

Fact sheet 1 - Cash and Voucher Transfers

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An increasing number of humanitarian projects funded by DG ECHO include the distribution of cash and vouchers to beneficiaries. This trend is based on increased acknowledgement of the efficiency and effectiveness of this modality when used in the right context, and an increased evidence base on when and how cash and vouchers can be used. Cash and vouchers offer greater choice to beneficiaries and help to foster dignity in the receipt of assistance.

Cash and voucher transfers should be considered as another tool in the humanitarian tool box and not as a replacement of in-kind aid: they are an additional and complementary instrument that can be used in a variety of ways depending on the context. Both the European Commission Humanitarian Food Assistance Policy (2010) and EC Humanitarian Wash Policy (2012) support consideration of all transfer modalities.

The key issues that need to be considered during response analysis to identify the appropriate modality include:

a) *Cost-effectiveness*: The cost effectiveness of a cash transfer or in-kind distribution depends on a variety of factors including: the cost of goods or services in local markets compared to regional or global markets; the cost of different delivery systems (in-kind distribution, bank accounts, fairs, phone transfers etc); risk of monetization of in-kind assistance; potential positive or negative secondary effects on local markets and beneficiaries etc. Cash-based programmes are likely to have lower transport and logistics costs, but there may be higher administrative costs.

b) *Market assessment and impacts*: Any kind of resource transfer may impact on markets and local economies, and in deciding whether to provide cash or in-kind assistance these impacts need to be assessed. For cash-based transfers the market assessment must demonstrate that there is sufficient supply of the necessary commodities- or that traders are able to increase supply and that traders are willing to participate in the scheme. The risk of causing, or contributing to, an inflation in the prices of key goods must also be evaluated. For in-kind transfers a risk is causing deflation in the prices of key goods, which can disrupt local food production cycles for example. Where these risks are identified indirect market support may attenuate their impacts.

c) *Flexibility*: The degree of flexibility aimed for in humanitarian project is linked to the objective of the project. While the greater choice offered by an unconditional cash transfer allows beneficiaries to meet a variety of their priority needs, vouchers or in-kind assistance are more likely to support a specific result, such as providing food of a specific nutritional composition.

d) *Cross cutting issues*: Selecting a modality for assistance must take into account beneficiary preference, needs and risks of specific vulnerable groups (such as Pregnant and Lactating Women, the elderly, child headed households etc), mainstreaming of protection (safety and equality in access) and gender (different needs and vulnerabilities of women, men, boys and girls) concerns.

e) *Targeting*: Targeting remains a problematic issue for all transfers. A balance must be struck between urgency of needs, risks of inclusion and exclusion errors, and the costs of the targeting

exercise compared to losses incurred through poorly targeted resources. Targeting is particularly important for cash transfers, not only because of the attractiveness of the resource but also because how the cash will be used depends on the priorities of those who receive it; for example a beneficiary of a cash-for-shelter programme who does not need shelter will spend the money otherwise.

f) *Corruption and security risks*: All resource transfers have associated corruption and security risks that differ in each context. Cash may be more attractive than in-kind assistance as it is fungible, thus creating risks around distribution for agency staff and for beneficiaries. Cash can be more discrete to distribute (e.g. through mobile banking) and therefore in some contexts can be safer.

g) *Skills and capacity*: Implementing cash and voucher projects requires different skills to managing in-kind transfers. Logistics may be simpler, but there is often a need for additional administrative and finance capacity. Assessments and monitoring need to include analysis of markets and distribution networks.

In order for DG ECHO to make an informed choice on the best modality of resource transfer (cash, voucher or in-kind) to be funded, it is necessary that proposals include a comparative analysis of transfer options, one which supports the proposed modality to be the most appropriate and feasible to meet the identified needs. Please refer to [DG ECHO Decision Tree](#) for guidance.

References and useful links:

DG ECHO's funding guidelines on cash and vouchers

Fact Sheet D.3

DG ECHO decision tree