



# Humanitarian cash transfers in the Democratic Republic of Congo

Sarah Bailey

## Key messages

- The provision of humanitarian assistance as cash and vouchers has been the most significant evolution in humanitarian assistance in the Democratic Republic of Congo (DRC) in the last decade. While voucher programmes have increased substantially, cash transfers remain a very small proportion of humanitarian assistance.
- Humanitarian response in DRC has the necessary elements to expand cash transfers where they are appropriate – including support from donors, increasing organisational capacity and growing private sector engagement.
- In order to promote the use of cash transfers in DRC, strategy and funding instruments need to proactively support cash where it is appropriate, and donors and aid agencies need to continue efforts to build capacity.

**Overseas Development Institute**

203 Blackfriars Road  
London SE1 8NJ

Tel. +44 (0) 20 7922 0300  
Fax. +44 (0) 20 7922 0399  
E-mail: [info@odi.org.uk](mailto:info@odi.org.uk)

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## About the author

Sarah Bailey is a Research Associate with the Humanitarian Policy Group (HPG) at the Overseas Development Institute (ODI).

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# Contents

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Acknowledgements	2
Executive summary	5
1. Introduction	6
1.1 Methodology and structure	6
1.2 Humanitarian assistance in DRC	6
2. Cash and vouchers in humanitarian assistance in DRC	8
2.1 The evolution of cash-based responses in DRC	8
2.2 Operational models and delivery mechanisms	9
2.3 Strategic landscape: strategy, policy and coordination	11
2.4 Operational landscape: capacity and infrastructure	12
3. Using cash more strategically in DRC	14
3.1 More cash-based responses – especially cash	14
3.2 Use cash-based responses in flexible ways that cut across sectors	14
3.3 More proactive support for cash transfers in funding and strategy	15
3.4 Ensure predictable and adequately resourced coordination	15
3.5 Continue to push the boundaries on where and how cash transfers are programmed	16
4. Conclusions	17
References	18

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# Executive summary

Over the last decade, important aspects of humanitarian aid in the Democratic Republic of Congo (DRC) have held constant – the significant amount of international humanitarian financing, the large number of humanitarian agencies and the provinces where humanitarian assistance tends to be concentrated. One notable change, however, has been the increase in assistance provided as vouchers and, more recently, cash. With weak financial infrastructure and complicated logistics, aid agencies are testing the boundaries of where and how they can distribute money. This case study considers how cash transfers could be used more widely and in better ways when cash is a more appropriate response than in-kind aid.

Cash transfers are at a crossroads in DRC. On the one hand, the use of cash is growing and most donors and aid agencies accept it as an appropriate approach. UN agencies and NGOs work collaboratively and – unlike in other contexts – have not become embroiled in inter-agency politics around where cash fits in humanitarian strategies and who coordinates it. Through cash and voucher responses, humanitarian organisations have encouraged traders, money transfer agents and mobile network operators (MNOs) to go to areas they have never been. These positive developments are thanks to the creativity of practitioners and the support of key donors interested in improving how assistance is provided.

On the other hand, humanitarian strategy and leadership in DRC have largely been catching up to these developments more than encouraging them. In contrast to voucher approaches, which are used quite widely, cash transfers are driven by a core group of champions, rather than being a standard response, and aid agencies still have further to go in embedding cash transfers within their systems and cultures. In-kind assistance continues to be used where it should not be, and cash transfers account for only a very small proportion of overall humanitarian aid. Some agencies are lagging behind global practice on cash, and the policies and strategies adopted by their headquarters are not translating into adequate national office capacities. Many donors and aid agencies are clearly more comfortable with vouchers than cash, which is seen as more risky.

Humanitarian response in DRC has the necessary ingredients to expand cash transfers where they are appropriate – including support from major donors, increasing capacity and the existence of large programmes already providing cash. Even given the country's limited financial infrastructure, there are opportunities to increase cash responses, and to use vouchers in more flexible ways where cash is not feasible. Putting more funding towards unconditional cash transfers is a simple step that will go a long way in encouraging aid agencies to use cash where it is the most appropriate approach.

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# 1. Introduction

Violence and instability have plagued the Democratic Republic of Congo (DRC) for years. In the east of the country, the depredations of an ever-changing assortment of armed groups and efforts to defeat them have led to repeated and widespread displacement. As a result, DRC has consistently been one of the world's principal recipients of international humanitarian assistance.

Over the last decade certain aspects of humanitarian aid in DRC have held constant – the significant amount of international humanitarian financing, the large number of humanitarian agencies and the provinces where humanitarian assistance tends to be concentrated. One notable change, however, has been the increase in assistance provided as vouchers and, more recently, as cash. With weak financial infrastructure and complicated logistics, aid agencies are testing the boundaries of where and how they can distribute money.

This report examines the use of cash and vouchers in humanitarian aid in DRC and asks how cash programming should evolve. It is part of a series of case studies building on the findings of the High Level Panel on Humanitarian Cash Transfers, which recommended that cash be used more widely, and in ways that take advantage of its transformative potential. The other case studies look at Ukraine, Iraq, Nepal and Mozambique.

DRC was chosen as a case study because cash-based responses have become an important element of the humanitarian response in the country. However, cash transfers are used much, much less than vouchers, and recent experience and evidence suggest that cash has more of a role to play. These factors make for an opportune time for reflection about how to increase the use of cash transfers where appropriate, and for analysing how both cash and vouchers can be used in ways that maximise their potential benefits.

## 1.1. Methodology and structure

The case study research centred on a literature review and interviews with 31 staff from UN agencies, non-governmental organisations (NGOs), donors and businesses. A meeting was also held with the Kinshasa-based Cash Working Group (CWG) to solicit input.

This paper refers to 'cash transfers' and 'cash grants' to

mean giving people money – whether dollars in envelopes, mobile money via mobile phones or cash distributed by money transfer agents. 'Vouchers' refers to paper coupons or digital credit that must be spent on specific goods and services and from certain vendors. When aid agencies create temporary markets specifically for redeeming vouchers, these are 'fairs'. 'Cash-based responses' includes both cash and vouchers, though the High Level Panel on Humanitarian Cash Transfers emphasised that cash transfers and vouchers should not be conflated, as they offer quite different opportunities and pose quite different constraints. 'Know Your Customer' (KYC) refers to rules requiring businesses to carry out procedures to identify a customer (GSMA, 2010).

The remainder of this section provides background to the protracted crisis and humanitarian assistance in DRC. The evolution of cash transfers is examined in Section 2. The third section focuses on what better and more strategic use of cash and vouchers might look like. Finally, Section 4 offers conclusions.

## 1.2. Humanitarian assistance in DRC

People in eastern DRC have faced repeated and protracted humanitarian crises resulting from the long-standing presence of dozens of local and foreign armed groups and efforts by the national army to eliminate them. While groups, leaders and alliances shift, the overall humanitarian consequences have remained broadly unchanged. Civilians face grave human rights violations, displacement, loss of assets, destruction of property and huge livelihoods challenges. Even people not directly touched by conflict are affected by underlying problems of poor governance, endemic corruption, weak rule of law and the failure of the Congolese government to protect its citizens. DRC also hosts more than 450,000 refugees who have fled violence and persecution in neighbouring countries (particularly Rwanda and the Central African Republic). Tens of thousands of South Sudanese arrived in 2016.<sup>1</sup>

DRC has been a major recipient of humanitarian aid for years. Between 2006 and 2015, it was one of the ten largest recipients of humanitarian financing every year but one (Development Initiatives, 2016).

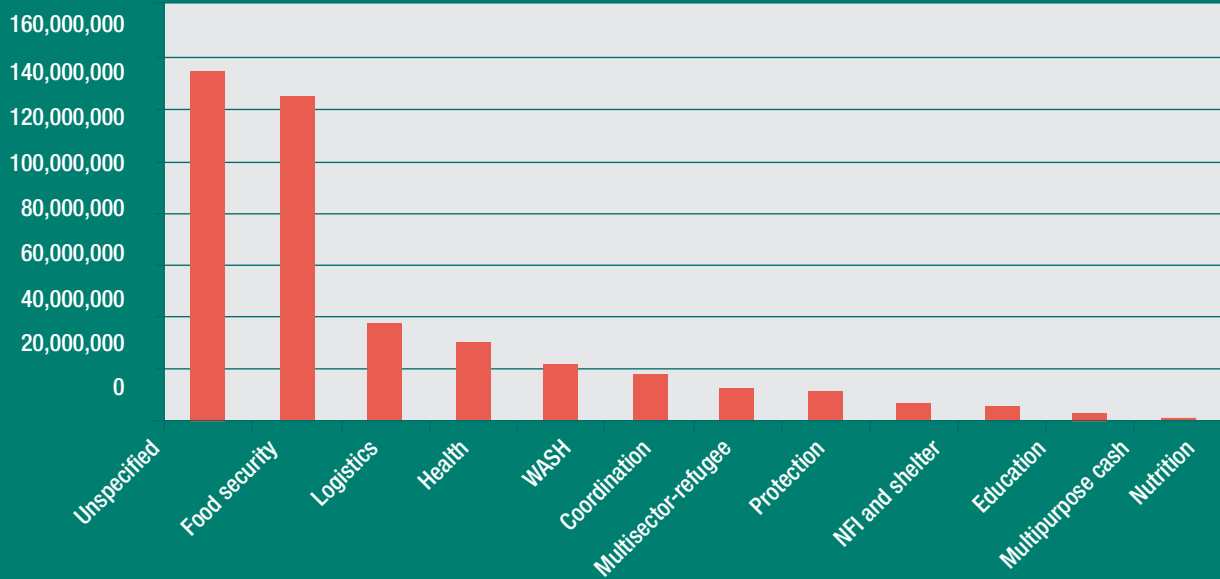
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1. See: [http://reliefweb.int/sites/reliefweb.int/files/resources/Grand\\_Bargain\\_final\\_22\\_May\\_FINAL-2.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/Grand_Bargain_final_22_May_FINAL-2.pdf).

Food security has consistently been a large sector for humanitarian programming, accounting for at least 30% of humanitarian assistance in 2016. Clusters track in-kind and cash-based responses to varying extents, though it

is difficult to say with certainty what portion overall of assistance in DRC is cash-based, given that global humanitarian financing tracking systems do not include tags for cash, vouchers and in-kind assistance.

Figure 1: Humanitarian financing to DRC, 2016 (US\$)



Source: OCHA FTS (accessed January 2017).

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# 2. Cash and vouchers in humanitarian assistance in DRC

The introduction and growth of cash-based responses has been the biggest change in humanitarian assistance in DRC in the last decade. Humanitarian assistance was nearly exclusively in-kind until about 2008, when a small number of NGOs and the UN Children's Fund (UNICEF) began supporting vouchers. Since then, cash-based responses have come to account for a much larger portion of assistance. This section explores the evolution of cash-based responses in DRC and analyses the strategic landscape and operational realities surrounding cash-based programming.

## 2.1. The evolution of cash-based responses in DRC

Cash-based responses have been gradually increasing since around 2004, when Catholic Relief Services (CRS), Action Contre la Faim (ACF) and a few other NGOs began implementing 'seed fairs' (voucher projects where local vendors sell seeds to farmers facing seed shortages). CRS developed this approach in Sub-Saharan Africa as an alternative to distributing seeds (CRS et al., 2002). Cash for work projects were also taking place at this time. Food and non-food assistance, though, was fully in-kind. Aid agencies distributed food commodities and non-food items (household goods such as blankets, cooking pots, utensils, clothing and plastic sheeting).

In 2006, encouraged by positive experiences of seed fairs in DRC and the small-scale provision of cash transfers in response to the Indian Ocean tsunami, CRS undertook a small study and provided cash as an alternative to non-food item (NFI) kits in Maniema province (Bailey, 2007). Two years later, CRS, Caritas and NRC (supported by UNICEF) piloted NFI fairs, where people could purchase household items with vouchers. Several NGOs began implementing similar fairs, and some expanded the items for purchase to include seeds and the option to pay school fees. Evaluations found that people preferred vouchers to in-kind assistance because they offered more choice (Bailey, 2009; Bailey, 2014). By 2013, over 50% of NFI assistance in DRC was being

provided in the form of vouchers, and in 2016 this figure rose to nearly 60% (Michel, 2015). Since the initial pilots, the DRC NFI and Shelter Cluster estimates that 768,000 families (approximately 3.8 million people) have been assisted with NFI vouchers valued at \$57m.

Despite concerns as far back as 2004 that most food aid in DRC was inappropriate given the causes of food insecurity and the availability of food locally (Levine and Chastre, 2004), cash-based assistance as an alternative to food aid took longer to develop. In 2011, ECHO began funding NGOs to implement 'food fairs' (Pietrobono and Friedman, 2012; Bailey, 2014). In 2010, WFP piloted vouchers for food (Spaak et al., 2014), and has since become a major actor in cash-based responses; in 2015, WFP and its partners distributed about \$8m in vouchers and \$8m in cash (WFP DRC, pers. comm.), one of the largest (if not the largest) use of cash transfers by an aid agency in DRC. Cash and vouchers and their associated costs represent 19% of WFP's 2016–17 Protracted Relief and Recovery Operation (PRRO) in DRC; food aid accounts for 53% (WFP, 2015).

Humanitarian organisations and donors were slower to adopt cash transfers than vouchers owing to limited financial infrastructure and insecurity. Unconditional cash transfers were first piloted in DRC in 2011 as part of the DFID-funded UNICEF Alternative Responses for Communities in Crisis (ARCC) programme (see Box 1). A partial tally of cash transfer responses in November 2016 found that eight NGOs had distributed about \$4.6m over the previous 11 months. While cash transfers are increasing, they still account for only a very small proportion of humanitarian assistance in DRC.

Cash and voucher programmes in DRC have been well documented through evaluations and research, resulting in a growing evidence base. NGOs such as Concern and the Norwegian Refugee Council have commissioned multiple evaluations. UNICEF's ARCC programme (see Box 1) has specifically explored the feasibility of different approaches, resulting in the two most rigorous studies on cash and vouchers in DRC – a randomised study comparing cash and vouchers, implemented



## Box 1: UNICEF ARCC programme

The DFID-funded UNICEF Alternative Responses for Communities in Crisis (ARCC) programme began in 2011. In the first phase of the programme, 115,000 people were assisted through voucher fairs for NFI, shelter materials and livelihood-related items. Unconditional cash transfers were also piloted. In the second phase (2013–15), ARCC partners implemented both cash and vouchers activities and distributed \$2.8m to 120,000 people in eastern DRC. In ARCC's third phase the number of recipients increased to 200,000. They received \$3.6m in 2016, with at least the same volume planned for 2017.

All three phases have incorporated learning and research components to support the development of an evidence base on cash transfers in DRC. These have included:

- Training, guidance and capacity-building on cash-based responses.
- Piloting unconditional cash transfers.
- A randomised trial by Tufts University comparing vouchers and cash transfers.
- Research on whether the gender of the person registered to receive the cash transfer and the number of grant instalments affect the use of the grant, decision-making and impact.
- An impact study on cash transfers.
- A study on cash transfers to households with children receiving treatment for severe acute malnutrition.
- Research on the use of cash transfers for protection outcomes for survivors of gender-based violence.

by Concern Worldwide in 2012, and a study by the American Institutes for Research (AIR) analysing data from multiple organisations implementing cash transfers in 2014 and 2015 (Aker, 2012; AIR, 2017). The former found that cash transfers were more cost-effective than vouchers; that vouchers were 26% more expensive than cash; and that cash transfer recipients reported feeling safer than voucher recipients because they could conceal the cash more easily (Aker, 2012).

## 2.2. Operational models and delivery mechanisms

### 2.2.1. Voucher fairs

The large majority of voucher interventions use paper vouchers, rather than the digital vouchers used in contexts including Lebanon, Jordan and Ukraine. While organisations have become adept at implementing voucher interventions over the years, they are often labour-intensive operations because of the many steps involved: printing and distributing tamper-resistant vouchers, identifying and working with traders and counting vouchers to reimburse traders. They are quicker and more efficient in areas where organisations have already implemented fairs and worked with traders. While most voucher fairs tend to focus on a single sector (e.g. food, NFI), some organisations have implemented fairs where the same vouchers could be used to purchase goods and services from multiple sectors

(household goods, food, seeds, animals, school fees and even pre-payment (or debt repayment) for health services).

In 2013, ARCC partner Mercy Corps piloted digital vouchers using the sQuid card, but found that digital vouchers took longer to set up and were more expensive than other delivery mechanisms (digital vouchers were 188% more expensive than cash and 109% more expensive than mobile money) (Murray and Hove, 2014).<sup>2</sup> However, the small number of recipients and short time frame of a pilot influence findings on efficiency, given that it does not consider potential efficiency gains over time. A study in Niger found that mobile money had a higher start-up cost than delivering cash manually, but lower marginal costs per transfer, meaning that mobile money could become the more efficient mechanism over time (Creti, 2014). CRS piloted e-vouchers for food and NFI fairs in 2015 and 2016 using a smartcard and mobile phone-based voucher platform from RedRose, which can track beneficiary purchases and vendors' sales.

### 2.2.2. Vouchers in markets

Aid organisations have used vouchers with traders in local markets as an alternative to creating fairs, particularly when providing assistance near larger trading centres. Agencies have sought to provide wider choice and allow beneficiaries more time to spend their vouchers compared to day-long fairs. However, some NGOs have found that fairs enable them to monitor vendors better and assist beneficiaries who may not understand the process, given that all of the vendors and beneficiaries are in one location.

2 sQuid is a UK- and Kenya-based contactless payments company. The e-voucher system operates in offline, low-power environments using battery operated point-of-sale (POS) devices with SIM cards to transmit transaction data to a centralised, cloud-hosted platform.

### 2.2.3. Cash transfers through manual payments

Aid agencies have delivered cash transfers by manually transporting cash themselves or, more often, by contracting money transfer companies and financial institutions to deliver money. NGOs are influencing the actions of money transfer companies and banks by hiring them to distribute money in areas where they normally would not operate.

### 2.2.4. Cash transfers through mobile money

The mobile money ecosystem in DRC is very young. In 2015, mobile money in DRC had a turnover of about \$55m (by comparison, M-Pesa in Kenya had a turnover of about \$28 billion) (ELAN, 2016).<sup>3</sup> Working with mobile network operators (MNOs) to deliver transfers via mobile money has been a rocky relationship, with mixed results. In some cases MNOs have signed contracts to deliver mobile money that they have not fulfilled or fulfilled with large delays. Another challenge is that registering SIM cards and receiving a transfer of more than \$100 requires an identity document – which many people, particularly displaced people, may not have. While MNOs have been eager to work with the central bank to relax identity requirements and allow for alternative forms of ID, this has not yet yielded results, and identity verification requirements are still more stringent for mobile money providers than for money transfer companies.

### 2.2.5. Single sector and multisector responses

Different models for implementing cash and vouchers have emerged over recent years. As discussed above, agencies have primarily implemented cash-based responses within specific sectors, such as through seed, NFI and food fairs. However, more recently they have started to span humanitarian sectors:

- UNICEF and its partners, as well as NRC, Diakonie, Oxfam and Solidarités International, have supported multipurpose cash transfers (i.e. cash transfers designed to meet a variety of basic needs) (see Box 2).
- ECHO has financed NGOs to add food fairs to NFI fairs implemented through UNICEF's Rapid Response to Population Movements (RRMP) programme. These have tended to be separate fairs at the same location.
- UNICEF, WFP and ECHO partners have worked together to provide two separate cash transfers simultaneously to the same beneficiaries through the same financial services provider. The WFP/ECHO transfer was to cover food needs and the UNICEF transfer to support non-food needs and access to services. The arrangement reduced the time that agencies collectively spent on registration, targeting,

#### Box 2: What are multipurpose cash transfers?

Cash transfers in both humanitarian assistance and social protection programming have long been described as 'unconditional' or 'conditional' depending on whether action needed to be taken by beneficiaries to receive them (e.g. sending children to school). Most cash transfers in humanitarian response are unconditional because conditional transfers tend to have long-term behaviour change and poverty reduction objectives. However, conditions are still sometimes attached to cash transfers in nutrition programmes or larger grants for shelter and livelihoods, whereby governments or aid agencies verify that recipients take certain steps (e.g. rebuilding part of a house) before distributing the money or another instalment of the transfer.

In 2014, some humanitarian donors and aid agencies began using the term 'multipurpose' or 'multi-sector' to describe humanitarian cash transfers. This label emerged out of discussions on cash-based assistance to Syrian refugees in Lebanon, where dozens of aid agencies were providing cash and vouchers within individual sectors. Donors, particularly DFID and ECHO, wanted to encourage aid agencies to use cash transfers more broadly to meet basic needs that spanned sectors (i.e. for multiple purposes), rather than choosing only one set of needs (e.g. food, winter supplies).

In March 2015, the European Union adopted '10 Common Principles for Multipurpose Cash-Based Assistance to Respond to Humanitarian Needs'. The principles state that 'humanitarian responses require needs to be met across multiple sectors, assessed on a multi-sector basis and provided to meet basic needs', and that 'multipurpose assistance should be considered alongside other delivery modalities from the outset'.

delivery and monitoring because these tasks were carried out only once.

These models demonstrate multiple options for providing cash transfers (or vouchers) to meet basic needs, rather than needs in a single sector. It is logical that the most coherent and efficient approach is to have one organisation overseeing a multipurpose grant, as UNICEF has done through ARCC. However, collaboration between UNICEF, WFP and ECHO partners to deliver

<sup>3</sup> See [www.centralbank.go.ke](http://www.centralbank.go.ke).

### Box 3: Coordinated food and non-food cash transfers

Mercy Corps and Diakonie (respectively partners of UNICEF and WFP) have been delivering cash transfers and vouchers to meet needs in UNICEF and WFP's respective sectors. The implementation is usually done independently. However, in 2016 some UNICEF and WFP partners worked together to deliver their individual cash transfers to the same households through the same financial institution on the same day. This required close coordination, with the partners establishing contracts with the financial institution and liaising on targeting and registering households.

The main efficiency gain was in the reduced resources required for targeting because the partners used the same registration data. Targeting/registration tends to be the most time-consuming aspect of an intervention. Enumerators individually interview every eligible household, and the information is entered into a database and filtered on the basis of pre-determined vulnerability criteria. Depending on the size of the intervention area, this process can take up to two weeks and involve up to 40 enumerators, together with team leaders, drivers, a data manager and a project manager. The staff costs alone can exceed \$10,000.

Efficiency has also been increased by funding the same partners to provide food and non-food cash-based assistance. Beginning in 2011, before WFP began using cash and vouchers widely in DRC, ECHO funded UNICEF's NGO partners to add food vouchers to their assistance, thus eliminating WFP from the funding equation. If donors support cash transfers for basic needs from the beginning, this would reduce or eliminate the need to coordinate individual food and non-food cash transfer interventions.

grants to the same households represents a significant step forward in efficiency and coordination (see Box 3).

## 2.3. Strategic landscape: strategy, policy and coordination

When looking at the appropriateness of expanding cash-based responses and how best to achieve this, it is useful first to consider the humanitarian strategies in place, the

policies of major humanitarian actors and the operational realities presented by the DRC.

### 2.3.1. Strategy

There is consensus that both cash and vouchers have a role to play in humanitarian assistance in DRC. Most major donors (DFID, ECHO, SIDA, USAID, CHF) have supported programmes using cash and vouchers. Whereas vouchers are very well accepted as a humanitarian tool, some donors and senior humanitarian staff are more cautious about expanding the use of cash transfers. In part this stems from concern about risk, particularly that a major security or corruption incident could leave in-country donor staff vulnerable to criticism from the domestic legislatures and government bodies that oversee aid budgets.<sup>4</sup> While this study did not find any instances of robberies of NGOs or their partners while transporting cash for assistance, money transfer companies and at least one NGO have been robbed while transporting money for salaries for teachers and health workers.

Key UN agencies including WFP, UNICEF and UNHCR and major international NGOs have all supported unconditional cash transfers. Senior humanitarian leaders, including the Humanitarian/Resident Coordinator, are also open to cash transfers. Cash transfers, and specifically multipurpose cash grants (i.e. cash grants to meet multiple needs), were included in the DRC Humanitarian Response Plan (HRP) as a separate budget line in 2016. This is notable because the DRC HRP was one of only four humanitarian response plans in 2016 to include a separate line for cash transfers, which was a recommendation of the High Level Panel on Humanitarian Cash Transfers. However, the IASC and OCHA have not issued guidance on how cash transfers should be included, leaving the decision to the country-level actors involved in preparing response plans. The question of whether to include a separate line for cash generated some discussion and debate in DRC, but little controversy among aid agencies. This is in stark contrast to Ukraine and Iraq, where several major operational UN agencies formally expressed their opposition to the inclusion of cash as a separate budget line to the HCTs and Humanitarian Coordinators in each country (Bailey and Aggiss, 2016).<sup>5</sup>

Projects using cash transfers can be financed through the two pooled funds used in DRC – the Common Humanitarian Fund (CHF) and the Central Emergency Response Fund (CERF). Although both have financed voucher projects, few allocations have been made to projects using cash transfers. The CHF funded its first multipurpose cash transfer project in late 2016,

4 In contrast, many aid recipients find cash to be much more discreet and less risky than carrying items purchased with vouchers (Aker, 2012);

5 In December 2015, WFP, UNHCR, UNICEF and WHO also wrote to the IASC Principals and its Chair, the Emergency Relief Coordinator, expressing reservations about ad hoc cash coordination and the inclusion of multipurpose cash in response plans, citing concerns that separate multipurpose cash sections presupposed that cash would be used and undermined sector-based planning by clusters.

in consultation with Cash Working Group members. CERF funding was also used in 2016 to support cash programming through UNICEF. Because CERF allocations are sector-based, UNICEF submitted projects (which included the option to use cash transfers) to the NFI/shelter ‘envelope’; CERF funding was then used to cover the NFI/shelter component of the multipurpose cash transfer. While this flexibility is a plus, funding projects using cash transfers across sectors should be a standard option rather than a feat of funding gymnastics.

While the reasons for the limited funding of cash transfer projects through the CHF and CERF are not entirely clear, it appears to be linked to the fact that analysis on funding needs and project submission processes are sector-based. Clusters play a key role in analysing gaps in their sectors, which the Humanitarian Financing Unit (HFU) then uses in determining funding allocations. CHF guidance notes on funding also have not consistently stated that projects using cash transfers can be submitted. Both of these factors could discourage the submission of cash transfer projects, particularly multipurpose cash projects.

Cash and vouchers are clearly being considered within key international humanitarian strategies and planning processes in DRC. However, progress on cash transfers has been bottom up, pushed by advocates within aid agencies and key donors. The DRC HRP was one of the first international humanitarian strategies to include multipurpose cash grants, but a main reason this was done was to reflect the reality that cash transfers were already part of the humanitarian response, as opposed to a strategic decision to support cash transfers. Overall, strategy has been playing catch-up with the evolving use of cash transfers.

### 2.3.2. Coordination

The coordination of cash transfers in DRC has evolved organically out of the pragmatic need for exchanges on interventions and lessons amongst agencies using cash and vouchers, particularly in eastern DRC. Within sectors, the NFI/Shelter Cluster and Food Security Clusters have coordinated cash-based responses and organised training and learning events. CARE created the first dedicated CWG in 2011 in Goma, with funding from ECHO and in collaboration with ACF, Concern Worldwide, Oxfam, Save the Children and WFP. Although meetings were held and there was a dedicated coordinator, the group served primarily as a community of practice. After funding ended in late 2012, UNICEF took the lead, with WFP and various NGOs.

The Goma CWG has since provided an important forum for operational coordination (e.g. liaising on intervention areas, sharing lessons, identifying gaps, harmonising approaches). However, it has lacked predictable resources to ensure sustained leadership and functioning, and there is no comprehensive, national

overview of programmes using cash and vouchers. A national CWG, currently chaired by OCHA, was created in 2016 following an HCT decision. This is an opportunity to make progress on some of these essential issues, but it will require dedicated information management support at a time when OCHA’s global budget is being cut and offices have reduced resources at their disposal.

Even with these challenges, operational coordination has far outpaced strategic coordination. International humanitarian officials and the HCT are familiar with cash-based responses, but they are not a high priority given the long list of pressing humanitarian and development issues in DRC. Most discussion on cash is at the level of project managers and emergency response coordinators, though the HCT has been generally supportive. The HCT reviewed the recommendations of the High Level Panel on Humanitarian Cash Transfers, and called for analysis of the implications for humanitarian assistance in DRC.

One favourable aspect of both operational and strategic cash coordination in DRC is that neither has become embroiled in inter-agency power struggles. Aid agencies, donors and clusters generally accept the roles UNICEF, OCHA and others play in coordination. Major operational UN agencies such as UNICEF, WFP and UNHCR are working well together, and while they favour their individual systems and approaches, they also collaborate on technical issues. Cash and vouchers have not become a battle ground for the interests of different aid agencies, perhaps because they are not a high-profile issue.

## 2.4. Operational landscape: capacity and infrastructure

Vouchers have become an integral part of humanitarian assistance in DRC and major donors have encouraged progress on cash-based responses. However, there are several factors holding back cash transfers from realising their fuller potential, including organisational capacity and culture and infrastructure.

### 2.4.1. Organisational capacity and culture

Because of their growing experience with both cash and vouchers, NGOs are getting better at choosing assistance modalities based on context-specific analysis of delivery mechanisms, markets and risk. Programmes that use different transfer modalities encourage such analysis. UNICEF’s RRMP – the single largest multi-sector emergency response programme in DRC – has a large NFI component that, since 2009, has enabled implementing partners to provide access to NFIs via vouchers or in-kind distributions based on market assessments. It is anticipated that the programme will include an option for multipurpose cash transfers beginning in late 2017, when UNICEF combines ARCC and RRMP.

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The provision of unconditional cash transfers via WFP, UNICEF, UNHCR and their NGO partners shows that capacity to provide cash exists and is expanding. However, some agencies are still lagging behind – conceptually and operationally. One UN agency key informant described how, despite the agency’s global shift towards cash transfer programming, the capacity of the DRC office to design and implement cash responses was limited. Cash and vouchers tend to be under the purview of a dedicated manager or technical advisor, rather than embedded within agencies and their sub-offices throughout DRC.

Similarly, the global policies of NGOs and UN agencies tend to recognise the potential of cash transfers to offer more choice, flexibility and dignity compared to other forms of aid. While this attitude has been embraced by some humanitarian actors, including important donors such as DFID and ECHO, it is hardly universal even within organisations implementing cash programmes. The view that aid agencies know best what people need is still much in evidence, meaning that advocates for cash transfers sometimes have to work hard to convince colleagues.

Some aid agencies and donors prefer vouchers to cash because they afford more control over goods and services than cash allows. Vouchers also make it easier for UN agencies with mandates in specific sectors to use cash-based assistance for goods in line with these mandates (e.g. vouchers for seeds, animals, NFI, food, school supplies). In-kind assistance, too, continues to be used in times and places that it should not because aid agencies have well-established systems for fundraising for and implementing these interventions. It is difficult to say how much of this is due to a ‘humanitarians know best’ attitude, and how

much to inertia and the tendency to programme assistance along sector, cluster and mandate lines.

#### **2.4.2. Infrastructure**

In DRC, humanitarian assistance is concentrated in eastern provinces, which have limited physical and financial infrastructure. Even if every aid agency fully embraced the use of cash transfers where they are appropriate, and had relevant internal systems and skills, there are places where moving money is too impractical and where the amount and diversity of goods in local markets is not sufficient to meet priority needs. However, both financial services and market capacity can be influenced to a degree. For markets, aid agencies have been encouraging traders to provide assistance in fairs in areas where they normally do not operate, and could take a similar approach in areas receiving cash transfers.

A greater constraint is the Congolese financial system, which is shallow and under-developed (IMF, 2014). While aid agencies have worked with MNOs, banks, local savings and loan cooperatives and money transfer companies to deliver money in areas where they normally do not have a presence, there are areas where they will not go for logistical and security reasons. These businesses and institutions have their own capacity constraints, though as financial services expand the ceiling for cash transfer programming in DRC should increase, particularly if mobile money can gain a decent foothold, network coverage expands and MNOs develop more NGO-friendly products. These developments would revolutionise cash-based assistance in DRC by greatly expanding where organisations can deliver money.

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# 3. Using cash more strategically in DRC

DRC has the necessary ingredients to expand cash transfers where they are appropriate – including support from some major donors, increasing capacity and large programmes already using cash and vouchers. However, ingredients on their own do not bake themselves into a cake. Below is what needs to change for donors and aid agencies to promote more effective, efficient and strategic cash transfer programming.

## 3.1. More cash-based responses – especially cash

Aid agencies need to commit to provide cash in all circumstances where it is the most appropriate assistance, and donors need to support and push for this. Vouchers should be used where the delivery of cash is too risky or logistically difficult, or because vouchers are more appropriate to meet identified needs. In-kind assistance should be used only where a market-based response is not possible or advisable. This is not revolutionary – choosing the most appropriate form of assistance is basic good programming.

The use of cash and vouchers should increase in DRC because both offer advantages over in-kind assistance. In circumstances where both cash and vouchers are equally feasible, agencies should choose cash because there is evidence that it is more cost-effective (Aker, 2012). Agencies can work around mandate constraints by focusing on the outcomes of cash transfers (e.g. changes in household wellbeing, access to services and consumption) rather than outputs (e.g. number of in-kind kits distributed, value of vouchers distributed). Cash transfers may also be administratively simpler and more efficient compared to vouchers, once contracts are in place with service providers.

One way to increase both cash transfers and vouchers is to embed them more firmly within preparedness and contingency planning. All too often, aid agencies and clusters undertaking contingency planning fall into the trap of simply tallying their stock of in-kind commodities without planning how cash and vouchers might be used. Options for including cash and vouchers in contingency planning include mapping financial service providers working with NGOs in different areas, maintaining a list of organisations implementing cash and voucher responses

in different areas and setting up a system for quickly sharing lists of participating vendors. A comprehensive map of past cash and voucher interventions (indicating the implementing organisation, date and delivery mechanism/company) would also be useful as a quick reference point for where cash-based responses have been used.

## 3.2. Use cash-based responses in flexible ways that cut across sectors

One of the biggest opportunities afforded by cash is that people can use it for the goods and services that they need most. Evidence from DRC speaks to this advantage. People have purchased very diverse goods and services, and cash transfers have resulted in positive outcomes that span humanitarian sectors, including improved food consumption, possession of household goods and savings (Aker, 2012; AIR, 2017). The flexibility of cash transfers to span sectors, however, is at odds with a humanitarian system largely organised along sector lines.

In DRC, aid agencies have used cash transfers and vouchers both within individual sectors and across them, and the latter approach should be encouraged because it maximises flexibility for recipients and can increase efficiency for aid agencies. The most efficient and straightforward way to achieve this is for donors to fund multipurpose cash transfers which cover basic needs, rather than funding separate organisations to meet food and non-food needs. A similar approach could be implemented through vouchers by programming vouchers that can be redeemed for items that cross sectors.

The reality is that some donors and aid agencies have mandates in specific sectors, and in the short term they may need to work around these obstacles. This can be done in different ways. In the case of earmarked funding, donors could fund individual partners for food and non-food cash transfers and require (or strongly encourage) that they coordinate on registration, targeting and payments. A second and more efficient option is for separate donors to concentrate their funding with the same organisation(s), which would then deliver a cash transfer to meet basic needs (in 2016, DFID and ECHO jointly issued a call for proposals for a multipurpose cash transfer programme in Lebanon). The organisation(s) would monitor indicators that cross sectors – for example food consumption

indicators (relevant to donors, such as USAID Food for Peace, that have specific goals to support food assistance), non-food indicators (e.g. assets, income, expenditure on basic services) and a coping strategies or resilience index that combines different household variables.

### 3.3. More proactive support for cash transfers in funding and strategy

Increasing cash transfers requires that funding instruments and strategy encourage the provision of cash where it is the most appropriate form of aid. Strategy is currently behind practice when it should be driving it by creating an enabling environment for cash-based responses. This can be achieved in several ways.

First, the budget amount associated with multipurpose cash grants in the HRP should be increased. The HCT has committed to strengthening the multisector nature of coordination and response in the 2017–19 planning cycle. The HRP will aim to support access to basic goods and services and support livelihoods. Multipurpose cash grants clearly have a role to play, as one of the few modalities that enables beneficiaries to do all three at once. Monitoring of spending by beneficiaries confirms that they purchase household goods, food, basic services and assets linked to livelihoods (AIR, 2016). In the 2016 HRP, multipurpose cash grants were only 2% of the requested total budget.

Second, both the CERF and CHF should be more proactive in funding cash transfers, to encourage agencies to submit projects using cash transfers when cash is a relevant response. CHF guidance should confirm in the funding orientation notes (or other accompanying guidance) that the CHF will support multipurpose cash transfers where they are appropriate, clarifying the circumstances under which cash transfers will be funded and establishing a technical review committee knowledgeable in cash and vouchers. A more active and directive approach would be to make a CHF funding allocation specifically for cash transfers. The sector-based submission process of the CERF should be revised to better enable funding for multipurpose cash transfers.

Third, donors need to ask ‘why not cash?’ and incentivise aid agencies to use cash transfers or vouchers when they are more appropriate than in-kind assistance. There are clearly situations in DRC where in-kind assistance will be best, such as urgent responses to new displacement in market-deficient areas that lack financial infrastructure. However, it is also apparent that in-kind assistance is still often a default response, particularly for food security. Donors should ask partners to justify their choice of transfer modality and verify that partners are actively considering cash and vouchers (partners that they fund directly and, in the case of UN agencies that draw on global resources, indirectly). Again, donors should fund cash transfers in ways that cut across sectors

by coordinating their resources and efforts to ensure coherence from the beginning.

Fourth, large humanitarian programmes such as the RRMP should include unconditional cash transfers as one of their options. The appropriateness of cash transfers, vouchers and in-kind assistance can vary substantially from place to place in DRC. It is therefore critical that larger assistance programmes have the option to deliver cash transfers as one of their modalities where cash is the best response. A positive sign is that UNICEF is planning to add cash as a modality to the RRMP in 2017.

Finally, donors and aid agencies need to prepare for setbacks, such as a security incident. While there is no evidence that cash transfers are riskier than other forms of assistance, stepping up cash transfers in DRC will mean that there are more chances for risks, such as corruption or a security incident, to be realised. There are significant security concerns in DRC, and NGOs and money transfer agents carrying money have been targeted in the past when paying salaries. Aid agencies and senior leaders need to be ready to defend decisions to provide people with cash and vouchers and show how they have analysed and mitigated risks.

### 3.4. Ensure predictable and adequately resourced coordination

The organic evolution of cash coordination in DRC has been important for sharing data and lessons, but can only go so far in fulfilling essential coordination tasks over time. CWGs need predictable resources, dedicated coordinators and information management support. There needs to be comprehensive 3W lists of responses providing cash transfers. These lists could be elaborated through the CWGs, National Intercluster, the relevant clusters or a combination of these groups, and consolidated by the national CWG. The NFI/Shelter Cluster already tracks distributions and cash-based interventions separately, and so is able to immediately provide data and analysis for in-kind versus cash-based interventions. OCHA and the CWG could work with all the clusters to ensure that their 3Ws or other tracking tools make a similar differentiation.

Ideally, the national CWG would go further by having its members elaborate monitoring questions that organisations would agree to include in the monitoring of responses using cash and vouchers. The CWG plans to harmonise a question on purchasing patterns (i.e. standard categories and items). However, the CWG could go further, and have members add a standard question on the most significant change a household experienced, and whether assistance caused any problems within the household or wider community. Such analysis would promote accountability and learning across programmes.

Information management support logically could come from OCHA, which currently chairs the national CWG.

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However, as mentioned above OCHA's budget globally and in DRC is being reduced. This contraction poses a challenge to OCHA playing an increased role on cash transfers and ensuring predictable coordination. Globally, OCHA needs to match its increased attention to cash transfers with support to country offices involved in cash coordination by providing adequate resources to perform basic tasks such as elaborating 3W lists and liaising with individual clusters and the inter-cluster network on cash-based responses.

### **3.5. Continue to push the boundaries on where and how cash transfers are programmed**

This report does not underestimate the logistical constraints of implementing humanitarian programmes in DRC, including delivering money within a weak financial infrastructure. The progress that aid agencies have made over the last decade in finding creative solutions and promoting innovation is impressive and needs to continue.

While there are substantial challenges with using mobile money to deliver humanitarian aid, the relatively small cost of putting more effort into improving the relationship between NGOs and MNOs could be hugely advantageous. The most obvious benefit is that mobile money opens up another avenue to reach people with cash transfers, in a country where limited financial infrastructure is the greatest obstacle to increasing their use.

Realising the potential benefits of mobile money will require more tactical engagement between aid agencies and MNOs. ELAN, a DFID-funded private sector development programme in DRC, provides one possible entry-point for this.<sup>6</sup> ELAN is working to increase access to financial

services through new products and by promoting mobile money, including potentially developing a payment product specifically for NGOs. ELAN is already engaged in the CWGs in DRC and could provide the (often elusive) bridge between NGOs and the financial and technology sectors.

Because of the amount of training and sensitisation involved, efforts to more effectively use mobile money should be piloted in a predictable setting and not one requiring urgent assistance. The experiences of Mercy Corps with sQuid cards and CRS with RedRose show that vendors, beneficiaries and aid agency staff can learn to use new systems. However, evidence strongly suggests that short training and limited exposure to mobile money through humanitarian assistance are not sufficient to enable recipients to perform mobile money transactions independently, meaning that aid agencies and MNOs would need to provide adequate support to ensure that people can access their transfers (Bailey, 2017). They may also need to facilitate identity documents for people who lack them.

Finally, more focused attention should be given to how unconditional cash transfers could be used more widely in development assistance. Any programmes designed to increase income, build assets and promote access to services need to seriously consider cash transfers. Given the challenges of doing development work in DRC that results in sustainable gains for its citizens, it is arguable that some of that money should simply be handed to people rather than invested in projects. Often, potential links between humanitarian cash transfers and development assistance are viewed in terms of links between humanitarian assistance and social protection systems, but in DRC these systems are far too limited and weak to consider piggy-backing on them.

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<sup>6</sup> Not to be confused with the Electronic Cash Transfer Learning Action Network (ELAN), a network intended to improve the impact of humanitarian cash transfers through the appropriate use of payments technology.



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# 4. Conclusions

DRC is at a crossroads with regard to cash transfers. On the one hand, cash has been accepted by most donors and aid agencies as an appropriate response, with solid evidence underpinning its use. Aid agencies have driven important innovations in an environment where moving money around is extremely challenging, and in doing so they have significantly increased the flexibility of humanitarian assistance for a large number of people. Agencies work collaboratively and have not become embroiled in inter-agency politics on where cash fits and who coordinates it. They are responsible for traders, money transfer agents and mobile network operators going to areas where they had never previously been.

On the other hand, humanitarian strategy and leadership have largely been catching up to these developments more than encouraging them. In-kind assistance continues to be used where it should not be. While vouchers are increasingly common, cash transfers still account for only a very small portion of humanitarian aid. Cash transfers are largely driven by champions, rather than being a standard response in DRC, and aid agencies still have work to do to embed cash transfers within their systems and cultures. There is clearly a tendency for many aid agencies to propose interventions that they are used to doing, and not necessarily to ask whether cash would be better.

Donors have been instrumental in the increased use of cash-based responses, and in encouraging the development of the evidence base underpinning cash and vouchers. ECHO's decision to fund NGOs for cash-based food responses, and DFID's decision to support multipurpose cash transfers through ARCC, have shifted cash from individual sectors to multisector responses. USAID has supported cash-based responses in food and non-food sectors. Donors need to harness their influence

by funding more cash-based responses where appropriate, and encouraging multipurpose transfers to maximise efficiency for donors and flexibility for beneficiaries. For these same reasons, support to cash transfers through the HRP should increase.

Important steps need to be taken to encourage and incentivise cash-based responses. This does not require a radical shift in the way humanitarian assistance is conceived and funded in DRC, because many of the ingredients are already in place, including evidence, experience and donor acceptance. The biggest danger is missing out on opportunities to use cash transfers more and in better ways. It would be all too easy for inertia to lead donors and aid agencies to continue with familiar approaches even when cash would be better. Mobile money remains a potential entry-point for expanding cash transfers, but this will only be realised if aid agencies work with stakeholders more familiar with mobile network operators in DRC to identify concrete and realistic opportunities. Aid agency headquarters need to make sure that their staff in DRC have the capacity and open-mindedness to fulfil their agencies' global commitments and strategies on cash – and donors need to support such capacity-building.

Above all, donors and aid agencies need to commit to using cash in the times and places where it is the best option for people affected by crisis, and to take advantage of the flexibility cash and vouchers afford by programming in ways that cross sectors and silos. Because of the limitations of the country's financial infrastructure, cash assistance in DRC will be more of an evolution than a revolution, but the time has come to move from an approach driven by champions to one embraced as a routine response option.

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**Overseas Development Institute**  
203 Blackfriars Road  
London SE1 8NJ  
Tel +44 (0) 20 7922 0300  
Fax +44 (0) 20 7922 0399

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