

Technical Brief 2 - Cash Transfers

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Traditionally in-kind assistance, through the provision of commodities and services, has dominated humanitarian aid. Recently there has been an acknowledgement that cash transfers on their own or in complement to in-kind distributions can be effective in humanitarian assistance by supporting beneficiary access to commodities and services. Cash transfers offer greater choice to beneficiaries and foster dignity in the receipt of assistance. The current Financial Regulation¹ offers a larger scope for using cash transfers, in particular by removing the EUR 100 000 limit on cash transfers (effective January 1st, 2013).

Cash transfers are defined as “the provision of money to individuals or households, either as emergency relief intended to meet their basic needs for food and non-food items, or services, or to buy assets essential for the recovery of their livelihoods”. The cash modality can be effective in environments where markets can respond to an increase in demand in the commodity targeted by the partner’s action (for e.g. food or shelter materials), and thus the risk of inflation is low.

If beneficiaries are required to fulfil a specific obligation or activity (such as attending school, planting seed, constructing a provisional shelter, demobilization, etc.) to receive the transfer, then this is described as a **conditional cash transfer**. In contrast, grants paid to beneficiaries without the beneficiary having to do anything specific to receive the benefit are referred to as **unconditional cash transfers** (or “cash payment without associated activities”) in DG ECHO’s funding guidelines on cash and vouchers.²

Applications from all DG ECHO partners for projects that provide cash transfers are eligible in accordance with the General Conditions. As indicated in the Article 210- Financial support to third parties³- of the Rules of Application (Article 137 of the Financial Regulation) cash transfers are eligible only when the following conditions are respected and described in the grant agreement:

- (a) the maximum amount of cash transfer that can be paid to a beneficiary which shall not exceed EUR 60 000⁴ and the criteria for determining the exact amount;
- (b) the different types of the partner's activity⁵ that may receive such financial support, on the basis of a fixed list;
- (c) the definition of the persons or categories of persons which may receive such financial support and the criteria to give it. For example categorical targeting of Pregnant and

¹ [Regulation No 966/2012 of 25 October 2012](#) of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (referred to as « Financial Regulation 2013» or «FR») and Commission Delegated Regulation on the rules of application of Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union , (referred to as «the Rules of Applications» or «RAP»).

² [Thematic Policy Document n° 3 - Cash and Vouchers](#): Increasing efficiency and effectiveness across all sectors

³ “Financial support to third parties” is the legal terminology for cash and vouchers to beneficiaries.

⁴ Except where the financial support is the primary aim/modality of the action, in which case, the amount paid to each beneficiary could exceed EUR 60.000

⁵ The term “activity” refers to activities carried out by partners as described in the single form in the framework of a project. It does not refer to activities carried out by beneficiaries, as for conditional cash transfers.

Lactating Women or returnees, or use of criteria such as Food Consumption Score or lack of access to water etc.

The conditions for implementing cash transfers listed above must be defined in the agreement and in the relevant section of the Single Form, and include the specific control, monitoring and reporting procedures.

Furthermore, for all proposals submitted to DG ECHO including either conditional and / or unconditional cash transfers, the partner should also specify

1. the amounts of cash transfer that can be paid to a beneficiary
2. the criteria for determining the exact amount

Unconditional cash transfers

Unconditional cash transfers (or “cash without associated activities”) are cash transfers given directly to the beneficiaries without them having to do anything specific to receive the transfer, and no restriction is placed on how they choose to spend the money. This modality is appropriate where choice is particularly important, such as when households have heterogeneous needs, and where the market can respond to an increase in demand in commodities identified as a priority, for example shelter materials or food. The transfer amount must be linked to project objectives and take into account competing priority needs to ensure that project objectives can be met. For example, unconditional cash transfers with the objective of providing access to emergency shelter may need to increase the transfer amount to address needs for food, as if beneficiaries face difficulty accessing other priority needs they may not spend the full amount of the transfer on the objective that the project is targeting. Unconditional transfers are relevant when the beneficiaries are not able to participate in a labour-based project, either due to their socio-economic or physical characteristics (eg. elderly, ill people) or they are fully employed in their usual livelihood activities.

Conditional cash transfers

A conditional cash transfer is when beneficiaries are required to fulfil a specific obligation or activity (such as attending school, planting seed, demobilizing, etc.) to receive the cash. For DG ECHO conditionality refers to what beneficiaries are required to do to receive the transfer and not to conditions on how they subsequently use the resources.

The most common conditional cash transfer is Cash for Work. There are two types:

- 1) Cash for Work when the response analysis has concluded that beneficiaries targeted for cash assistance have available time and are physically and socially able to work on an activity that is of public or community interest *as a complement to the assistance* given to them (e.g. small-scale water dams, rehabilitation of an agricultural or evacuation road, cleaning damaged agricultural fields, etc) and
- 2) Cash for Work where the work is the primary objective. In both cases the partner must ensure that participation in the work programme will not interfere with household tasks (such as planting) and ensure that vulnerable beneficiaries who cannot work receive unconditioned assistance. Cash for Work programmes must provide technical support to ensure quality of the works done, including sufficient tools, technical guidance (such as civil engineers in road construction) and a safe work environment.

Other conditional cash transfers include cash for training, cash for shelter (the cash transfer is conditioned on the beneficiary accomplishing pre-determined construction tasks i.e. foundation or

supporting walls, before a tranche of cash transfer is provided). Cash in nutrition programmes may be appropriate where limited access to nutritious food is a contributing factor to acute malnutrition, and is most often provided in complement to distribution of nutritional products.

Cash Transfer Mechanisms

A variety of options exist for cash transfers, the appropriateness and effectiveness of each depends on opportunities and constraints in each context. Cash transfer mechanisms include:

- Direct cash-in-hand, or “cash in envelopes”
- Cash transferred through traders or money transfer agents (such as *hawallah* in Somalia)
- Bank or Microfinance Institute accounts: beneficiaries are supported to establish accounts in local institutions and money is transferred directly into the account.
- Mobile banking systems
- Smart cards, which vary from cards that are pre-loaded with cash or commodity equivalents to be exchanged in specific shops (often through Point of Sale machines) to debit cards to be used in Automatic Teller Machines (ATMs). They may have a chip or magnetic stripe system.
- Cheques: bank cheques may be a secure means to provide beneficiaries access to cash.
- Fairs: fairs may be used where traders exist in the area but markets are not accessible by beneficiaries i.e. the market is brought to the beneficiary, or where the objective of the project requires restrictions on how the beneficiary uses the cash transfer, for example a food fair, NFI fair or seed fair.
- Mobile money transfers: cash transferred through SMS codes to a beneficiary’s mobile phone. This modality is increasingly used as network coverage spreads into remote areas and mobile companies introduce money transfers into their services.

The delivery mechanism chosen depends on beneficiary preference, risks of exclusion (for example of child-headed households), existing financial infrastructure, beneficiary access to financial infrastructure, security, connectivity, financial literacy of beneficiaries (noting that this can be developed through training), national regulation (a requirement of ID to open a bank account for example), time and resources necessary to establish the system, market dynamics (in the case of fairs), frequency of transfers (depositing cash in an account or to a mobile phone may be preferable where multiple transfers are foreseen for example).

DG ECHO does not support micro-credit schemes.

References and useful links:

- [Delivering Money. Cash transfer mechanisms in emergency" June 2010 – CaLP](#)
- [Regulation No 966/2012 of 25 October 2012](#) of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (referred to « Financial Regulation 2013» or «FR») and Commission Delegated Regulation on the rules of application of Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union , (referred to as «the Rules of Applications» or «RAP»).
- Rules of Application of the Financial Regulation
- [Thematic Policy Document n° 3 - Cash and Vouchers](#): Increasing efficiency and effectiveness across all sectors