



# Challenging the system: humanitarian cash transfers in Iraq

Kristin Smart

## Key messages

- Cash transfers in Iraq have been a critical part of both the humanitarian and government-led response across the country, resulting in the inclusion of 'multipurpose' transfers as a separate section of the 2015 and 2016 Humanitarian Response Plans.
- Technical and contextual factors have limited the uptake of cash programming at scale, and discussions around how a multi-sector approach to cash assistance fits within the existing humanitarian structure complicated efforts to use cash effectively.
- Maximising the potential of cash transfers will require coordination and leadership and agreement on basic technical components of cash programming. Ensuring the more strategic use of cash transfers in Iraq will entail ensuring that inter-agency incentives, politics and the drive for self-preservation do not get in the way of more effective humanitarian response.

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# Executive summary

Cash assistance has become a central discussion in humanitarian action, highlighted by recent reports by the High Level Panel on Humanitarian Cash Transfers and the World Bank, and by the commitments made at the World Humanitarian Summit. These initiatives recognise the opportunities cash offers to deliver an accountable response providing dignity and flexibility to people in need. Given the trend towards longer-term protracted humanitarian crises, cash has also been recognised for its role in supporting local economies and linking humanitarian assistance to longer-term assistance and social protection systems.

However, this recent global acknowledgement of the potential of cash has not been matched with practical guidance on how a shift towards cash can be accommodated within the humanitarian system. At the country level, cash transfers have been taken forward in different ways depending on the interests and perspectives of the individuals and agencies involved. This study examines the evolution of cash transfers in the humanitarian response in Iraq in order to understand the factors that shaped the response, and to identify the challenges and barriers to using cash transfers to their fullest potential.

## Cash transfers in the humanitarian response in Iraq

The most recent conflict in Iraq began in late 2013, with the movement of Islamist fighters into the country's central governorates. According to the 2017 Humanitarian Response Plan (HRP), 11 million people – nearly a third of the population – are in need of humanitarian assistance. Iraq is also home to over 200,000 refugees from the conflict in Syria. There is little sign that either crisis will ease in the near future, and humanitarian needs are projected to increase over the course of 2017.

Iraq, as a middle-income country with an established social transfer system, provides a solid foundation for a cash-based response to humanitarian needs. Despite the conflict, markets are reportedly functioning in areas under the control of the government, and financial service providers have maintained access to areas of displacement across the country. Cash as part of the humanitarian response was initially used in 2014 in the response for Syrian refugees in Northern Iraq. By the end of 2014, vouchers and cash transfers had become a central part of the response to internally displaced people, and by 2015

the UN High Commissioner for Refugees (UNHCR), the World Food Programme (WFP) and international NGOs were leading large-scale cash and voucher programmes. A Cash Working Group (CWG) under the leadership of UNHCR and Mercy Corps was formed, as well as an NGO-led Cash Consortium.

As the size, coverage and evidence base in support of cash grew, actors involved in cash programming in Iraq began to advocate for a multi-sector approach in the overall response. Led by the CWG, a multipurpose cash assistance (MPCA) strategy was developed with the support of the Humanitarian Coordinator, donors (in particular ECHO) and members of the Humanitarian Country Team (HCT), and added as a separate chapter in the revised 2015 HRP. The CWG took the lead for the strategy and was given a seat at the Inter-Cluster Coordination Group (ICCG). Although this provided an opening for cash in the humanitarian system, technical challenges and operational barriers have thus far prevented cash programming from reaching its full potential.

## Challenges and barriers

The uptake of cash transfers in the response confronted agencies with significant challenges, both in the broader Iraqi context and in the operational environment. Agencies providing cash have been limited by the lack of effective financial service providers capable of physically delivering cash assistance, and have had to rely heavily on money transfer companies. Forging practical links with government systems has proved challenging, and there are fundamental disagreements between humanitarian agencies and the government around targeting. At the national level cash programming appears to be accepted, with the caveat that humanitarian cash transfers do not duplicate the government-led cash response, though there appeared to be no means to effectively coordinate or verify beneficiaries and avoid duplication. The complicated targeting systems of humanitarian agencies did not align easily with the blanket approach to social transfers Iraqis are accustomed to.

Within the operational environment, limited technical guidance was available to agencies programming cash, and there were differences of opinion on the feasibility of cash as a first-line modality, affecting the priority given to preparedness for cash responses. Discussions around how a multi-sector approach to cash assistance fits within the existing humanitarian structure complicated efforts to

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use cash effectively and at scale. Inter-agency politics and disagreements around MPCA and cash coordination were played out in the CWG. Following the inclusion of MPCA in the HRP, expectations that the CWG would deliver a harmonised and technically sound cash response were high, but without agreement on strategy, lack of access to resources and high turnover in its leadership the CWG has not performed as hoped. Although there was support for the inclusion of multi-sector cash transfers within the humanitarian response, high-level political rhetoric supporting humanitarian cash transfers was not matched by the requisite institutional incentives.

## Conclusion

Cash transfers in Iraq have been used to meet the critical basic needs of a highly vulnerable population, providing them with dignity and flexibility in a context of uncertainty and economic need. Cash has earned a place at the centre of the humanitarian response, facilitated through the support of government counterparts and the private sector. Regardless of differences over strategy

and coordination, respondents in this study expressed a general awareness that cash is the future of humanitarian aid. It is the responsibility of agencies and individuals alike to ensure that inter-agency incentives, politics and the drive for self-preservation do not get in the way of more effective humanitarian response. There are clear opportunities to do cash better in Iraq, and a real need for humanitarian aid agencies to put aside politics and collaborate more effectively. Much more could be done to provide efficient, effective and better-coordinated cash now, without waiting for global guidance which is likely to be a long time coming. Putting aside for now the vexed question of where cash sits within the humanitarian system and agreeing on basic principles and areas for action might help. These could include better technical and strategic coordination among agencies, closer coordination among donors supporting cash programming, the systematic inclusion of cash in preparedness and contingency planning processes, agreement on a transparent and appropriate transfer amount and a harmonised information management platform and support for the use of digital mechanisms and private sector partnerships to deliver cash assistance.

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# 1. Introduction and background

There is growing recognition at the global level of the opportunities the provision of cash assistance, as opposed to the distribution of in-kind aid, offers in terms of increasing dignity and meeting the critical needs of people of concern. Cash also has the potential to increase the cost-effectiveness of a response and address longer-term protracted crises. This study builds on recent work by the World Bank, the Overseas Development Institute (ODI) and others to strategically take forward cash transfer programming at scale, and as a central component of humanitarian response. As noted in the recent report of the High Level Panel on Humanitarian Cash Transfers, the role of cash programming in humanitarian response is receiving recognition as a dignified and effective response capable of meeting needs across sectors in a humanitarian crisis. In order to build on the opportunities cash programming provides, the humanitarian community needs to examine how cash has been taken forward in different contexts and how it has shaped the humanitarian response more broadly.

Iraq was selected as a case study because the context is conducive to cash programming, and the humanitarian community there has taken steps to formally recognise the role of cash assistance in the response. The country has functioning integrated markets, financial service providers (FSPs) and an existing culture of social transfers. It was also the first response to include multi-sector cash transfers as a separate line in the Humanitarian Response Plan (HRP) in 2015. This acknowledges the importance of cash as a means to meet needs in multiple sectors, alongside other forms of assistance. By highlighting how cash came to be recognised in the humanitarian response and how it evolved, this study aims to inform global debates on cash transfers.

## 1.1. Methodology and approach

The case study research centred on a literature review, key informant interviews with individuals representing UN and humanitarian agencies, donors and the Red Cross Movement and a series of discussions in-country with technical cash practitioners, members of the Cash Working

Group (CWG) and decision-makers in the Humanitarian Country Team (HCT). A survey was also conducted with CWG and HCT participants to collect feedback on the initial findings compiled from the interviews. In total, 46 individuals were consulted, representing the views of 33 humanitarian actors. The research was led by an independent consultant with oversight, support and input from ODI. The report is part of a series of case studies building on the findings of the High Level Panel on Humanitarian Cash Transfers, covering the Democratic Republic of Congo, Iraq, Mozambique and Nepal.

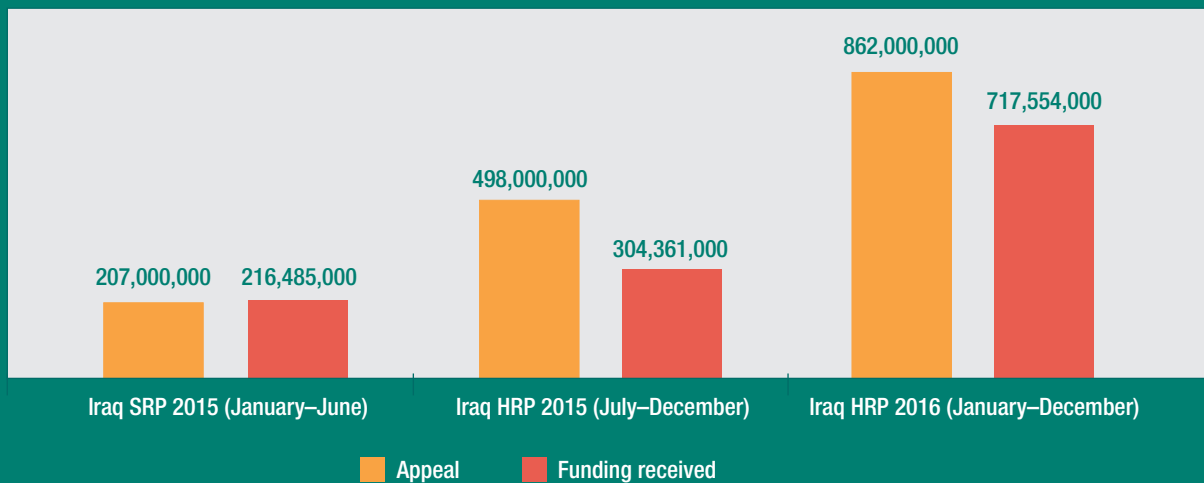
A key limitation of this study was the time that elapsed between the interviews and the in-country discussions, which meant that some of the initial findings compiled from the interviews lost relevance. Data on the volume of assistance delivered through cash and vouchers was limited: at the time of the initial data analysis, in August 2016, the in-country aid tracking system, Activity Info, was not used by cash programming partners and the CWG did not have an updated system to gauge the scale of the cash response. Although the CWG had compiled a database on on-going cash programmes implemented by its members just before the report was finalised, this was not included in the analysis due to gaps and uncertainty in the data provided. As a result, this report relies on data reported in the UN Office for the Coordination of Humanitarian Affairs (OCHA)'s Financial Tracking System (FTS).<sup>1</sup> However, while FTS provides a general estimate of the scale of the cash response, it is a self-reporting system requiring agencies to actively upload and update information, and as such cannot be taken as fully representative of cash programming in Iraq.

The report refers to 'cash transfers' and 'cash grants' to mean giving people money. 'Vouchers' refers to paper coupons or digital credit that must be spent on specific goods and services and from certain vendors and were not covered in depth in this study. 'Cash-based responses' have until recently included both cash and vouchers. However, the High Level Panel on Humanitarian Cash Transfers emphasised that cash transfers and vouchers should not be conflated, as they present quite different opportunities

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<sup>1</sup> Accessed at <https://fts.unocha.org>.

Figure 1: Iraq Humanitarian Response Plan requirements and funding, 2015–16



Source: FTS, Iraq Summary, 3 January 2017, [ftsbeta.unocha.org](http://ftsbeta.unocha.org).

and constraints. ‘Multi-purpose’, a relatively new addition to the lexicon, specifies that a cash transfer programme is based on an analysis of a household’s basic needs across sectors (as opposed to needs corresponding to a specific humanitarian sector, such as food).

The case study is structured as follows. The final part of this section gives some background to the crisis in Iraq and the humanitarian response. The evolution of cash transfers, including key players and the scale of the response, is outlined in the next section. The third section examines the barriers and challenges faced in the strategic use of cash transfers in Iraq by highlighting the difficulties cash has posed to the existing humanitarian architecture. The final section concludes the paper by offering suggestions on how cash can be taken forward more strategically in Iraq.

## 1.2. Background to the crisis in Iraq

Iraq faces both on-going internal conflict and the repercussions of the war in neighbouring Syria. The current conflict began in late 2013 with the movement of Islamist fighters into the country’s central governorates and rising tensions between Sunni leaders in Anbar and the Shia-led government in Baghdad. By April 2016, the crisis had become ‘one of the largest and most complex in the world, impacting nearly one third of the population’, with an estimated 10 million Iraqis requiring some form of humanitarian assistance (OCHA Iraq, 2016). Over 3m Iraqis have been displaced, in addition to another 200,000 mainly

Kurdish refugees fleeing the conflict in Syria (UNHCR, 2016). The great majority are living outside camps, putting significant strain on local assets, social services and infrastructure (IOM, 2016; UNHCR, 2016). These pressures have been compounded by a 40% cut in public spending in response to substantially reduced oil revenues, leading to increased poverty, vulnerability and unemployment (World Bank, 2016a; 2016b). The scale and severity of the crisis is reflected in its designation as a Level 3 emergency, the highest category under OCHA’s classification system.

## 1.3. The humanitarian response to the crisis

The response began with a humanitarian appeal launched under the Strategic Response Plan (SRP) for 2014–15, requesting \$2.2 billion to meet the needs of 5.2m Iraqis. Since then two additional Humanitarian Response Plans (HRPs) for 2015 and 2016 have been launched, summarised in Figure 1. Alongside the HRP funding appeals, OCHA released a flash appeal in June 2016 in response to a planned government offensive to retake the city of Mosul from Islamic State. This requested an additional \$283.7m, and as of December 2016 was 96% funded (OCHA, 2017). Agencies received another \$815m in bilateral funding in 2016. In all, since 2014 the humanitarian response in Iraq has received over \$3.4bn in funding disbursed across 185 humanitarian actors, including 32 national non-governmental organisations, 15 UN agencies and 138 international NGOs.



# 2. The evolution of cash transfers in Iraq

Iraq is highly conducive to cash transfer programming. Although basic services and infrastructure have been badly affected by the conflict and by the government's fiscal situation, markets have continued to function and there is a strong import–export trade with neighbouring Turkey. Humanitarian agencies and the government alike have used cash transfers to deliver critical humanitarian assistance. This section examines the use of cash transfers between 2014 and 2016, and the key players in the cash response.

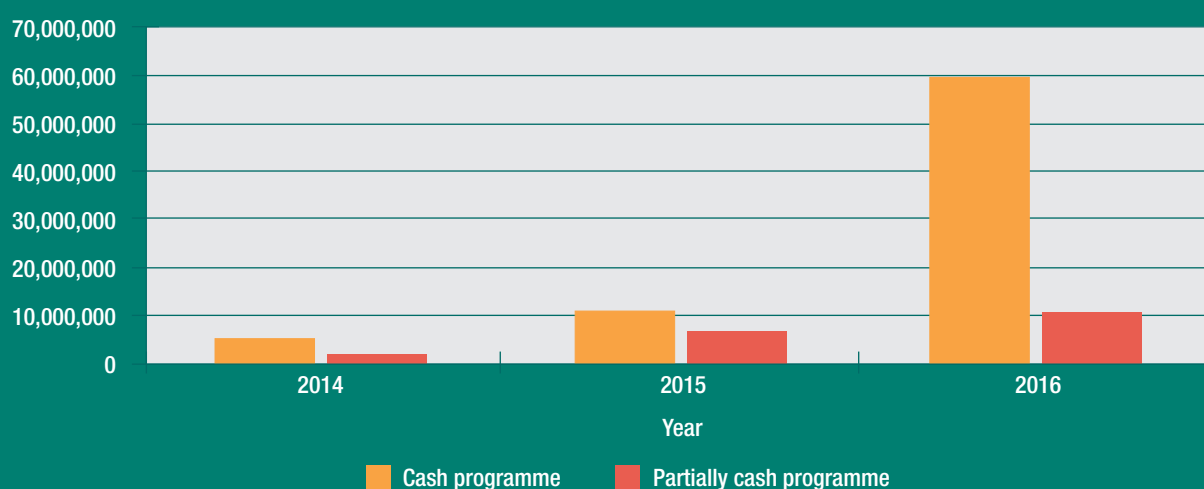
## 2.1. Overview of cash transfer programming in Iraq

Cash transfers in the current response began in early 2014, when agencies provided conditional cash transfers (cash for work, livelihoods grants) as part of a regional refugee programme in Iraqi Kurdistan. By 2016, the total humanitarian cash and voucher response in Iraq was estimated at over \$72m.<sup>2</sup> It should be noted that

there is likely to be significant under-reporting, with data on cash programmes not systematically uploaded to OCHA's FTS or the in-country reporting system, Activity Info, also managed by OCHA. Figure 2 shows the rapid increase in cash-based programming between 2014 and 2016. Figure 3 illustrates that the majority of assistance was unconditional, with much smaller amounts being given conditionally, as vouchers or as cash for work. The unspecified portion of 23% represents cash programmes that clearly referred to cash in the project description, but with little information given on the modality used.

UNHCR manages a sizeable cash transfer programme, assisting nearly 15,000 refugee families with multi-purpose cash grants.<sup>3</sup> The agency has piloted various transfer mechanisms, including bank transfers, the Iraqi Smart Card System (referred to as the QI Card) and mobile money (cash transferred via mobile phones). In late 2016, UNHCR introduced an information management system to support its cash transfer programming, ASSIST, which tracks cash transfers and provides a platform for managing the distribution of assistance.

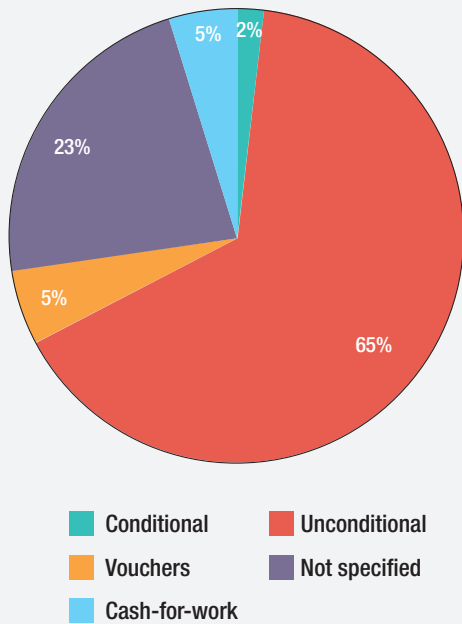
Figure 2: Funding to cash programmes, 2014–16



2 FTS, December 2016, plus data from the Cash Consortium of Iraq (\$28m) not included in the FTS data for 2016.

3 See <http://reporting.unhcr.org/node/2547>. 6.

Figure 3: Types of cash-based responses, 2014–16



Over the past three years the World Food Programme (WFP) has progressively shifted from direct food aid to the provision of cash or vouchers to meet food needs. Following the initial use of a voucher programme in the refugee response in Iraqi Kurdistan, WFP began providing unconditional cash transfers and vouchers in the IDP response in 2015. In 2016 the agency introduced the WFP SCOPE Card, a smart card distributed to money transfer companies. By the end of 2016, WFP was reportedly reaching 550,000 IDPs across Iraq with a monthly cash transfer. International NGOs also quickly adopted cash to meet the needs of displaced households.

A Cash Working Group (CWG) was formed in August 2014 under the leadership of UNHCR and Mercy Corps. Although attendance in the CWG was generally good, meaningful participation was low and few significant steps were taken to provide standardised tools or a strategy for cash programming. Of the 30 members of the working group, only 11 were reported to be actually delivering cash transfers, and of those few actively participated in CWG meetings. Partly in response to the limitations of the CWG, and the low level of technical guidance and harmonisation it was providing, in March 2015 four international NGOs – the Norwegian Refugee Council

(NRC), the Danish Refugee Council (DRC), Mercy Corps and the International Rescue Committee (IRC) – formed a smaller grouping, the Cash Consortium of Iraq (CCI). The four partners, along with the International Organisation for Migration (IOM), were initially part of an ECHO-initiated ‘ECHO Alliance’ under which they were required to work towards a standardised approach in terms of the response strategy, transfer values, the duration of transfers and monitoring tools. The consortium formed out of the ECHO cash alliance following discussions between the members and the signing of a ‘teaming agreement’ outlining the consortium’s structure, including a Steering Committee and a Technical Working Group.

The initial direct grant to fund the consortium was provided through the lead agency, Mercy Corps, with support from the Canadian government in May 2015. The consortium partners split the delivery of assistance based on geographic areas of coverage. Technical responsibilities were also divided between the partners. In addition to funding received via the lead agency, consortium members also receive funding bilaterally from ECHO and other donors.

By mid-2015, international NGOs were beginning to use the term ‘multi-purpose cash assistance’ (MPCA) to refer to unconditional and unrestricted transfers designed to address a range of needs. With the uptake of multi-purpose cash programmes agencies were contributing to a multi-sector response that was unaccounted for in the sector-based humanitarian system. By one estimate, the total unreported value of aid distributed via multi-purpose cash assistance in 2015 was around \$45m.<sup>4</sup> In an effort to recognise the role of multi-purpose cash assistance in the response, MPCA was incorporated into the HRP process; the CWG, the lead for MPCA, was given a seat at the Inter-Cluster Coordination Group (ICCG), and was recognised as a ‘semi-cluster’<sup>5</sup> alongside its role as a technical body providing support to its members and the clusters on cash as a programming modality. Although initially allocated what has been referred to as a placeholder in the revised 2015 HRP (1% of the overall appeal, or \$5m), the following year a larger appeal for MPCA was approved representing 4.5% (\$39m).<sup>6</sup>

Both the 2015 and 2016 MPCA chapters within the HRP centred around two lines of support, the first a one-off transfer to newly displaced households of \$360 to cover a basket of basic needs, and a second-line response of two additional transfers (again of \$360) to the most vulnerable within this group and the host community. The transfer value is calculated based on the Survival Minimum Expenditure Basket developed by the CWG and partners.

4 Key informant interview, July 2016.

5 ‘Semi-cluster’ is a term used by agencies in Iraq familiar with the Cash Working Group’s position alongside the other clusters.

6 According to FTS, by the end of 2016 MPCA had received funding for 48% of the appeal. However, according to CWG representatives the MPCA appeal had exceeded the funding target for 2016.

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Partners can reduce the value of the transfer if they are aware of other assistance a household is receiving, for example removing the food component of the calculation if the household is also receiving food assistance. The MPCA strategy has been criticised for not taking into account a wider range of beneficiary groups; assistance is perceived as an entitlement programme, and there is duplication with cluster responses and no clear exit strategy.

The government has also provided cash transfers through the Ministry of Displacement and Migration (MoDM) and the Public Distribution System (PDS). The MoDM initially used cash transfers to respond to

displacement through the provision of a 1m IQD transfer (around \$830 at the 2014 exchange rate). The aim of the programme was to provide displaced households with a one-off transfer following registration with the MoDM. In order to register, individuals had to produce documents (including PDS cards) giving their area of origin. The cash transfers were then completed either through cash-in-hand at ad hoc sites or via the QI Card. The programme faced significant financial challenges in 2015 and came to a halt in 2016. Humanitarian agencies also raised concerns regarding bias in registration and around the transparency of the distribution process.

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# 3. Challenges and barriers to cash programming in Iraq

Although Iraq is considered a conducive context for cash programming, a number of challenges and barriers have prevented cash from reaching its full potential. This section explores the technical and operational constraints to the use of cash in Iraq, as well as broader issues around incentives and inter-agency politics within the humanitarian architecture.

## 3.1. Technical challenges: guidance and expertise

As noted above, the CWG has found it difficult to produce useful technical guidance on cash programming. Respondents highlighted three areas: transfer values; the evidence base on which to build lessons learned; and tracking and monitoring. On transfer values, the CWG has developed a standardised minimum expenditure basket (MEB), but uptake has been limited. Neither UNHCR nor WFP uses the MEB calculated by the CWG to determine transfer values. UNHCR uses a transfer value based on household size, while WFP uses a basket of food goods calculated by its Vulnerability Analysis and Mapping unit (VAM). As of December 2016, data from WFP and UNHCR had not been systematically shared or used to update the CWG MEB. Some respondents, particularly from implementing members of the CWG, reported that confusion around transfer values meant that it was unclear to beneficiaries, communities and government officials why different individuals received different amounts.

The CWG has also developed a standardised post-distribution monitoring tool, but like the MEB there has been little uptake, and little effort has been made to compile data from across agencies to inform a broader analysis of the outcomes of cash programmes. One donor told the study that it was surprising that the PDM findings were not shared and discussed more widely within the CWG since the Group's members share their findings with the donor directly and revise their programmes in line with lessons learned. This implies that individual agencies have a greater incentive to share results with donors, in order to access funding, than to do so amongst themselves

in the CWG, in order to contribute to more informed programming.

The limited meaningful participation of CWG members has made it difficult to track the overall value of assistance delivered through cash transfers in Iraq. CWG partners actively engaged in cash programming do not report it systematically within the OCHA-led aid tracking system, Activity Info, or in the simplified Who, What, Where, When reporting tool (4Ws) circulated by the CWG. Cash is not reported under the CWG, but instead under the relevant cluster; members have little incentive to report cash activities to the CWG because donors either do not require it or are not actively checking, and there is disagreement or misunderstanding around the indicators used for reporting assistance. Over the course of the study the CWG attempted to measure the scale of the cash response, but data is still missing from key partners.

## 3.2. Delivery challenges and the limitations of the private sector

Although Iraq's financial infrastructure offers a range of delivery mechanisms and financial service providers, including mobile money, money transfer companies, distributions via the banking sector and cash in hand, agencies highlighted the limited availability of an effective electronic transfer (e-transfer) mechanism, both in terms of the management of information and the actual delivery of assistance, as a key challenge in using cash assistance at scale. Uncertainty over the capacity of e-transfer systems, particularly mobile money and the Iraqi Smart Card system, to deliver in a timely manner across widespread geographic areas, with real-time information management and delivery platforms, has led the majority of cash actors to rely on the more informal money transfer companies, the *hawala* network. For example, WFP's cash transfer programme, at the time of the study the largest in Iraq, is run through a combination of its SCOPE information management platform and the *hawala* network, which is responsible for the physical distribution of cash. The fact that, as of December 2016, WFP was reaching 550,000

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IDPs across Iraq with a monthly cash transfer illustrates the scope and coverage of the *hawala* system.

### 3.3. Cash as an emergency first-line response

Opinions differed as to the feasibility of cash as a first-line response modality. Several actors reported that insufficient information was available on markets and protection risks in order to effectively deliver cash in fluid contexts or as a response for IDPs on the move. Others argued that cash was feasible as a first-line response as long as preparedness activities, including risk assessments, market monitoring and vulnerability assessments, had been completed, and mechanisms to deliver assistance had been established.

The High Level Panel report on cash transfers recommends investing in ‘readiness for cash transfers in contingency planning and preparedness’, and in 2016 Iraq provided an ideal context for bringing cash into preparedness planning. The humanitarian community was aware of the need to prioritise preparedness and contingency planning in anticipation of the government’s planned military operation to retake Mosul from Islamic State. Unusually, therefore, humanitarian agencies had ample opportunity to prepare their response. However, cash assistance was left out of the Mosul Flash Appeal in July 2016 (OCHA, 2016). When cash actors in Iraq were asked why this omission had occurred, the reasons given included a leadership gap in the CWG at the time, disagreement on whether cash assistance would be appropriate, insufficient preparedness planning for cash assistance and a rushed Flash Appeal process with limited consultation with the clusters.

The Mosul operation did not begin until October 2016, allowing the CWG and partners to address the exclusion of MPCA in the initial Flash Appeal. By the end of 2016, cash actors were able to preposition a MPCA first-line response in the areas around Mosul. The CCI completed market and feasibility assessments, pre-positioned funding and established cash delivery mechanisms in Qayyarah, one of the first communities to receive displaced people from Mosul.

### 3.4. Social protection systems and government acceptance of cash programmes

Forging practical links with government systems has proved challenging. At the national level there appears to have been general acceptance of cash programming within the humanitarian response, both by the authorities in the Kurdistan Region of Iraq (KRI) and the government in Baghdad. However, although the government stipulated that international cash assistance should not duplicate the

one-off MoDM transfer of IQD 1m, in practice agencies were unable to locate and cross-check government lists to verify this. Given the inconsistency of government transfers and the lack of information on who had received them, humanitarian agencies relied on beneficiary self-reporting of MoDM assistance. With little incentive to self-report, it is likely there has been duplication of humanitarian and MoDM cash transfers.

There is also a significant difference of principle and culture between the authorities and the humanitarian community around the question of targeting. Iraq’s longest-running social transfer system, the PDS, is not means-tested, and is provided to all Iraqis regardless of wealth or socio-economic status. In contrast, humanitarian cash programmes are heavily targeted, often using a methodology that is not easy to explain. In some cases, officials required agencies to provide them with beneficiary lists in advance, which would be approved, rejected or approved with some names removed. In other cases, local officials required the addition of other groups in order to access the target group, for example including camps before being given permission to access non-camp areas. Although not commonly reported, agencies were on occasion pressed to use MoDM beneficiary lists. One agency interviewed in Kirkuk governorate said that it had been allowed to carry out its own beneficiary assessments, but on the condition that it also provided transfers to a list of host community members compiled by local officials. These host households were added to the distribution without further assessment or verification. Other agencies reported stopping operations rather than accepting government lists, or negotiating some kind of compromise, for example agreeing to assess households on a government-provided list. Despite the obvious risks to impartiality, operational agencies felt that inclusion errors were worth the cost in order to access people in critical need of assistance.

One of the recommendations of the High Level Panel is for cash programming to link with social protection systems wherever possible, and agencies have taken steps to link cash programmes to wider social safety nets via the Ministry of Labor and Social Affairs (MoLSA) welfare programme for the disabled, widowed, seriously ill or elderly, the PDS and the MoDM cash assistance to IDPs. A referral pathway system developed by the CCI and initially funded by ECHO provides lawyers to assist vulnerable households in obtaining the documentation required to register with social safety net programmes and navigating the registration process with the relevant ministries (IRC, 2016). Although in theory this provides a solid platform for accessing social transfers, the pathway to receiving assistance ‘can be very difficult to navigate, requiring a number of original documents, which can themselves be hard to obtain, especially for those who have been displaced’. In any event, the government’s fiscal crisis means that transitioning humanitarian caseloads to

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government-led social protection systems is not feasible, at least for the foreseeable future, as there is no financing available to support the delivery of further government assistance via the social transfer system.

Development actors including the World Bank and bilateral donors are in discussion with the government to reform and finance the national social protection system, but this is unlikely to deliver a solution in the near term. Given Iraq's history of corruption, international donors have expressed little appetite for direct on-budget support without strong controls and a high level of transparency, which will take time. Meanwhile, there does not seem to be any strategy to address the shortage of funding for a social protection floor, except for the hope that the oil price will rise again in the near future.

### 3.5. Multi-sector cash assistance and the humanitarian architecture

As a multi-sector strategy, MPCA did not fit easily within the existing humanitarian architecture in Iraq. While MPCA opened the door for a multi-sector approach, the grey area between what is considered multi-sector cash transfers and what is considered unconditional and unrestricted transfers to meet sector-specific objectives has allowed agencies the flexibility to report very similar cash programmes under different sectors.

The decision on where to report and recognise unconditional and unrestricted transfers can be looked at through two angles: the objective of the programme (to meet a range of needs or to meet needs in a specific sector); and how the cash transfer itself is used (to support sector-specific needs, or used in varied forms by different households to meet a range of priority needs). Respondents in this study noted that, given the incentive to maintain their mandated approach to delivering assistance within sectors, UN agencies in Iraq largely chose to view cash as a modality to meet a sector-specific objective, regardless of how the cash transfer was actually used by the recipient household. For their part, NGOs led by the CCI partners justified cash as a multi-sector modality based on households using the transfer to meet a diverse range of needs across sectors. The lack of consensus around MPCA meant that, in practice, agencies continued to run large-scale sector-based unconditional/unrestricted cash programmes reported under clusters. UNHCR classifies assistance as 'cash for protection' based on the fact that protection monitoring teams identify target households, and WFP classifies cash programming as 'cash for food assistance' since the transfer value is based on a WFP estimate of food costs for a household.<sup>7</sup>

### 3.6. Coordination and the Cash Working Group

The vexed coordination of cash-based responses in Iraq illustrates the challenge cash posed to the existing coordination architecture and to agencies' business models. There is no global guidance on where the coordination of cash transfers sits within the humanitarian architecture, which revolves around sector-based clusters. As such, the Cash Working Group was in some respects part of a much wider global debate. It was also expected to deliver beyond its means: with the inclusion of MPCA in the HRP, the CWG was provided a seat at the ICCG and recognised as a 'semi-cluster' alongside the other formal clusters in the response, and there was an expectation within the humanitarian community that the CWG would lead a multi-purpose cash response and align its members around the technical details of multi-sector cash interventions, such as transfer values, the duration of assistance and delivery mechanisms. However, neither the CWG nor its members were able to deliver on these expectations.

In part, this failure stemmed from the lack of agreement on a strategy for multi-purpose cash assistance within the CWG. In effect, although there was high-level political support for the inclusion of multi-sector cash as outlined in the MPCA strategy, this has not been matched at the operational level, in terms of practical guidance, management directives and institutional incentives. In addition, the CWG sits below the level of a full cluster, without access to the same resources or status within the cluster system, including information management and funding for dedicated staff. Instead, the CWG has relied on the lead and co-lead agencies and their donors for funding. Although UNHCR and Mercy Corps did manage to recruit leads for the CWG, the political nature of the position meant that there has been a high turnover of holders over the past two years. In 2016 alone the post of UNHCR lead was held by four people and the Mercy Corps co-lead by two, with a gap of close to three months between them. In part as a consequence, the CWG is poorly attended, and has been unable to deliver harmonised tools and procedures.

In the context of limited global guidance on the coordination of cash transfers, the discussion of how cash assistance, particularly multi-sector assistance, should be coordinated, and who should do it, has been left with implementers in the field. In the meantime, the practicalities of delivering cash effectively have gone unaddressed, and agencies have been unable to develop aligned, effective cash programmes at a wider scale, prompting significant frustration across all of the groups interviewed for this study.

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<sup>7</sup> WFP determines calorific shortfall as 1,800 Kcal for IDPs and 2,100 Kcal for refugees.

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This has had an impact on the delivery of cash transfers and on the efficiency and effectiveness of the cash response. Two examples illustrate the point: the use of multiple information management platforms, and issues around beneficiary duplication. Doubling up of information management platforms, linked to the delivery mechanisms, was cited as a key issue for lead cash actors, particularly UNHCR and WFP. At the time of the study WFP was running the SCOPE system and UNHCR the ASSIST platform, while INGOs were using Last Mile Mobile Solutions (LMMS) and RedRose. All these platforms have the capacity to support multiple programmes and transfers simultaneously, but have so far been used to support only the needs of one programme or agency and the management of one transfer. Donors highlighted the inefficiency of using these multiple platforms and the need to adopt a single system to manage and track cash transfers.

Another unresolved issue concerns beneficiary duplication and the most effective use of resources. In theory, by creating a space for cash as a multi-sector response corresponding needs and funding appeals in particular sectors would need to be proportionally reduced, though the cash assistance would not replace technical support and similar functions. For example, the proportion of funding for the Shelter/NFI component of the cash transfer under MPCA would need to be removed from the Shelter/NFI cluster calculation of needs and funding. To do this clusters and sector lead agencies would have to recognise MPCA as a multi-sector strategy. Yet the MPCA approach was viewed as encroaching on

the mandates of other sectors and needs met through MPCA were not reflected in reductions in other sector response plans. To address this, the CWG designed the MPCA strategy with a flexible transfer value, allowing partners to reduce the transfer if they were aware of other forms of assistance being received by the target household or individual. However, the overall efficiency of this approach is questionable.

This inability to adapt to the requirements of a multi-sector response implies that agencies are in competition with each other to maintain control over how cash fits into the overall humanitarian response: for example, WFP leading cash for food assistance, UNHCR cash for protection and the CCI and others leading multi-sector cash for basic needs. Donors have also aligned with different forms of cash transfer delivery and coordination. Some of the major donors supporting the cash response in Iraq, including ECHO, DFID, OFDA/USAID and the Canadian government, all prioritised cash transfers as a response modality, but all took different approaches. As of early 2016, ECHO and Canada were the largest funders to MPCA, whereas DFID maintained strong support for UNHCR and funding to cash for protection. OFDA/USAID meanwhile funded various cash programmes designed to match internal rules and mandates, for example funding an MEB minus the food and medical components of the transfer. These differences among key donors influenced the debates between agencies, and some respondents felt that donors used implementing agencies to push for and advocate for their own preferred strategies.

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# 4. Conclusions

Cash transfers have been used in Iraq to meet the critical basic needs of a highly vulnerable population, providing them dignity and flexibility in a context of uncertainty and economic need. They have been given a place at the centre of the humanitarian response, and have been facilitated through the support of government counterparts and the private sector. Markets have proved stable and integrated enough to absorb the cash response at the current scale, and have provided the goods and services people need. Agencies have reported a shift towards the use of cash assistance as the most effective and efficient means to meet the diverse needs of Iraqis.

Although Iraq is an appropriate context for the use of cash transfers, factors including government acceptance, access, targeting and the availability of electronic transfer systems pose challenges to cash programming on a wider scale. Even with these technical limitations, assistance agencies have been able to deliver large-scale cash response programmes across Iraq. However, cash, specifically multi-purpose assistance, has also posed a significant challenge to the humanitarian system in the country. The multi-sector nature of the cash response led to competition between agencies to maintain leadership and control over the cash response by housing it in various sector-based silos of assistance. This was illustrated clearly by the debates in the CWG, which pulled its leadership in separate directions; resistance to the inclusion of MPCA in response planning; and challenges around cash coordination. Inter-agency politics have hampered technical support for cash programmes and undermined harmonised approaches. Practical issues around how to deliver an effective cash response were not addressed.

Regardless of political agendas and disagreements, respondents in this study expressed a general awareness that cash is the future of humanitarian aid. Yet even with the support of the HC and donors in country, agencies' inability to adapt to this acknowledged reality at the field level was clear. As stated by one senior official in Iraq, 'humanitarian agencies are not going to work themselves out of a job', and would rather wait for global guidance on how to move forward. However, it is also the responsibility of agencies and individuals alike to ensure that agency incentives, politics and the drive for self-preservation do not get in the way of developing a more effective humanitarian response.

There are clear opportunities for better cash programming in Iraq and a real need for humanitarian aid agencies to put aside institutional politics and collaborate more effectively. The call for global guidance avoids addressing the immediate need for practical support. Much more could be done to provide efficient, effective and better-coordinated cash now, without waiting for global guidance which could be some time in coming. Putting aside for now the vexed question of where cash sits within the coordination system and agreeing on basic principles and areas for action might help. These could include:

- Cash programming in Iraq needs to be better coordinated at the technical level. Regardless of where the Cash Working Group sits, it should still be possible to develop stronger technical expertise to support agencies in developing and harmonising systems and approaches.
- Cash also needs to be better coordinated at the strategic level, where the focus should move from inter-agency disputes to how to deliver cash more efficiently and effectively, and how systems can be better harmonised and coordinated. The Humanitarian Country Team and inter-cluster coordination groups provide obvious places for this.
- Donors – particularly ECHO, USAID and DFID – should do more to coordinate their own funding approaches and the signals they send to agencies, including incentives for accurate reporting.
- Cash needs to be much better embedded within preparedness and contingency planning processes. Not having cash as a core part of the Mosul preparedness plan was a significant gap and illustrates a system of analysis, design and planning that isn't working.
- Agree on a system for addressing risks of duplication by developing a transparent and appropriate transfer amount based on clear criteria shared between the CWG and sector-led responses.
- Develop and support the use of e-transfer mechanisms and private sector partnerships for the delivery of cash assistance, including an inter-agency shared information management system for cash transfers.



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