *Market Information and Food Security Response Analysis*, 2009; N. Marsland and S. Mohamed, *The Food Security and Nutrition Response Analysis Framework: A Technical Guide*, unpublished draft, 2010.

24 WFP, *Cash and Vouchers Manual*.

25 S. LeJeune, *Rapid Household Economy Assessment Farchana Refugee Camp, Eastern Chad*, SC, 2004; M. O'Donnell, *Project Evaluation: Cash-Based Emergency Livelihood Recovery Programme, May to November 2006, Isiolo District, Kenya*, SC Canada, 2007; Save the Children, *Rapid Livelihoods Assessment in Coastal Ampara & Batticaloa Districts, Sri Lanka*, SC, 2005.

an intervention. People may say that they will accept whatever the agency gives them; they may want to give the ‘right’ answer in interviews or focus group discussions, anticipating the type of assistance that the agency appears to be offering. They may be more concerned with the overall value of assistance than the type of assistance being offered. It is important to explore in interviews and focus group discussions the reasons behind

### Box 5: Rapid assessments

#### *Mercy Corps in Pakistan*

In mid-2009, Mercy Corps launched a USAID/OFDA-funded cash transfer programme to address the immediate recovery needs of 120,000 people displaced by military operations against militant groups in the north-west of Pakistan. Mercy Corps selected cash as the tool for providing emergency assistance after conducting a rapid assessment of the IDP population and the market systems of the two districts where the majority of IDPs had taken refuge. The assessment indicated that markets were functioning normally and that sufficient goods were available in those markets to meet the needs of the displaced. Consequently, it was decided that there was no need to bring in food or non-food items (NFIs) from outside the local area, as the cash distribution would allow IDP and host families to purchase what they needed.

According to the final programme report, a critical part of the assessment involved establishing links with community leaders in areas of significant concentrations of IDPs. Through the assistance of local community leaders, community officials and community groups, Mercy Corps was able to determine how many IDPs were sheltering in the area and where or with whom they were living. From those estimates, Mercy Corps could then design a registration and distribution plan.

#### *Oxfam in Indonesia*

Oxfam conducted a three-day assessment one week after the earthquake in west Sumatra, Indonesia, in September 2009. This found that shelter was the main concern of affected households, and that time normally used for farming or other income-earning activities was being used to meet survival needs. However, the main sources of livelihoods and trade were not significantly affected by the earthquake. The assessment concluded that cash grants would be an appropriate response to help people meet shelter and other priority needs.

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Sources: Mercy Corps, *Immediate Recovery for Displaced Populations in Hosting Communities*, USAID, 2009; L. Palmaera, *Community Recovery Cash Grant: Responding to the Shelter, Food Security and Livelihood Needs to Enable Early Recovery of Earthquake Affected People in Sumatra, Indonesia*, Oxfam, 2010.

preferences for different types of assistance and how concerns about different types of assistance can be addressed in the project design. Men and women should be asked separately about their preferences, and the reasons behind any gender differences explored.

An important aspect of good assessments is ensuring that the required skills are present in the assessment team. Current guidelines dealing with cash and voucher assessments contain very little on capacity needs in this regard. However, the Red Cross cash transfer guidelines<sup>26</sup> suggest the following as the ideal composition (in terms of competencies) of an assessment team:

- Knowledge of the affected population (and the ability to discuss options with both men and women).
- Emergency food security and livelihoods assessment skills.
- Market analysis skills.
- Programme design and management skills.
- Finance/administration knowledge.
- An understanding of cash programming.

## 2.2 Market analysis

Analysing markets is a critical part of determining the most appropriate humanitarian intervention. For cash transfers to be appropriate people must be able to buy what they need in local markets without causing harmful inflation. Analysis should also examine whether there are other actions that can be taken to support markets' capacity to respond to the demand created by cash interventions. The need to understand markets is not specific to cash transfers; information on markets should always inform programme design, even if the end result is an in-kind distribution of commodities.

Practitioners are sometimes concerned that they lack the skills and time to adequately analyse market issues. Although there is a role for specialist skills in this area, a number of agencies have developed tools for market analysis to assist general programme staff. A challenge for agencies is knowing when to carry out a comprehensive market analysis (using specialised staff such as agricultural economists), and when it makes more sense to take a lighter approach, using staff with general livelihoods knowledge.<sup>27</sup>

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<sup>26</sup> International Red Cross and Red Crescent Movement, *Guidelines for Cash Transfer Programming*, 2007.

<sup>27</sup> DG ECHO, *Evaluation and Review of the Use of Cash and Vouchers in Humanitarian Crises: Part 2: Review Report*, European Commission, 2009.



Bringing in additional expertise may be advisable if large-scale projects are being considered, or if cash transfers are a new intervention in the area. More rapid market analysis is needed for the early stages of sudden-onset emergencies.

Several tools are available to help practitioners analyse markets. Two such tools are discussed here: the Emergency Market Mapping and Analysis (EMMA) toolkit and the Market Information and Food Security Response Analysis (MIFIRA) framework. While intended to be ‘light touch’, such tools can still take up several weeks and might require a specialist or consultant to lead the process. Practitioners can also refer to the Red Cross cash guidelines, which provide straightforward advice on getting information on the following important questions:

- Is the market functioning?
- Are basic items available?
- Are there government policies that restrict the movement of goods?
- Is the market competitive?
- Are markets integrated?
- Will traders respond to an increase in purchasing power, and how quickly?
- Is there a risk of inflation in the prices of key commodities?

### **Box 6: Save the Children in Myanmar: choosing cash or in-kind assistance according to market access**

Save the Children in Myanmar (SCiM)’s Emergency Cash Transfer Program following Cyclone Nargis in 2008 provided cash or in-kind transfers depending on the extent to which households in seven project areas could access local markets. Levels of market accessibility were identified through assessments carried out by field offices in each project area. Where markets were accessible, cash grants were provided directly to households. Where markets were not easily accessible, SCiM procured livelihoods assets on behalf of beneficiary households, who decided what should be purchased with their budget of 50,000 kyats. In addition to market accessibility, SCiM’s assessment and analysis process considered potential risks of each response, such as the potential for conflict between beneficiaries and non-beneficiaries caused by cash and facilitated procurement, and the security risks associated with either approach.<sup>28</sup>

<sup>28</sup> S. Mark, *Evaluation of Save the Children in Myanmar’s (SCiM) Emergency Cash Transfer Program*, SCiM, 2009.

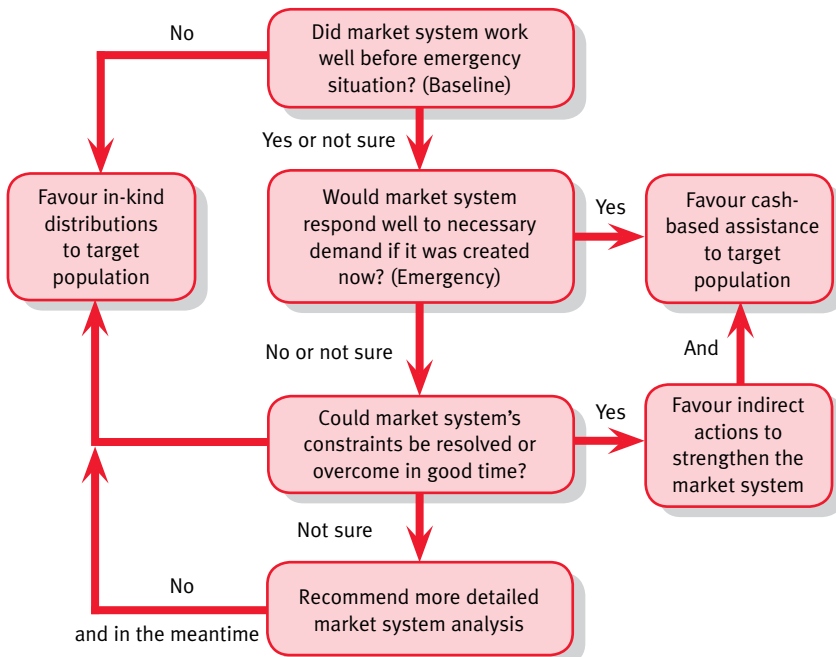
### 2.2.1 EMMA

The EMMA toolkit was developed to enable the assessment of market systems following disasters (see [www.emma-toolkit.info](http://www.emma-toolkit.info)). EMMA asks three analytical questions:

- How well did this market system work before the emergency? (Baseline Situation).
- How has this market system been affected by the crisis? (Impact).
- How well is this market system likely to react or respond to proposed humanitarian actions, or future impacts of the crisis? (Forecast).

These questions feed into a decision tree to inform the selection of cash or in-kind approaches.

**Figure 1**  
**The EMMA toolkit**



Source: M. Albu, *Emergency Market Mapping and Analysis*, Practical Action, 2010.

**Box 7: EMMA in Haiti and Pakistan***EMMA in Haiti*

Following the January 2010 earthquake in Haiti, inter-agency EMMA assessments were carried out of the markets for beans, rice, construction labour and iron sheeting. The primary impact of the earthquake on the bean market was found to be a decline in consumer income, which translated into a sudden decrease in the demand for beans. The main recommendation was to stimulate demand through cash or voucher projects. The assessment also recommended port repairs, public works projects to repair damaged infrastructure and increased security in key markets.

The rice market assessment found that rice imports had for the most part stopped, and that rice importers had no clear information about the quantity of rice that would be distributed by aid agencies. Small wholesalers had been particularly badly affected, with 80% losing their storage facilities. The assessment recommended ensuring greater transparency and communication between market actors and humanitarian agencies and monitoring the recovery of smaller actors in the market chain.

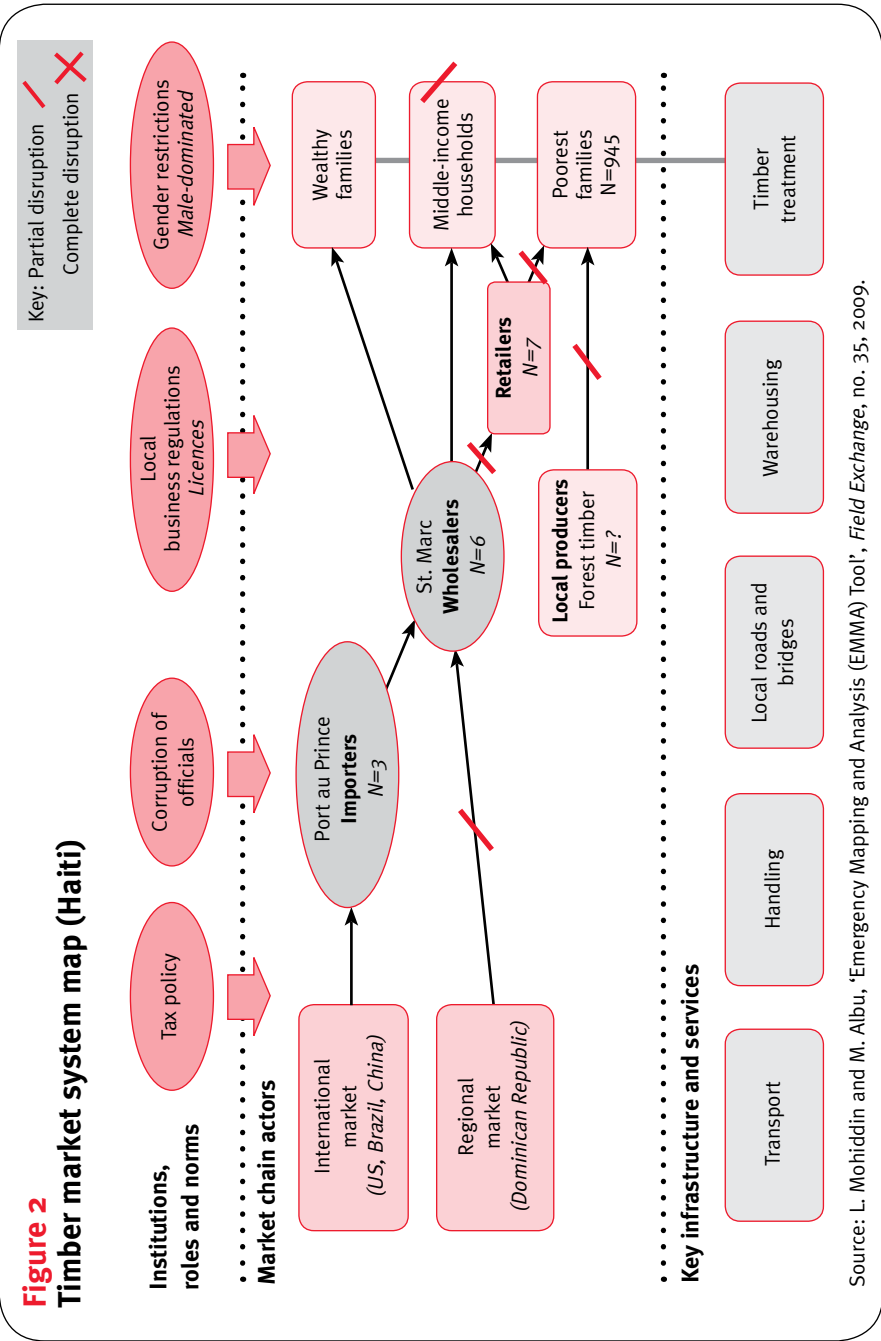
The market chain analysis for corrugated iron sheeting found that the market was disrupted and that purchasing power had been reduced. The assessment recommended a combination of vouchers for vulnerable households, in-kind distributions and cash grants to retailers. The assessment also recommended that aid agencies should avoid bypassing domestic importers, wholesalers and retailers.

*EMMA in Pakistan*

Several agencies carried out an EMMA in Sindh province in Pakistan following floods in 2010. The assessment looked at the availability and cost of local bamboo and timber for reconstruction, concluding that, while prices had risen by 10%–15%, materials would be available for the coming three to four months. After that time, however, the assessment predicted shortages, delays and price increases, and recommended that the government and aid agencies should investigate procurement abroad for the medium and long term.

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Sources: IRC et al., *The Market System for Construction Labour in Port Au Prince, Haiti*, *The Market System for Beans in Haiti*, *The Market System for Corrugated Galvanised Iron (CGI) Sheet in Haiti* and *The Market System for Rice in Haiti*, Emergency Market Mapping and Analysis (EMMA) Report, 2010; R. Bauer, *Emergency Market and Mapping Analysis, Pakistan Floods Response, 7-28 September 2010*, European Commission Humanitarian Aid and EMMA, 2010.



Source: L. Mohiddin and M. Albu, 'Emergency Mapping and Analysis (EMMA) Tool', Field Exchange, no. 35, 2009.

The EMMA toolkit has been used in several recent disasters, including in Myanmar, Haiti and Pakistan. EMMA analysis is based on critical markets and focuses only on one market commodity or service at a time (e.g. markets for rice or corrugated iron sheets). The toolkit consists of a gap analysis, market analysis and response analysis. A main tool in EMMA is a map of the market system being assessed. The maps and other data make comparisons between the baseline and emergency situation. As they give a brief visual representation of the impact of a shock on a market system, the maps are a key communication tool for busy decision-makers. An example of an EMMA market map following cyclones in Haiti in 2008 is given in Figure 2 (left).

### 2.2.2 MIFIRA

The Market Information and Food Security Response Analysis (MIFIRA) framework<sup>29</sup> has been developed to guide decisions between in-kind food aid (potentially sourced in different places) and cash transfers (or equivalents, such as vouchers). The tool builds on Barrett and Maxwell's decision tree<sup>30</sup> to guide response analysis in food security crises. The MIFIRA response framework addresses two fundamental questions:

- Are local food markets functioning well?
- If not, is there sufficient food available in nearby markets to fill the gap (i.e. through local procurement)?

MIFIRA addresses the importance of regional markets and integration between markets at macro, meso and micro levels. It is currently limited to assessing markets for food.

**Table 4: Comparing cash and in-kind food transfers**

Core question	Subsidiary questions
1. Are local markets functioning well?	<ul style="list-style-type: none"> <li>• Are food-insecure households well connected to local markets?</li> <li>• How will local demand respond to transfers?</li> <li>• How much additional food will traders supply at or near current costs?</li> <li>• Do local food traders behave competitively?</li> <li>• Do food-insecure households have a preference for the form/mix of aid they receive?</li> </ul>
2. Is sufficient food available nearby to fill the gap?	<ul style="list-style-type: none"> <li>• Where are viable prospective source markets?</li> <li>• Will agency purchases drive up food prices excessively in source markets?</li> <li>• Will local or regional purchases affect producer prices differently than transoceanic shipments?</li> </ul>

<sup>29</sup> C. Barrett et al., *Market Information and Food Security Response Analysis*.

<sup>30</sup> C. Barrett and D. Maxwell, *Food Aid after Fifty Years* (London: Routledge, 2005).

The first core question, whether local markets are functioning well, determines whether cash or voucher transfers are appropriate. Subsidiary questions are reviewed in more detail below.

- **1a:** Are food-insecure households well connected to local markets? Physical access to markets is a prerequisite for a successful cash transfer; this question can easily be integrated into household-level data and surveys.
- **1b:** How will local demand respond to transfers? Estimating the potential increase in demand is also relatively easy provided data from multiple sources can be synthesised. A key tool that non-specialists can integrate into their surveys is the Marginal Propensity to Consume (MPC) – in effect how much of a given cash transfer people will spend on food. This can be quite simply measured using participatory techniques such as proportional piling. The MPC is critical in determining the different levels of demand generated by vouchers as opposed to cash. If vouchers are used it is assumed that 100% of the transfer will translate into demand for food, but with a cash transfer some portion may be spent on other household essentials, resulting in lower demand. The MPC will vary between areas and seasons – urban areas will for example often have a lower MPC than rural areas.
- **1c:** How much additional food will traders supply at or near current costs? This sub-question is probably the most complex as well as perhaps the most important. It may require the help of market specialists. If traders cannot respond to the increased market demand resulting from cash transfers with additional supply at little or no extra cost per unit sold, then distributing cash is likely to result in inflation and thereby hurt non-recipient households. Getting a good sense of the local market's capacity to expand throughput volumes is therefore essential. The simplest approach involves asking traders how much additional food they could supply at short notice (i.e. one week) using their current access to cash, credit, storage and transport. Traders' access to credit and frequency of re-supply can also give an indication of the capacity to respond to increased demand.
- **1d:** Do local traders behave competitively? Markets with a greater number and variety of traders are less likely to be collusive. The number of new entrants to the market can also give a good indication of competition. Like question 1c this may require the support of market specialists.
- **1e:** Do food-insecure households have a preference regarding the form of aid they receive? It is feasible for non-specialists to integrate questions on household preference into surveys. It is important to recognise that preferences may change quickly in the face of food price inflation. It is also crucial to disaggregate this question by gender.

### 2.2.3 Taking inflation into account

A key issue in analysing the capacity of markets to respond to a cash transfer is assessing the risk of inflation in the price of the goods that people are likely to buy. If a cash response results in a rise in prices, the cash transfer could potentially do more harm than good by increasing the vulnerability and food insecurity of people not participating in the programme by making key goods more expensive.<sup>31</sup> However, it is often difficult to predict what will happen to prices, particularly in major disasters. It is also important to assess the existing inflation rate. Even if a cash transfer does not cause inflation, in contexts with high existing inflation rates (such as hyper-inflation Zimbabwe or during the food price crisis), cash transfers may be difficult to implement because the amount of cash needed to access a given level of resources needs to be frequently adjusted.

Analysis of inflation risks should examine price trends over recent years for likely purchases, seasonal price trends and price trends in previous comparable emergency scenarios (what happened in a previous drought or earthquake, for instance). This information can be obtained from agencies and services that monitor prices, including FAO and FEWSNET. The analysis should also look at the size of the cash transfer in comparison to regular cash flows within the local economy and income within households as one way to gauge the potential for inflation. What percentage of a village or district is being targeted and what proportion of annual or monthly income will a cash grant represent? If cash transfers are selected as an appropriate option, more detailed analysis of inflation risks may be needed to determine the transfer size and frequency.

Because it is difficult to predict whether or not inflation will occur, inflation risks need to be monitored throughout the course of a project. To assess whether any rise in prices is directly linked to a particular project, rather than part of a general market trend, agencies should ideally also monitor prices in markets where cash projects are not being implemented. Seasonal variations in prices also need to be taken into account. This is dealt with in more detail in Chapter 5 on 'Monitoring and Evaluation'.

The likelihood of inflation caused by a cash transfer project is connected to the impact of the disaster, the competitiveness, integration and resilience of local markets and the capacity of local traders to respond to the increased business that the cash injection is likely to stimulate. The structure and competitiveness of local markets depend on the number, size and distribution

<sup>31</sup> K. Basu, 'Relief Programs: When It May Be Better To Give Food Instead of Cash', *World Development*, vol. 24, no. 1, 1996.

of suppliers, and the extent of their differentiation. Markets with a large number of suppliers compared to potential buyers tend to be competitive.<sup>32</sup> Integration is a measure of the degree to which market systems in different geographical areas are connected to each other. When markets are integrated, goods will flow more easily from surplus areas to deficit areas. The level of market integration can be assessed by looking at price patterns over time for similar commodities or services in different locations.

Generally, evaluations have found that, if given adequate warning, traders respond quickly, and market mechanisms are often surprisingly effective and robust, even in remote areas and areas affected by conflict. An evaluation of a project providing cash grants to herders in Mongolia found that, despite poor infrastructure, huge distances and high transport costs, the local economy was able to supply people with the products they wanted to buy.<sup>33</sup> A real-time evaluation of UNHCR's shelter grant programme in northern Sri Lanka observed that, 'while some degree of price inflation was discernible for the most sought-after items, this was not widespread or significant, and

### Box 8: Assessing inflation risk in Uganda

Action Against Hunger implemented a cash transfer project in Lira District, Northern Uganda, in 2009. The project provided two grants totalling \$225 to 1,500 households to support livelihoods recovery for returnees. The scale of the transfers, the structure and integration of markets and local availability were used to predict the magnitude of inflation effects. Household grants represented between 25% and 40% of the annual income of farmers' groups, and up to 87% for the poorest landless group. The high value of the grant compared to the regular income of households and high coverage at village level were indications of potential market-crowding effects. The project produced temporary inflation at the local level. There was 'flash' inflation of livestock prices lasting two weeks, up to 10% to 30% higher than expected seasonal prices in local markets. Local livestock markets were not well integrated into larger markets and suppliers were not able to respond promptly to the significantly increased demand.

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Source: P. Creti, *The Impact of Cash Transfers on Local Markets: A Case Study of Unstructured Markets in Northern Uganda*, CaLP, 2010.

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32 P. Creti, *The Impact of Cash Transfers on Local Markets*, CaLP Cash Learning Partnership, 2010.

33 M. Dietz et al., *Joint SDC-IFRC External Review of In-Kind and Cash Distribution Projects in 2003 in Zavkhan Aimag, Mongolia*, Swiss Agency for Development and Cooperation and IFRC, 2005.



returnees generally reported being able to find the items they needed in local markets'.<sup>34</sup>

Markets in crises can also be weak, and there is a need for caution in assuming that they will respond and be competitive. Market-based responses may be particularly problematic where there are government restrictions on movements of food between regions, or where conflict makes trading more difficult. In areas where markets have been particularly weakened, there may be a need to consider other interventions to strengthen markets as a complement to cash transfers (this is discussed in Chapter 3.4 on 'Complementary programming'). The 2007–2008 food price crisis and renewed high food prices in 2010 and 2011 have created particular difficulties for cash programming as rising prices have eroded the purchasing power of fixed cash grants.<sup>35</sup> If the amount of cash being given can be adjusted to take inflation into account cash may still be appropriate, but this can be difficult when agencies have fixed budgets.

## 2.3 Security and corruption risks

Cash is sometimes seen as more difficult to deliver than in-kind assistance because it is more attractive and therefore more likely to create security risks. A key question to ask at the assessment phase is, therefore, whether cash can be delivered and spent safely. This should entail an assessment of the delivery options available for getting cash to people, and how security risks can be minimised. For a discussion of the various delivery mechanisms available, see Chapter 4.3.

Giving people assets may in some cases expose them to violence or theft, though this cannot be assumed. Cash may well be easier for a robber to carry away than a sack of food and may be more attractive for that reason. By the same token, cash is easier for a recipient to hide. Agency staff may be put at risk if they are delivering cash directly to beneficiaries. In this case risks can be minimised by choosing an indirect method of delivery, such as electronic transfers through bank accounts or mobile phones. Agencies can choose to outsource the risk away from their staff by contracting a specialised agency that deals specifically in transferring cash. The simple rule for risk management here, as elsewhere, is to discuss the risks openly with the people concerned, and to do so in advance. Most people are aware of the

34 J. Crisp, A. Graf and V. Tennant, *Banking on Solutions: A Real-Time Evaluation of UNHCR's Shelter Grant Programme for Returning Displaced People in Northern Sri Lanka*, UNHCR, 2010.

35 R. Sabates Wheeler and S. Devereux, 'Cash Transfers and High Food Prices: Explaining Outcomes on Ethiopia's Productive Safety Net Programme', *Food Policy*, 35 (4).

risks that they run when they carry cash or if they buy expensive items. Few would prefer not to earn money in order to avoid those risks, and it is not for an agency to take that decision for them.

There are obvious concerns about giving people cash in situations of conflict and predatory political economies. Even if cash can be safely delivered to recipients, there are legitimate fears about what happens to it afterwards, and whether its arrival could make a conflict worse. However, evidence from cash and voucher projects suggests that ways can be found to deliver and distribute cash safely and securely even in conflict environments.<sup>36</sup> In some contexts, as was the case with the Danish Refugee Council in Chechnya, security concerns that might affect in-kind distributions may be significantly lower for cash because transfers can be delivered directly to recipients by secure financial systems such as banks, ATMs, postal and mobile banking or through private companies – as opposed to more bulky and visible in-kind distributions.<sup>37</sup>

In Afghanistan and Somalia, agencies have used local remittance companies to deliver money to people in remote and insecure areas. In Ethiopia, Save the Children took out insurance cover against the risk of loss in transporting cash to projects in areas where there were no banks.<sup>38</sup> In Zambia, Oxfam sub-contracted delivery in remote rural areas to Standard Bank, which used security company vehicles to deliver the cash, accompanied by local policemen. In Haiti, Save the Children issued prepaid cards instead of handing out money.<sup>39</sup> Sensible precautions with direct distributions include varying the payment days and locations, minimising the number of people who know when cash is being withdrawn and transported, using different routes to reach distribution points and using different vehicles.<sup>40</sup> A difficult balance must be found between the need for openness (so that recipients and others involved in the distribution can make the necessary preparations) and discretion about the time and location of distributions.

All projects bringing resources to communities are vulnerable to corruption, and cash is no exception. By the same token, however, there is no evidence that cash projects are inherently more prone to corruption and diversion than other types of assistance; in UNHCR's Shelter Grant programme in Sri Lanka,

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36 P. Harvey, *Cash and Vouchers in Emergencies: An HPG Discussion Paper* (London: ODI, 2005); Bailey et al., *Cash Transfers in Emergencies*.

37 Danish Refugee Council, *Study of the ECHO Cash Transfer Pilot Project*, 2008.

38 C. Knox-Peebles, *Impact Assessment of Save the Children's Cash for Relief Project in Legambo and Meket (Wollo), Ethiopia*, SC, 2001.

39 CaLP, *CaLP Learning Conference Report*, 2010.

40 Creti and Jaspars, *Cash Transfer Programming in Emergencies*.

for instance, there was no indication of fraud, corruption or diversion. Indeed, some aspects of cash programming may make it less vulnerable to corruption than in-kind assistance. Many corruption risks faced by in-kind transfers occur during procurement, storage and transport, none of which applies to cash transfers.<sup>41</sup> It is possible that the lack of evidence of corruption associated with cash projects is the result of the close monitoring systems that cash transfer projects have often put in place. Many cash programmes are small-scale in comparison to their in-kind counterparts, and the real test will come when programming is scaled up and projects are managed less intensively.

In common with in-kind transfers, many of the corruption risks associated with cash transfer projects arise at the registration and targeting stage. Targeting creates incentives for local committees and powerful elites to manipulate beneficiary lists through cronyism or by demanding bribes, and ‘ghost’ or duplicate names may be included on registration lists. As with in-kind assistance, there is also a risk of diversion during distributions. In one project in Aceh, for example, a large number of recipients were found to be passing a proportion of the grant they received to district heads and village representatives.<sup>42</sup>

As with insecurity, there are various ways of minimising the risks of corruption. Some of them are technical, such as designing vouchers and beneficiary ID cards in such a way that they are hard to copy, for instance by adding a unique stamp just prior to the voucher distribution (see Chapter 6 on ‘Vouchers’). In large-scale projects, technologies like fingerprinting and iris scans have been used in registration and distribution systems to prevent recipients from going round again. Sound monitoring systems and transparency will also be important. Where feasible, monitoring should be as independent as possible, either by using different organisations or having different teams within the same organisation handle implementation and monitoring. There may also be scope to work with local civil society groups.

## 2.4 Gender issues, power relations and vulnerable groups

One of the concerns raised about cash transfer projects has been their potential to negatively influence gender relations within recipient households. At the heart of these concerns are assumptions that: a) women are less likely to be able to control the use of cash within the household compared to certain types of in-kind assistance (especially food); b) that men may use cash for

<sup>41</sup> P. Ewins et al., *Mapping the Risks of Corruption in Humanitarian Action*, A Report for Transparency International and the U4 Anti-Corruption Resource Centre by the Overseas Development Institute (London: ODI, 2006).

<sup>42</sup> H. Herrman, *Cash for Host Families Project, Aceh: Final Report July 2005*, SDC, 2006.

anti-social expenditures – notably alcohol and cigarettes; and c) that intra-household conflict between husbands and wives could increase.

All humanitarian projects have the potential to influence gender relations, and evaluations of cash projects have not tended to find negative gender impacts. Indeed, some have noted positive benefits in increasing women's influence in household decision-making over finances. As there has been little in-depth research specifically about gender, it is difficult to draw any firm conclusions across contexts – other than the importance of understanding local gender dynamics when making programming decisions.<sup>43</sup> Ultimately, the danger that men will use force to control the use of cash may or may not be greater than the risk of violence that women face from husbands seeking to take food aid or other assets to sell for their own purposes. The women themselves are the ones who can advise on the scale and size of this risk, suggest ways to manage it and judge whether the risk is worth taking. Most women in crisis situations are actively seeking to earn money, despite knowing the risks that having money may bring, and both accept and learn to manage this risk.

### **Box 9: Findings on household decision-making from a WFP project in Sri Lanka**

Decision-making on how to use cash or food transfers within the household may affect the way assistance is utilised. A commonly held perception is that women have more decision power over food, while men have more over cash. A pilot project in Sri Lanka provided cash transfers to some households and food rations to others. In male-headed households that received food, 54% of couples indicated that they made decisions on how to use the food ration jointly. In cash-receiving households, just over 60% of couples said that decisions on how to spend the cash transfers were taken jointly. Although a limited sample, these results challenge the assumption that women lose decision-making power when cash is distributed rather than food. Households where women have high control spent more on cereals and meat, and less on alcohol and dairy products.

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Source: S. Sandstrom and L. Tchatchua, 'Do Cash Transfers Improve Food Security in Emergencies? Evidence from Sri Lanka', in S. Omamo et al. (eds), *Revolution: From Food Aid to Food Assistance* (Rome: WFP, 2010).

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<sup>43</sup> R. Slater and M. Mphale, *Cash Transfers, Gender and Generational Relations: Evidence from a Pilot Project in Lesotho*, Report Commissioned by World Vision International (London: ODI, 2008); Concern Worldwide and Oxfam GB, *Walking the Talk: Cash Transfers and Gender Dynamics*, 2011.

Many projects register women as cash recipients and bank-account holders as a deliberate strategy to ‘empower’ them. However, it cannot be assumed that simply targeting women does indeed lead to their empowerment or promote gender equality. Providing money to women is not in and of itself empowering, nor is it always a good thing for gender relations; in the absence of analysis on how money is controlled within households, ‘it will be a gamble whether giving money to women will improve life for the household, promote better gender relations and women’s status, or bring harm’.<sup>44</sup> There is also a risk that such assumptions can reinforce negative gender stereotypes by assuming that men will use cash irresponsibly. This is not to say that projects should not target women as recipients, but that decisions to do so should be based on an understanding of gender dynamics and realistic expectations regarding empowerment.

A study by Slater and Mphale provides a useful conceptual framework for analysing the impact of cash transfer programming on gender relations. It highlights five critical considerations:

- Understand the impact of cash transfers in comparison to other types of resource transfers.
- Think about the changing context in which gender relations are embedded.
- Consider and differentiate between the needs of men and women when assessing the impacts of cash and food on gender relations.
- Gender relations studies provide a framework for understanding different models of household resource allocation.
- Gender relations exist across generations within households, and concern more than just conjugal/marital relationships.<sup>45</sup>

Agencies need to understand and take into account gender issues through the project lifecycle – from assessment and design all the way through to monitoring and evaluation. Doing this requires solid analytical skills. Gender relations during times of crisis must always be situated within their broader, long-term societal context. It is important to understand baseline levels of domestic violence, alcohol abuse and other gender issues in order to determine how these might be affected by a programme response.<sup>46</sup> Gender is highly sensitive to socio-cultural norms, attitudes and practices that vary from one society to another, and even between communities within the same society.

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<sup>44</sup> Slater and Mphale, *Cash Transfers*.

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

### **Box 10: Gender equity and empowerment: ActionAid in the Andaman and Nicobar islands**

A three-year ActionAid cash programme in the Andaman and Nicobar islands following the 2004 Indian Ocean tsunami sought to ensure gender equity and women's empowerment. As well as being actively involved in decision-making and planning, women were encouraged to participate in a Cash for Work programme. Out of the 6,605 people employed, nearly half were women. Some women reported that men's participation in household activities such as cooking and child care had increased as a direct response to their participation in the programme, while others stated that their workload had significantly increased as they were having to carry out other household duties. Asked whether the extra workload was causing difficulties at home, most women reported no negative effects on their lifestyle. Even so, provisions were subsequently made to ensure that women were able to fully participate in the programme, including setting up childcare facilities and ensuring regular breaks for everyone in the CFW programme, so that women could feed their children. Elderly, disabled and pregnant women were given light duties, such as handing out water, preparing food and taking registers.

Gender analysis in the project looked at gendered divisions of labour, discrimination, violence and access to and control over resources. Women were encouraged to challenge gender stereotypes by taking up activities such as fishing, ploughing, masonry and cycling. They were also taught to swim and trained in handling boats.

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Source: ActionAid, *Cash Programming: An Experience from the Andaman and Nicobar Islands*, 2008.

In addition to marital/conjugal relationships between men and women, it is important to understand generational relationships and how these might be affected by cash transfers. In a World Vision project in Lesotho, generational conflicts were a much greater concern in recipient households than marital conflicts, particularly in households where the elderly were taking care of orphans and vulnerable children.<sup>48</sup> A comparative study of food and cash transfers in urban areas of Zimbabwe also found evidence of increased inter-generational tensions.<sup>49</sup>

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<sup>48</sup> Slater and Mphale, *Cash Transfers*.

<sup>49</sup> K. Mutiro and P. Hobane, *Comparative Study of Food and Cash Transfers in Urban Zimbabwe*, GRM International Zimbabwe, 2008.

Like any other form of distribution, cash transfer projects must also take account of the needs of vulnerable groups, including unaccompanied or orphaned children, the elderly and the ill. For various reasons it is commonly assumed that cash transfers will not be appropriate for these groups; bank accounts may not be accessible to unaccompanied minors, for instance, and the old and the sick may find it difficult to reach cash distribution points or travel to markets. Programming experience shows that these obstacles can be overcome. In Sri Lanka, UNHCR used family tracing to identify unaccompanied or separated children and appointed guardians through local courts. In Vavuniya, separated children received an initial 5,000 rupee grant, and bank accounts were opened in the child's name, from which withdrawals could only

### Box 11: HelpAge cash grants for over-65s in Haiti

The Rapid Initial Needs Assessment for Haiti (RINAH) carried out following the January 2010 earthquake identified older people as the most at-risk vulnerable population. An assessment of existing disaggregated data showed that approximately 200,000 older people were affected by the disaster. Given the presence of functioning markets, the logistical complexities of getting supplies into the country and consultation with beneficiaries on their preferred forms of assistance, HelpAge decided to undertake an unconditional cash transfer programme for populations over 65 in spontaneous camps where no camp management agency was present. Through an agreement with UNITRANSFER, a remittance company, a one-off \$50 payment was made to a target population of 5,500 older people.

Using a network of 'vulnerability focal points' selected from the affected population, the beneficiary population was identified and registered. During registration older people were given an information leaflet explaining when and where they could collect their money. Due to the levels of illiteracy amongst older people the leaflets were complemented by information sessions to explain the process. People unable to reach a UNITRANSFER branch were identified during registration and arrangements were made for an authorised staff member of the remittance company to deliver the cash directly at no extra charge. Alternatively, collection could be delegated to a family member. A grievance and customer support telephone line was also set up to allow beneficiaries to report problems or have questions about the process answered. A monitoring process using a random sample of 1,500 beneficiaries showed an overwhelmingly positive response to the cash transfer, with respondents reporting that they used the funds mainly to buy food and pay off debts.

be made for strictly-defined purposes, such as education, until the age of 14. In Southern Sudan, elderly beneficiaries were allowed to send a nominated family member to collect a Save the Children cash grant on their behalf.

### 2.5 Cost-effectiveness

The cost of cash transfers compared to other forms of assistance is clearly a crucial question, and one that is often overlooked in deciding the appropriate type of response. If cash is a more efficient or cost-effective way of helping people, then more people can potentially be supported than with an in-kind alternative. That said, comparing the costs of cash transfers with in-kind alternatives should not be the only criterion on which decisions about the appropriateness of cash are made. There will be times when in-kind assistance is needed even when it is more expensive, for example where transport networks are disrupted.

Cash programmes are likely to have lower transport and logistics costs than in-kind assistance. However, there may be other costs, such as a need for additional finance staff. Whether a cash grant is more efficient for recipients will depend on the prices of goods they purchase in local markets compared to the price it would cost an aid agency to deliver equivalents. The relative costs to recipients of transporting in-kind assistance against the costs of travel to and from markets also need to be accounted for. There may be cost advantages to in-kind assistance where goods can be purchased in bulk by aid agencies, or where local prices are significantly higher than international ones.

Few agencies have attempted to compare the cost-efficiency of different options at the planning stage, although some agencies have assessed or compared cost-efficiency after the fact (see Chapter 5 on 'Monitoring and Evaluation'). One challenge in predicting the cost-efficiency of different responses is that the comparison depends on a reliable estimate of the projected price of commodities, which is difficult to calculate at the early stages of emergency response planning.<sup>50</sup> However, it should be possible to use previous price trends and price data from previous emergencies to develop a plausible estimated range for future prices. Agencies should consider efficiency, but it is important that efficiency is not the sole consideration when making programming decisions. One type of programming might be less cost-efficient (in that it costs more than a similar intervention) but more cost-effective (in that it is better at meeting project objectives than the cheaper intervention).

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<sup>50</sup> DG ECHO, *Evaluation and Review of the Use of Cash and Vouchers in Humanitarian Crises: Part 2: Review Report*.



These sorts of calculations are fraught with difficulties, including how to compare the transport and distribution costs of in-kind approaches with the administration costs of cash transfers, and how to take exchange rate fluctuations, inflation and shifts in prices into account. However, as long as agencies are explicit about the assumptions they make this exercise should still be useful, even if the analysis has its limitations. It is better to have some bad figures to argue about than no figures at all.

Issues to consider when making cost comparisons include:

- Overhead costs. These may include expatriate as well as national staff, finance and logistics staff and headquarters and main office as well as sub-office costs.
- Exchange rate fluctuations. If the aim is to compare goods bought locally with cash with goods purchased regionally, exchange rates need to be taken into account.
- Changing prices. Inflation over the course of a project may alter cost-effectiveness calculations, especially if local prices are higher than regional or international prices.
- Transport and delivery costs. Costs incurred in procuring, storing and transporting relief commodities compared to costs incurred in delivering cash (e.g. bank fees).
- Costs to recipients. These include the cost of transporting relief from distribution sites, selling in-kind assistance to buy other goods or travelling to markets to buy goods with cash.
- Scale. Smaller-scale pilot projects may be more expensive because larger projects may enjoy economies of scale with overhead and staff costs.

**Table 5: Comparing costs to recipients of cash and in-kind transfers**

In-kind assistance	Cash transfers
Cost of transporting in-kind relief from the distribution site to home	Costs of getting to and from markets to buy goods with the cash provided and to and from the cash distribution point
If people have to sell part of in-kind assistance to meet other needs they may get a low price for it	Cost of transporting goods purchased in local markets
Milling costs if whole grains are distributed	Milling costs if whole grains are purchased

Source: P. Harvey, *Cash-Based Responses in Emergencies*.

## 2.6 Coordination and political feasibility

Any cash transfer needs to be coordinated with other forms of assistance (including by other aid agencies), and consideration of how cash will relate to other planned assistance should form part of the assessment process. For instance, if food aid is going to be provided to the same recipients, this might change the objectives of a cash programme as it is less likely that the cash will be spent on food. It is also important to assess government views on cash transfers, whether and how cash fits with government policies and indeed whether the government will allow cash transfers to take place. In Myanmar, for instance, a Save the Children cash grant programme had to be stopped temporarily due to government opposition.

Coordinating cash-based responses can be problematic because cash cuts across sectors and programmes and can have multiple objectives. This makes it difficult to fit cash neatly within existing coordination structures such as clusters. In some contexts, notably the response to the Haiti earthquake and Pakistan floods in 2010, specific coordination groups have been created focused on cash transfer programmes. While this would seem to undermine the view that cash transfers are a tool and not a sector, these specific bodies appear to have been very useful in improving coordination on key issues like transfer systems and amounts.

Coordination is needed around many issues. Wage levels and transfer amounts should be coordinated to prevent inequities between project areas or between different agency projects, though differences in agency objectives will often lead to different grant amounts. Differences between payment levels for Cash for Work projects and livelihood grants have been a problem in recent disasters. Coordination is also needed between agencies to avoid one agency insisting on conditional transfers where another is providing unconditional transfers to respond to the same problem. Cash and in-kind projects should be coordinated to ensure complementarity and to prevent cash being provided for items that people are also receiving in-kind. International aid agencies also need to coordinate cash-based responses with governments, particularly where the authorities are implementing their own cash programmes.

### Box 12: Cash coordination groups

Cash coordination groups have been established in Haiti, Somalia, the Democratic Republic of Congo (DRC) and Pakistan. Some have been set up through CaLP, while others have been formed by agency staff on the ground. The following are responsibilities included in the Terms of Reference (TORs) of these various groups:

- Ensure cross-agency coordination of cash programming, including geographical mapping of activities, the timing of interventions and transfer values.
- Track information on cash interventions by agency, geographic area, type of cash programme and transfer mechanisms.
- Document key lessons from cash interventions and share these during interagency cluster meetings.
- Make recommendations for enhancements of programming tools and guidelines and for further research (e.g. joint M&E tools, common complaint mechanisms, development of accountability materials, standardisation of payment rates).
- Undertake joint monitoring visits based on identified needs, to support field groups and to generate case studies.
- Establish standards and common approaches.
- Identify areas for collaboration between agencies.
- Share information on cash transfer mechanisms, encouraging debate and identifying areas for innovation and harmonisation.
- Engage the private sector, academics and financial institutions in debates and programming decisions.
- Develop shared positions on cash transfer programming through advocacy, lobbying and influencing key actors, and policy formulation.
- Link up with EMMA and other market assessments.
- Peer review ongoing agency programmes.
- Engage local NGOs, government bodies and micro-finance institutions to draw on existing knowledge, practice and programming.
- Identify appropriate ways to contribute to cluster debates about cash transfers.
- Create a library of cash resources.
- Engage in advocacy work on important issues as identified by participants.
- Ensure that all activities are consistent with the Red Cross Code of Conduct and Sphere standards.

Sources: *Terms of Reference – Cash Coordination Group for the Haiti Earthquake Response*, draft, 2010; *Somalia Cash Based Response Working Group* (no date); *Groupe de Travail Technique Cash et Coupons*, 2010; Cash Coordination in Pakistan Website (<https://sites.google.com/site/cashtwgpakistan/home>).

## 2.7 Skills and capacity

Organisations need to ensure that they have the skills and systems to implement cash transfers effectively, and to build their administrative and human resource capacity where it is required. The capacities of other actors that may be potential partners in delivering cash transfers, such as local government, local civil society and private sector actors (such as banks or remittance companies), should also be considered.

Cash programming does not necessarily require ‘cash experts’; general emergency staff can successfully assess, design and implement cash-based responses given adequate resources (e.g. guidelines on cash transfers), support and common sense. Capacity is growing as more agencies and individuals become involved in cash transfer projects. This capacity is being supplemented by training on cash transfer programming, such as that developed and delivered by CaLP. Training is not essential, though it can provide staff with basic knowledge, real-world examples and a forum for interacting with other practitioners.

Agencies have tended to engage in deeper analysis in determining the appropriateness of cash transfer programming than in-kind alternatives. This analysis has revealed generic weaknesses such as market analysis, and it is important that agencies undertaking cash programming ensure that they have sufficient capacity to undertake assessment and market analysis, including understanding the potential for inflation. Enhanced capacity may also be called for in contingency planning, monitoring and evaluation.

Aid agencies should also identify any changes that need to be made to their finance, monitoring and administration systems, so that these can ensure the transparency, accountability and security of cash transactions in a manner that is not overly bureaucratic or time-consuming. For example, accounting and monitoring practices might have been designed with only in-kind assistance in mind. Limits also might be in place on the amount of cash that can be transferred to offices, sub-offices or partners from headquarters. A failure to modify systems in advance can lead to delays in project implementation. Having appropriate systems will become even more critical as aid agencies begin implementing larger-scale cash and voucher responses. Agencies can fill capacity gaps by building the skills of existing staff, hiring new staff with the right skills, bringing in staff temporarily from other offices and forming partnerships with other agencies, for instance to undertake a joint market assessment. Agencies can hire external consultants to undertake feasibility studies or market analyses, though bringing in external expertise in this way should be a last resort.

Shifts in mindsets are also required. Cash transfers provide choice to recipients, which results in less control by aid agencies, and agencies and individuals with significant experience in delivering in-kind assistance might not be entirely comfortable with this.

## 2.8 Timeliness and contingency planning

In theory, cash programmes should be implemented more quickly than in-kind assistance because there is no need to purchase and transport goods. In practice, however, cash transfers have often taken longer to establish than in-kind programmes, in part at least because cash transfers are still a relatively new modality for many agencies; systems have not been established and cash transfers have not been integrated into preparedness and contingency planning processes.

Contingency planning involves developing strategies and procedures in anticipation of humanitarian crises. Emergency preparedness is slightly broader, and includes stocking up on key relief commodities, creating stand-by capacities and training staff.<sup>51</sup> Just as agencies currently have stockpiles of key in-kind emergency items, so this may be useful in contexts where a cash-based response is likely to be appropriate to have pre-established mechanisms in place for delivering cash, such as draft agreements with banks and local traders, or at a minimum to have a plan for establishing the systems and partnerships necessary to implement a cash-based intervention. Agencies should initiate discussions with banks, mobile phone companies, cash-carrying companies, insurance companies and other possible partners before a crisis, and agree in principle what they can and cannot handle, and what the rough scale of costs would be. It may also be possible to design vouchers and beneficiary cards in advance. None of these steps means that agencies should automatically choose to implement cash transfers in the event of a crisis, merely that, if they choose to do so, arrangements are in place to ensure that cash reaches beneficiaries as promptly as possible, with the minimum of delay. A simple rule of thumb is that, if it does not cost money, an agency can do it before a disaster strikes.

Contingency planning before a crisis helps ensure that, for the main predictable hazards (i.e. for the vast majority of humanitarian situations), a coordinated response strategy has been agreed between central and local governments, donors and implementing agencies; all the relevant actors have a good idea which kinds of interventions would be needed within that strategy, at which

<sup>51</sup> R. Choularton, *Contingency Planning and Humanitarian Action: A Review of Practice*, Network Paper 59 (London: ODI, 2005).

stage in a crisis or within a seasonal calendar; and they will be ready to begin rolling out those interventions with minimum delay. With good contingency planning and preparedness, for example, it should be possible for crisis-affected populations to begin receiving a cash transfer within days of a crisis, if that were deemed the most appropriate response (in practice this almost never occurs). Agencies need to understand the kinds of shocks to which cash would be an appropriate response, the timescale and window of opportunity for a cash response, an approximate idea of the value of any transfers, the probable scale in terms of the number of beneficiaries, and how, if at all, the agency might target assistance.

## 2.9 Seasonality

When in the year cash is delivered will influence how it is spent, and hence whether it is an appropriate response given the project's objectives. Consider developing a seasonal calendar to map expenditure patterns, as part of the assessment process. Household expenditure priorities, sources of income, working/activity patterns and prices/availability of commodities vary at different times of the year. If cash is intended to help people meet basic needs, then it is likely to be most useful during hungry seasons or particularly difficult periods, but food prices may be higher than normal and the cash will buy less. Cash transfers delivered at times when households are more likely to have increased income, such as after a harvest, are more likely to be spent on productive investments.<sup>52</sup> In quick-onset emergencies, cash provided in the early stages may be spent on meeting basic needs and coping with the immediate aftermath of displacement. Cash provided later on may be spent on recovery, such as rebuilding houses or investing in livelihoods.

In Cash for Work projects particular attention needs to be given to seasonal labour demands to avoid work requirements clashing with key household labour commitments such as agriculture (e.g. harvesting) and seasonal migration (see Chapter 7). It may be appropriate to consider direct cash grants over labour-based interventions if the timing of public works does not correspond with seasonal calendars or the main objective of the project. For instance, if the objective is to improve access to food during the hunger gap and public works can only be implemented after the harvest, then a direct cash grant during the hunger gap is likely to be more appropriate than a post-harvest Cash for Work project.

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<sup>52</sup> L. Adams and E. Kebede, *Breaking the Poverty Cycle: A Case Study of Cash Interventions in Ethiopia*, HPG Background Paper (London: ODI, 2005); H. Mattinen and K. Ogden, 'Cash-Based Interventions: Lessons from Southern Somalia', *Disasters*, vol. 30, no. 3, 2006.

## Chapter 3

# Planning and designing cash interventions

Once it has been determined that a cash-based response is appropriate and feasible, the project needs to be designed. This section discusses how to frame the project objectives, decide on the type of cash transfer intervention, set the value of a cash grant and its timing, complementary programming and linking with development, recovery and social protection. Vouchers and Cash for Work interventions raise additional issues for planning, designing and implementing responses, and are covered separately in chapters 6 and 7.

### 3.1 Determining the project objectives

Cash is not an end in itself. Cash transfers are one way that aid agencies can provide assistance to households to meet specific aims and objectives, whether alone or in conjunction with other types of assistance. The aims and objectives of an emergency response are therefore the same whether cash is used or not – cash is merely one among several programming tools with which to achieve those objectives.

As with any emergency project, the objectives of a cash transfer need to be clear and based on the needs assessment and response analysis. The objectives need to be monitored to see if they are being achieved. Unlike in-kind approaches, however, cash transfers can encompass a very wide range of objectives related to food security, nutrition, health, education, water and sanitation, livelihood recovery, reintegration, shelter and protection. Cash may supplement or replace in-kind assistance, such as food and non-food items, or support (and be supported by) other programming components, such as livelihoods training.

The fact that cash is flexible and can be spent in a wide variety of ways 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 administratively difficult and can undermine the flexibility of cash transfers. 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. Another example would be providing a grant to returnees that supported their broad reintegration needs, as opposed

to only supporting a specific need, such as shelter. Setting broad objectives can however be difficult if the agency is looking to address particular needs or if it has a specific mandate; WFP, for instance, must by its mandate focus on promoting access to food. Ultimately it is impossible to be prescriptive: agencies must make their own decisions based on their mandates and on the context in question, always bearing in mind that, in some circumstances, in-kind assistance may well be a preferable response.

## 3.2 Types of cash transfer programmes

The type of cash transfer programme chosen should be based on the objectives of the intervention. The main types of cash transfer programmes are unconditional grants, conditional transfers, vouchers and Cash for Work. They can be combined with one another and with in-kind assistance.

### 3.2.1 Types of transfers

Unconditional transfers are transfers with no conditions on how they are spent. They have the advantage of flexibility and choice for recipients, allowing cash to be spent on people's own priorities. Agencies still have a general idea of what people will buy. It is assumed that, if basic needs have been identified in the assessment, the money will be used to cover these needs; if support to livelihoods or productive activities has been identified as a need, the cash distributed will be used for this. Unconditional transfers also have the virtue of simplicity as the implementing agency does not have to put in place systems to verify conditions (conditional transfers), identify suppliers (vouchers) or manage public works (Cash for Work).

Conditional transfers are transfers that must be spent in a particular way. They may be used when the agency has objectives related to a specific sector. Verifying conditions creates an administrative burden and so should only be used with a clear justification. In order to control the use of the money, a grant is often paid in more than one instalment, with the second payment made only after verifying how the first payment was used. Examples of conditional transfers are grants that are provided to rebuild houses, with the money being given in tranches as construction proceeds. Another type of conditional transfer is one given after recipients have met a condition. In this case, recipients can spend how they wish, but only receive the cash after fulfilling certain conditions, such as enrolling children in school or having them vaccinated. Such conditions are rarely set in humanitarian situations, and are more commonly associated with poverty reduction and social protection programmes, such as welfare payments in Latin America, although there are a growing number of examples of conditional cash transfers in recovery



situations.<sup>53</sup> Cash for Work projects are sometimes categorised as a form of conditional cash transfer, with the work requirement being the condition for receiving cash.

Some projects use unconditional grants and seek to promote the project objectives through sensitisation rather than putting in place conditions that must be verified. If recipients choose to spend outside of these objectives, it is likely that the objectives did not accurately reflect the priorities of the people who received the transfer, or the objectives should have been broader so as to better reflect their needs.

Vouchers can also be used as a means to direct spending to particular goods. Vouchers can be so restrictive as to be no more than ration cards (no choice in goods received, no choice in provider), or so flexible that they constitute a form of money (exchangeable for any goods with any participating vendor). Vouchers typically require more administrative and programmatic steps than unconditional transfers, such as printing the vouchers and making agreements with traders. Security concerns for recipients can make vouchers a logical choice in insecure environments since recipients never handle actual cash.

Cash for Work should be used only when there is meaningful work to be done and those targeted by the project have the time and the capacity to undertake it. Because labour projects need to be identified, workers supervised and technical assistance/equipment provided, Cash for Work programmes typically require more agency resources than providing cash grants. They may be preferable if they are more politically acceptable than cash grants or if there is a need for manual labour as part of the emergency response.

Different cash-based interventions can be combined. This is common in Cash for Work programmes, where people unable to work (elderly-headed households, for instance) typically receive unconditional grants. In Sri Lanka, the government gave people affected by the tsunami both a free monthly grant (to meet living costs) and a restricted grant, to be used only for rebuilding their houses. In Haiti, Oxfam gave people vouchers which were redeemable in local shops for a combination of food items and a sum of cash. In Pakistan following the 2005 earthquake, Oxfam set up a combined voucher and cash distribution programme in response to fears from local traders that people would not come to their shops if cash alone was given.<sup>54</sup>

<sup>53</sup> The literature on conditional cash transfers in emergency situations is limited so it was not possible to include conditional cash transfers as a separate section in this review.

<sup>54</sup> ACF, *Implementing Cash-Based Interventions*, 2007.

**Table 6: Comparing different types of cash transfers**

	<b>Circumstances when used</b>	<b>Potential advantages</b>	<b>Potential disadvantages</b>
<b>Unconditional cash transfers</b>	Cash transfers generally appropriate Security situation adequately stable Project objectives do not restrict expenditures to specific goods and services	Minimal administrative burden Generally more cost-efficient than vouchers	Recipients may spend money in ways not linked to project objective
<b>Conditional cash transfers</b>	Specific needs have to be met (e.g. shelter, small businesses)	Agency can influence recipient expenditures to promote project objectives	Requires staff time to verify conditions have been met Recipients may have other priorities for which they would prefer to use cash
<b>Vouchers</b>	There are security concerns around distributing cash that can be mitigated by using vouchers There are concerns that cash may be spent in anti-social or unhelpful ways	Recipients do not directly handle cash (if a security concern) Quality of goods and prices can be monitored Agency can easily influence recipient choice and promote certain practices	Can limit recipient choice Requires more planning, preparation and sensitisation Traders not involved in project may be disadvantaged Traders may manipulate prices (since recipients have limited choice on where to purchase) Recipients may have other priorities for which they would prefer to use vouchers
<b>Cash for Work</b>	Public or community works are required Equipment, technical assistance and supervision can be provided Population has capacity to undertake work Capacity to maintain assets is created	Can create community assets or facilitate emergency response (e.g. rubble clearance) Potential for skills transfer Potential for self-targeting	Disruption of labour markets Can take away time from other activities May exclude those without capacity to work, including labour-poor households

### 3.3 How much to give and when to give it

The value of the cash transfer depends on the objectives of the programme. The most basic question that must be answered is how much money is needed to meet the objectives. Three other important questions are whether the grant size should vary between recipients, whether it should be adjusted during the life of the project and whether it should be given all at once or in instalments. The following sub-sections cover these issues.

In deciding the amount of money to give people and how often to give it, it is important to consult both men and women, to take gender-specific needs into account and to consider how the money is likely to be spent within the household. For instance, in some contexts women might be able to control small amounts of cash given regularly and to spend this on essential household needs, while men might be more likely to control larger lump sum grants, and might seek to spend the cash for investment purposes.

#### 3.3.1 Setting the cash transfer value

Setting an appropriate cash transfer value is critical to a project's success. If it is too low, recipients will not access the full range of goods and services that they need. If too high, the cash could have been spread more thinly and more people could have been assisted. The amount of the transfer, whether for cash or vouchers, should be based on what a household needs to fulfil the project objective. This amount is often described in terms of gaps. For example, if the objective is to meet basic food needs, then the value should equal the gap between what food people need and how far they can meet these needs on their own without resorting to damaging coping strategies.<sup>55</sup> The value of the transfer is calculated based on:

- What households need overall to fulfil the objective (e.g. total amount of calories/food, seeds, livelihood inputs, school fees).
- How much these goods and services cost locally.
- What households can provide for themselves (through their own income and other forms of support).
- Any other goods and services that households might spend the transfer on that are not related to the project objective (e.g. on food in the case of a shelter project) and additional expenses incurred because of the project (e.g. public transport to distribution sites).

These amounts should be quantified as precisely as possible, keeping in mind that different types of households have different needs. Prices should be obtained from different traders and markets in the different project areas, and

<sup>55</sup> International Red Cross and Red Crescent Movement, *Guidelines for Cash Transfer Programming*.

the agency should anticipate how prices are likely to change during the project cycle. This can be done using data on historic/seasonal price trends and by consulting the government or aid agencies that monitor and analyse price trends. Because prices of goods and exchange rates can change over the course of a project, there should be contingencies to account for such fluctuations.

Common mistakes that agencies make in setting transfer values include:

- Not setting the grant value based on the project objective (e.g. calculating it on the basis of food needs, even when the grant is meant to cover basic needs in addition to food).
- Basing the grant value only on what would have been distributed if assistance had been provided in-kind.
- Not considering that households may be able to meet some needs on their own.
- Not thinking through how the costs of goods and services are likely to change during the project cycle.
- Only obtaining prices of goods in one part of the project area when they might be different in other parts.
- Not including transport costs or other fees associated with receiving the transfers.
- Having the wrong objective in the first place.

### Box 13: Calculating the grant size in Uganda

ACF provided cash grants to vulnerable returnee households in Northern Uganda in 2009 and 2010. The agency anticipated that the grant would be used for agricultural inputs and small business investment/income-generating activities. Previous value chain and market assessments carried out by ACF showed that a good starting basis for income-generating activities was \$158. The average needed to purchase seeds, tools and farming equipment was calculated at \$179. The grant was calculated as the average of these two amounts (\$168.50), plus an additional amount (\$116.50) to cover immediate needs such as shelter, basic expenses and medical care. The total grant was \$285. While intended for investment in small businesses and agriculture, recipients overwhelmingly used their cash to buy livestock. The evaluation recommended reducing future grants to around \$200, calculated as follows: \$125, which is enough to buy a bull, an ox-plough and two goats or six or seven goats; \$50 to cover immediate needs; and \$25 as a contingency margin.<sup>56</sup>

<sup>56</sup> A. Porteous, *ACF Project Evaluation, Livelihoods and Economic Recovery in Northern Uganda (LEARN-1)* July 2010.

### 3.3.2 Fixed or variable grants

As with other types of assistance, cash transfers can be the same for all recipients or they can be tailored according to differing needs. The most common use of variable grants is to adjust the amount of the transfer for different sizes of households. It is simpler to give a fixed grant regardless of household size, but more equitable to give more money to households containing more people. For grants intended to meet basic needs, and in particular food needs, it is better to adjust the grant to the size of household where possible. A decision has to be taken about what is feasible. This may depend on what information on affected populations already exists and how reliable it is. In some cases, it may be necessary to start with a flat grant, moving on to a graduated grant once it is possible to get more information on household sizes. Having a grant dependent on household size may be challenging in environments where there are fluctuations in household members. The agency can choose to set a ceiling for a maximum amount.

#### **Box 14: Setting the cash transfer: compromising on household sizes**

In Malawi in 2005, Concern Worldwide implemented a food and cash transfer programme where the cash amount varied depending on the household size. Households were classified as either 'small' (1–3 members), 'medium' (4–6 members) or 'large' (7 members or more). They received payments of 350 MK/month, 1,400 MK/month and 2,450 MK/month respectively. The evaluation of the scheme contended that, ideally, the cash transfers should have been adapted more precisely to each household size, but that such flexibility had been considered too complex and impractical. The agency had also feared that it may have created incentives for households to lie in order to receive a larger transfer.

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Source: S. Devereux et al., *After the FACT: An Evaluation of Concern Worldwide's Food and Cash Transfers Project in Three Districts of Malawi*, A Report for Concern Worldwide by the Institute of Development Studies, 2006.

As with grants for meeting basic needs, grants intended to support livelihood recovery can be fixed or variable. The diversity of people's livelihoods, and the fact that the damage disasters inflict upon livelihoods is not uniform, make it difficult to decide how much households should be given. Because restoring or rebuilding pre-disaster livelihoods risks reinstating pre-disaster inequalities, a critical question is whether to provide the same grant to everyone who has been affected, regardless of what they have lost or their

**Table 7: Strengths and weaknesses of variable and flat-rate grants**

Decision about the value	Strengths and weaknesses
The grant is the same for every household	<p>Simplicity – reducing the administrative and implementation burden for staff and potentially increasing the speed with which grants can be disbursed</p> <p>In the case of livelihoods grants, equitable as the amount people receive is not linked to pre-crisis livelihoods</p> <p>Lower in value for larger households</p> <p>Staff or others involved in registration do not have the power to decide how much assistance people will receive</p>
The grant is adjusted for household size	<p>Equitable as basic needs are related to household size</p> <p>More administratively complex than flat-rate grants</p> <p>Requires information on household sizes</p>
The value is set according to what people plan to buy or what they have lost but with a ceiling or maximum amount (grants with livelihoods and business recovery objectives)	<p>Administratively complex</p> <p>Requires lengthy process of application, approval and disbursement</p> <p>Each household is assisted according to the value they have lost</p> <p>Perpetuates inequalities in society and may disadvantage those who have lost incomes not assets (e.g. labourers)</p> <p>Linking grants to business plans may provide complementary support to households in developing small-scale enterprises</p>

Adapted from ACF, *Implementing Cash-Based Interventions*, ACF International, 2007.

socio-economic status, or to provide support relative to what people have lost, and what they need to restart their livelihoods.

### 3.3.3 Frequency of payment

Cash transfers can be given in one payment or in instalments. The choice should be based on the project objectives, security (for recipients and for those delivering the transfer) and cost-efficiency. Gender issues should be taken into account, as women may benefit from smaller, regular transfers.

- Interventions meeting basic needs typically (though not invariably) use relatively frequent transfers (e.g. bi-monthly or monthly) so that recipients do not have to keep large amounts of money over the lifetime of the project.
- Interventions that enable recipients to make larger purchases and investments (e.g. livelihoods recovery and shelter) usually use one or two larger instalments to enable such expenditures.
- Projects that put in place conditions on how the money is used (e.g. for shelter construction or restarting a business) often use two or more

transfers to enable verification of how the first transfer was spent, or to check that other requirements were met.

As always, there are trade-offs here. A one-off payment is likely to be simpler, will enable larger purchases for recipients and is often more efficient because fees associated with transfers or delivery need only be paid once. Paying in instalments enables the agency to adjust the grant during the course of the project and does not require recipients to carry or store large amounts of money. As with other aspects of project design, recipients should be asked how frequently they would like to receive the transfers.

### 3.3.4 Adjusting the grant and planning for inflation

The value of cash grants varies according to fluctuations in market prices. If prices of key commodities increase, recipients will be able to buy less of them or will need to use more of their own resources. This can make it more difficult for the project to meet its objectives. Agencies can put in place the following measures in order to adjust the grant during the lifecycle of the project:

- Recalculate the grant in advance of each payment based on updated prices of key commodities. This is potentially time- and resource-intensive.
- Establish thresholds for when the grant will be recalculated (i.e. if prices of key commodities increase by X% then the grant will be increased by X%). This is typically more straightforward than the above option, but still requires sensitisation and agency resources.
- Provide an additional transfer (whether cash or in-kind). This requires having additional funds or in-kind assistance available.
- Switch to in-kind assistance or a combination of cash and in-kind assistance. This requires having in-kind systems that are either already in place or can be quickly established. Very few agencies do this in practice.

All projects should incorporate in their design how the project will deal with price rises and a decrease in the availability of key commodities. In practice, however, agencies often do not have enough flexibility in their budgets to increase cash transfers. Efforts should be made during the project design phase to negotiate with donors or headquarters a contingency budget that can be used to increase the size of the transfer or add more transfers if necessary.

### **Box 15: WFP's approach to dealing with inflation in cash transfer projects**

WFP's cash manual distinguishes between predictable and volatile price inflation:

- Predictable – following historic and/or global/regional market trends.
- Volatile – usually occurring when demand exceeds supply due to external or internal market inefficiencies or barriers (including insecurity).

In the case of predictable price inflation, inflation should be factored into the cash or voucher transfer value – based on historic inflation data. Where appropriate, consider seasonal price variations caused by a surplus or shortage of food in local markets. In the case of volatile price inflation, the country office must carefully consider the viability of using cash and vouchers compared to food distribution. Should the country office choose to use cash and vouchers it may then consider one of the following approaches, ensuring that these are tailored to their own specific contexts. Both approaches have cost implications, which should be carefully budgeted.

- Continuing adjustment of transfer value to offset price inflation. Although this protects beneficiaries against price inflation, it remains potentially a time- and resource-intensive arrangement. Moreover, it may require an ongoing sensitisation campaign to ensure that beneficiaries understand the reasons for variations in the value of assistance.
- Setting cut-off limits for maximum acceptable price inflation. The value of cash or voucher transfers is set so as to absorb the maximum acceptable price inflation, using a set of fixed value increases over fixed intervals of time. Prices should be continuously monitored to validate the planned level of price inflation against its actual level. Country offices must have a contingency exit plan should acceptable price inflation limits be exceeded.

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Source: WFP, *Cash and Vouchers Manual. First Edition* (Rome: WFP, 2009).



### Box 16: Not adjusting the grant payment in Swaziland

In 2007/2008, Save the Children's Emergency Drought Response in Swaziland provided a monthly cash transfer intended to be equivalent in value to a half ration of food for every household member; the other half ration was provided in-kind. The amount transferred was proportional to household size.

The average cost of a half food ration was estimated at €30 in October 2007, and this set the per capita payment level (i.e. a household of six received €180). The transfer amount remained constant throughout the project's six-month duration – payments were not adjusted in line with changes in food prices.

According to Save the Children's monthly market monitoring, the retail prices of maize, beans and oil rose steeply between October and January, when the cost of a half ration peaked at €41, before stabilising at €37 between February and April. Save the Children explained why the amount of the transfer was not adjusted as follows:

- Prices did not fluctuate sufficiently to justify recalibration of payments every month.
- The payment level was calculated wrongly – the cost of a half ration was underestimated.
- Recipients found it hard to understand how payments were calculated, and adjusting the per capita food component every month would have added to the confusion.
- Cash recipients were able to absorb the higher food costs by drawing on other sources.

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Source: SC Swaziland, March 2008; cited in S. Devereux and P. Jere, 'Choice, Dignity and Empowerment': *Cash and Food Transfers in Swaziland: An Evaluation of Save the Children's Emergency Drought Response, 2007/08*, SC SW, 2008.

### Box 17: Adjusting the grant amount in Malawi

In 2005/6 and 2006/7, Concern Worldwide in Malawi designed and delivered two emergency social transfer programmes – the ‘Food and Cash Transfers’ project (FACT) and the ‘Dowa Emergency Cash Transfers’ project (DECT). An innovative feature of both of these programmes was the decision to link the monthly cash transfers to market prices of food, so that a constant quantity of a set package of food commodities could be purchased throughout the project period. This was done by selecting a basket of food items, monitoring their prices in local markets in the project areas during the week before each disbursement, and adjusting the cash transfer amount upwards or downwards to cover the cost of fixed quantities of these items (20kg of maize, 4kg of beans, one litre of oil) according to whether their prices had moved up or down since the previous month.

As a ‘Lessons Learned’ report of both projects observes, linking the cash transfer value to food prices served the interests of the recipients, the donor and the implementing agency because it meant that cash transfers were ‘inflation-proofed’. Vulnerable households were protected against food price rises, and the donor and implementing agency were protected against the risks that their humanitarian intervention would fail to cover missing food entitlements, and that cash transfers would exacerbate price inflation.

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Source: S. Devereux, *Innovations in the Design and Delivery of Social Transfers: Lessons from Malawi*, IDS and Concern Worldwide, 2008.

## 3.4 Complementary programming

Cash transfers can be complemented by other forms of programming, such as savings groups, in-kind assistance, nutrition programming, technical advice and training. In combination cash transfers can be used for supplementing in-kind assistance, meeting other needs, investing in livelihood recovery or protecting other forms of in-kind support by removing the need for people to sell in-kind aid to get cash.

Agencies have combined food rations and cash transfers, primarily out of concerns that cash transfers alone could cause inflation. In Turkana, for example, Oxfam combined food aid and cash at the beginning of its programme, partly to bring prices down in the market and make cash more effective.<sup>57</sup>

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<sup>57</sup> J. Frize, *Review of Cash for Work Component of the Drought Recovery Programme in Turkana and Wajir Districts (September 2001–June 2002)*, 2002.

### Box 18: Combining cash and food transfers

In its programme in Malawi Concern combined cash and food based on fears that markets might not respond to increased demand, and that cash transfers alone would cause inflation. An evaluation endorsed this approach as cash supplements enabled people to purchase other goods (provided food needs were met through the ration and other sources). The food and cash combination ‘appears to have provided all the benefits of both while avoiding the limitations of each’. Save the Children 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. In a pilot project responding to a drought in Lesotho in 2007/8, World Vision gave some recipients cash transfers, while others received a combination of a food ration and cash. At the end of the project, 52% of recipients preferred the cash and food combination and 36% preferred cash only.

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Sources: Devereux et al., *After the FACT*; Devereux and Jere, ‘Choice, Dignity and Empowerment’; S. Devereux and M. Mhlana, *Cash Transfers in Lesotho: An Evaluation of World Vision’s Cash and Food Transfers Pilot Project*, Institute of Development Studies and Concern Worldwide, 2008.

Alternatively, agencies may make provision to switch from cash to food if prices rise significantly.<sup>58</sup> Programmes using shelter grants have also paired in-kind materials with cash grants (e.g. CRS in Pakistan), and milling vouchers have been distributed in conjunction with food distributions (e.g. ACF in Darfur). An obvious drawback of combining cash with in-kind assistance is that distribution systems still need to be set up to deliver the in-kind commodities, but agencies may already have these in place for other programmes. In some circumstances recipients may well prefer some combination of cash and in-kind aid if key commodities are not available in local markets.<sup>59</sup> Aid agencies have also complemented cash programmes with activities aimed at raising the livelihood or financial management skills of beneficiaries. In one example, the Bangladesh Red Crescent Society (BDRCS) provided training in safe shelter repair and livelihood activities to beneficiaries of its emergency cash transfer programme.

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<sup>58</sup> J. Wilding and M. Ayalew, *Evaluation of Cash-Based EGS in Ambassel and Kutaber Woredas of South Wollo, Ethiopia*, 2001; Adams and Kebede, *Breaking the Poverty Cycle*.

<sup>59</sup> Crisp et al., *Banking on Solutions*.

Agencies have sometimes included project components aimed at promoting saving or investment of part of a cash grant, and have assisted recipients in opening accounts at local savings societies to save part of their money. In the NGO Joint Initiative for Urban Zimbabwe, for example, households receiving cash transfers were also encouraged to participate in savings groups and community or household gardens. In some cases agencies have sought to increase the impact of cash transfers on local economic recovery through complementary market-oriented programming, including:

- Working with local traders, for example forming and supporting traders' associations to maximise economies of scale (sharing transport costs, negotiating with suppliers).
- Facilitating or supporting local market assessments to identify gaps and opportunities.
- Linking suppliers to producers (including from other NGO-supported livelihoods programmes).
- Stimulating the value-chain for specific items that are not widely available on the market, for example fortified corn-soya blend.<sup>60</sup>

### 3.5 Linking emergency cash transfers and social protection

There may be opportunities to link emergency cash transfer projects with longer-term support to social transfers as part of social protection strategies. Where social transfers are already in place it might be possible to use these as a way of getting emergency cash to people, for example utilising an existing delivery mechanism, providing additional resources to people already receiving support (through pensions, child benefits or targeted grants) or expanding the beneficiary list. For example, in response to high food prices in 2007 and 2008 Mexico and Brazil expanded the outreach and increased the size of their national conditional cash transfer programmes, respectively *Oportunidades* and *Bolsa Familia*. In contexts where social transfers are not in place but are needed, emergency cash transfer projects could provide a starting point for a transition to longer-term social protection approaches. In Kenya, cash transfers in urban areas by Oxfam and Concern started as a humanitarian response to high food prices, but also aim to influence the government's social protection policy.<sup>61</sup>

'Social protection' generally refers to public measures to address vulnerability and risk. Cash-based safety nets are increasingly being seen as a viable option

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60 J. Smith, *Cash Transfers as a Humanitarian and Development Programming Tool in Zimbabwe: Recommendations for Non-State Actors from 1-2 December 2009 Conference in Harare*, NGO Joint Initiative for Urban Zimbabwe, 2009.

61 S. Mohanty, *Nairobi Urban Social Protection Programme*, Oxfam, 2010.

even in poor countries in Sub-Saharan Africa. Greater investments in cash-based safety nets are increasingly seen by donors in part as a way of reducing the need for repeated spending on large volumes of humanitarian aid in contexts where relief has been provided for many years, such as Ethiopia and northern Kenya. Longer-term safety nets are seen as a better way of dealing with chronic poverty, food insecurity and destitution than recurrent humanitarian responses. There may also be opportunities to link cash transfer programmes to disaster prevention and disaster risk management approaches.

The objective of the cash transfer in this context can be to provide a buffer to allow households to meet basic needs while re-establishing their livelihoods. Some households, however, have no or limited capacity to lift themselves out of poverty, even with outside assistance. For these recipients it is ultimately the responsibility of their government to provide long-term social transfers. In the fragile settings in which humanitarian action often takes place, such government programmes are limited or non-existent, and in some cases assistance may continue over the long term. This is the case in the Occupied Palestinian Territories, where ECHO is funding ACF to provide Cash for Work for chronically poor people. Although packaged as an emergency response, in reality beneficiaries are simply income-insecure, and the government does not have the capacity to support them. In situations like these there may be an advocacy role for aid organisations in calling for governments and donors to support longer-term social assistance.

In designing and implementing a cash-based relief or recovery response, consider how the cash transfers might link to longer-term development and social protection:

- Are there existing long-term social assistance programmes in the project area?
- If so, have they been affected by the emergency and how quickly are they likely to resume?
- Will they help to meet the target population's needs and so affect how an emergency cash transfer is targeted and its value?
- What are the government's policies and plans for social protection?
- Are there options for linking recipients of an emergency or recovery cash transfer to longer-term social assistance?
- Do social assistance programmes provide options for the delivery of cash or for the identification of recipients and vulnerable groups?
- If the target population's needs are in part due to chronic poverty or food insecurity should the agency advocate with government and donors for the introduction of longer-term social assistance?
- Are there options to increase the capacity of local government agencies involved in social assistance programmes?



## Chapter 4

# Implementing cash interventions

This chapter discusses the process of implementing cash transfer projects, covering participation and accountability issues, targeting and registration, delivery mechanisms and coordination. Specific issues around implementing voucher programmes and Cash for Work schemes are covered in chapters 6 and 7.

### 4.1 Participation, sensitisation and accountability

As with any other form of assistance, cash transfer activities should follow basic principles of accountability, participation, dignity and transparency, as expressed in key documents such as Sphere, the Red Cross and NGO Code of Conduct and the HAP standards.<sup>62</sup> Processes should be in place to ensure that disaster-affected people can actively participate in the assessment, design, monitoring and evaluation of the programme.

The concept of dignity is closely linked with commitments to participation, accountability and transparency. Dignity is the feeling of having decision-making power, freedom and autonomy over life choices, with feelings of self-worth, self-confidence and respect.<sup>63</sup> Ensuring the participation of disaster-affected people in programming and being accountable and transparent to beneficiaries can help to support the dignity of recipients of assistance, as can tackling corruption and other abuses of power, including sexual exploitation.<sup>64</sup> By providing recipients with greater choice in meeting their needs and by providing assistance through bank accounts or vouchers that people can spend in shops (rather than distribution sites), cash and voucher approaches have sometimes been seen as a more dignified way of receiving assistance.

#### 4.1.1 Communication strategies

Cash transfer programmes should include strong communication and community sensitisation strategies. All local authorities, key actors and the local population should be informed about the programme, its purpose, process, timing, targeting criteria and any modifications, from the outset of the project. Table 8 sets out the key audiences and messages in cash grant programmes.

<sup>62</sup> HAP International, *The Guide to the HAP Standard* (London: Humanitarian Accountability and Quality Management, 2008); Sphere Project, *Humanitarian Charter and Minimum Standards in Disaster Response*, revised edition, 2011.

<sup>63</sup> K. Berry and S. Reddy, *Safety with Dignity: Integrating Community-based Protection into Humanitarian Programming*, Network Paper 68 (London: ODI, 2010).

<sup>64</sup> D. Maxwell et al., *Preventing Corruption in Humanitarian Assistance* (Medford, MA: Feinstein International Center, 2008).

### Box 19: HelpAge International complaints mechanism in the Haiti earthquake response

In Haiti, HelpAge International (HAI) initiated a complaints/suggestion mechanism to ensure that beneficiaries received good-quality and accountable services. During cash transfers a complaints line telephone number was printed at the bottom of an information leaflet. The phone number was also posted on the bulletin board at the HAI office. Beneficiaries also received a verbal explanation about the complaint mechanism. HAI received 50 calls from 47 people related to registration concerns in the cash transfer programme, and two calls from a camp manager relating to beneficiaries' access to distributions. Most calls were requests to be included in the programme. In the case of cash transfers, HAI staff explained to callers whether they were eligible for registration. For those who missed out on distributions, HAI staff were sent to get their names, which were passed on to distribution teams to ensure that they were included in the future.

**Table 8: Dissemination audiences and messages**

Target audience	Information needed
<b>Recipients</b>	Project purpose Selection criteria Value of the transfer Timing and duration – when they will receive the transfer(s) and when the transfer(s) will stop Any other assistance that they will receive Any requirements or conditions for receiving the transfer How to deal with systems associated with the transfer (e.g. banking systems, spending vouchers, etc.)
<b>Nearby non-recipients</b>	Selection process Programme duration Other options for assistance
<b>Traders</b>	Programme duration and location Number of recipients and amounts distributed Role and responsibilities (in the case of vouchers)
<b>National and local authorities</b>	Programme duration and location Number of recipients Recipient selection process Their involvement in the programme
<b>Media</b>	Media pack including above issues
<b>Donors</b>	As per individual donor requirements

Source: Adapted from International Red Cross and Red Crescent Movement, *Guidelines for Cash Transfer Programming*, 2007.



### 4.1.2 Beneficiary sensitisation

Because recipients may be unfamiliar with cash-based assistance, telling them what their entitlements are and explaining the process for accessing the cash is critical. Even using cards or mobile phones to transfer funds has been shown to be acceptable to recipients previously unfamiliar with these systems, if there is adequate training at the inception of the project and ongoing support. Sensitisation is often intensive in terms of the time required to effectively communicate messages to recipients. There are many creative and practical examples of sensitisation. In a shelter grant programme in northern Sri Lanka, for instance, UNHCR provided information about the project to displaced people in camps through a newsletter produced by the government, and prepared and distributed information in cartoon form. Information was given at distribution sites, as well as through leaflets included in NFI kits. Beneficiaries generally possessed accurate information on the process and their entitlements, and knew that the grant had been paid by UNHCR.<sup>65</sup>

#### **Box 20: Community mobilisation and sensitisation: Save the Children in Swaziland**

As part of its Emergency Drought Response project in Swaziland in 2007–2008, Save the Children invested heavily in community mobilisation and sensitisation. Key activities included: publicity and communications, including poster campaigns with story-boards and cartoons posted in shops, post offices and other public buildings; a radio show which debated cash transfers as a response to the food crisis; and newspaper articles explaining the rationale for the cash intervention.

*Stakeholder engagement.* NGOs and donors were invited to observe a cash distribution ‘open day’, a briefing document was circulated to government ministries and several meetings were held with government officials. Meetings to review disbursement procedures were held involving staff from Save the Children, Standard Bank and the Swazi Post Office.

*Community sensitisation.* Communities were briefed about the introduction of the cash transfers, how they were calculated and how cash transfers and food aid interacted with each other. During the project period, communities were briefed about aspects of the programme such as the use of ATMs, with communication through local Relief Committees, teachers, information posters and a weekly slot at constituency meetings.

(continued)

65 Crisp et al., *Banking on Solutions*.

### **Box 20 (continued)**

*Documentation.* Cash recipients received support from project staff in completing their ID application forms and their bank account application forms.

*Cash collection.* Save the Children staff helped cash recipients complete their 'cash request form' for withdrawing money from their accounts at the Post Office, and explained to ATM users how to use the keypad to withdraw money from the bank.

*Financial management.* Three hundred posters were printed and prominently displayed in public places, with messages about the importance of saving cash and food.

*Bank accounts.* Save the Children worked with Standard Bank to make their information pamphlets more user-friendly, including translating them from English into Siswati. Bank account-holders participated in a training course called 'Bank Accounts: Know Your Rights', comprising lectures, Q&A sessions and advice on how to access help and support from the bank. Another training session on 'Legal Inheritance' was led by Women and Law in Southern Africa (WLSA), covering the procedure for claiming inheritance in Swaziland, including listing a bank account as an asset and writing a will. Two leaflets were produced and distributed.

*Exit strategy.* In April 2008, focal points within communities were identified and trained to act as advisors to account-holders after the project ended. The two-day training course covered financial literacy (bank rights and charges), inheritance rights (accessing money from a bank account after the account-holder dies) and child protection.

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Source: Devereux and Jere, 'Choice, Dignity and Empowerment'.

## **4.2 Targeting and registration**

This section covers basic issues relating to targeting and registering recipients, most of which are not unique to cash transfer programming.

### **4.2.1 Targeting**

Targeting is one of the most difficult tasks in any humanitarian project. The purpose of targeting is to make sure that those most in need of assistance

receive it. In principle, targeting is no different for cash interventions than for any other aid programme. In practice, agencies often put in place more robust targeting procedures out of concern that cash is more desirable than other forms of assistance, and that more people who are not eligible may be trying harder to get on lists. The targeting process should be determined by the objectives of the programme, not the means through which the programme is implemented (e.g. cash transfers). It should also take into account availability of data, resources and capacity, within the agency and its partners. As with other types of programming, agencies should take into account household gender dynamics and vulnerabilities related to gender, age, disability and illness. For example, in some projects the requirement that people should have registered ID cards may mean that vulnerable women are excluded because they are less likely to have such cards.

### **Box 21: Targeting an urban voucher programme in Burkina Faso**

In February 2009, WFP launched a voucher project in Burkina Faso's two main cities, the capital Ouagadougou and the commercial centre, Bobo-Dioulasso. The aim of the operation was to compensate people for lost purchasing power due to higher food prices and fewer employment opportunities. To set up the programme and target people as effectively as possible, the Red Cross carried out a huge data collection exercise covering 142,000 households from pre-selected poor areas in the two cities. The targeting steps for the identification census were: (i) pre-select poor areas, drawing mostly on quantitative information based on the Red Cross' long-standing experience in the two cities; (ii) approach households according to the quality of the dwelling and whether or not the household had a car or modern equipment; and (iii) through a questionnaire, assess whether the household was potentially vulnerable.

Households were selected for the programme on the basis of a vulnerability score calculated from their demographic profile, main income source, number of meals per day and food sources, characteristics of the dwelling, means of transport, use of health centres and sources of medication. The 31,500 most vulnerable households – 200,000 individuals – were identified as very poor and selected for the voucher programme. Despite the careful targeting exercise, a later survey showed significant exclusion and inclusion errors, reflecting the challenges involved in targeting in densely-populated, heterogeneous urban areas.

Source: A. Ouattara and S. Sandstrom, 'Responding to High Food Prices: Evidence from a Voucher Program in Burkina Faso', in Omama et al. (eds), *Revolution: From Food Aid to Food Assistance*.

The main methods of targeting are geographic targeting, administrative targeting, community-based targeting and self-targeting. Good targeting often involves combinations of these approaches.

Geographic targeting involves identifying specific areas that have been particularly affected by a disaster or where needs are greatest. Humanitarian actors rely primarily on vulnerability assessment and mapping, early warning systems and emergency needs assessments to identify which geographic areas are most in need of assistance.

Administrative targeting refers to the screening of individual applications for assistance, but this is time-consuming and costly and is rarely used in emergency programming. More often it refers to the use of specific eligibility criteria for individuals, households or groups of households. Some commonly used indicators include nutritional status, health status, demographic groups (e.g. pregnant and lactating women, female-headed households), socio-economic status (e.g. household income, asset ownership, size of landholding) and political vulnerability (e.g. displaced people). The main weaknesses of administrative targeting are that the indicators used may not accurately measure food insecurity, and indicators determined by external agencies may not match communities' views of needs and vulnerability. Where local people's views about need do not match those of external agencies, people often find ways of subverting externally imposed targeting objectives by redistributing assistance.<sup>66</sup>

Community-based targeting holds members of the recipient population responsible for defining eligibility criteria and applying them in the selection of beneficiaries. The involvement of communities can occur through local authorities (e.g. local government, chiefs or elders) or through elected relief committees. The main risk in community-based approaches is that powerful elites in local communities may dominate targeting decisions, raising risks of corruption, preferential treatment and the exclusion of the most vulnerable. However, community-based targeting can also increase community ownership, respects the dignity of communities by treating them as active subjects rather than passive recipients and increases the likelihood that targeting objectives will be preserved.

Self-targeting is where programmes are designed so that only the target group, such as the poorest, chooses to participate. This is usually applied in the case of cash and food for work programmes, where low wages mean that only the poorest want to take part; see Chapter 7 on 'Cash for Work'.

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66 Maxwell et al., *Preventing Corruption in Humanitarian Assistance*.

**Table 9: Targeting and selecting beneficiaries: issues to consider**

<b>Targeting households or individuals</b>	If the objective of a grant is to meet minimum needs, it is usual to target households. Where the grant is for the restoration or promotion of livelihoods or businesses, individuals may be targeted (e.g. ‘all fishermen’ or ‘all fishermen who lost boats’). It may be possible to reach individuals through existing associations.
<b>Objective-oriented criteria</b>	There should be a clear link between the targeting criteria and the objectives. If the objective is to ensure that households have sufficient food, then targeting either a food or cash grant by nutrition criteria only makes sense if a lack of food in the household is the main cause of malnutrition.
<b>Locally accepted criteria</b>	The criteria should be relevant to the local population and correspond to their own assessment of vulnerability; community input should be solicited.
<b>Clear criteria</b>	Criteria should be straightforward, clear and easily understood. Indicators can be used to target vulnerable households, such as loss of assets/crops, households facing food shortages or homes destroyed. Proxy indicators, such as the ill, disabled and female-headed households, can be used, but these groups may not be the most vulnerable. Wealth-ranking lists can also be established, based on number of assets, type of house etc.
<b>Non-contradictory or competing criteria</b>	If there are several criteria, it is important that they do not contradict each other. This can happen in particular with labour-based programmes, where a poverty criterion (the objective) may not match with an ability to undertake the work demanded.
<b>Community involvement</b>	Community involvement in the selection process may increase transparency and reduce complaints to the implementing agency, though even elected committees may show favouritism. Triangulation may reduce the power of elites to capture the process.
<b>Quotas</b>	Opinions are sometimes used in social transfers (e.g. ‘the poorest 10% of households’) or other targeting processes. They do not allow for the fact that needs vary from place to place and will result in arbitrary cut-off points. On the other hand, they are simple to apply, and prevent every community insisting that more of their members are really in need of assistance. If a quota is used it should be based on some empirical evidence, and objective reasoning. Quotas are more likely to work when there is a relatively homogeneous situation (between villages, districts, communities, etc.).

*(continued)*

**Table 9** (*continued*)

<b>Transparency and monitoring of selection</b>	<p>Selection should be made as transparent as possible to ensure that everybody in the community can participate in the selection process or comment on the end result. A verification process should be conducted to make sure that:</p> <ul style="list-style-type: none"> <li>• Registered recipients meet the criteria.</li> <li>• Eligible people have not been excluded</li> <li>• The information on the lists is accurate.</li> </ul> <p>Verification can be done by publicly validating the lists and any changes, or randomly selecting registered recipients to verify that they meet the criteria. Final lists can be displayed in public.</p>
<b>Gender</b>	<p>Should the recipient be the household head or always a woman? Opinions are divided. Whatever the decision, it is important that the agency has thought the issue through, can defend its choice and monitors gender issues in implementation.</p>

Source: ACF, *Implementing Cash-based Interventions*.

#### 4.2.2 Sharing

One concern about cash transfers is that cash may be less likely to be shared between households than in-kind assistance. Some evaluations have found that cash is seen as more of an individual entitlement than in-kind aid. However, even where this is the case people may still share the resources

#### **Box 22: Sharing assistance**

A WFP and Concern project in Zimbabwe provided some households with cash, others with cash and food and others with food, to compare outcomes. The targeting process was found to have generated tensions, which were exacerbated with cash because it was shared less widely than the food aid. An evaluation found that non-recipients were clear that food transfers lead to much more sharing than cash, and that cash erodes community sharing systems. An evaluation of cash grants in Zambia found that, while the cash itself was rarely shared, the food it bought was commonly given to friends, relatives or other families in the form of gifts or as payment for piecework. In an IFRC cash project in Niger, 46% of households pooled a portion of the cash provided with other households to fund joint projects such as repairing wells and mosques and building cereal banks.

Sources: A. Kardan et al., *Evaluation of Zimbabwe's Emergency Cash Transfer (ZECT) Programme*, Concern Worldwide and Oxford Policy Management, 2010; Harvey and Marongwe, *Independent Evaluation of Oxfam GB Zambia's Emergency Cash-Transfer Programme*; University of Arizona, *Phase II Monitoring and Evaluation Project for the Tanout Cash Distribution Project*, 2006.

(particularly food) purchased with the cash. Where cash is less commonly shared within communities this has implications for targeting approaches because exclusion errors potentially become more damaging. This may mean that greater care needs to be taken with targeting, that cash needs to be more widely distributed to avoid creating community tensions or that combinations of cash and in-kind assistance may be appropriate.

#### 4.2.3 Registration

Registration is the process of collecting and recording relevant information about recipients. This information serves as baseline data for monitoring, enables recipients to identify themselves so as to receive the transfer and can also be used to calculate the transfer amount (e.g. if done by household size). In principle, cash interventions face the same issues as in any other registration process, unless different information is required for the cash distribution process, for instance bank account numbers. A particular question is whether women should be prioritised as the registered recipient of a grant within the household. This is often the approach taken in both cash grants and in-kind projects. Whether this is appropriate is context-specific; it should not be assumed.

##### *ID cards*

A system must be established for people to identify themselves as recipients. There are several options:<sup>67</sup>

- National ID cards. If available, these should be used.
- ID cards issued by another programme. It may be simpler to use existing cards as identification, for instance from UNHCR or WFP, but a solution will need to be found for recipients not in possession of these cards.
- A unique programme ID card. Cards are issued by the agency.
- Verification by the community/community leaders. No ID is presented and the community or community leaders are trusted to ensure registration and distribution to the right people. Recipients can also be asked verification questions based on registration criteria, such as number of dependants.

Where payments are contracted out, decisions about registration should be taken together with the organisation making the payments. Technology is increasingly allowing more sophisticated checks, for instance digital photos printed on cards and computer fingerprint identification of each beneficiary at the point of payment. Each programme should consider what makes most sense in the particular context, depending upon the scale of the programme,

<sup>67</sup> Information in this section is primarily from ACF, *Implementing Cash-based Interventions*.

its duration, the size of the grants, whether payments are regular, the degree of local social cohesion, the trustworthiness of local leaders and the organisation making the actual payments. These issues should be considered before assuming that a printed ID card from the agency is automatically the best solution.

Agencies may choose to issue their own cards to recipients who lack national ID cards, or they may issue them to all recipients regardless. Measures should be put in place to prevent forgery, such as printing cards outside the programme area and using specialised companies. If agencies design and print the cards at their offices (because it is cheaper or more practical than using a supplier):

- Time spent on designing, printing and ensuring security should be taken into account before the agency decides to print its own cards.
- Computers used for the design should be password-protected or use removable storage devices that can be kept in a safe.
- Where internet connectivity is good, files can be stored in web-based email or filing systems to restrict access to people with the password.
- Temporary files should be deleted after use.

Regardless of whether they are made by the agency or by a supplier, cards should include a serial number, the name of the beneficiary and the location. Photographs can be included if this is feasible (particularly in terms of staff time) and culturally acceptable. If relevant for the project, other information can also be included, such as household size, ID number, address, place of origin, date of arrival, nationality, transfer amount/assistance package, photo, bank account number, mobile phone number and any special needs.<sup>68</sup> As some recipients may not be able to read, it is important to explain fully what is written on the card, and how the card should be used and safely kept.<sup>69</sup>

### *Collecting registration data*

There are many ways that staff and others involved in registration (e.g. community leaders) can collect and record data on recipients. A paper-based database of eligible recipients and their identification details is cheap and robust, but becomes more complicated and difficult to manage as the numbers of beneficiaries and payments increase. Registration data can be collected in the following ways:

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<sup>68</sup> International Red Cross and Red Crescent Movement, *Guidelines for Cash Transfer Programming*.

<sup>69</sup> ACF, *Implementing Cash-based Interventions*.



- By hand, possibly along with a fingerprint, and later uploaded onto an electronic database when access is available. There is potential for error when information is captured on paper and then later transferred to an electronic format.
- With an off-line device such as a PDA or laptop, and then transmitted later to a central database. This allows for the capture of data immediately into the electronic format, and could include a photograph and/or scanned fingerprint. This method requires access to a power source or a battery.
- Immediately loaded online into a central database using a laptop computer or a mobile phone, where there is power and mobile phone communications. This allows for immediate centralisation of data and means that staff at the central point can check eligibility much more quickly, for instance against a national ID database or lists used for previous projects.<sup>70</sup>

Registration information should be entered into a password-protected database, such as standard spreadsheets or other straightforward systems adapted to the programme's requirements. Creating databases is also efficient if envelopes need to be printed or for coordinating transfers by mobile phones; databases created online can be accessed by staff anywhere in the world.

### Box 23: Automated registration of recipients by banks

MTN Banking and Standard Bank Community Bank use an innovative method of registering and opening accounts. The employee or agent takes a mobile phone into the field and uses the phone to photograph both the account holder and the identification document. The details are entered into an application form on the phone and the whole package is sent electronically to the bank, where the information is verified and the account opened. The process takes a few minutes. MTN Banking intends to extend the service across all of the 27 African and Middle Eastern countries in which it operates.

## 4.3 Cash delivery mechanisms

When examining possible cash delivery mechanisms it is important to look at who is involved in the delivery of cash (the delivery agent) and how the cash is delivered (the delivery method). Delivery agents include governments, aid agencies, banks, post offices, mobile phone companies, micro-finance companies, security companies and local traders. Delivery methods include

<sup>70</sup> P. Harvey et al., *Delivering Money: Cash Transfer Mechanisms in Emergencies* (London: SCUK on behalf of CaLP, 2010).

direct delivery (cash in envelopes), delivery through banking systems and delivery using smart cards, debit cards and mobile phones. There is no 'best' way to deliver cash transfers. Whether it makes sense to give people money in envelopes, open bank accounts for them or use mobile banking approaches depends on a context-specific analysis of the options available in each crisis.

#### 4.3.1 Basic elements of a payment system

In order to choose between different delivery agents and methods, it is important for agency staff to understand the basic elements of a payments system. These elements need to be in place regardless of who delivers the cash. The key elements are described in Table 10.

**Table 10: Basic elements of payment systems**

Elements of payment process	Options
<b>Creation of database of eligible beneficiaries</b>	Collecting names and sometimes identity numbers, photographs, fingerprints or other biometrics Can be collected manually or electronically
<b>Identification methods</b>	National IDs against government database, electoral rolls or other databases Identification by community members
<b>Method of authentication</b>	Visual authentication at point of payment, by community member or photograph Biometric on chip card read by reader, fingerprint or verified visually Barcode on card Personal Identification Number (PIN) Password
<b>Currency</b>	Cash Voucher E-money
<b>Point of payment (PoP)</b>	Can be at specified times or anytime Can be money in envelopes, mobile ATMs/payout machine Can use existing infrastructure which accepts requests for payment (e.g. ATM, bank branch, mobile phone receiving voucher, agents using a Point of Sale device)
<b>Reporting and reconciliations</b>	Automated or automated with delay (daily, weekly) Internet real time, including 'internet banking' control over process Card management inventory
<b>Promotion, training, communication, customer support</b>	Call centre Aid agency personnel at pre-agreed points Banners, posters, leaflets, videos etc.

Source: Harvey et al., *Delivering Money*.

### 4.3.2 Delivery methods

#### *Direct delivery to recipients*

Direct delivery (cash in envelopes using agencies' own staff) is a common mechanism as it can be the quickest, cheapest or only available option, particularly where banking systems are weak or absent. Aid agencies can deliver cash using their own staff or partner with local traders or other actors. When preparing for the direct delivery of cash to recipients:<sup>71</sup>

- Ensure safe and secure storage facilities.
- Order cash well in advance of distribution.
- Cash should be in the local currency and in denominations small enough for use in local markets and shops.
- If cash is to be delivered to an office, arrange for delivery the day before the distribution (or some days beforehand, depending on the size of the distribution) so that envelopes can be filled and sealed.
- Count cash and place in envelopes for each recipient; envelopes should be printed or labelled with the recipient's name and/or beneficiary number.
- Randomly select envelopes to verify amounts prior to distribution.
- Once filled, envelopes can be held by a bank, a security firm or in a safe in the agency's office.
- Develop and follow a security plan for the transport and distribution of the cash.

#### *Delivery through banking systems*

New technologies are providing innovative ways to deliver banking services, including to people previously seen as too poor or too remote to be included

#### **Box 24: Increasing access to financial services**

Increasing access to financial services may be an explicit objective of a cash transfer programme. In Swaziland, as part of Save the Children's Food and Cash Transfer Programme (2007–2008), bank accounts were opened at Standard Bank. People could withdraw their cash using debit cards at ATMs. The ATM method allowed recipients to leave some money in their account, thereby offering a savings facility. One-third of beneficiary households that had bank accounts opened for them by the project had left some of the cash in their accounts as savings. The ATM experience gave account-holders 'banking literacy' and a possible entry-point into other financial services.<sup>72</sup>

<sup>71</sup> List is adapted from International Red Cross and Red Crescent Movement, *Guidelines for Cash Transfer Programming*.

<sup>72</sup> Devereux and Jere, *'Choice, Dignity and Empowerment'*.

in banking systems. The traditional ‘points of presence’ for banks are branch counters and increasingly ATMs. Banks in many countries are beginning to operate ‘cash in/cash out points’ in places like retail shops, pharmacists and lottery ticket sellers. Post Banks often have their own branches, but reach their clients mainly through agreements with the national Post Office and its branches. Agencies have worked through banking systems to deliver cash transfers in many settings. In some contexts they have opened bank accounts for beneficiaries, or used their existing accounts; in others, agencies have distributed cheques to be cashed at branches.

### *Electronic cards and mobile phones*

Cash transfers can be delivered electronically through debit cards, smart cards and mobile phones. Smart cards are cards which store and record the type and value of assistance per recipient. Information included in them can be very simple (e.g. name, age, size of household, amount of entitlement). Biometric

#### **Box 25: Using mobile phones to transfer cash:**

##### **Concern Worldwide in Kenya**

Concern established the Post Election Violence Recovery (PEVR) programme in response to election violence in Kenya in late 2007. The project used mobile phone transfers through Safaricom’s M-PESA system, which allows money to be sent via text messages to mobile phone users. Users then go to any M-PESA agent (of which there are 17,000) to reclaim the money in exchange for a small transaction charge. An M-PESA-enabled mobile phone can also function as an electronic wallet holding up to Ksh 50,000.

Evaluations of the PEVR programme found that the M-PESA delivery system was cost-effective and highly valued by recipients, who appreciated the ease, directness and confidentiality of the system. Concern’s partners felt that the system was secure and significantly reduced their transaction costs. While M-PESA should have reduced costs to recipients since they could collect the cash from any agent, most had to travel up to 20km. People unable to use mobile phones or collect the transfer themselves had to choose nominees to collect it on their behalf. The evaluation found that the nominee system was open to abuse, and nominees did not always give the full value of the transfer to the intended recipient.

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Sources: I. MacAusland, *Evaluation of Concern’s Post Election Violence Recovery (PEVR) Programme*, 2010; M. Brewin, *Evaluation of Cash Component of German Agro-Action Project: Mitigation of Drought Impact through WASH and Cash for Work in Highly Affected ASAL Areas of Eastern Kenya*, German Agro-Action and USAID, 2010.

data such as fingerprints can also be stored. Because electronic delivery methods require pre-existing infrastructure, they need to be implemented with a delivery agent, typically from the private sector, who already has systems in place. Cards with a magnetic strip (such as a debit card or prepaid card) usually require online communications from the reader to a central database, whereas a smart card can be authenticated offline by the card reader.

Aid agencies have successfully used mobile phones to transfer cash in Kenya, Haiti and Niger. Recipients are provided with a SIM card and sometimes a mobile phone, if they do not have one. As this is an emerging area, it is important for agencies to document and share lessons, such as how to monitor and ensure accountability (to both donors and recipients) when using mobile transfers. Some aid agencies have concerns about obtaining donor support for this transfer mechanism because of challenges in monitoring and proving the delivery of transfers via mobile phones. The use of technology like mobile phones and smart cards can be appropriate and exciting, but it is important that enthusiasm for innovation does not lead agencies to develop unnecessarily complex delivery systems.

### *Delivery agents*

In addition to the delivery method, aid agencies must decide on the delivery agent. In making this choice agencies need to understand the motivations of potential providers and ensure that providers understand their objectives and activities. Private sector agents may want to increase their client base or operating area, enhance their reputation or fulfil a social mission. Public sector organisations, such as post offices, exist to provide a sustainable service to

### **Box 26: Christian Aid and RNDDH in Haiti**

Christian Aid partner the Réseau National de Défense des Droits Humains (RNDDH) was one of the first organisations to start distributing cash in Haiti after the 2010 earthquake. Approximately 2,200 households in camps in Petit Goave received transfers of \$130, based on the market price of a dry food ration for five people. Transfers were made through CAM money transfer offices. RNDDH produced ID cards for each household head, and lists of names and corresponding serial numbers were provided to each CAM office. The transfers were batched into weeks to ease pressure on CAM offices and on local markets, with the value of each week's transfers paid into the CAM account by RNDDH. It was then the responsibility of CAM staff to ensure the accurate, transparent and secure disbursement of funds, charging RNDDH a 3% fee.

the public. As part of contingency planning and disaster preparedness, agencies should identify potential providers at national, regional and global levels, and explore with them the potential for partnerships in the event of a disaster and subsequent emergency response.

#### 4.3.3 Assessing delivery methods

Cash delivery mechanisms should be designed to be operated on a large scale if needed, and should be flexible enough to vary payment levels and the frequency of payments to adjust to changing needs. Delivery mechanisms also need to be resilient enough to be able to continue providing cash in the face of the disruption caused by emergencies, including both physical damage and disruption following natural disasters and amidst insecurity and conflict. The criteria that agencies should consider when choosing a delivery method are outlined in Table 11.

#### **Box 27: Assessing delivery options in Lesotho**

In World Vision's Cash and Food Transfers Pilot Project (CFTPP) in 2007–2008 in Lesotho, cash was delivered by a private company to pay-points within walking distance for the majority of cash recipients. A number of delivery options for cash transfers were considered during the project design. These included:

- Direct payment to beneficiaries by World Vision staff: direct payments were ruled out because of accountability, logistics and security demands.
- Bank transfers to beneficiaries' accounts: bank transfers were ruled out since banks are generally distantly located and very few beneficiaries had bank accounts. The baseline study found that only 22% of rural households surveyed held bank accounts. Most of these were well-off and would not have qualified for assistance under the project.
- Issuing smart cards to beneficiaries: the smartcard system was not suitable because it would have taken too long and cost too much to establish.
- Disbursement through the Lesotho Postal Services (LPS): this delivery mechanism was considered close to ideal. During the design stage, LPS was found to have the capacity to deliver cash to large numbers of beneficiaries. It was already delivering pensions to 78,000 people throughout Lesotho. Most of its branches were easily accessible on foot or by public transport. Unfortunately, negotiations with LPS stalled after a promising start, when the Ministry of Communication expressed doubts about the capacity of LPS to manage the project.

World Vision eventually decided to use a private international company with a proven track record in Lesotho in the management and handling of cash.

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Source: Devereux et al., *After the FACT*.

**Table 11: Key criteria for assessing cash delivery options**

Criteria	Assessment questions
<b>Objectives</b> If the main objective is to provide immediate lifesaving relief, then speed and reliability may be the key factors	What are the key objectives of the programme? Are there secondary objectives such as providing access to financial services?
<b>Delivery options and existing infrastructure</b> If only one feasible delivery channel exists, the assessment process will be more limited and should largely focus on identifying and choosing the most appropriate delivery agents	What delivery options are available in the area (banks, postal service, mobile operators)? How does the local population transfer money (e.g. remittances, social transfers)? What proportion of the population has access to the banking system, remittance providers and mobile phones? Do mobile operators provide money transfer services? Is there mobile phone coverage? Does the agency have existing links with potential providers or other humanitarian actors which they could use to encourage cooperation and coordination? What are the motivations of potential providers (e.g. financial gain, social mission, image-boosting)? Is the government providing cash support for social protection or emergency relief? If so, is it appropriate to work with, or independently from, governments?
<b>Cost</b> The cost of different options to both the agency and the recipient	What are the costs of different options for the agency (provider charges, staff, transport, security and training costs)? What are the costs for the recipient (charges, travel costs, waiting time)?
<b>Security</b> Level of physical safety for staff and recipients	What are the security risks associated with each delivery option, for the agency and recipients?
<b>Controls/risks</b> Systems that are needed to manage risks such as fraud and error. Consider the level of automation, security in the system and at the point of disbursement, ability to monitor and rapidly correct, and security in the reporting and reconciliations process	What are the key risks that need to be managed? What corruption risks are associated with each delivery option? What fiscal controls and standards are in place? Are mechanisms in place to meet them?

(continued)

**Table 11** (*continued*)

Criteria	Assessment questions
<b>Human resources</b> Numbers of staff required and their level of skills, education and ability to provide training for recipients	How many staff are required for each option? What level of skills and training would need to be provided for each option?
<b>Speed</b> Time taken to roll out solution	How long is it likely to take to get each delivery option up and running? What are the regulatory requirements for the recipients in respect of each option?
<b>Acceptability and vulnerable groups</b>	Comfort with use as expressed by recipient and ‘on the ground’ providers, need for support, convenience What transfer options are people already using? Which options would they prefer and why? Is the level of literacy and numeracy in the area adequate? Will women, children, the elderly, people with illnesses or disabilities and minority ethnic groups be able to access each delivery option? How will the agency manage the following problems to ensure accessibility for people who: <ul style="list-style-type: none"> <li>• Do not have a national ID card</li> <li>• Have difficulty recording their fingerprint, perhaps because their hands are worn out from age or manual labour</li> <li>• Lose their card/mobile phone/PIN number</li> <li>• Cannot use their card or access the system due to illiteracy or innumeracy</li> <li>• Do not have a mobile phone</li> <li>• Cannot get to the distribution point</li> </ul>
<b>Resilience</b> Ability to recover data, ability to continue when environment is difficult or changes suddenly	How resilient are the potential options in the face of possible disruptions to communications and infrastructure following disasters? How reliable and stable are potential commercial providers?
<b>Scale</b> Effectiveness of different options at operating on a large scale	What is the target population, how large are the payments and how frequently will they be made? How is each delivery mechanism likely to cope? Do you plan to scale up or replicate this programme, and if so what mechanism can help you do this most easily?
<b>Flexibility</b> Ease with which chosen option can be adjusted to vary payment amounts or make other changes	How flexibly can the different options adjust the timing and amount of payments?

Source: P. Harvey et al., *Delivering Money*.



In choosing a delivery method, agencies must also assess the costs and benefits of different options, both to the agency and the recipient. Provider charges, staff time, transport, security and communication costs all need to be taken into account. Bank charges and other transaction fees are generally borne by aid agencies, not recipients, meaning that the main costs to be considered for beneficiaries are transport, travel and waiting times. Wherever possible agencies should benchmark costs against previous cash projects in that context or in similar contexts. Remember that, regardless of the delivery method, it is more difficult and expensive to get cash to people in insecure and remote environments.

**Table 12: Examples of agency costs for different delivery mechanisms**

Delivery option	Examples of agency costs
<b>Direct delivery</b>	<p>Examples of charges by private security companies, traders and remittance companies are 4% (WV in Lesotho) and 11% (remittance companies in Somalia) of the amount transferred.</p> <p>Transport costs could be as high as 4% (Save the Children using a plane in Southern Sudan) or 6% (Oxfam in northern Kenya) of the amount transferred.</p> <p>Security costs of mandatory police escorts in northern Kenya: 1.7% of the amount transferred.</p> <p>Staff time: projects often require several staff. WV in Lesotho had nine national and two international staff involved in system development.</p>
<b>In banks or Post Offices without accounts</b>	<p>Post Office charged Save the Children in Pakistan \$0.60 per transaction; \$2.75 per transaction charged in Gaza.</p> <p>Mercy Corps in Pakistan had a ten-strong field team, plus local temporary hires and volunteers, who all spent considerable time on the cash project.</p>
<b>Delivery using bank accounts</b>	<p>In projects BRC implemented in Bangladesh and Indonesia, the bank waived all charges.</p> <p>In Swaziland Save the Children's costs for managing and delivering the cash transfers were \$3.96 per household per month (made up of a bank charge, training, staff and transport costs).</p>
<b>Delivery using smart or pre-paid cards</b>	<p>In Malawi Concern paid \$0.35 per withdrawal made using smart cards. Oxfam has found the process of registering, verifying and fingerprinting beneficiaries to receive Hunger Safety Net Programme smart cards very labour-intensive and not justified for a short-term cash transfer.</p>
<b>Delivery using mobile phones</b>	<p>Charges by Safaricom and a local microfinance institution per transaction in Kenya are 4% of the amount transferred.</p>

Source: Harvey et al., *Delivering Money*.

### **Box 28: Transport costs linked to delivery mechanisms**

Save the Children's project in Swaziland required cash recipients to make their own way to and from pay-points, which in some cases meant a trip of up to 30km. Only 10% of people lived within walking distance of their nearest pay-point; 88% used public transport (buses or taxis), and a small minority used their own vehicles (bicycles or ox-carts). In the early months of the project, some people were reportedly left stranded by a lack of transport after queuing all day at the Post Office, but taxi-drivers quickly realised that there was good business to be done on paydays and taxi ranks formed outside Post Offices and banks to ferry cash recipients home. Average spending by cash recipients on public transport was E12.35 return. Save the Children provided a supplementary payment of E25 to cash recipients to cover transport costs, which ensured that the net value of the monthly cash transfer was not reduced by the transaction costs incurred in collecting it.

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Source: Devereux and Jere, *'Choice, Dignity and Empowerment'*.

## Chapter 5

# Monitoring and evaluation

The fundamentals of monitoring and evaluation are no different for cash transfers than for any other project, and generic guidance applies.<sup>73</sup> Some issues are, however, unique to cash transfers. One of the central features of cash is its flexibility, and the fact that people may choose to spend it on a wide range of things. When engaging in monitoring and evaluation, this means that agencies need to know not just whether people received the cash, but what they did with the money and how the cash received affected household budgets and decision-making. If agencies have specific objectives for a cash project, such as enabling people to rebuild their homes or buy food, then they will want to monitor and evaluate whether or not the project has been successful in meeting these objectives. Monitoring and evaluation may also examine the wider intended and unintended impacts of cash transfers, such as inflation and possible multiplier effects on local economies, and should consider how cash transfers impact on household and community dynamics, including concerns about anti-social use, security and gender inequities in decision-making.

Monitoring and evaluation has been used to capture and share learning. In the case of the Bangladesh Red Crescent's cash for livelihoods project, for instance, templates, procedures and internal policies were saved and collated to form part of a 'recovery kit' adapted to future operations, and a lessons learnt workshop was held to review the recovery programme and develop a more efficient working model for the future.<sup>74</sup> Learning from cash-based responses has also been promoted through events organised by CaLP, and by an impressively active web-based and email discussion group, the CaLP D-Group, where practitioners post documents, training and event announcements and questions. Discussions have covered a wide range of topics, including safety issues in Cash for Work projects, food vouchers and accountability checklists.<sup>75</sup>

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<sup>73</sup> See T. Beck, *Evaluating Humanitarian Action Using the OECD-DAC Criteria: An ALNAP Guide for Humanitarian Agencies*, ALNAP, 2006; A. Hallam, *Evaluating Humanitarian Assistance Programmes in Complex Emergencies*, Good Practice Review 7 (London: ODI, 1998); Sphere Project, *Humanitarian Charter and Minimum Standards in Disaster Response*; Save the Children, *Toolkits: A Practical Guide to Planning, Monitoring, Evaluation and Impact Assessment*, 2003.

<sup>74</sup> BDRCS, *Using Cash Grants as a Component of the Livelihoods Programme: Cyclone Sidr, Bangladesh*, Bangladesh Red Crescent Society, 2010.

<sup>75</sup> See <http://dgroups.org/groups/calp>.

## 5.1 Monitoring

Project monitoring is the process of collecting and analysing information to adapt the project as and when necessary. There are some basic questions regarding the use of cash that should be included in any monitoring of cash transfer programming, in addition to programme-specific objectives. ECHO, for instance, recommends the following questions as a minimum for monitoring cash transfers:

- Did people get the right amount of cash?
- Were the payments made on time?
- What are people spending the cash transfers on?
- Where and how far did people have to go to buy what they wanted? Were the goods they needed available?
- Did the cash distribution have an effect on prices? Did prices of key goods change for other reasons?
- Were the programme objectives met?
- Did the programme affect household relations and community dynamics?<sup>76</sup>

The desire to collect expenditure information lends itself to thinking about quantitative data, such as expenditure patterns. Trends in market prices are particularly important and must be monitored. However, it is important to include a strong qualitative component. Focus group discussions and interviews with key informants can be useful in quickly determining if there are any problems, such as people receiving incorrect amounts of cash or not being able to buy certain goods. New technologies such as smart cards may provide opportunities to collect data on purchases.

In monitoring and evaluating the impact of cash transfers, the most obvious question is what people spent the money on. In some ways this is easy to answer, as people tend to be able to give fairly detailed accounts of the choices they made and the reasons behind them. But there is a need for caution about the reliability of these accounts; evaluators may be told what beneficiaries think they want to hear in the hope that aid will continue. If the implementing agency has told beneficiaries what they should spend the cash on, it is likely that people will be reluctant to tell evaluators that they spent it on something else. Triangulation is therefore important (talking to non-beneficiaries and other key informants, such as traders, bar owners, teachers and health staff); where possible monitors and evaluators should be independent from the implementing agency. Talking separately to men

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<sup>76</sup> Not included in ECHO guidance, but an important question nonetheless.

and women to understand who controls expenditure and how money is spent is also important. ActionAid in Zimbabwe asked some beneficiaries to keep expenditure diaries recording how their money was spent and who made spending decisions.<sup>77</sup>

The cash provided by aid agencies is unlikely to be people's only source of income. Determining what people did with the particular amount of cash provided by an aid agency is difficult in part because the money may simply go into the household's overall pot. One way of dealing with this issue is to ask people what they did specifically with the cash provided by the aid agency. This can work relatively well if the cash was important in a household's livelihoods and people planned with some precision what to spend it on. People in Zambia, for instance, valued the cash grant precisely because it gave them the chance to budget a particular amount, rather than having to rely on unpredictable and irregular flows of cash from casual labour. Again, however, beware of bias in responses.<sup>78</sup> A more accurate picture of attribution requires an understanding of how spending decisions change in line with income. This is much more difficult and requires detailed data on baseline incomes and expenditure patterns. While this kind of information is accessible through household economy approaches or detailed household surveys, getting it is likely to require a greater investment in monitoring and evaluation.

In several recent disasters national governments have provided cash transfers to assist disaster-affected populations, for instance in Lebanon, Sri Lanka, India, China, Thailand and Pakistan. These cash transfers tended not to be as closely monitored and evaluated as aid agencies direct most of their attention to monitoring and evaluating their own projects. However, agencies could consider monitoring their effectiveness and advocating on behalf of groups that might have been excluded. For example, in India inland fishing communities historically marginalised due to their low social status were often not registered for assistance.<sup>79</sup> Likewise in Sri Lanka in the tsunami response, more attention could have been paid to government cash assistance schemes and how they related to aid agency efforts.

77 J. Smith, *Cash Transfers as a Humanitarian and Development Programming Tool in Zimbabwe: Recommendations for Non-state Actors from the 1–2 December Workshop in Harare*, NGO Joint Initiative for Urban Zimbabwe, 2009.

78 Harvey and Marongwe, *Independent Evaluation of Oxfam GB Zambia's Emergency Cash-Transfer Programme*.

79 P. Deshingkar et al., *Cash Transfers in India: A Feasibility Study*, Overseas Development Institute report for Save the Children, 2006.

Table 13 sets out a checklist of questions for monitoring and evaluating cash projects divided by the OECD-DAC criteria of appropriateness, coverage, connectedness, impact, effectiveness and efficiency.<sup>80</sup> These criteria are commonly used in evaluating humanitarian programmes.

### **Box 29: Monitoring and evaluation: Save the Children in Swaziland**

An evaluation of Save the Children's Emergency Drought Response included a comprehensive monitoring and evaluation component, including a market feasibility study, a baseline survey, monthly monitoring and focus group discussions, a final evaluation and post-project monitoring six months after the end of the project.

The baseline survey provided pre-intervention data on relevant indicators about households, children and markets in the project areas, including: household demographics; food consumption, assets and expenditure levels; infant and child dietary intake; childcare practices; and the state of local markets and prices. Both qualitative and quantitative monitoring data were collected. Discussions were held with men and women and with recipients and non-recipients in the project areas. A final evaluation survey interviewed 20% of the 7,650 households that received cash and/or food transfers from the intervention, and household surveys were completed by 933 beneficiaries, recording bank-account activity and livelihood activities. Workshops were also carried out with community representatives.

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Source: Save the Children UK, *Save the Children's Emergency Drought Response Project in Swaziland: Food and Cash Transfers – November 2007 to April 2008*, 2009.

### **Box 30: Monitoring in Burundi**

UNHCR's cash grant programme in Burundi benefited from extensive monitoring by a Burundian NGO funded by and working closely with UNHCR. From the outset, a well-designed two-page questionnaire on the cash grant was added to existing monitoring covering protection and reintegration issues. With 26 full-time monitors on motorbikes, together covering all of the major areas of return, the NGO was able to achieve truly impressive coverage, interviewing 14,000 returnee households in 2008.

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Source: Haver et al., *Money Matters*.

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<sup>80</sup> P. Harvey, *Cash-Based Responses in Emergencies*, HPG Report 24 (London: ODI, 2007).

**Table 13: Key questions for monitoring and evaluating cash projects**

Questions	Methods/Indicators
<i>Appropriateness</i>	
Was sufficient food and other essential goods available locally to be purchased? Were markets able to deliver affordable food and other essential items? Were markets accessible? Did recipients prefer cash over other types of assistance?	Interviews with project staff Key informant interviews with local food traders in the communities and local authorities Available documentation – assessment and monitoring reports
<i>Coverage</i>	
How were beneficiaries targeted? Was targeting perceived as fair? Did the use of cash make targeting more difficult? Was cash shared with households that were not targeted?	Focus group discussions with members of the community and village committees In-depth interviews with households that received cash and households that did not Analysis of whether beneficiaries met targeting criteria and whether people who met the criteria were excluded Where possible make comparisons with targeting in other interventions
<i>Connectedness</i>	
How did the cash transfers interact with other forms of assistance?	Key informant interviews with project staff Mapping of other interventions and interviews with other organisations in the area Interviews with communities about the range of interventions
<i>Impact</i>	
What was the effect of the income on people's livelihoods? What multiplier effects may have occurred due to the cash? What effect did the project have on local markets for key goods and services? Where and how accessible were the markets where cash was spent? How did households decide how to use the cash and were there tensions between men and women or between different generations? How has the cash project affected traditional community self-help systems? How has the cash project influenced local debt and credit markets?	Focus group discussions with people and committees involved in implementation Significance of the transfer as a component of household income Ranking of income sources including the cash grant Distance to market Time taken to purchase goods Focus on potentially vulnerable groups such as the elderly Separate discussions with men and women Interviews with households that received cash from the project Key informant interviews with local traders and shopkeepers in the communities and local authorities

**Table 13** (continued)

Questions	Methods/Indicators
<i>Impact (continued)</i>	
	Use of cash to repay debts Influence of cash project on willingness to repay debts Interviews with credit providers
<i>Effectiveness</i>	
Did people get the right amount of cash? Were distributions timely and efficient? What did people spend the cash on? Was cash delivered and spent safely? What costs were borne by the beneficiary in receiving and using the cash? Did beneficiaries see payment levels as fair and adequate? Was there any corrupt abuse by agency staff, local elites or authorities involved in targeting or distribution? Is there any evidence of anti-social use?	Key informant interviews with local traders and shopkeepers in the communities, and key local authorities Waiting times at distribution sites Accessibility of transfer mechanism Travel distance and costs of getting to the distribution point Focus group discussions with members of the community and village relief/development committees Analysis of any security incidents In-depth interviews with households that received cash Documentation Independent monitoring, triangulation with key informants such as teachers and health staff
<i>Efficiency and cost-effectiveness</i>	
How efficient and appropriate were the delivery systems used for disbursements? Did the agency have sufficient skills to manage the project effectively? What were the management costs/requirements in implementing the project? What was the total cost of the project per beneficiary? What were the external costs borne by the beneficiary? What was the total cost of comparable in-kind projects per beneficiary?	Key informant interviews with programme and finance staff Focus group discussions with programme team Assessment of key staff qualifications and experience Focus group discussions with members of the community and village relief/development committees In-depth interviews with households that received cash from the project Documentation from the programme
<i>Sector-specific objectives</i>	
Did cash meet specific objectives such as shelter, livelihoods recovery or food security?	Number of houses built Proportion of cash grant spent on shelter Income generated from investments Livestock levels Proportion of household food needs met through cash grant Types of food purchased and impact on dietary diversity Impact on negative coping strategies



### 5.1.1 Monitoring markets

The purpose of monitoring prices is to determine whether cash recipients are able to purchase the full basket of goods and services the transfers are meant to enable them to buy, and whether the grant is causing the prices of certain goods to rise (or if inflation is occurring independently of the programme). If good market analyses have been conducted during the assessment phase, this should provide a useful baseline for monitoring, and for assessing whether assumptions about how markets will be affected are holding true.

The first step is to determine whether other agencies are already monitoring prices. This information may be readily available. If not, the agency should monitor the prices of key commodities (i.e. the ones that were used in determining the value of the transfer and any other expenditure priorities gleaned in assessments and monitoring). Data should generally be collected fortnightly or monthly, though agencies can monitor prices shortly after a distribution of cash and a few days later to determine any more temporary impacts. Tips for price collection include:<sup>81</sup>

- Prices should be gathered from different parts of the market or from different markets.
- Prices can be collected each week in cases of extreme volatility. In general market volatility is not an issue and prices can be collected once a month.
- Commodities facing a price cap (maximum price) or other forms of government regulation should be identified as such and their prices monitored (if relevant).
- Collect prices for the same list of items in each market survey. This will allow data to be compared from one month to another, and is all the more relevant if the cash transfer is linked to inflation.
- For each commodity monitored, use the variety or quality most likely to be purchased by beneficiaries.
- For the main basic items, availability can be recorded using a predefined scale (e.g. 0 for shortage, 1 for small quantities, 2 for normal and 3 for larger than normal).
- If key goods are not available in sufficient quantities, then the agency should explore why this is the case and identify possible solutions, such as working with traders to ensure supplies or providing certain goods in-kind. If new goods are coming onto the market, traders will be able to explain if this is because of the intervention or whether it is related to other issues, such as seasonal availability. Monitoring should also take into account the quality of goods. This can be done through discussions with buyers and by physically examining items.

<sup>81</sup> ACF, *Implementing Cash-Based Interventions*.

Cash projects can sometimes have an impact on local markets for debt and credit if people use cash grants to pay off debts or if the receipt of cash grants affects people's attitudes towards repaying micro-finance loans. These issues can be monitored by asking recipients whether they are using part of a grant to repay loans and by talking to micro-finance and other local credit providers.

**Table 14: Monitoring the impact of the project on traders and markets**

General issue	Questions
<b>Supply</b>	Are traders always able to respond to demand? Have customers been unable to buy certain items because of shortages? If yes, for how long, and why were they in short supply (transport problems, shortages at regional level, government restrictions, higher demand than usual)? Were these shortages 'normal' for the time of year? Which items were in short supply?
<b>Demand</b>	How has the number of customers changed? Quantify if possible (trend is enough) How has the level of activity changed for traders? Quantify if possible (trend is enough) What were the items for which demand unusually increased/decreased (if any)? Could traders give reasons for these changes (if any)?
<b>Prices</b>	How would traders assess the current price situation? Did they increase the prices of certain items more than usual? If yes, why and for what items?
<b>Competition</b>	How did the number of traders in the market change (quantify and compare figures with baseline data)? What was the market impact (prices, tensions, activity)? Will the traders that moved in (if any) remain in the market or will they quit at the end of the project?
<b>Impact</b>	How do traders perceive the programme's impact on their business?

Source: Adapted from ACF, *Implementing Cash-Based Interventions*.

### 5.1.2 Monitoring social issues

One common concern about cash is that it will spent 'anti-socially', by which people usually mean spending on cigarettes and alcohol. The concept of anti-social use is problematic because it implies a moral judgement on the part of the giver about what is and is not anti-social. It is also hardly unique to cash transfer projects; people can be 'anti-social' with any form of assistance, by selling it and using the money for such purposes, or using income that might otherwise have been destined to meet needs the assistance is meeting.

It is generally difficult to find out about anti-social use through standard monitoring. People are intrinsically unlikely to tell a monitor working for an aid agency that they spent part of a cash transfer on alcohol, cigarettes or guns. A wider range of methodologies may help to get at these issues. These might include greater triangulation through talking to a wider range of actors in communities and more independent monitoring and evaluation. But independent monitors or evaluators would need to be local, with deep understanding of local contexts and with the ability to dig beneath the surface of conventional responses. Finding these sorts of skills is difficult, particularly given the short time-scales usually involved. SDC has contracted monitoring to independent local organisations in order to encourage people to raise concerns freely, and the agency has found that this works well. Monitoring by some agencies has also looked for different types of expenditures. In Somalia, for example, a post-distribution monitoring team conducted interviews with *qaat* traders to see if there had been any increase in sales following a cash distribution. Communities may also have their own systems for dealing with any misuse of assistance. In Lesotho, daughters in a household went to their area chief when the father collected the transfer and did not share it with them; the chief insisted that he share the money.<sup>82</sup>

Cash transfers, like other forms of assistance, can affect local coping strategies (including sharing of assistance), household relations between men and women, relations between people of different generations and relationships within a community. Qualitative approaches such as individual and focus group discussions and key-informant interviews should be used to determine if the project is impacting on these areas, for better or worse. Monitoring teams should be tactful, understand the sensitivity of these issues and include women, as female beneficiaries may be more comfortable and open in discussing these issues with other women.

### 5.1.3 Monitoring efficiency and effectiveness

Efficiency and effectiveness should also be monitored. Again, many of these issues, such as waiting times and travel distance to distribution points, are not particular to cash and should form part of general good practice. Particular issues related to cash include:

- Whether the chosen delivery mechanism is accessible to all recipients; are people able to access bank accounts, for instance?
- Whether any of the grant is being corruptly diverted through means such as ‘informal taxation’ by local elites or warring parties.

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82 Slater and Mphale, *Cash Transfers, Gender and Generational Relations*.

- Any protection or security risks involved in delivering and spending the cash.
- The cost-effectiveness of cash compared to in-kind alternatives.

It is not possible to give benchmarks that are applicable across all contexts, but organisations could usefully benchmark themselves against other organisations providing cash in the same or similar contexts, and against comparable in-kind programmes. So, for example, it might be possible to benchmark the proportion of the total project budget being provided directly to beneficiaries, or waiting and travel times at distribution points. Monitor cost-effectiveness in comparison to in-kind alternatives to ensure that cash remains a cost-effective option and that the assumptions made in the assessment and project design stages continue to apply. If local prices rise more rapidly than regional or international prices, or if there are large exchange rate fluctuations, then it could become more cost-effective to switch to in-kind distributions.

Corruption, like anti-social use, is difficult to get at with standard monitoring methods. Again, triangulate different methods, talking to non-recipients as well as beneficiaries and other key informants (teachers, traders, local health professionals) and using monitors who are independent from those responsible for implementation and who have a good understanding of the local political economy.

Some cash projects have attempted to monitor and measure the multiplier effect from an injection of cash – the impact of cash on the wider local economy through people spending money on local goods and services, potentially benefiting people who did not directly receive cash grants, such as local traders. Using a social accounting matrix model, Concern calculated multiplier figures for projects in Zimbabwe and Malawi. In Zimbabwe, cash grants had a greater multiplier effect than in-kind food aid on the local economy (2.57 for cash and 1.67 for food aid).<sup>83</sup> Recipients spent some of the income on purchasing goods from outside the area (such as farm inputs), but some was spent locally with other farmers and traders. Recipients were also more likely to pay school and health levies and engage other local services. As markets were highly localised these benefits were significant.

## 5.2 Evaluation

The novelty of cash transfers for many agencies means that projects have often been carefully evaluated. The purpose of an evaluation is to examine a

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<sup>83</sup> C. Staunton, *Hard Cash in Hard Times: A Social Accounting Matrix Multiplier Analysis of Cash Transfers and Food Aid in Zimbabwe*, University of Dublin, 2010.

programme or response to learn lessons that can improve policy and practice and increase accountability.<sup>84</sup> As with monitoring, the basic elements of evaluation good practice are the same for cash transfers as for any other project.<sup>85</sup> The general weaknesses of the international humanitarian system in evaluating impact and considering whether alternative interventions could have been more effective or efficient are also applicable to cash transfer projects.<sup>86</sup>

Table 13 suggests a checklist of questions for evaluating cash projects. Further sector-specific questions might need to be added for projects with particular shelter, livelihoods and food security objectives. Many of these questions can also be included in regular project monitoring, and strong project monitoring will provide a solid base for project evaluation.

### **Box 31: Evaluation of Save the Children Canada's cash-based emergency livelihood recovery programme in Isiolo District, Kenya**

The evaluation was conducted seven months after the cash distribution. Its aim was to see what impact the cash had had, particularly on children. The goal was restocking, but the provision of cash meant that other purchases may have been prioritised. The evaluation explored the following issues:

- The relevance of the project to the situation prevailing at the time.
- The extent to which the programme conformed to good practice both as a cash transfer programme and as a restocking intervention.
- The coverage and accuracy of targeting.
- The perceived fairness of the programme.
- How the money provided was used.
- How spending translated (or not) into benefits for children, including school attendance and children's workloads.
- How the project impacted on the wider community including non-beneficiaries and livestock traders.
- The likely long-term/sustainable impacts of the intervention.
- The cost-effectiveness of the programme.
- Coherence with other interventions.

Source: M. O'Donnell, *Project Evaluation: Cash-Based Emergency Livelihood Recovery Programme*, Save the Children Canada, 2007.

84 Beck, *Evaluating Humanitarian Action Using the OECD-DAC Criteria*.

85 *Ibid.*; Hallam, *Evaluating Humanitarian Assistance Programmes in Complex Emergencies*; Sphere Project, *Humanitarian Charter and Minimum Standards in Disaster Response*.

86 C. Hofmann et al., *Measuring the Impact of Humanitarian Aid: A Review of Current Practice*, HPG Report 17 (London: ODI, 2004).

As with monitoring, the evaluation of cash projects presents particular challenges because people can choose to spend the money they receive in a wide variety of ways. Evaluations therefore need to look both at whether cash has met the particular objectives of the project (e.g. boosting food consumption, rebuilding shelters) and at the wider impacts of the project, both intended and unintended.

If several agencies are implementing cash projects in the same emergency context there may be opportunities for joint evaluations comparing different cash transfer approaches, as well as other types of learning such as peer reviews and staff secondments. Where cash is one of several instruments being used in a sector such as food assistance or shelter, there may also be opportunities for evaluations to consider the effectiveness and appropriateness of cash as against a broader range of interventions.

### **Box 32: Methodology for evaluating a Cash for Work project in Kenya**

An evaluation of a German Agro-Action Cash for Work project in 2009–2010 in Mwingi District in Kenya focused on four themes: process (i.e. the way the project worked); use of cash; changes in livelihood status over the duration of the project, and the contribution of the project to these changes; and the sustainability of the gains made. Twelve focus group discussions (FGDs) attended by a total of 75 men and women were conducted. To test the hypothesis that there would be a difference in perceived impact depending on how much money a household earned, sites were grouped depending on whether they were high- or low-income households.

In order to arrive at a quantitative assessment of impact, ranking and piling tools were used. For example, to assess beneficiaries' perceptions of various aspects of 'process', FGD participants were asked to 'vote' on the extent to which they agreed or disagreed with various statements related to the issue in question. 'Voting' was done by each participant placing a stone in one of five boxes labelled 'strongly agree', 'agree', 'don't know/no opinion', 'disagree' and 'strongly disagree'.

Data on the use of cash was collated by asking informants to divide 100 beans into different piles representing different items of expenditure. Five areas of impact were assessed – health, education, food security, asset ownership and self-esteem.

*(continued)*

**Box 32** (*continued*)

Changes in each over the project period were measured by asking respondents to add or remove stones from a nominal 'pre-intervention' baseline of ten. The respondent was then asked to attribute the reasons for the change by allocating ten stones proportionally to six boxes representing the various reasons for the change in circumstances (CFW, WFP food, casual labour, income from petty trade/business, rainfall and other). For example, an improvement in food security due to CFW and rainfall would be indicated by adding one or more stones to the baseline of ten, and then allocating another ten stones proportionally to the 'CFW' and 'Rainfall' boxes depending on their relative contribution to the improvement. Perceptions of sustainability were quantified by asking respondents to add stones to a nominal pre-project baseline of ten stones. They were asked to perform the exercise twice – once for the end of the project and once for what they thought their situation would be in May 2011 – so, for example, a score series of 10, 13, 15 would represent a gradual improvement in a household's perceived condition.

Weaknesses with this approach include 'central tendency' and 'acquiescence' bias. In the first instance respondents try to avoid giving extreme responses, and in the second they are prone to portraying the subject in question in a more favourable light. There may also be a 'consensus' bias, as less decisive group members tend to follow the responses of those who are more dominant. It is important, therefore, to keep the group size to no more than six, and to ensure a gender balance within the group.

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Source: M. Brewin, *Evaluation of Cash Component of German Agro-Action Project: Mitigation of Drought Impact through WASH and Cash for Work in Highly Affected ASAL Areas of Eastern Kenya*, German Agro-Action and USAID, 2010.





# Chapter 6

## Vouchers

This chapter explores key issues for programmes using vouchers. The foregoing chapters are as applicable to vouchers as to other types of cash-based interventions. For example, setting objectives, transfer values and targeting is no different for vouchers than for unconditional cash transfers. This chapter should therefore be seen as a supplement to the previous sections as opposed to a standalone review of voucher programming.

Vouchers are coupons, tokens or electronic cards that provide recipients with access to commodities. Projects using vouchers seek to increase access to a specific set of goods and services in order to achieve the project objective. Vouchers can function like cash, meaning that recipients can redeem them for any commodity from participating traders, or they can be redeemable only for specific goods and services, such as pre-determined amounts of food or school fees. Vouchers can have a cash value (cash vouchers) or they can be redeemable for commodities (commodity vouchers). Vendors, traders and any others participating in the scheme redeem the vouchers for cash or a cheque from the agency or a partner. In theory, vouchers can be used to purchase anything that cash does, and so can easily be used across sectors. In practice, however, interventions using vouchers have tended to focus on specific sectors, particularly agricultural inputs and food.

Aid agencies pioneered the use of vouchers as alternatives to in-kind distributions, such as through ‘seed fairs’, where recipients exchange vouchers for seed from local vendors. Voucher projects have since become more sophisticated in their design and implementation. Food security projects with nutrition objectives have used vouchers to increase access to nutrient-rich foods like meat, dairy products, fruit and vegetables. Vouchers have also been used in shelter projects to provide construction and repair supplies, and to increase access to basic services, including education and water (see Chapter 1.3 on ‘Cash Transfers and Sectoral Responses’).

### 6.1 When to use vouchers

The decision to use vouchers should be based on a needs assessment and response analysis, as described in Chapter 2. Vouchers are used when the agency wants to restrict purchases in order to achieve specific project objectives, or when there are security concerns around distributing cash. In

deciding to use vouchers, there should be a good answer to the question: ‘Why does the programme wish to restrict recipients’ choice?’. After all, flexibility is a key advantage of cash-based interventions. This could be because:

- Project objective: there is a clear need for an intervention in a particular sector or sectors that would be best met through increasing access to certain goods and services (e.g. shelter materials, food).
- Security: there are reasons to fear robbery when transporting and distributing cash, either for distributors or recipients.
- Political acceptability: the host authorities are more amenable to voucher interventions than to cash.
- Agency mandate and/or donor restrictions: these are not good reasons to limit recipients’ choice, but may nonetheless compel agencies to programme in a particular way.

The preferences of those who will benefit from the programme ideally should be taken into account, but conveying how voucher systems work, including their advantages and disadvantages, is not an easy task. It is possible to get at the issue of preference after the fact, and use information from similar projects in the area as a basis. Even this is imperfect as recipients might be biased in favour of the intervention that they received.

The basic conditions that need to be in place are the same as for any cash-based response – a functioning market, availability of key commodities, acceptance by host authorities and ability to address inflation risks. However, voucher programmes can often exert more control over supply than cash transfers. Agreements can be set up with vendors stipulating that they stock minimum amounts of certain commodities, or the project can start at a small scale so as to convince vendors that the goods they stock will be purchased. Whatever the system, priority commodities and services identified in assessments and those needed to achieve the project objectives must be made available by traders. If this is not the case, vouchers are not the best way forward.

Vouchers typically bring with them more of an administrative burden than cash transfers, and not simply because slips of paper need to be printed. Vouchers require time to engage traders and to conduct sensitisation about how the voucher system works. Because recipients are limited to certain traders and are likely to be limited to certain goods, strong monitoring is needed to ensure that traders are not increasing prices and that the full range of commodities available for purchase by the vouchers is consistently available. Contracts and systems also need to be put in place to pay traders, determined through

consultation among programme, finance and administrative departments. Much like in-kind assistance, voucher projects may not respond to people's priority needs if they are restricted to certain commodities and services.

## 6.2 Cash or commodity vouchers

Vouchers take two primary forms. The first, and most common, are vouchers which entitle the holder to buy goods up to the cash value written on the voucher. The recipient can make purchases in any shops which have agreed to participate in the programme, or in 'fairs' run by the agency. These are sometimes referred to as cash vouchers. The agency can set restrictions on the goods that can be purchased, but otherwise the vouchers work like cash.

The second type is a commodity voucher which is exchangeable for a fixed quantity of certain goods or services. The voucher could be for a single item (e.g. 5kg of maize), a service (e.g. the milling of 5kg of maize; school fees),

### Box 33: Vouchers for milling in Darfur and Chad

Massive displacement caused by conflict has led to large-scale humanitarian action in Darfur, mainly in the form of in-kind distributions. Noting that IDPs receiving food rations were selling or bartering part of their ration in order to grind the cereals, ACF distributed vouchers to 20,781 ration-receiving households, for use at milling machines in camps. Each voucher had a value of \$1, and households received up to eight vouchers a month depending on household size. The decision to use vouchers instead of directly distributing cash was based primarily on security concerns.

ACF used a similar approach in Chad in 2009, where households were paying 700–900 FCA for milling 12kg of cereals or giving over half of the cereals being milled as payment. ACF distributed vouchers that covered three-quarters of the milling costs to nearly 3,000 households. Monitoring and analysis showed that benefits included reduced sale or exchange of food aid and sharing of 'saved' food aid with friends and neighbours. Some vouchers were sold to meet other needs, printing the vouchers was very expensive and there was one incident of fraud, whereby more coupons were paid for than were distributed.

Sources: ACF, *Second Season Seed Fairs 2008: Post Distribution Monitoring Report Gulu and Amuru Districts*, 2008; ACF, *Rapport de Capitalisation Distribution des Coupons des Mouture (Dogdoré, Tchad)*, 2010.

or a fixed basket of several items. Commodity vouchers do not offer flexibility for recipients other than perhaps choosing where they get the goods and services; they are therefore similar to in-kind distributions. Because they are for a fixed amount of goods, their value is not eroded by inflation. Commodity vouchers are appropriate when assessments indicate that recipients are consistently spending money on a key standard item or service, such as food milling or school fees.

## 6.3 Designing vouchers

Where agencies use paper vouchers, these should be designed to ensure that recipients can use them with relative ease and that they cannot be easily reproduced. Samples of vouchers can be found in the ACF guidelines, and many agencies have now compiled sample voucher designs. Agencies should follow this basic guidance:<sup>87</sup>

- Local language: vouchers should be translated into the local language.
- Denominations: denominations of vouchers should be flexible enough to allow recipients to make smaller purchases. Programmes often use a combination of different denominations.
- Validity: the validity period should be indicated on the voucher. This may not be applicable to fairs where the voucher is only valid for that day.
- Serial numbers: serial numbers are used for monitoring and tracking the distribution/redemption of vouchers.
- Colours: if multiple fairs or distributions of vouchers are planned, different-coloured vouchers can be used on different days to prevent vouchers from being recycled. Colours can also be used to represent different denominations.
- Preventing fraud: basic steps should be taken to ensure that vouchers cannot be easily replicated, such as printing on special paper, adding a unique stamp just before the distribution and not printing vouchers on agency computers or copiers.

## 6.4 Vouchers redeemable with local shops and traders

If the general criteria for cash transfer interventions are in place (e.g. the market is functioning and responsive) it should be straightforward for people to use the vouchers alongside cash in existing stores. Experience shows that traders are generally open to accepting vouchers if they trust the redemption system and if payment is swift, since by accepting vouchers they will increase the amount of trade they conduct.

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<sup>87</sup> ACF, *Implementing Cash-Based Interventions*.

There are no hard and fast criteria on the number of traders who should participate in a voucher programme, or the conditions they must meet in order to do so.<sup>88</sup> In theory, voucher projects could be open to any trader who wishes to participate and who stocks (or could stock) commodities covered by the voucher. In practice, agencies tend to choose traders whom recipients can easily access, and cap the number of traders if it becomes unmanageable for administrative purposes. A decision can be taken to exclude traders who do not meet other conditions, for instance related to the quality of goods. Programme staff should work in consultation with administrative, logistics and finance colleagues to develop selection criteria.

Smaller-scale traders might not have as much stock or financial capacity as larger counterparts, but voucher projects have significant potential to support smaller traders and should not automatically exclude them just because of their size. The important point is whether together traders can meet demand. Small traders can also be encouraged to submit a collective bid, thereby decreasing the administrative burden on the agency. As in any tendering process, the selection process must be transparent and must guard against favouritism.

#### **Box 34: Oxfam vouchers for flood-affected households in rural Pakistan**

Following the 2010 Pakistan floods, Oxfam distributed vouchers to 13,000 households, which were redeemable for any items from participating vendors. Because Oxfam and voucher programmes were new to the area, earning the trust of vendors took time. Once the first vendors participating in the programme were paid, many more joined the project. The project also recruited volunteers to help vendors process the vouchers.

Just over half of the vouchers were spent on food; the rest was spent on clothing, kitchen goods and other items. Men said that, if they had been given cash instead of vouchers, many would have decided to keep it for themselves, but with vouchers they had to declare it to their wives. Monitoring showed that 42% of respondents stated that women decided how the vouchers were used, and 30% said that both men and women in the household took the decision together. Recipients reported that cash would have given them more flexible options, such as paying debts or buying cheaper goods from market stalls.

88 Information in this section is primarily from ACF, *Implementing Cash-Based Interventions*.

### Box 35: WFP vouchers in Syria

In 2009, WFP piloted the use of electronic vouchers for Iraqi refugees in Syria as an alternative to food distributions. An electronic system was used to manage the entire distribution, reporting and monitoring process. This system contained information on the demographic profile of each household, its verification code, entitlements, voucher collection date, voucher exchange dates and products and quantities exchanged.

Phone SIM cards were given to recipients, who then received a text message that contained a PIN number and the entitlement in Syrian pounds. At participating government stores, the clerk entered the PIN and the beneficiary purchases into a computer, which was connected to a WFP server. WFP had equipped each shop with the necessary hardware, including computers, modems and printers. Each shop had to have on-line access to the WFP server. The system verified the entered data against the entitlement and automatically issued an electronic invoice, which was signed by the beneficiary as a means of payment. The system sent a new text message to the beneficiary with the updated balance of the entitlement and a new PIN number for future use. At the end of each cycle, the electronic invoices were sent to WFP, which reconciled the claims with its database records and identified any discrepancies.

Monitoring revealed that only 13% of people would have preferred cash instead of vouchers, but that they would have liked a broader selection of goods and closer shops (three shops initially selected could not participate because of problems with internet connectivity). Out of 909 participating households, 381 enquiries and complaints were received by the helpdesk, most about SMS problems. Other challenges were high start-up costs and the need for a stable power supply and internet connectivity.

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Source: T. Elgnuindi 'New Technologies in Food Assistance: Electronic Vouchers for Iraqi Refugees in the Syrian Arab Republic', in S. Omamo et al. (eds), *Revolution: From Food Aid to Food Assistance* (Rome: WFP, 2010).

Traders may be sceptical of the voucher process if they are unfamiliar with it. If security allows, agencies should provide details about the project to enable traders to make an informed decision about their participation (e.g. the value of vouchers, number of participants and the timeline of the distribution). Traders from other areas who have participated in voucher projects can be brought in to answer questions. Enabling more traders to join through the

lifetime of the project ensures that the benefits of participation are shared more widely, and encourages competition.

Agencies should sign agreements with traders that outline the responsibilities of each party. These agreements should lay out the conditions that traders must meet (e.g. stocking certain items), the reimbursement process, the sanctions that can be expected if the contract is not respected and any specific issues related to the price and quality of goods. Agreements should also make clear that the trader is responsible for verifying the authenticity of the voucher.

Traders should sell items at the 'normal' price, unless an alternative arrangement is decided between vendors and the agency to account for any additional costs traders incur related to the programme. Agencies can choose to fix prices with vendors – and have them post these prices – in order to prevent them from raising prices on voucher goods. Fixing prices is not feasible when items (beans, cooking pots) range in quality. Because vendors in a voucher programme collectively have a monopoly on trade, monitoring prices is essential.

Projects using vouchers in shops can adopt the same innovative delivery mechanisms as other cash-based responses, including mobile phones, debit cards and smart cards. WFP piloted a system in Syria whereby recipients received PIN numbers via text messages; shop owners could then log onto the WFP server to obtain information on their entitlement and record their purchases. In Chile, a Red Cross shelter project provided payment cards with \$330 credit which could be used exclusively to purchase construction materials and similar items at a nationwide chain of hardware stores.

## 6.5 Voucher fairs

Agencies using voucher interventions often establish their own markets or fairs, where vendors come to sell their goods and recipients can purchase them with their vouchers. The most common types of fairs are for agricultural inputs (seed fairs or agricultural fairs). Seed fairs were initially created as an alternative to seed distributions. The logic behind them is that they harness locally available surpluses, so that recipients and people with seed surpluses both benefit, as well as providing wider benefits including strengthening seed procurement systems, creating multiplier effects and bringing communities together.<sup>89</sup> Fairs can also be a forum for information exchange and a way of

<sup>89</sup> T. Remington et al., 'Getting Off the Seeds and Tools Treadmill with CRS Seed Vouchers and Fairs', *Disasters*, vol. 26, no. 4, 2002.

linking recipients with technical services. An evaluation comparing different voucher activities in Kenya found that agricultural fairs were the preferred means for voucher redemption among recipients and suppliers alike, because they offered an opportunity for open competition and for information exchange between farmers and advice from technical services, and facilitated monitoring of the provision of inputs to beneficiaries.<sup>90</sup> Fairs have been implemented for agricultural inputs, livestock, livelihood goods, non-food items and combinations of these goods.

There are various ways of selecting vendors to participate in fairs, ranging from pre-selecting a limited number of vendors from the project area to allowing any vendors to show up and take part. In general, the larger the number of vendors the greater the choice for recipients. Sensitisation needs to be conducted in order to let potential vendors know about the fair. Agencies have used their own staff, posters and radio announcements to communicate information on fairs. If fairs are new to an area, starting with a smaller fair (e.g. 100–200 households) can build vendors' confidence in the process as they come to understand the level of demand for their goods. Prompt payment is also important to build trust and to enable vendors to cover the costs associated with participation in fairs.

As with any voucher system, the agency determines what goods can be included in the fair. This should be done on the basis of the project objectives, which in turn should be based on the needs of recipients. Fairs often focus on a few commodities (e.g. seeds/tools), but some agencies have expanded the range of choice beyond one or two sectors to include services like the payment of school fees. The more agencies restrict choice the less flexible the assistance, so this should only be done when agencies are confident that the primary needs of recipients can be met. Prices can be fixed, or recipients and vendors can negotiate prices. If there is significant variation in the quality and type of products available, fixing prices is often unrealistic.

Ensuring the supply and quality of goods in fairs is a critical aspect of their organisation. Quality can be ensured by having agency staff, community committees and government technical services (particularly for seeds and animals) check goods entering the fair. It is also possible to determine in advance the precise types of commodities that vendors must stock, but this risks limiting recipient choice. Supply is closely linked with the number of vendors and the amount of commodities that they bring with them. As mentioned above, starting with smaller fairs reduces the possibility that

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90 N. Nicholson, *Lessons Learned from the Post Election Violence Early Recovery Programme in Kenya 2008–09*, European Commission, 2009.



supply will not be substantial enough to meet the needs of recipients; more vendors are likely to join once they have confidence that the system is worth their time and money.

### Box 36: Fairs for non-food items in DRC

In DRC, UNICEF and partners began non-food item fairs in early 2009, reaching more than 450,000 people. In 2010, nearly one-third of non-food item assistance in DRC was met through fairs, showing a significant shift away from in-kind assistance. In the fairs, families receive vouchers with which to purchase basic household, shelter, hygiene and livelihood items, such as tools and bicycle parts. For each fair, 500–600 households buy goods from between 40 and 80 participating traders identified from local and regional markets. Fairs often include locally made items, like mats, pots, furniture and stoves. Food, seeds, medicine and livestock are not permitted. The range of goods available allows families to tailor their assistance. Among 1,688 families surveyed at one fair, there were 800 distinct combinations of purchased goods, and even those families who bought identical combinations of articles with their voucher chose to spend different amounts on those articles. Monitoring found that 95% preferred the fairs to the distribution of kits of non-food items.

Because of poor infrastructure in DRC, transporting large quantities of NFIs can be costly and slow. Vendors already familiar with the fair methodology are able to mobilise for fairs in less than a week. Initially UNICEF believed that it would be difficult to persuade vendors to travel beyond a certain radius from their centre of activity. However, the attraction of potential customers at a fair draws vendors from far and wide, and vendors have shown creativity and agility in transporting large quantities of supplies to fairs in areas that are hard to access by even the best NGO and UN logistics teams. Partners have set up fairs in areas where it would have been logistically nearly impossible to mobilise for large distributions. In 2010, UNICEF partners paid upwards of \$3.5 million to hundreds of local vendors, allowing them to expand their capital, open new shops, hire additional employees and contribute to the recovery of the local commercial sector.

UNICEF's guidebook on NFI fairs includes adaptable tools that cover all aspects of planning and designing fairs, including market surveys, identifying vendors, sensitisation, dealing with trade associations, internal management issues, gender and protection, monitoring and working with local authorities.

Source: *UNICEF DRC 2010 Annual Report*, UNICEF, 2011. See also UNICEF DRC Emergency Section, *The Non-Food Item (NFI)/Shelter Voucher Fair – Step by Step*, Briefing Note, 2011.

## 6.6 Fraud

Vouchers are essentially a form of currency, created by agencies and redeemed by vendors. The potential for fraud needs to be addressed in programme design, implementation and monitoring. As discussed in previous chapters, the voucher design should include basic measures to minimise the risk of duplication and counterfeiting, such as printing on special paper, including a serial number, minimising the number of people familiar with the design, changing the design or paper colour if there are multiple distributions or fairs and adding a unique stamp (in a unique colour) to vouchers just prior to their distribution (as this can be time-consuming, it is usually done the day or evening prior to the distribution). Vendors also should be made aware that forged or recycled vouchers will not be reimbursed. Discussions should be held with vendors to make sure that they can verify the authenticity of vouchers, and understand the features that have been put in place to deter fraud.

When considering the risk of fraud, agencies should not focus only on the voucher design, nor should the design process be overly complex and labour-intensive. A report of lessons learned from ECHO's post-election violence early recovery programme in Kenya highlighted the importance of ensuring that project staff are on hand to support and monitor voucher redemption. While some projects had 'security' vouchers professionally printed, embossed the vouchers and included serial numbers, beneficiary names, ID numbers and expiry dates, the evaluation concluded that it was not so much the sophistication of the voucher that prevented misuse and corruption, but rather the monitoring and controls introduced. No apparent attempts were made to duplicate vouchers or abuse the system other than some instances of people trying to exchange vouchers for cash.<sup>91</sup>

There is always the risk that vouchers will be traded as a parallel currency. As with the sale of in-kind assistance, recipients might sell vouchers or use them to get hold of goods outside of the project's intended scope. Whether the sale of vouchers by beneficiaries counts as fraud is debatable, since it may be the case that the agency is not supplying the most appropriate assistance to meet people's needs. There is also a potential for recipients to be defrauded by vendors, who could supply inferior products, raise prices or take advantage of illiterate recipients who do not understand the voucher values. Monitoring and accountability mechanisms (help desks, 'helpers' who can assist recipients, complaints mechanisms) should be used to catch and resolve problems.

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<sup>91</sup> Nicholson, *Lessons Learned from the Post Election Violence Early Recovery Programme in Kenya*.

## 6.7 Monitoring

When designing the monitoring system, agencies should include questions that are specific to vouchers in addition to those suggested in Chapter 5. Systems should be put in place with traders to record how the vouchers are spent, though this is not always practical in fairs, where staff can instead use exit surveys to ask beneficiaries about their purchases. It is crucial that agencies use monitoring to get a sense of beneficiary understandings and any problems that beneficiaries are having in accessing assistance with vouchers – from the very beginning of the project through to the very end. Even if monitoring systems are being put in place that require data entry, monitoring should be reactive and flexible enough to promptly catch any problems so that they can be resolved quickly. For example, staff or community members should ask recipients at fairs about the prices that they are paying to ensure that prices are reasonable. Suggested questions are set out in Table 15.

**Table 15: Key questions for monitoring voucher projects**

Issue	Methods
Did vendors supply products of an appropriate quality and price without any dishonest practices? Did everyone understand the value of the vouchers, and the products they could buy? Do vendors/shops provide change if required? Do vendors/shops display price lists, as required? Do vendors/shops charge beneficiaries extra fees or offer to purchase vouchers? Do prices differ between partner and non-partner shops? Are all commodities available at all times in partner shops? Do shops treat voucher customers differently (e.g. do they offer low-quality food)? Are shops respecting food and safety standards in the contract? Are vouchers sold or exchanged for unauthorised items? Are there items that recipients need that are not covered by the voucher and/or available from vendors?	Interviews with project beneficiaries, shopkeepers and other key informants Spot-checks of participating shops Monitoring agents pretending to be beneficiaries and checking the quality of goods, prices and how they are treated



# Chapter 7

## Cash for Work

This chapter discusses issues specific to Cash for Work activities. In Cash for Work interventions agencies provide temporary work opportunities and participants are given a wage in compensation for their labour. Other terms sometimes used are public works projects (where wages can be in food or cash) and short-term employment. Cash for Work often has dual objectives: providing income for participants and creating useful community (and sometimes individual) assets. In emergencies, providing people with an immediate income is usually the primary objective, with asset creation as a secondary aim.

Cash for Work can be appropriate in sudden-onset emergencies where there is severe damage to infrastructure or large amounts of rubble that need to be cleared. In slow-onset emergencies, Cash for Work is sometimes seen as an opportunity to strengthen livelihoods by creating assets such as dams or improving watershed management. In some settings Cash for Work may be more politically feasible than grants if the local authorities are reluctant to allow unconditional payments. A final justification for Cash for Work can be that it is self-targeting, in the sense that the wage rate is set low enough that only people in need will choose to work, though this is often a problematic assumption in practice as wages are often set above the local market rates to enable households to meet basic needs.

### 7.1 Appropriateness

In addition to the issues discussed in Chapter 2, a particular issue for Cash for Work projects is the need to analyse and understand labour markets, and how a work requirement will affect people's livelihoods. Cash for Work projects are generally more complex and costly for agencies than cash grants since projects must be selected and designed, workers supervised and technical assistance and equipment provided. It is therefore important to look critically at whether a work requirement is really needed. Cash for Work may be an appropriate response when public or community works are required, assets can be created and maintained, the population has the capacity to undertake the work and equipment and technical supervision can be provided. A work requirement can however disrupt people's own survival and livelihood recovery strategies as they deal with the impacts of a shock.<sup>92</sup> Work can also disrupt care for children.

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<sup>92</sup> D. Maxwell et al., *Preventing Corruption in Humanitarian Assistance*.

Assessments should examine how people are currently making a living, what other time commitments they have (childcare for instance), the availability of work on suitable labour-intensive community assets and current rates for casual labour. The seasonality of labour demands in different contexts must also be taken into account. In agricultural settings care should be taken that work requirements do not interfere with critical periods in the agricultural calendar such as planting and harvesting, which might disrupt production. Patterns of regular migration should also be considered. In Haiti, Cash for Work in urban areas during the planting season seems to have led to migration into Port au Prince.

CFW may also have a detrimental impact on local labour markets. If CFW drives up wages for casual labour this could reduce other forms of employment. Haiti provides anecdotal evidence that landowners in rural areas could not employ people at pre-crisis rates because they could work for higher CFW wages, or demanded the same rates as NGOs were paying. Landowners responded by employing less labour and planting less.

## 7.2 Project selection

Although Cash for Work projects can focus on public or private assets, most concern the creation or rehabilitation of community and public infrastructure. The logic is that such projects benefit the community at large while creating work opportunities. Investing in private assets generally benefits fewer people than public works, though this approach avoids the need to ensure the maintenance of community assets when the project is over.<sup>93</sup> Work activities are often labour-intensive to allow for a large number of participants. Choosing what work to do after a natural disaster is relatively straightforward, and usually involves clearing rubble and rebuilding what was lost. In other situations, such as a food crisis or protracted conflict, identifying community priorities and infrastructure needs will require more analysis. This should be done in collaboration with beneficiary communities, local authorities and representatives of the private sector. For assets to be relevant to community needs and to increase the likelihood of assets being maintained, the selection process must be participatory. Cash for Work should also be aligned with government priorities and developed in cooperation with the relevant line ministries (for instance watershed management projects must involve ministries responsible for agriculture, water and irrigation). Local authorities and line ministries may be able to provide technical expertise and may become involved in the maintenance and long-term sustainability of the assets created. This should not however

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<sup>93</sup> Mercy Corps, *Cash for Work Guidance*, unpublished draft, 2010.

### Box 37: Haiti: flood mitigation with Cash for Work

Following the 2010 earthquake in Haiti, Catholic Relief Services (CRS) implemented a Cash for Work programme to promote flood mitigation around IDP camps. The programme employed more than 1,500 Haitians over a three-week period. Workers built retaining fences to secure ravines, constructed walls to prevent mudslides and erected bridges. Wages were doubled and work hours extended from 6–7 hours to 9–10 hours to ensure more income for participating households, and participants were rotated out of the programme every two to three weeks in an effort to increase the number of people taking part.

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Source: CaLP, CaLP Learning Conference, 2010.

be assumed, nor can agencies absolve themselves of responsibility for ensuring that the assets being built are safe and technically sound.

Generally speaking, when selecting a work project agencies should address the following issues:<sup>94</sup>

- Community priority needs: projects must be demand-driven and reflect actual community needs.
- Intensive unskilled labour: the programme should seek the maximum possible community participation and the widest possible dispersal of cash.
- Appropriate for target groups: care should be taken that the emphasis on physical labour does not exclude community members from participating due to physical constraints or cultural norms, for instance to do with women's employment.
- Technical viability: community-selected projects may require technical expertise not available on site. The expertise needed should not exceed the agency's capacity.
- Long-term benefit to a large segment of the community: if possible, projects should provide a long-term benefit and make a lasting contribution to the community as a whole (though in acute emergencies this criterion may not apply).
- Costs: a project's non-wage costs can take up a significant portion of the budget, and must be taken into account.

Where new structures are built, particular care should be taken regarding land laws and customary land rights. Lawyers and NGOs active in land rights can

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<sup>94</sup> *Ibid.*

provide advice and expertise here.<sup>95</sup> Agencies should also ensure that CFW activities are environmentally appropriate and where possible incorporate measures to reduce disaster risk. Depending on the level of complexity involved, technical staff should review the proposed project and visit the community concerned to assess the project's engineering viability, determine the level of skilled and unskilled labour required, create a bill of quantity and assist with developing the programme design.<sup>96</sup>

### 7.3 Targeting

Cash for Work is often thought to be easier to target than free cash grants because the labour requirement and low wages make it less desirable to better-off households. Cash for Work may be designed to be self-targeting, meaning that wages are low enough that only needy or poor households will choose to participate. In practice, however, CFW schemes tend not to be self-targeting unless wages are set so low that the cash earned is insufficient to

#### **Box 38: Targeting a CFW project in Haiti**

ACF in Haiti organised an urban Cash for Work project to clean out drainage channels. Participants were selected through local neighbourhood committees, which put together lists based on vulnerability criteria defined by ACF and the number of places available. By working with these committees, ACF hoped that the work activity would be accepted by the community, the selection process would be fair and transparent and it would be possible to monitor the work during implementation.

The project ran up against a number of problems. Many more people wanted to participate than could be accommodated, causing tensions, and there were complaints that ineligible people were included. Many people tried to get on the lists after they had been validated and work had started. Many of the committees were not representative of their neighbourhoods, and in some cases committee leaders were corrupt and sought to use their position for their own political or financial benefit. Many committee members demanded payment for their work, even though it had been agreed that this would be voluntary. Finally, complaining about payment and working hours was the 'normal' mode of expression of workers as a group, even after everyone had individually agreed with decisions.

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Source: ACF, *Implementing Cash-Based Interventions*.

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<sup>95</sup> ACF, *Implementing Cash-Based Interventions*.

<sup>96</sup> Mercy Corps, *Cash for Work Guidance*.



enable participants to meet even basic needs. In many crisis environments the sheer lack of employment opportunities means that the supply of workers exceeds demand, even at low wage rates, while some vulnerable or disadvantaged households may be excluded because they lack the labour capacity they need to participate. A WFP evaluation of a Food for Work project in Tajikistan, for example, found that participation was monopolised by stronger households.<sup>97</sup>

In practice, if the activity attracts more people than there are spots available to work, targeting Cash for Work entails essentially the same challenges as targeting other forms of assistance. One solution may be to create a rotation system whereby everyone who wants to work is able to do so; this increases the number of people who can participate, while reducing the number of days that they work and hence the amount they can earn. Bear in mind that, if the number of people wanting to participate is so great that people can only work a few days each, the impact of the project on people's wellbeing may be fairly minimal.

**Table 16: Targeting issues for Cash for Work interventions**

<b>Self-targeting</b>	It is often assumed that labour-based cash programmes are self-targeting if the wage rate is set just below the prevailing minimum rate, since only people in real need of money will apply. This may not be the case where people cannot easily find daily labour opportunities and people are under-employed.
<b>Skilled or unskilled labour</b>	Depending on the type of activity that is planned in the labour scheme, skilled labour might be needed. Skilled workers should be paid according to their skills and not treated as 'beneficiaries'. Work should be chosen such that it maximises the amount of unskilled labour used.
<b>Work ability</b>	An inability to do labouring work may exclude some groups, such as the elderly or the sick. Either non-physical labour can be organised for these people (e.g. cooking food for those involved in physical work) or they can be given a cash grant instead of CFW. Communities generally appear to accept the idea that certain people deserve help without having to work.
<b>Gender</b>	It may be appropriate to ensure that women are included in CFW projects, but care needs to be taken that work requirements do not overburden women and do not detract from women's other responsibilities, including childcare.

<sup>97</sup> WFP Tajikistan, *Full Report of the Evaluation of the Tajikistan PRRO 102341.0 Food Assistance to Vulnerable Groups and Recovery Activities*, report commissioned by the Office of Evaluation, 2006.

## 7.4 Payment amounts and frequency

Deciding on a wage rate is a critical part of a CFW intervention. As with any cash transfer intervention, the amount of the transfer determines how much of their needs people are able to meet. Additionally, though, wage rates can influence who wants to participate and can also distort the local labour market. The wage rate must therefore take into account the local wage rate, the state of the labour market and the project objectives. Market assessment and analysis should determine wage rates for skilled and unskilled labour in the project area. Cash for Work projects often set wages 10–20% below the market rate to attract households genuinely in need of income and to minimise the chances of attracting people away from other forms of employment. Where several agencies are engaging in Cash for Work interventions rates should be coordinated as far as possible. Through CaLP-facilitated coordination in the Haiti earthquake and Pakistan flood responses agencies have agreed common wage rates for various types of work. Other issues to bear in mind include:

- In the immediate aftermath of a large-scale disaster, where employment activities have been severely disrupted, it may be appropriate to adopt wage rates comparable to or higher than those that previously prevailed. More effort may need to be made to ensure that less-poor participants attracted by the higher wage do not take the place of more vulnerable people.
- In unstructured labour markets or in countries where wages are low to the point of being exploitative, setting payments at the market rate could undermine the objectives of the programme as the amount paid would fail to provide for people's basic food requirements or meet minimum levels of subsistence. In these settings, the humanitarian needs of the programme's participants must be weighed against the rules and practices of the local labour market.
- If agencies provide a higher-than-normal wage they should explain to the community that this reflects the post-disaster situation, that it is only temporary and that it is designed to help people recover more quickly. As the labour market returns to normal agencies should monitor whether their wage is in line with the local rate for unskilled labour, and whether local enterprises are able to find workers to hire. If not, higher wages should be phased out and/or participation limited.<sup>98</sup>

As with other forms of cash transfers, the programme objectives should determine the frequency of payments. If the objective is to help people meet their basic needs, more frequent payments will be used; if the programme is intended to facilitate livelihood recovery, less frequent payments will be more cost-efficient, assuming that households can meet their basic

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<sup>98</sup> Mercy Corps, *Cash for Work Guidance*.

**Table 17: Determining the wage rate**

Payment type	Rationale	Potential advantages	Potential disadvantages
<b>Pay per unit</b>	Payment is based on a pre-determined labour output (e.g. number of acres cleared or houses built)	Often the familiar standard for local labour contracts. Output-based pay rates incentivise productive work	Requires supervisory staff to ensure that individual workers are compensated based on their efforts. If pay is tied to group performance, participants may resent the more vulnerable participants, such as the elderly or handicapped, if they limit overall productivity. Without technical oversight, workers have an incentive to produce inferior work. With large-scale or more technical projects, it may be difficult to divide work progress into easily measured and exact units
<b>Pay per specified number of days</b>	This formula estimates the amount of time it should take to complete a certain job and provides payments only for that number of days, regardless of whether the workers take longer	Sets a clear timeframe for each activity and reduces the risk of labourers deliberately prolonging the project	Good supervision and management are needed to ensure that the programme remains on schedule. Without enhanced monitoring mechanisms, disputes may arise if some beneficiaries perceive themselves to be more productive than others; this can be magnified in divided or post-conflict societies
<b>Pay as daily wage</b>	The community agrees on the number of hours that will be worked per day	Allows for flexibility and is often utilised with projects of undefined duration. Can be implemented without the technical knowledge of project construction necessary for the two alternative means of pay rate measurement	Because it is not output-oriented or tied to deadlines, this form of payment can stretch out for a considerable amount of time and does not necessarily achieve infrastructure aims

Adapted from Mercy Corps, *Cash for Work Guidance*.

needs in the interim. Unlike cash grants that are given at the beginning of interventions, payment for Cash for Work is generally given once work has been undertaken. If people have little or no income, or if they are not confident that the agency will compensate them for their efforts, wages should be paid frequently (e.g. twice a week), with the agency moving towards less frequent payments (e.g. weekly) as the project progresses. If the situation is so dire that workers must be paid daily, then it is probably too early to pursue Cash for Work and other forms of assistance, such as food aid or cash grants, should be considered instead. Very frequent small payments also add an administrative burden. In all cases, a balance must be found between what the community requires and what the agency realistically has the capacity to undertake.<sup>99</sup>

Where payments are intended not only to help people meet ongoing consumption needs but also to enable them to invest, agencies may decide to pay a portion of the wages each week, while retaining the rest so that people receive a significant sum as a final payment – enough to buy livestock or contribute towards building a house, for instance. This would depend upon agreement with workers and their communities. One successful practice has been to make the final, large payment into an account at a local savings and credit organisation. This meets three goals: it gives people a sizeable sum for investment; it reduces the risks involved in making the larger payments in cash; and it helps people to establish a relationship with a reputable financial services organisation.

## 7.5 Implementation

There are legal and administrative issues to consider when setting up Cash for Work activities. It is important to determine if any labour and taxation laws will be applicable to the project. In particular, being classed as an employer generally has significant legal and tax implications, and may also make it difficult for an agency to set wages below a certain level. If committees have been created to help manage the project, agencies should sign agreements with them and/or local officials (as needed) that clearly lay out each party's roles and responsibilities. When agencies work with local and national authorities or other partners, formal Memoranda of Understanding should be established. While not a common practice, agencies can engage local contractors to undertake a Cash for Work project. There is some appeal to this idea, since it could free up the agency to focus on other issues and contractors may have the skills and equipment required to undertake the work. There is however little documentation on the experiences of agencies sub-contracting Cash for Work activities.

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<sup>99</sup> *Ibid.*

Agencies need to consider questions such as how committees can be created to help manage projects, supervising labour teams and organising work schedules. Basic issues that need to be kept in mind include:

- Decide whether training needs to be provided.
- Discuss with communities what will happen to any equipment or materials at the end of the project.
- Communicate project objectives, the agency's expectations of workers, the conditions under which people will be working and the payment amount and process.
- Establish a culturally appropriate work schedule (i.e. taking into account prayer times, public holidays, etc.).
- Ensure that working hours correspond to participants' physical condition and competing demands on their time (in terms of both timing and total hours worked).
- Organise workers into groups that are small enough to enable supervision (ACF and Mercy Corps guidelines recommend no more than 25 people per supervisor).
- As the main corruption risk for Cash for Work projects is 'ghost workers', registration lists should be verified through unannounced monitoring visits.
- Engage with appropriate government departments where necessary to monitor projects and ensure that standards are met.

Attention needs to be given to the dignity of workers (see Chapter 4.1 on 'Participation, sensitisation and accountability'). In Haiti following the 2010 earthquake making participants in Cash for Work projects wear agency T-shirts was seen by one evaluation as stigmatising: 'while cash for work programs help to inject desperately needed cash into the economy, the colourful T-shirts which beneficiaries wear, with agency rather than government logos, tend to stigmatize the beneficiaries and undermine the credibility of the government, which is not seen to be doing anything for the population'.<sup>100</sup>

Ensuring the safety of workers is a key concern and safety measures should be put in place, such as ensuring that machines are operated only by experienced workers, providing a first aid kit at the work site and determining in advance how any injuries will be dealt with (e.g. providing transport to a local hospital or clinic in the case of a serious incident). Hygiene kits can also be distributed. There is little documentation of how agencies respond if workers are injured or killed while participating in a Cash for Work project, but agencies recognise the need to develop clearer policies and procedures in this

100 F. Grunewald and A. Binder, *Inter-Agency Real-Time Evaluation in Haiti: 3 Months after the Earthquake*, URD and GPPI, 2010.

area. In Haiti, the government stipulates that all agencies embarking on CFW activities contribute to a government-held insurance fund.

## 7.6 Gender and vulnerable groups

Cash for Work projects should take into account particular issues related to vulnerable groups. This should go beyond assumptions about vulnerability to explore how the specific needs of vulnerable groups can be met. Assessments should consider gendered divisions of labour within the context of the planned programme, and how a CFW programme can respect gender-differentiated work patterns whilst enabling both women and men to participate. In strongly patriarchal societies, finding ways for women to participate in CFW projects can be challenging, though by no means impossible.

### **Box 39: Gender issues and CFW in Pakistan**

In response to floods in Pakistan, one of Oxfam's first interventions was a Cash for Work project. Whilst men could be involved in programmes such as road building and cleaning irrigation channels and drains it was culturally inappropriate for women to do this work. Instead, women were employed in their homes making shawls, jumpers and quilts. People had lost these items in the floods, and with winter approaching they would be needed locally. Where training was needed, the most accomplished women in the village were identified to pass their knowledge on. The women were provided with materials and £52, the same amount as the men. When the items were finished, the local partner NGO collected and distributed them.

In addressing vulnerability, agencies should:

- Ensure that physically and socially vulnerable groups are provided with alternative means of assistance through cash vouchers or grants, or are given lighter tasks that do not require heavy labour. For example, women may be paid to prepare meals for male labourers or to look after the children of workers. The elderly or handicapped may be allowed to select someone from the community to perform their work for them if no one in their family is able to handle the physical toll.
- Build in time to track down vulnerable households not initially considered by community leaders, perhaps due to their estrangement from community life or the social stigma attached to their poverty. Encourage their participation in the programme.

- Based on the project objectives and community input, consider whether it would be better to employ fewer workers from the neediest families for a longer period of time, or to spread funds over a larger segment of the population for a shorter period.
- Set age limits for individuals participating in CFW activities. Some agencies permit workers under the age of 18 in situations where families rely heavily on income from children's work. Conditions attached to such participation include setting a minimum age (e.g. at least 15 years old); that work does not affect school attendance; that work is appropriate to physical ability; and that younger labourers are allowed to take longer work breaks.<sup>101</sup>

## 7.7 Monitoring

Key issues to consider in the monitoring of Cash for Work projects are outlined in Table 18. It is important to monitor the quality, usefulness and sustainability of the assets being created and the impact of the cash on participating households.

**Table 18: Cash for Work: key monitoring issues**

Question	Monitoring method
Did the CFW project build useful and sustainable community assets?	Assess the quality of assets built and sustainability issues, such as arrangements for maintenance
Did it affect local labour markets?	Local casual labour rates before and after Cash for Work projects Interviews and focus group discussions with labourers and employers
Did participation in CFW interfere with other work opportunities or caring or social obligations?	Interviews and focus group discussions with male and female beneficiaries Map CFW work obligations against a seasonal calendar
Were wages set at self-targeting levels?	Wage levels compared to casual labour rates
Were women able to participate?	Project guidelines Levels of female participation
What was the level of employment (disaggregated according to gender)?	Number of people who worked, disaggregated by gender and if possible marital status, household type (female-/male-headed) and former occupation Number of work days provided in total by the project Number of average work days per household

<sup>101</sup> Mercy Corps, *Cash for Work Guidance*.

(continued)

**Table 18** (*continued*)

Question	Monitoring method
What impact did participation in CFW have on household livelihoods?	Income earned through CFW as a % of normal monthly income Number of work days provided in total for village and average across project area
Were labour-poor households excluded? What provisions were made for those unable to work?	Find out whether policies were in place to ensure support was provided to labour-poor and vulnerable households Find out if children worked, or if they were excluded. If children were excluded, were their needs addressed?

## 7.8 Ending CFW projects

Cash for Work interventions to meet humanitarian needs are short-term and are not designed to create employment opportunities over the medium and long term. Project closure should be planned for from the outset, with communities and workers informed of the timeline of the project. Agencies may phase out the project by decreasing the number of work days per week so that income flows do not end abruptly, providing a cushion for households to explore other work opportunities.

Project closure also involves handing over any infrastructure to those taking responsibility for the management and maintenance of the assets created. Maintenance is however a notoriously tricky aspect of Cash for Work programming, particularly if the responsibility is left to communities rather than the government. Sustainability is best achieved by creating a sense of ownership within the community of the assets created, through community participation in the selection, planning and implementation process, and by making provision for maintenance. In two Cash/Food for Work projects in Nepal, for instance, local communities have been involved in the planning process, user committees have been formed and maintenance funds have been established with arrangements for regular financial contributions.<sup>102</sup>

<sup>102</sup> P. Harvey et al., *Instruments and Standards in Food Assistance Standards for In-Kind Food Aid, Cash Transfers and Vouchers*, forthcoming internal report for GIZ, 2011.



## Chapter 8

### Conclusion

This Good Practice Review is intended to contribute to the body of learning being developed about when and where cash-based responses to emergencies are appropriate. Cash can clearly play a part in assisting people after emergencies across a range of sectors. It can support access to food, help to rebuild or protect livelihoods, help to meet shelter and non-food needs, support refugees and be part of return and reintegration processes. Cash and vouchers should be seen as complements as well as alternatives to in-kind assistance. Giving people cash does not imply simply giving people money without attention to what complementary interventions might be needed to address issues such as land rights, gender inequalities or support for markets.

This review is by no means the last word on this subject and there is a need for continued research and learning around a host of issues, including challenges involved in scaling up cash-based responses, when combinations of cash and in-kind assistance are most effective and opportunities for better connecting international cash aid with national responses and longer-term social protection. Key areas where further learning, research and development of good practice are needed are suggested below. Some of these areas involve further research to develop an evidence base for good practice. What is also needed, however, is ongoing work on the part of humanitarian aid agencies to embed cash programming in standard operating policies and processes.

*Scaling-up cash transfers.* Experience with the implementation of cash transfers on a large scale is increasing, but lessons need to be documented and evaluated.

*Working with governments.* In some cases governments have taken a leading role, such as in the response to floods in Pakistan in 2010, where the national disaster management authority, in collaboration with Visa and a local bank (United Bank Limited), provided cash to approximately 2 million beneficiaries. However, there is very little documentation, published learning or critical evaluations from large-scale government responses as aid agencies tend to be much better at evaluating their own programmes than engaging with government ones. Attempts to critically evaluate and learn from government-led cash responses and to think through the potential role of national and international aid agencies in supporting or complementing government-led responses are long overdue.

*Linking with social protection.* Far more could be done to link emergency cash-based responses with longer-term social protection programmes. Experiences such as the Productive Safety Net in Ethiopia and the Hunger Safety Net in Kenya are examples of possible alternatives to the recurrent provision of emergency food aid over many decades. There is huge potential to design long-term social protection programmes in ways that enable them to be expanded to help populations cope with shocks.

*Combining cash and in-kind assistance.* Too often cash and in-kind assistance have been presented as either/or choices, inhibiting analysis of when different combinations of assistance might be appropriate. A growing focus on nutrition and on the nutritional quality of food assistance provides opportunities to combine cash with interventions that tackle malnutrition more effectively.

*Embedding cash.* Cash-based responses have tended to be seen as a separate type of response and managed in separate units. When the use of cash was relatively new within organisations there was a case for treating it separately, but as it becomes more established it needs to be embedded in standard guidelines, policies and operating procedures. The option of giving people cash needs to be included in assessment guidelines and training, induction procedures for new staff, financial management protocols, contingency planning and preparedness exercises and sectoral policies and guidelines.

More work is needed to ensure that humanitarian actors routinely consider cash as an option, and are equipped to decide whether or not it is appropriate, including the skills and capacity to analyse markets. Agencies need to do more to develop the capacity to deliver cash and monitor its impact and effectiveness, including embedding cash responses in contingency planning and disaster preparedness processes. As this review shows, there is a large body of experience and learning to draw upon, and enormous strides have been made in ensuring that giving people money is firmly on the humanitarian agenda.

## Annex 1

# Cash transfer programming: guidelines and resources

## Cash resources

Resource	Publishing agency
<b>Cash transfer guidelines and tools</b>	
Guidelines for Cash Transfer Programming	International Red Cross and Red Crescent Movement (2007)
Cash-Transfer Programming in Emergencies	Oxfam (2006)
Cash and Vouchers Manual	World Food Programme (2009)
Cash Workbook: A Practical User's Guide for the Preparation and Implementation of Cash Projects	Swiss Agency for Development and Cooperation (2007)
Implementing Cash-Based Interventions	Action Contre La Faim (2007)
A Practical Guide for Cash-Based Response in Emergencies	Horn Relief (2007)
Delivering Money	CaLP (2010)
Cash-based Responses in Emergencies	Humanitarian Policy Group (2007)
The Use of Cash and Vouchers in Humanitarian Crises: DG ECHO Funding Guidelines	ECHO (2009)
The Sphere Project (Chapter 4.3)	The Sphere Project (2011)
<b>Voucher programming</b>	
Agriculture in Emergencies: Guidelines On the Use of Seeds, Fertilisers and Cash	British Red Cross (2000)
CRS Seed Voucher and Fairs: Using Markets in Disaster Response	Catholic Relief Services (2004)
Implementing Cash-Based Interventions	Action Contre La Faim (2007)
<b>Cash for Work</b>	
Cash For Work Programming: A Practical Guide	Oxfam (2002)
Guide to Cash-for-Work Programming	Mercy Corps (2006)

## General programming resources

<b>Assessments and decision-making</b>	
The Practitioners' Guide to the Household Economy Approach	Save the Children UK, RHVP and Food Economy Group (2008)
Emergency Market Mapping and Analysis	Practical Action (2010)
Market Information and Food Security Response Analysis	Food Security (2009)
Emergency Food Security Assessment Handbook	WFP (2009)
Comprehensive Food Security and Vulnerability Analysis Guidelines	WFP (2009)
<b>Accountability</b>	
The 2010 HAP Standard in Accountability and Quality Management	Humanitarian Accountability Partnership (2010)
<b>Targeting</b>	
Targeting and Distribution in Complex Emergencies Part I: Participatory Management of Food Assistance	Feinstein International Center (2010)
Guidance Notes for Targeting in Complex Emergencies	World Food Programme (2009)
<b>Corruption</b>	
Preventing Corruption in Humanitarian Operations: Handbook of Good Practices	Transparency International (2009)
<b>Security</b>	
Operational Security Management in Violent Environments	Humanitarian Practice Network (2010)
<b>Food security and livelihoods</b>	
Food Security and Livelihoods Programming in Conflict: A Review	Humanitarian Practice Network (2009)

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